OTP Bank Plc.

Proposals for the Company's Annual General Meeting

(English translation)

27 April 2012

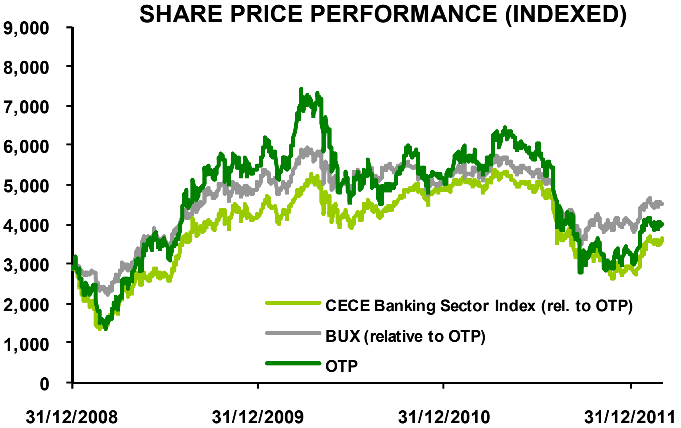
THE AGENDA OF THE GENERAL MEETING

THE 2011 BUSINESS REPORT OF THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA[1]

Main components of the Statement of recognised income in HUF million	2010	2011	Change %
Consolidated net profit	**118,126**	**83,800**	**(29)**
Adjustments (total)	**(43,984)**	**(77,605)**	**76**
Consolidated adjusted net profit without the effect of adjustments	**162,110**	**161,405**	**0**
Profit before income tax	194,313	221,086	14
Operating profit without one-offs	429,831	435,579	1
Total income without one-offs	783,895	811,592	4
Net interest income without one-offs	601,622	630,892	5
Net profit from fees and commissions	136,702	143,280	5
Other net non-interest income (adj.) without one-offs	45,571	37,419	(18)
Operating expenses (adj.)	(354,065)	(376,013)	6
Total risk costs	(263,138)	(234,039)	(11)
One off items	27,621	19,546	(29)
Income tax	(32,203)	(59,682)	85
Main components of balance sheet closing balances in HUF million	2010	2011	%
Total assets	9,780,946	10,200,527	4
Total customer loans (net, FX adjusted)	**7,409,710**	**7,047,178**	**(5)**
Total customer loans (gross, FX adjusted)	**8,251,623**	**8,108,631**	**(2)**
Allowances for loan losses (FX adjusted)	-841,913	(1,061,452)	26
Total customer deposits (FX adjusted)	**6,310,310**	**6,398,852**	**1**
Liabilities from issued securities	1,035,153	812,863	(21)
Subordinated loans	290,630	316,447	9
Total shareholders' equity	1,308,929	1,418,310	8
Indicators based on one-off adjusted earnings %	2010	2011	ppts
ROE	13.0%	11.8%	(1.2)
ROA	1.7%	1.6%	(0.1)
Operating profit margin without one-offs	4.40%	4.36%	(0.04)
Total income margin without one-offs	8.03%	8.12%	0.09
Net interest margin without one-offs	6.16%	6.31%	0.15
Cost-to-asset ratio	3.62%	3.76%	0.14
Cost/income ratio (adj.) without one-offs	45.2%	46.3%	1.1
Provision for impairment on loan losses to average gross loans (adj.)	3.69%	2.95%	(0.74)
Total risk cost-to-asset ratio	2.69%	2.34%	(0.35)
Effective tax rate	16.6%	27.0%	10.4
Net loan/(deposit+retail bond) ratio (FX adjusted)	112%	104%	(8)
Capital adequacy ratio (consolidated, IFRS) - Basel2	17.5%	17.2%	(0.3)
Core Tier1 ratio - Basel2	12.5%	12.0%	(0.5)
Common Equity Tier1 ('CET1') ratio - Basel3	12.1%	12.3%	0.2
Share Data	2010	2011	%
EPS diluted (HUF) (from unadjusted net earnings)	437	312	(29)
EPS diluted (HUF) (from adjusted net earnings)	601	606	1
Closing price (HUF)	5,020	3,218	(36)
Highest closing price (HUF)	7,400	6,450	(13)
Lowest closing price (HUF)	4,500	2,798	(38)
Market Capitalization (EUR billion)	5.0	2.9	(42)
Book Value Per Share (HUF)	4,675	5,065	8
Tangible Book Value Per Share (HUF)	3,735	4,173	12
Price/Book Value	1.1	0.6	(45)
Price/Tangible Book Value	1.3	0.8	(38)
P/E (trailing, from accounting net earnings)	11.9	10.8	(9)
P/E (trailing, from adjusted net earnings)	8.7	5.6	(36)
Average daily turnover (EUR million)	53	34	(36)
Average daily turnover (million share)	2.6	2.1	(19)

SHARE PRICE PERFORMANCE (INDEXED)



MOODY'S RATINGS

OTP Bank	
Foreign currency long term deposits	Ba2
Financial strength	D+
OTP Mortgage Bank	
Covered mortgage bond	Baa3
DSK Bank	
Foreign currency long term deposits	Baa3
Financial strength	D+
OTP Bank Russia	
Foreign currency long term deposits	Ba2
Financial strength	D-
Long term national rating	Aa2.ru
STANDARD & POOR'S RATING	
OTP Bank and OTP Mortgage Bank	
Long term credit rating	BB+

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

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2011 RESULTS OF OTP GROUP

Significantly deteriorating global investor sentiment, growing uncertainties within the European Union

Capital markets development in 2011 as a whole shaped worse than expected. As a strong contrast to improving risk appetite in 1Q, the rest of the year was dominated again by mounting concerns about Eurozone indebtedness, long-lasting structural issues within the European Union. Credit downgrades across the developed world became fairly common. In case of Hungary the overall risk aversion of markets coupled with reservations about the measures implemented by the government. As a result, the forint weakened significantly in 2H, government yields and the Hungarian CDS-levels reached new heights and after 15 years the sovereign rating was cut back to non-investment grade level again ('Ba1'/'BB+' with negative outlook).

Consolidated results: despite growing effective tax burden the adjusted net results were flat to 2010 with declining risk costs amid improving non-performing loan coverage levels, stable margins, outstanding capital strength and strong liquidity

In 2011 OTP Group posted HUF 161.4 billion adjusted net earnings (without the impact of the bank levy, early FX mortgage repayment and goodwill write-off). The profit somewhat fell short of 2010 adjusted earnings. The Group managed to preserve its stable operating earning capability during the crisis, its capital and liquidity positions remained outstanding in international comparison. Furthermore, foreign operations – partly as a result of the steadily growing Russian profit contribution – could offset the decline in Hungarian profitability.

The annual accounting profit was HUF 83.8 billion showing a 29% y-o-y decline. The key items making the HUF 77.6 billion difference between accounting and adjusted profits were as follows: goodwill write offs related to the Croatian, Montenegrin and Serbian operations (after tax HUF 17.1 billion), the banking levy (after tax HUF 29 billion) and the loss from early repayment of FX mortgage loans in Hungary booked for 2011 (after tax HUF 31.6).

According to preliminary fact figures the early repayment of FX mortgage loans in Hungary resulted in a total loss of HUF 33.6 billion, of which 31.6 billion has been booked for 2011 in line with accounting standards. The remaining HUF 2.0 billion difference will be booked within the 1Q 2012 results.

The total prepayment related loss of HUF 33.6 billion consist of four items: on one hand there was a credit loss of HUF 65.4 billion. The corporate tax effect of that loss was HUF 12.4 billion tax savings. Furthermore, there was a revaluation gain on the FX position purchased from the National Bank of Hungary for hedging purposes, amounting to HUF 3.2 billion after tax gain. Finally, the bank realized a prepayment related banking tax refund of HUF 16.1 billion (after tax).

Given the roughly similar impact of goodwill write-offs and banking levy in 2010 and 2011, the significant drop in the annual accounting profit was related to the early repayment.

Under the Country Protection Action Plan 19.7% of OTP Core and OTP Flat Lease clients made use of the early repayment option paying back HUF 217 billion obligation (calculated with FX rates as of 30 September 2011); that represented 19.9% of the outstanding mortgage book. Apart from the HUF 2.0 billion loss to be booked in 1Q 2012, going forward the early repayment will have an impact on net interest income through lower outstanding loan volumes.

While the profit contribution of Hungarian group members dropped from HUF 145 billion in 2010 to HUF 110 billion in 2011 (-24% y-o-y), foreign subsidiaries managed to triple their earnings realizing HUF 51 billion versus HUF 17 billion a year before. Within that OTP Bank Russia posted twice as much as in 2010, while the overall losses from smaller operations dropped a lot. As a result, out of the total adjusted earnings foreign profit contribution represented 32% versus 10% in 2010.

Key elements of adjusted net profit were as follows: total revenues advanced by 4% y-o-y; within that, net interest income and net profit from fees and commissions grew by 5% each. Since operating expenses increased by 6% y-o-y, the annual operating profit without one-off items improved by 1%. Total risk costs dropped by 11% y-o-y. There was a significant increase in the adjusted corporate tax burden: against HUF 32.2 billion in 2010, the Group paid almost HUF 60 billion in 2011. Total operating margin (8.12%) improved by 10 basis points and net interest margin (6.31%) by 16 basis points respectively. High margin levels were mainly supported by booming Russian net interest income.

The FX-adjusted gross loan volumes declined by 2% y-o-y with deposits slightly growing (+1%). The net loan/(deposits + retail bonds) ratio dropped to 104% (8 ppts FX-adjusted y-o-y improvement).

In the past 12 months the fastest portfolio growth was achieved in Russia: the FX-adjusted loan book advanced by 30% y-o-y supported by strong retail consumer lending. The Romanian and Bulgarian loan portfolio also kept growing, though less dynamically (by 6% and 2% respectively). It was also a positive momentum that the Ukrainian loan book stabilized as a result of steadily improving POS- and reviving corporate lending activity. On the negative, volumes dropped significantly at OTP Core (-7%), also in Serbia (-9%) and Montenegro (-6%).

As for the deposits, the fastest y-o-y growth was captured at the Ukrainian (+16%), Russian (+12%) and Bulgarian (+7%) subsidiaries, whereas the biggest drop was realized in Serbia (-12%). At OTP Core deposits with retail bonds remained unchanged y-o-y.

The Group maintains stable liquidity positions. Since the beginning of the crisis the consolidated net loan-to-deposit ratio continuously declined. The Bank used its excess liquidity generated by banking business for redeeming its external obligations. Since May 2008 no major scale capital market transaction was executed. In Hungary OTP Bank launched a household targeted bond issuance programme, outstanding volumes reached HUF 345 billion by the end of 2011.

The loan portfolio deterioration generated HUF 234 billion risk cost in 2011, by 11% falling short of 2010 provisioning. At the same time The DPD90+ coverage level improved by 2.3% y-o-y and reached 76.7% (without risk cost related to FX early repayment). The DPD90+ ratio kept growing throughout 2011 from 13.7% to 16.6%. After a more significant increase in 1Q, for the rest of the year the loan quality worsening was quite even: up by 0.6% in each quarter. The FX-adjusted DPD90+ loan formation showed a declining trend (in HUF billions 1Q: 72, 2Q: 54, 3Q:49, 4Q: 44).

The consolidated IFRS capital adequacy ratio ('CAR') reached 17.2% by December 2011. The Tier1 ratio stood at 13.3% declining by 0.7%-point in the past twelve months. The Common Equity Tier1 ('CET1') of the Group was 12.3%. The stand alone CAR of OTP Bank under the local regulation stood at 17.9% by end-December, down by 0.2%-point y-o-y.

Under the second stress test arranged by EBA in summer 2011, OTP had the third highest Tier1 level amongst the inspected European banks. In December 2011 EBA had another test focusing on the banks securities exposure, the result again was convincing: OTP Group safely meets the 9% Core Tier1 requirement. The Group has no significant exposure to any peripheral Eurozone countries.

OTP Core: higher effective tax burden and melting one-off revenues caused by 22% lower net profit y-o-y, slower portfolio quality deterioration and decreasing risk costs y-o-y, improving DPD90+ coverage, seasonally high operating expenses in 4Q

Within the Group, the adjusted net profit of ***OTP Core*** – excluding the impact of the banking levy, early FX mortgage repayment and goodwill write offs – reached HUF 114 billion in 2011 (-22% y-o-y). The decline was mainly the result of y-o-y weaker one-off revenues and significantly higher effective tax burden (for more detailed explanation please see section OTP Bank's Hungarian Core Business). The annual profit before income tax moderated by 11% y-o-y, adjusted with one-offs the decline was more moderate, around 5%. The operating income adjusted for one-off items showed a smaller decline (-8%), within that total revenues dropped by 3% and operating expenses grew by 3%, too. The net interest income improved by 1%, while net profit from fees and commissions remained flat. Other non interest income was only a third that of the base period as the securities gain on the Hungarian government bond portfolio dropped a lot.

Total risk costs adjusted by the impact of FX mortgage repayment moderated by 11%. FX-adjusted new non-performing loan formation showed a declining trend y-o-y (in HUF billions: 2010: 118, 2011: 82).

The ratio of DPD90+ grew to 13.6%, by 3.0% y-o-y, whereas the coverage improved to 79.1%. The biggest scale deterioration occurred at the mortgage loan portfolio where DPD90+ ratio grew from 8.1% to 12.6% y-o-y. In 4Q 2011 the portfolio deterioration (+1.7 ppts q-o-q) was accelerated by the early repayment, the gross loan volume decreased by HUF 109 billion. Other loan categories deteriorated less so, whereas the municipality portfolio's DPD90+ ratio came close to 0% again by the end of 2011, since some of the exposure related to county level municipalities were assumed by the state.

FX-adjusted loan volumes dropped by 7% y-o-y. The only product segment showing a y-o-y growth was the micro and small enterprise business (partly due to technical reclassification). The mortgage book shrank y-o-y as the early repayment took its toll in 4Q, but new volumes also fell short of 2010 levels (in HUF billions 2010: 103, 2011: 92). While in the cash loan segment OTP managed to maintain its dominant market position as for new production (50%), due to weak loan demand the outstanding consumer loan book declined by 4% y-o-y. The corporate portfolio struggled and declined by 8% y-o-y. The municipality book melted down by 10% y-o-y partly as a result of the state taking over certain exposures from the county level local governments.

FX-adjusted deposit and retail bond volumes remained flat y-o-y. The "net loan to (deposit+retail bond)" ratio stood at 82% (FX-adjusted changes: -9 ppts y-o-y).

Merkantil Group (the Hungarian car financing business) posted a profit of HUF 2.2 billion in 2011, a significant turnaround against a loss of HUF 4.1 billion a year ago. The improvement was mainly due to smaller risk costs (-34% y-o-y). While the FX-adjusted car financing loan book declined by 13% y-o-y, new loan origination, typically denominated in HUF, already showed signs of recovery (+55% y-o-y). The DPD90+ ratio climbed to 19.2% (+1.6 ppts y-o-y), the coverage remained favourably high (93.3%).

OTP Fund Management posted HUF 3.3 billion net profit in 2011 (without the banking tax), less than half of the profit earned a year ago. Fee income dropped by 47% y-o-y as a result of a government decree effective from January 2011 capping funds management fees. Also, the shift of mandatory private pension assets to the State had a negative impact on earnings since the volume of total assets under management dropped significantly to HUF 993 billion (-41% y-o-y). The company's market position weakened, but is still dominant; its estimated share – without duplication – represented 28.4% (-4.3 ppts y-o-y).

Y-o-Y significantly improving foreign profit contribution with doubling Russian, declining Bulgarian, Ukrainian and Croatian earnings; Romania returned to profit making, materially smaller loss in Montenegro, Serbia and Slovakia

Against the net earnings of HUF 17 billion in 2010, foreign subsidiaries posted HUF 51 billion in 2011. The key contributor was Russia with its HUF 41 billion net results, though smaller losses in Montenegro, Serbia, as well as the Romanian operation making profit again had positive impacts, too.

OTP Bank Russia continued its superior performance, the whole year net profit jumped to HUF 41 billion. The excellent result was mainly due to strong underlying core banking performance: net interest income advanced by 39% y-o-y, net profit from fees and commissions grew by a remarkable 83% respectively. Parallel with the increase of risk costs, the non-performing loan coverage (89.6%) also advanced by 2.2 ppts. The net interest margin level exceeded 16% with 4Q 2011 being as high as 18.6%.

The retail consumer lending remained robust, FX-adjusted volumes grew by 61% y-o-y. Such a strong performance easily offset the 43% decline in corporate volumes and an 18% drop of mortgages. The overall loan portfolio grew by 30% y-o-y. While the increase in retail deposits (+13% y-o-y) served as the basic source of funding for such a strong lending activity, in 2011 the bank successfully introduced its name to local bond investors issuing in total RUB 11.5 billion (2.5 billion in March, 5 billion in July and 4 billion in November). The portfolio quality improved, the DPD90+ ratio dropped to 11.1%.

In Bulgaria ***DSK Group*** posted an annual net result of HUF 12.7 billion. The y-o-y HUF 5.4 billion profit decline reflected a 30% increase in risk costs. The operating income advanced by 7% y-o-y supported by improving net interest income and strong cost efficiency. The yearly net interest margin slightly improved (5.8%) and the bank's cost efficiency excelled; its cost to income ratio remained the best within the Group (2011: 35.7%).

FX-adjusted loan portfolio grew by 2% y-o-y, within that the corporate and SME book advanced by 6% and mortgages grew by 2%. Total deposits increased even faster; as a result the net loan-to-deposit ratio improved to 105% (down by -10 ppts y-o-y). Portfolio quality deterioration was meaningful in all segments; the DPD90+ ratio reached 16.4% by the end of the year. The coverage ratio stood at 79.2%.

OTP Bank Ukraine posted HUF 5.1 billion net profit in 2011 that falls short of 2010 profit by 43%. The main reason behind the decline was the significantly increasing tax burden induced by legislative changes. The profit before income tax, however, doubled. From longer term perspectives it was encouraging that the POS-lending grew steadily boosting a lot the bank's net interest income (+35% q-o-q) and fee income (+13% y-o-y). The robust POS-lending required a bigger network of selling agents, their number reached 1,410 people by the end of 2011. Simultaneously, operating expenses grew, too (+7% y-o-y) and the yearly cost-to-income ratio increased by 9 ppts.

FX-adjusted loan volumes stagnated y-o-y. The significant drop of mortgage and car loan volumes was offset by growing corporate (+12% y-o-y) and POS-volumes. The DPD90+ ratio moderated to 30% by the end of the year, from 2H the loan quality already improved. FX-adjusted deposit volumes grew the fastest across the Group (+16% y-o-y), as a result the net loan to deposit ratio further improved (2011: 241%, 44 ppts FX-adjusted y-o-y decline).

OTP Bank Romania posted HUF 0.8 billion net profit in 2011 against HUF 6.4 billion loss in the base period. The improving earnings to a great extent was the result of significantly moderating risk costs (-46% y-o-y). The operating income remained basically flat. The FX-adjusted loan portfolio grew by 6% y-o-y supported mainly by mortgage lending (+8%). The DPD90+ ratio reached 12.1% and the coverage stood at 69.9%.

OTP banka Hrvatska (Croatia) posted a mere HUF 112 million adjusted profit in 2011. In 2011 the bank had a significant HUF 3.4 billion after tax result from a maturing government securities portfolio treated as one-off. The significant y-o-y profit decline is due to the deliberate increase of non-performing loan coverage through higher risk costs (+130% y-o-y). The operating income improved by 18% and the DPD90+ ratio further declined (2010: 12.8%, 2011: 10.1%).

The ***Slovakian subsidiary's*** full year results remained in red (at HUF 409 million). The loan portfolio quality deteriorated moderately with DPD90+ reaching 11.5%. As a result of lower risk costs (-20% y-o-y), the DPD90+ coverage (54.8%) dropped by 1.3 ppts y-o-y.

The ***Serbian subsidiary*** stubbornly remained in red; the Bank failed to achieve a turning point in its operation and posted HUF 6.3 billion net loss in 2012. Since the FX-adjusted loan book shrank by 9%, the y-o-y 33% decline in risk cost could only mitigate the losses. Loan quality remained the worst within the Group; the DPD90+ ratio pierced 60%.

CKB Montenegro posted a net loss of HUF 4.5 billion in 2011, almost four times less than a year earlier. Given the weak loan demand, the bank failed to generate strong revenue stream and despite the decreasing risk costs operation remained in red. The DPD90+ ratio already improved in the second half of 2011 and reached 36.4% by year end; the provision coverage of non-performing loans grew to 77.2%.

By the end of December 2011 OTP Group had 1,424 branches (-62 branches y-o-y). The most sizeable y-o-y downsizing was realized in Ukraine (-37 units), Russia (-7) and Romania (-6). By the end of 2011 the Group had 33,826 employees. The biggest growth was related to the enlargement of the Russian and Ukrainian selling agent network.

Credit ratings, shareholder structure

OTP Bank's credit rating changed in line with the sovereign downgrade. On 25 November Moody's cut the Bank's rating from 'Baa3' to 'Ba1', whereas on 23 December Standard & Poor's downgraded OTP from 'BBB-' to 'BB+'. Both ratings carry negative outlook.

As for the ownership structure, no major change took place in 2011, as a result, currently four investors hold more than 5% stake in the Company, namely the Rahimkulov family (9.13%), MOL (Hungarian Oil and Gas Company) (8.72%), Groupama (8.45%) and Lazard Group (5.88%).

POST BALANCE SHEET EVENTS

Hungary

- On 06 January 2012 Fitch Ratings has downgraded Hungary's Long-term foreign and local currency Issuer Default Ratings (IDR) by one notch to 'BB+' and 'BBB-', from 'BBB-' and 'BBB' respectively. The Outlook on the long-term IDRs is Negative. The agency has also downgraded Hungary's Short-term IDR to 'B' from 'F3', and its Country Ceiling by two notches, to 'BBB' from 'A-'.
- On 12 January 2012 following the downgrade of the Hungarian sovereign Fitch Ratings has downgraded several Hungarian banks and affirmed OTP Bank Plc's Support Rating at '3'.
- On 15 February 2012 the National Bank of Hungary ('NBH') announced the introduction of new facilities to offset the recent weakening in banks' lending capacity. From March 2012, two-year variable-rate refinancing will be provided to credit institutions at the prevailing policy rate against securities delivered as collateral. The conditions for the provision of such refinancing have been designed to facilitate an expansion in bank lending to the corporate sector. Again from March, in order to increase banks' liquidity buffers, NBH will expand the range of eligible collateral, which may alleviate liquidity constraints potentially impeding lending to the corporate and household sectors. Furthermore, to promote lending to the household sector, a universal mortgage bond purchase scheme will be introduced within one month of the date on which the required amendment to the regulation is passed.
- On 24 February 2012 OTP Bank Plc. redeemed its CHF 100 million, 2 years maturity senior unsecured note.
- OTP Bank announced that from 24 February 2012 a product was introduced for the Bank's municipality clients that issued CHF bonds earlier to provide a fixed exchange rate scheme for them. The new product allows clients to service the part of their monthly principal payment falling above the fixed exchange rate from a HUF loan granted by OTP Bank. During the fixing period the difference between the market and fixed rate – the latter set at 200 HUF/CHF – is financed from the newly originated loan, servicing of which is to start after the fixing period. The fixing period will come to an end on 31 December 2014 at the latest. The fixed HUF/CHF rate can be modified upwards upon the request of the client. The newly granted loan carries an interest rate of 3M BUBOR + margin. After the fixing period clients shall start paying back the bridge loan in equal tranches, together with the principal repayments of the original CHF bond.
- OTP Bank Plc. announced on 12 January 2012 that the civil lawsuit filed at the Municipal Court of Budapest in 2009 by Nitrogénművek Vegyipari Zrt. for damages in the amount of HUF 25,247,527,000 against OTP Bank Plc has ended. In its final judgment the Municipal Court of Budapest has dismissed the claim of Nitrogénművek Vegyipari Zrt.

Russia

- On 13 January 2012 Fitch Ratings affirmed OJSC OTP Bank's (OTPR) long-term Issuer Default Ratings (IDRs) at 'BB' and National Rating at 'AA-(rus)'. The agency has revised the outlook on the ratings to negative from stable.
- On 6 March 2012 OTP Bank Russia issued a RUB 6 billion bond maturing in 3 years, with a 2 year put option. The bond bears an annual coupon of 10.5%.

Romania

- According to the resolution passed by the general meeting of OTP Bank Romania S.A. held on 29 February 2012, the capital of OTP Bank Romania was increased by its majority shareholder, OTP Bank Plc. The registered capital was raised from RON 542,909,040 by RON 139,999,920 to RON 682,908,960.

Slovakia

- On 13 January, 2012 Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the Slovak Republic to 'A' from 'A+', and affirmed the short-term 'A-1' rating. At the same time, all ratings were removed from CreditWatch with negative implications. The outlook is stable.
- On 10 January 2012 the Slovakian Court of Registration registered a capital increase at the Slovakian subsidiary of OTP Bank. As a result, the registered capital of OTP banka Slovensko a.s. was increased by EUR 10,019,496 from EUR 68,488,401.84 to EUR 78,507,897.84 based on the share subscription closed on 16 December 2011. Accordingly, the ownership ratio of OTP Bank Plc. grew from 98.82% to 98.94%.

Serbia

- OTP Bank Plc. announced on 12 January 2012 that the Serbian Court of Registration registered a capital increase at the Serbian subsidiary of OTP Bank. According to the resolution of the Annual General Meeting at OTP banka Srbija a.d. on 12 December 2011, OTP Bank Plc. completed a capital increase. As a result, the registered capital of the Serbian subsidiary was increased by RSD 495,400,000.

Montenegro

- The extraordinary general meeting at Crnogorska Komercijalna Banka AD on 17 January 2012 passed a resolution about a EUR 11,999,509.60 capital increase by converting the subordinated debt provided by OTP Bank into ordinary shares. The registered capital of the Montenegrin subsidiary grew to EUR 118,875,878.0419 after the capital increase.

CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[2]

in HUF million	2010	2011	Change %
Consolidated net profit	**118,126**	**83,800**	**(29)**
Adjustments (total)	**(43,984)**	**(77,605)**	**76**
Dividend and total net cash transfers (consolidated)	488	663	36
Goodwill impairment charges (after tax)	(15,001)	(17,701)	18
Special tax on financial institutions (after corporate income tax)	(29,471)	(28,965)	(2)
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax) accounting profit, 31.12.2011 - estimate	0	(31,601)	
Difference between the estimate and the preliminary fact (Total impact of early repayment of FX mortgage loans), registered within the 1Q 2012 P&L		(1,985)	
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax), preliminary fact		(33,587)	
o/w Loss from early repayment of FX mortgage loans in Hungary (before corporate income tax)		(65,374)	
Corporate income taxes due to losses from early repayments		12,421	
Special banking tax refund (after corporate income tax)		16,126	
Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments (after corporate income tax)		3,240	
Consolidated adjusted net profit without the effect of adjustments	**162,110**	**161,405**	**0**
Banks total without one-off items[1]	159,081	155,864	(2)
OTP CORE (Hungary)[2]	146,920	114,056	(22)
Corporate Centre (after tax)[3]	(6,709)	(6,727)	0
OTP Bank Russia	20,545	41,042	100
CJSC OTP Bank (Ukraine)[4]	8,928	5,091	(43)
DSK Bank (Bulgaria)[5]	18,190	12,744	(30)
OBR adj. (Romania)	(6,406)	763	112
OTP Banka Srbija (Serbia)[6]	(7,312)	(6,283)	(14)
OBH (Croatia)	2,721	3,552	31
OBH, adj.	2,721	112	(96)
OBH one-off items[7]	-	3,440	-
OBS (Slovakia)	(952)	(409)	(57)
CKB (Montenegro)	(16,844)	(4,525)	(73)
Leasing	(6,337)	1,890	130
Merkantil Bank + Car, adj. (Hungary)[8]	(4,123)	2,206	154
Foreign leasing companies (Slovakia, Croatia, Bulgaria, Romania)[9]	(2,214)	(316)	(86)
Asset Management	7,448	3,265	(56)
OTP Asset Management (Hungary)	7,456	3,321	(55)
Foreign Asset Management Companies (Ukraine, Romania)[10]	(8)	(56)	600
Other Hungarian Subsidiaries	(994)	(4,268)	329
Other Foreign Subsidiaries (Slovakia, United Kingdom, Cyprus, Romania, Belize)[11]	(6)	(305)	4,983
Eliminations	2,919	1,520	(48)
Total net profit of HUNGARIAN subsidiaries[12]	145,469	110,107	(24)
Total net profit of FOREIGN subsidiaries[13]	16,642	51,298	208
Share of foreign profit contribution, %	10%	32%	22

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME [3]

Main components of the Statement of recognized income in HUF million	2010	2011	Change %
Consolidated net profit	**118,126**	**83,800**	**(29)**
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Dividends and net cash transfers (after tax)	488	663	36
Goodwill impairment charges (after tax)	(15,001)	(17,701)	18
Special tax on financial institutions (after corporate income tax)	(29,471)	(28,965)	(2)
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax) accounting profit, 31.12.2011 - estimate	0	(31,601)	
Difference between the estimate and the preliminary fact (Total impact of early repayment of FX mortgage loans), registered within the 1Q 2012 P&L		(1,985)	
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax), preliminary fact		(33,587)	
o/w Loss from early repayment of FX mortgage loans in Hungary (before corporate income tax)		(65,374)	
Corporate income taxes due to losses from early repayments		12,421	
Special banking tax refund (after corporate income tax)		16,126	
Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments (after corporate income tax)		3,240	
Consolidated adjusted net profit without the effect of adjustments	**162,110**	**161,405**	**0**
Profit before income tax	**194,313**	**221,086**	**14**
Operating profit without one-offs	**429,831**	**435,579**	**1**
Total income without one-offs	**783,895**	**811,592**	**4**
Net interest income without one-offs	**601,622**	**630,892**	**5**
Net profit from fees and commissions	**136,702**	**143,280**	**5**
Other net non-interest income (adj.) without one-offs	**45,571**	**37,419**	**(18)**
Foreign exchange result, net (adj.) without one-offs	13,315	19,042	43
Net gains on securities, net (adj.) without one-offs	14,829	3,419	(77)
Net other non-interest result (adj.) without one-offs	17,426	14,959	(14)
Operating expenses	**(354,065)**	**(376,013)**	**6**
Personnel expenses	(160,725)	(169,097)	5
Depreciation and amortization (adj.)	(48,805)	(49,454)	1
Other administrative expenses (adj.)	(144,535)	(157,462)	9
Total risk costs	**(263,138)**	**(234,039)**	**(11)**
Provision for impairment on loan losses (adj.)	(263,252)	(228,432)	(13)
Other provision	113	-5,607	(4.962)
Total one-off items	**27,621**	**19,546**	**(29)**
Revaluation result of FX swaps at OTP Core (booked within net interest income)	18,731	3,169	(83)
Non-recurring FX-gains and losses (booked within Foreign exchange result, net at OTP Core)	8,889	3,926	(56)
Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core)	0	2,580	
Gain on Croatian government bonds (booked as Net gains on securities, net (adj.) at OBH Croatia)	0	4,300	
Revaluation result of the treasury share swap agreement between OTP and MOL (Hungarian Oil and Gas Company) (booked as Net gains on securities, net (adj.) at OTP Core)	0	5,572	
Income tax	**(32,203)**	**(59,682)**	**85**
INDICATORS (%)	2010	2011	ppts
ROE (adjusted)	13.0%	11.8%	(1.2)
ROA (adjusted)	1.7%	1.6%	(0.1)
Operating profit margin without one-offs	4.40%	4.36%	(0.04)
Total income margin without one-offs	8.03%	8.12%	0.09
Net interest margin without one-offs	6.16%	6.31%	0.15
Net fee and commission margin	1.40%	1.43%	0.03
Net other non-interest income margin without one-offs	0.47%	0.37%	(0.1)
Cost-to-asset ratio	3.62%	3.76%	0.14
Cost/income ratio (adj.) without one-offs	45.2%	46.3%	1.1
Provision for impairment on loan losses-to-average gross loans (adj.)	3.69%	2.95%	(0.74)
Total risk cost-to-asset ratio	2.69%	2.34%	(0.35)
Effective tax rate	16.6%	27.0%	10.4
Non-interest income/total income without one-offs	23%	22%	(1)
EPS base (HUF) (from unadjusted net earnings)	443	312	(30)
EPS diluted (HUF) (from unadjusted net earnings)	437	312	(29)
EPS base (HUF) (from adjusted net earnings)	608	606	0
EPS diluted (HUF) (from adjusted net earnings)	601	606	1

[3] Adjustments on the consolidated Statement of recognized income are summarised in the Supplementary data section of this report.

Comprehensive Income Statement	2010	2011	%
Net comprehensive income	**135,936**	**131,768**	**(3)**
Net profit attributable to equity holders	**117,930**	**83,147**	**(29)**
Consolidated net profit	118,126	83,800	(29)
(-) Net profit attributable to non-controlling interest	196	653	233
Other net comprehensive income elements	**18,006**	**48,621**	**170**
Fair value adjustment of securities available-for-sale (recognised directly through equity)	(10,771)	(22,732)	111
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	335	378	13
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	(2,232)	(7,993)	258
Foreign currency translation difference	30,674	78,968	157

- ***Stable, HUF 161 billion adjusted annual net profit, adjusted profit before income tax grew by 14%; 29% y-o-y decline of accounting profit is due to FX-mortgage loan prepayment***
- ***Stable operating profit (+1% y-o-y); growing net interest- and fee income (both +5% y-o-y)***
- ***Decelerating consolidated portfolio deterioration (DPD90+ ratio up from 13.7% to 16.6% y-o-y), despite decreasing risk costs DPD90+ coverage grew to 76.7%***
- ***By the end of February 2012, 19.7% of Hungarian FX-mortgage debtors prepaid their debt. A portfolio of HUF 217 billion –19.9% of the total FX-mortgage book – got repaid (at exchange rate of 30 September 2011).***

In 2011 **OTP Group** posted HUF 161 billion adjusted net profit (excluding the special banking levy, the loss from FX mortgage loan repayments and goodwill write down) which is similar to the adjusted profit for 2010. The HUF 83.8 billion accounting net profit, including the special banking tax, the loss from early repayment of FX mortgage loans and the goodwill write down was by 29% lower than that in the base period. The set back of accounting profit is practically entirely the result of the loss on FX-mortgage loan prepayment in 2011, other non-prepayment related adjustments – the banking tax and the goodwill write down – were at the same level as in 2010.

The profit before income tax of the Group grew by 14% to HUF 221 billion in 2011. Adjusted for one-off items the consolidated operating income represents HUF 436 billion (+1% y-o-y). Positive effect of y-o-y 11% decline in risk costs significantly exceeds the effect of moderating amount of one-off revenues[4].

The 2011 tax burden rose remarkably (effective tax rate in 2010: 17%, in 2011: 27%). It was partially due to the higher effective tax rate of OTP Core (up from 16% to 26%). The tax shield on the swap transaction[5] related to the outstanding exchangeable bond (ICES) resulted HUF 4.2 billion tax savings in 2010, while only HUF 0.7 billion in 2011. Furthermore – also at OTP Core – tax shield effect on the revaluation of subsidiary investments resulted by HUF 4.7 billion higher tax burden in 2011 than in 2010 (for more details please see section OTP Bank's Hungarian Core Business). Furthermore, the tax burden grew also at the Ukrainian subsidiary by more than HUF 9 billion mainly due changes in the tax regulation (for more details please see section OTP Bank Ukraine). Furthermore, the before tax profit contribution of the Russian subsidiary with a relatively high effective tax rate (23%) increased significantly and consequently its tax burden was also higher by HUF 5.7 billion y-o-y.

According to preliminary figures the FX mortgage loan prepayment in Hungary resulted in a total loss of HUF 33.6 billion, of which 31.6 billion was booked for 2011 in line with accounting standards. The remaining HUF 2.0 billion difference will be booked within the 1Q 2012 results.

The total prepayment related loss consist of four items: on one hand there was a credit loss of HUF 65.4 billion stemming from the difference between the book value and the fixed exchange rate implied value of prepaid loans. The corporate tax effect of that loss was a tax savings of HUF 12.4 billion. Furthermore, there was a revaluation gain amounting to HUF 3.2 billion after tax on the FX position purchased from the National Bank of Hungary for hedging purposes. Finally, the bank realized a prepayment related banking tax refund of HUF 16.1 billion (after tax).

[4] One-off items 2010: HUF 18.7 billion pre-tax revaluation profit on FX-swap positions. During 2Q-3Q 2010 the 2 year EUR/HUF basis-swap spreads increased from 100 basis points to 150 basis points, resulting a revaluation gain. Furthermore HUF 8.9 billion before tax profit (on the other net non-interest income line) was realised in relation with hedging the FX-risks of the provisions of some FX-loans at OTP Bank Ukraine. Basis swap spread sensitivity of FX/HUF swap portfolio was diminished in 2Q and 3Q 2010 with derivative instruments, thus since 4Q 2010 basis swap spread volatility has not resulted such a big revaluation gain within the net interest income.

[5] The swap partners, OPUS Securities S.A. and OTP Bank, swap the dividend on shares serving as collateral for the outstanding exchangeable bonds and the interest coupons of the bonds. This transaction practically provides the necessary interest payment amount for OPUS S.A, which then transfers it to bond investors. Unlike under IFRS, under the Hungarian Accounting Standards ('HAS') the swap agreement has to be revalue. However the tax effect of the revaluation is part of the IFRS result, too (at OTP Core and also at OTP Group level). In 9M 2010 a change in the expectable dividend flows of OTP shares diminished the value of the swap (registered only under HAS) and resulted a tax saving (under both HAS and IFRS).

By the end-February 2012 deadline around 36 thousands clients of OTP Core and OTP Flat Lease made use of the prepayment option which represents 19.7% of the total 184 thousand FX loan contracts outstanding at the beginning of the programme. The total prepaid loan book amounted to HUF 217 billion representing 19.9% of the FX mortgage books of the two companies (at FX rates of 30 September 2011).

To cover the FX need of prepayments, altogether EUR 739 million, i.e. 19.8% of the outstanding FX loan portfolio, was purchased by OTP Bank from the National Bank of Hungary on the spot foreign exchange rate.

The HUF 17.1 billion goodwill write down – also as an adjustment item – covers the result of three items. In relation to the Croatian subsidiary from the HUF 45.7 billion goodwill amount HUF 27.6 billion was written off under IFRS (HUF 21.6 billion against the P&L and HUF 5.9 billion against equity), resulting a HUF 18.1 billion after tax loss in the IFRS income statement. In addition, the total amount of goodwill related to the Montenegrin CKB was written down on the IFRS balance sheet (altogether HUF 2.9 billion, out of that HUF 2.3 billion against profit and HUF 0.6 billion against equity), causing a HUF 1.8 billion after tax loss. On the top of that, under the Hungarian Accounting Standards, the goodwill related to the Serbian subsidiary was impaired too, the tax effect of which was registered under IFRS (HUF 2.2 billion tax saving).

The adjusted profit before income tax was supported by several one-off items in 2011, four of these related to OTP Core and one to OTP Bank Croatia.

On one hand OTP Core realised HUF 2.6 billion profit on repurchase transactions of own Upper and Lower Tier 2 capital elements. Furthermore HUF 3.2 billion revaluation gain was realised on the Swiss franc-euro FX-swap portfolio. HUF 3.9 billion revaluation gain was also posted as a one-off item on other FX-positions opened by the Bank, due to significant volatility in the FX markets. Additionally HUF 5.6 billion revaluation gain was realised on the MOL-OTP treasury share swap transaction (for more details please see section OTP Bank's Hungarian Core Business).

An additional HUF 4.3 billion gain was booked on the maturing government bonds of the Croatian subsidiary. The effect of maturing bonds on the equity of the Croatian bank and OTP Group was almost neutral in 2011. Previously the revaluation result, which was driven by the performance of the Croatian industrial price index, had been accounted against equity, and was transferred to the statement of recognized income in a lump sum at maturity.

Within the main revenue categories net interest income grew by 5% y-o-y. Net interest margin improved (2011: 6.31%, +16 basis points y-o-y). The improvement of net interest margin was highly supported by the gradual increase of deposit margins: deposit rates have been decreased y-o-y almost in all markets, except Serbia and Slovakia in parallel with the increasing liquidity reserves. The Russian interest income grew at a spectacular pace (up by HUF 35 billion or 39% y-o-y), due to outstanding dynamics of consumer lending. Out of larger subsidiaries both DSK (Bulgaria) and OTP Core managed to increase their interest income (+7% and +1% y-o-y), in addition the Croatian interest income grew remarkably (+10% y-o-y). These factors offset the y-o-y declining net interest income in Ukraine, Montenegro, Serbia and at the Hungarian car financing business (Merkantil Group) due to declining business activity and increasing share of non-performing loans (-18%, -22%, -43% and -10% y-o-y, respectively).

Net profit from fees and commissions improved by 5% on a yearly base (by HUF 6.6 billion) which was also mostly related to the growth of the Russian contribution (a growth of HUF 8.0 billion y-o-y), where card and deposit commissions grew primarily (by +75% and +38% y-o-y). Yearly commission dynamics was negatively influenced by the HUF 4.5 billion lower commissions of OTP Fund Management (as a consequence of amended regulation, asset- and fund management fees payable by pension funds decreased since January 2011: in case of private pension funds from 0.8% to 0.2%, in case of voluntary pension funds from 0.8% to 0.7% respectively). It was also negative that in June 2011 the state took over the assets of returning private pension fund members and following that started to redeem investment fund tickets.

The one-off adjusted other net non-interest income of 2011 decreased by 18% y-o-y primarily due to the following: in the base period a HUF 7.1 billion security gain was realised on Hungarian government bonds, while in 2011 no meaningful gain arose on government securities.

Operating costs for 2011 grew by 6% y-o-y, which mainly comes in from the increasing Russian operation, which was the only subsidiary where significant y-o-y growth of cost was registered. In case of the Russian bank the dynamics (+23% or +HUF 11.3 billion y-o-y) is justified on one hand by the significant pick up in business activity and beyond this, higher social security contribution had to be paid after the employees from January 2011. In the Ukraine growth of costs was the second highest following the Russian subsidiary (+7% y-o-y) as a result of paid advisory fees on projects for rationalisation of operation and related one-off personnel costs. Furthermore the set-up costs of consumer lending business line were also meaningful. Expenses of OTP Core – generating almost half of total costs – increased by only 3% y-o-y, mainly due to 10% y-o-y increase of other administrative expenses.

Deterioration of the consolidated loan portfolio decelerated y-o-y, still DPD90+ ratio at Group level grew from 13.7% to 16.6% in 2011. However it is a favourable development that in 4Q 2011 the growth of the FX-adjusted non-performing portfolio was the lowest over the last three years. Group provisioning decreased by 11% y-o-y (2011: HUF 234 billion, without the loss on the prepayment of Hungarian FX mortgage loans). In spite of decreasing risk costs on the Group level, in Bulgaria, Croatia and Russia growing risk costs were booked. In case of the Bulgarian subsidiary this is mainly due to further, relatively strong deterioration of portfolio quality, while in case of the Croatian subsidiary the higher cost level was justified by the doubling level of the DPD90+ coverage ratio (up to 57.5%). Increasing provisioning in Russia on one hand is due to outstanding expansion of lending activity, on the other hand it is the result of higher coverage ratio on the non-performing credit card portfolio, raised in the course of 2011.

ASSET-LIABILITY MANAGEMENT

In 2011 the asset-liability management of OTP Group focused on maintaining the safe liquidity reserves of the Group…

The primary objective of OTP Group in terms of asset-liability management has been to ensure that the Group's liquidity reserves are maintained at a suitably safe level. The refinancing sources of European Central Bank were continuously available for the Bank, easing the renewal risk of maturing mortgage bonds. Thanks to the high level of the Bank's liquidity reserves, no significant need of capital market funding emerged. The total issued amount at a Group-level was about EUR 600 million in 2011. On one hand the consumer lending activity of the Russian subsidiary has been partially financed by Rubel-denominated bond issuances (in 2011 3 tranches of bonds were issued with a face value of almost EUR 280 million equivalent). On the other hand an EUR 300 million syndicated loan, with 2 year maturity, was arranged for OTP Bank Hungary on 19 May 2011, primarily to strengthen its capital market position.

Despite the significant repayment of maturing debts (an EUR 500 million senior unsecured note in May, additionally an EUR 750 million mortgage bond in July) in 2011, the liquidity reserves of OTP Group remained permanently above the safety level. By 22 February 2012 the liquidity reserves of the Group amounted to 4.5 billion EUR-equivalent, which is more than sufficient to provide coverage not just for the redemptions within one year but for the coverage of potential liquidity shocks too. The latter requires an appr. EUR 2.8 billion cover. The swiss franc and US dollar liquidity need of the Group deriving from its FX lending operation is declining gradually due to the FX-liquidity generated in due course of business (furthermore this process has been accelerated by the preferential early repayment scheme of mortgage loans in Hungary). To provide the required FX amount – mainly raised through long-term FX-swaps – did not cause any problem for the Bank.

… and keeping interest-rate risk exposures low.

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

The Bank maintained a closed interest-rate position in euro and swiss franc, consequently the yield volatility of the previous period did not cause significant changes in the FX interest income.

Market risk exposure of OTP Group

At the end of 2011 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 55.0 billion, primarily due to the capital requirement of the FX risk exposure (HUF 39.9 billion).

OTP Group is an active participant of the international FX and derivative markets. Exposure of the various Group members' FX positions is restricted by individual and global net open position limits (overnight and intraday), and by stop-loss limits. The open positions of the Group members outside Hungary were negligible measured against either their balance sheet total or regulatory capital, and because of that the consolidated FX exposure was concentrated at OTP Bank (Hungary).

The main part of the FX exposure booked at OTP Bank derived from the strategic open FX position kept to hedge the currency risk of FX-denominated net earnings of the main foreign subsidiaries. The size of the strategic open short EUR position amounted to EUR 310 million and was equal to 2 years' expected net profits of the subsidiaries. Apart from this strategic short position, in 4Q 2011 a temporary exchange rate risk emerged in relation to the credit loss on early repayment of Hungarian mortgage loans. At the end of 2011 a position of EUR 389 million was hold by the Bank to hedge the forint-specific risks of these losses.

The euro position has been purchased form the National Bank of Hungary at market rates. In parallel with the closing of the early repayment process, this position was terminated by the Bank by 29 February 2012.

CONSOLIDATED BALANCE SHEET

Main components of balance sheet in HUF million	2010	2011	Change %
TOTAL ASSETS	**9,780,946**	**10,200,527**	**4**
Cash, amounts due from banks and balances with National Banks	513,038	595,986	16
Placements with other banks	511,244	422,777	(17)
Financial assets at fair value through profit or loss	233,667	241,282	3
Securities available-for-sale	1,008,097	1,125,855	12
Loans, net of allowance for loan losses	6,741,059	7,047,179	5
Loans, net of allowance for loan losses (FX adjusted)	**7,409,710**	**7,047,178**	**(5)**
Gross customer loans	7,502,331	8,108,631	8
Gross customer loans (FX adjusted)	**8,251,623**	**8,108,631**	**(2)**
o/w Retail loans	5,239,792	5,264,414	0
Retail mortgage loans (incl. home equity)	3,293,461	3,129,678	(5)
Retail consumer loans	1,448,025	1,664,919	15
SME loans	498,306	469,817	(6)
Corporate loans	2,517,663	2,416,702	(4)
Loans to medium and large corporates	2,131,242	2,064,470	(3)
Municipal loans	386,423	352,232	(9)
Car financing loans	433,632	364,650	(16)
Bills and accrued interest receivables related to loans	60,535	62,865	4
Allowances for loan losses	(761,272)	(1,061,452)	39
Allowances for loan losses (FX adjusted)	(841,913)	(1,061,452)	26
Equity investments	11,554	10,342	(10)
Securities held-to-maturity	172,302	124,887	(28)
Premises, equipment and intangible assets, net	480,828	491,666	2
o/w Goodwill, net	209,320	198,896	-5
Premises, equipment and other intangible assets, net	271,508	292,770	8
Other assets	109,157	140,553	29
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,780,946**	**10,200,527**	**4**
Amounts due to banks, governments, deposits from the National Banks and other banks	681,949	646,968	(5)
Customer deposits	5,821,489	6,398,853	10
Customer deposits (FX adjusted)	**6,310,310**	**6,398,852**	**1**
o/w Retail deposits	4,641,918	4,800,233	3
Household deposits	4,176,991	4,216,053	1
SME deposits	464,926	584,180	26
Corporate deposits	1,639,557	1,564,216	(5)
Deposits to medium and large corporates	1,398,319	1,308,383	(6)
Municipal deposits	241,197	255,833	6
Accrued interest payable related to customer deposits	28,836	34,403	19
Liabilities from issued securities	1,035,153	812,863	(21)
o/w Retail bonds	283,646	344,510	21
Other liabilities	642,796	607,086	(6)
Subordinated bonds and loans	290,630	316,447	9
Total shareholders' equity	**1,308,929**	**1,418,310**	**8**
Indicators	2010	2011	%
Loan/deposit ratio (FX adjusted)	130%	126%	(4)
Net loan/(deposit + retail bond) ratio (FX adjusted)	112%	104%	(8)
90+ days past due loan volume	1,022,944	1,335,917	31
90+ days past due loans/gross customer loans	13.7%	16.6%	2.9
Allowances for loan losses /90+ days past due loans[1]	74.4%	76.7%	2.3
Consolidated capital adequacy - Basel2	2010	2011	%
Capital adequacy ratio (consolidated, IFRS)	17.5%	17.2%	(0.3)
Tier1 ratio	14.0%	13.3%	(0.7)
Core Tier1 ratio	12.5%	12.0%	(0.5)
Leverage (Total Assets/Shareholder's Equity)	7.5x	7.2x	
Regulatory capital (consolidated)	1,304,476	1,433,100	10
o/w Tier1 Capital	1,046,308	1,106,006	6
o/w Core Tier1 Capital	933,496	997,713	7
Hybrid Tier1 Capital	112,812	108,293	(4)
Tier2 Capital	258,632	327,471	27
Deductions from the regulatory capital	(464)	(377)	(19)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	7,464,481	8,334,351	12
o/w RWA (Credit risk)	6,010,646	6,433,699	7
RWA (Market & Operational risk)	1,453,835	1,900,652	31

Consolidated capital adequacy - in Basel3 compliant structure	2010	2011	%
Capital adequacy ratio (consolidated, IFRS)	17.5%	17.2%	(0.3)
Tier1 ratio	13.7%	13.6%	(0.1)
Common Equity Tier 1 ('CET1') capital ratio	12.1%	12.3%	0.2
Regulatory capital (consolidated)	1,304,476	1,433,100	10
o/w Tier1 Capital	1,019,822	1,134,970	11
o/w Common Equity Tier1 capital	907,010	1,026,677	13
Additional (Hybrid) Tier1 Capital	112,812	108,293	(4)
Tier2 Capital	285,118	298,507	5
Deductions from the regulatory capital	(464)	(377)	(19)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	7,464,481	8,334,351	12
o/w RWA (Credit risk)	6,010,646	6,433,699	7
RWA (Market & Operational risk)	1,453,835	1,900,652	31
Closing exchange rate of the HUF (in forint)	2010 4Q	2011 4Q	%
EUR/HUF	279	311	11
CHF/HUF	223	256	15
USD/HUF	209	241	15
JPY/HUF	2.57	3.11	21

[1] Excluding provisions related to the early repayment of FX mortgage loans.

- ***Substantial loan growth was realized only in the consumer segment supported by the strong Russian and improving Ukrainian lending activity***
- ***Through FX mortgage prepayment in total HUF 217 billion exposures was prepaid (19.9% of the outstanding portfolio as of 30 September 2011). The final volume impact will be reflected only in 1Q 2012 balance sheet. By the end of 2011 HUF 110 billion loan volume got prepaid.***
- ***Mortgage loan volumes kept growing in Slovakia, Romania and Bulgaria (+14%, +8% and +2% y-o-y respectively)***

Methodological notes:

In 2011 in Russia and Montenegro a certain part of the corporate deposits – HUF 56 billion and HUF 20 billion respectively – was reclassified into the SME deposits, furthermore in Russia an equivalent of HUF 17 billion corporate exposures was reclassified as municipality loans. Those changes had a significant impact on the y-o-y dynamics of those product categories both at consolidated and at stand-alone levels.

The consolidated FX-adjusted loan portfolio decreased by 2% y-o-y. The strong Russian and the steadily growing Ukrainian consumer lending segment could not fully offset the negative impact of early FX mortgage repayment in Hungary and that of the declining consolidated corporate and car financing loan volumes.

The only segment showing strong growth was the consumer lending. The key engine of it was still the Russian business (consumer finance volumes up by 61% y-o-y), but the Ukrainian subsidiary performed strongly, too (end 2011 volume: HUF 12 billion, +HUF 8 billion y-o-y). The Ukrainian business was fuelled by the dynamic expansion of the agency network. By end 2011 almost 1,700 agents were already employed and the bank successfully enlarged its retail partner's network. Furthermore, in order to capitalize on cross-selling, the bank launched new credit card products, too.

In Hungary loan demand remained fairly weak. The early repayment of FX mortgage loans took its toll, as a result retail volumes dropped significantly. The mortgage portfolio and the consumer book decreased by 8% and 4% y-o-y respectively. Through the early repayment the outstanding mortgage book melted down by HUF 110 billion in 2011. However, the decline shows only the impact of transactions completed by 31 December 2011 (calculated at exchange rates of 30 September 2011). By the closing of the programme (28 February 2011) HUF 217 billion of loan volumes got repaid (again at rates of 30 September 2011). The final negative impact however will be reflected only in 1Q 2012 balance sheet. The volume decline of FX mortgages was to some extent off-set by the newly sold HUF-refinancing loans: by 28 February OTP Core originated mortgage loans of HUF 64 billion to its and other banks' clients (in HUF billion 2011 4Q: 17, 2012 1Q: 47). Out of the total amount HUF 41 billion was disbursed to own clients (2011 4Q: 13, 2012 1Q: 28).

In 2011 the Slovakian, Romanian and Bulgarian subsidiaries managed to increase their mortgage book substantially (+14%, +8% and +2% y-o-y respectively).

FX-adjusted deposit volumes grew by 1% y-o-y. The volume of issued securities y-o-y decreased by 21%. The significant y-o-y drop was related to maturities: on 16 May EUR 500 million senior bonds issued by OTP Bank, Hungary became due. Also, in July OTP Mortgage Bank paid back EUR 750 million covered bonds. At the same time Hungarian retail bond volumes increased by HUF 61 billion y-o-y. Also, the Russian subsidiary issued three bond series (in March RUB 2.5 billion, in July RUB 5 billion and in November RUB 4 billion) with a HUF equivalent of 86 billion. The subordinated bonds and loan volumes (including Lower- and Upper Tier2 capital elements (“LT2”, “UT2”)) shrank a bit as a result of buyback resuming in June 2011. Their nominal volume increase was the result of the weaker HUF only. Out of the UT2 OTP bought back EUR 22.4 million of face value in 2011. While from the LT2 with maturity in 2015 the bank repurchased EUR 5.1 million of face value.

Since the beginning of the crisis OTP Group accumulated a significant liquidity buffer[6]: the volume of its liquid reserves amounted to EUR 4.5 by 22 February 2012; that would be more than enough to pay back all external obligations of the Group. Doing so, The Group still would have reserves of EUR 2.8 billion (calculating with maturing FX covered bonds the net liquidity would be EUR 2.5 billion).

Such levels are significantly higher than would be required under a possible liquidity shock scenario. The major source of the strong liquidity position is the gradual increase of deposits. Also, as FX-lending was stopped in Hungary and Ukraine, ongoing redemption generated significant additional liquidity. This comfortable position helps the Group to redeem its maturing obligations mainly from its own sources and relying on wholesale funding only to a limited extent. In 2009 the Group paid back EUR 1.5 billion, in 2010 EUR 2.3 billion, in 2011 EUR 1.4 billion external obligations (bonds, loans and covered bonds). The new issuance was at EUR 420 million equivalent in 2010 (EUR 170 million bonds and EUR 250 million syndicated loan), while in 2011 such activity included EUR 600 million equivalent through the aforementioned RUB bond issues and an EUR 300 million syndicated loan raised by OTP Bank Hungary in May 2011 with two years of maturity. On top of these, in August and in November OTP Mortgage Bank issued two covered bonds with face value of EUR 750 million each, out of which EUR 19 million was sold to third parties. The remaining stock was bought by OTP Bank and this tranche is used for repo transactions with the central bank.

CONSOLIDATED CAPITAL ADEQUACY RATIO (IN ACCORDANCE WITH BASEL II)

At the end of December 2011 the regulatory capital of OTP Group represented HUF 1.433 billion, while the risk-weighted-assets, taking into account the capital needs for credit-, market- and operational risks too, stood at HUF 8.334 billion. The capital adequacy ratio stood at 17.2% with Tier1 ratio (after deducting goodwill and intangible assets) at 13.3% and Core Tier1 ratio (further deducting hybrid instruments) at 12.0%. The y-o-y decline in Core Tier 1 ratio was due to FX-effect (increasing the volume of risk weighted assets). The Group’s Common Equity Tier1 (CET1) stood at 12.3% by the end of 2011.

The second European stress test results published by EBA on 15 July 2011 demonstrated the outstanding capital strength of OTP Group. After reaching second position in 2010 in the first round, in the second stress test under the adverse scenario OTP Group’s Core Tier1 ratio still would be at 13.6%, the third highest amongst the European banks. In December 2011 EBA had another test focusing on the banks securities exposure, the result again was convincing: OTP Group safely meets the 9% Core Tier1 requirement.

[6] The following assets are part of the Group’s liquidity reserves: bonds issued by the National Bank of Hungary, government bonds, repoable mortgage- and municipal bonds and the Group’s liquid asset surplus calculated on a one month horizon.

OTP BANK'S HUNGARIAN CORE BUSINESS [7]

OTP Core Statement of recognised income (segmented):

Main components of the Statement of recognized income in HUF million	2010	2011	Change %
OTP CORE net profit without the banking levy, dividends and net cash transfer	146,921	114,056	(22)
OTP CORE profit before income tax	174,048	154,738	(11)
Operating profit without one-offs	254,222	235,000	(8)
Total income without one-offs	432,796	419,401	(3)
Net interest income without one-offs	324,777	327,081	1
Net profit from fees and commissions	84,807	84,687	0
Other net non-interest income (adj.) without one-offs	23,212	7,633	(67)
Operating expenses	(178,574)	(184,401)	3
Total risk costs	(107,795)	(95,508)	(11)
Provision for impairment on loan losses	(108,507)	(99,209)	9
Other provisions	712	3,701	420
Total one-off items	27,621	15,246	(45)
Revaluation result of FX swaps at OTP Core (booked within Net interest income)	18,731	3,169	(83)
Non-recurring FX-gains and losses (booked within Other net non-interest income)	8,889	3,926	(56)
Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Other net non-interest income (adj.))	0	2,580	
Revaluation result of the treasury share swap agreement between OTP and MOL (Hungarian Oil and Gas Company) (booked as Other net non-interest income (adj.))	0	5,572	
Income tax	(27,127)	(40,682)	50
Revenues by Business Lines	**2010**	**2011**	**%**
RETAIL			
Total income	323,137	320,229	(1)
Net interest income	243,875	242,576	(1)
Net profit from fees and commissions	74,827	73,427	(2)
Other net non-interest income	4,435	4,225	(5)
CORPORATE			
Total income	40,363	37,466	(7)
Net interest income	26,693	25,794	(3)
Net profit from fees and commissions	12,374	10,437	(16)
Other net non-interest income	1,296	1,235	(5)
Treasury ALM			
Total income without one-offs	72,044	58,984	(18)
Net interest income without one-offs	54,208	58,710	8
Net profit from fees and commissions	1,438	714	(50)
Other net non-interest income without one-offs	16,397	(440)	(103)
Indicators (%)	**2010**	**2011**	**ppts**
ROE	13.8%	9.5%	(4.3)
ROA	2.3%	1.7%	(0.5)
Operating profit margin (operating profit / avg. total assets) without one-offs	3.9%	3.6%	(0.3)
Total income margin without one-offs	6.64%	6.43%	(0.21)
Net interest margin without one-offs	4.98%	5.01%	0.03
Net profit from fees and commissions	1.3%	1.3%	0.0
Net other non-interest income margin without one-offs	0.4%	0.1%	(0.2)
Operating costs to total assets ratio	2.7%	2.8%	0.1
Cost/income ratio without one-offs	41.3%	44.0%	2.7
Provision for impairment on loan losses/average gross loans	3.19%	2.77%	(0.43)
Effective tax rate	15.6%	26.3%	10.7

[7] OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc, OTP Mortgage Bank Ltd, OTP Buildig Society Ltd, OTP Factoring Ltd, OTP Financing Netherlands Ltd and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Centre, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across OTP Group.

- ***Net profit declined by 22% y-o-y mainly due to significant base effects of one-off income accounted in 2010 and y-o-y soaring corporate tax burden***
- ***Stable yearly net interest and fee income; 8% y-o-y decline in operating income is due to higher operating costs (+3%) and declining gain on securities***
- ***Slightly moderating portfolio deterioration with the mortgage segment weakening the most***
- ***Accelerating decline in the loan portfolio (-4% q-o-q, -7% y-o-y) in 4Q 2011 is the result of mortgage prepayments and the takeover of county government debts by the State***
- ***Stable deposit base both q-o-q and y-o-y***

P&L developments

Without the effect of banking tax, mortgage prepayment and goodwill amortization **OTP Core** posted HUF 114 billion net profit in 2011, by 22% lower than in 2010. The declining profit on one hand is the result of y-o-y significantly moderating one-off items[8], on the other hand income tax increased by 50% in 2010 (the effective tax burden grew from 16% to 26%). Y-o-y increase of tax burden is the result of 2 factors: on one hand the tax shield effect stemming from the revaluation of subsidiary investments of OTP Bank caused HUF 4.7 billion additional tax payment compared to 2010[9]. On the other hand the tax shield of the swap[10] transaction related to the exchangeable bond (ICES) was at HUF 4.2 billion in 2010, but only at HUF 0.7 billion in 2011 (+HUF 3.5 billion additional payment y-o-y). Provided the 1Q 2012 closing exchange rate of the HUF will appreciate against the currencies of the subsidiaries, it is likely that the tax shield effect of subsidiary investments will significantly diminish the IFRS tax burden of OTP Core: in the first two months of 2012 the positive tax shield effect was HUF 5.5 billion.

One-off adjusted operating income dropped by 8% – as a result of 3% decline of total income and 3% growth of operating expenses. The main reason behind the decrease of total income is the drop of gain on securities accounted as other non interest income: in 2010 HUF 7.1 billion gain was realised on Hungarian government bonds, while in 2011 this type of gain was marginal. Y-o-y 3% increase of operating costs is primarily due to higher level of other administrative expenses: advisory- and deposit insurance fees were higher and a one-off dividend tax came due. On a yearly base, beside the moderating portfolio deterioration, risk costs dropped by 11%.

HUF 15.2 billion one-off income in 2011 is coming from the following items. On the repurchase[11] of Lower and Upper Tier2 (‘LT2’, ‘UT2’) capital elements the Bank realized HUF 2.6 billion gain. Furthermore, HUF 3.2 billion revaluation gain was realised on the Swiss franc-euro swap portfolio due to widening swap-spreads. In 2010 the Bank entered into hedge transactions only with respect to its forint-FX swap positions, thus the revaluation result on FX cross-currency swaps – mainly euro-Swiss franc – is still part of the statement of recognised income. The swap-spread widening in the second half of 2011[12] resulted a HUF 3.2 billion revaluation gain.

Further one-off income was the HUF 3.9 million revaluation gain on open FX positions due to significant exchange rate movements. HUF 5.6 billion revaluation gain on the MOL-OTP share-swap transaction was also booked as a one-off item, due to the depreciation of the share price of OTP against that of the MOL.[13]

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[8] HUF 27.6 billion total amount of one-off items in 2010 included the following components. In 2010 HUF 18.7 billion pre-tax revaluation profit emerged on FX-swap positions. During 2Q-3Q 2010 the 2 year EUR/HUF basis-swap spreads increased from 100 basis points to 150 basis points, resulting a revaluation gain. The basis swap spread sensitivity of the FX/HUF swap portfolio was diminished in 2Q and 3Q 2010 with derivative instruments, thus since 4Q 2010 basis swap spread volatility does not result such a big revaluation gain within the net interest income. Furthermore HUF 8.9 billion before tax profit (on the other net non-interest income line) was realised in relation with hedging the FX-risks of the provisions of some FX-loans at OTP Ukraine.

[9] Reminder: HUF 19 billion and HUF 44 billion revaluation gain in 2010 and 2011, respectively, related to HUF depreciation, is realised only in the profit under HAR, but not under IFRS. On the other hand the tax effect – additional tax-burden of HUF 3.7 billion in 2010 and HUF 8.4 billion in 2011 – is realised both under HAR and IFRS.

[10] The swap partners are OPUS Securities S.A. (Issuer) and OTP Bank Plc. The dividends on own shares – serving as collaterals for the outstanding notes – and the coupons of the notes payable to the investors are swapped by the parties. The swap transaction is revaluated under the Hungarian Accounting Standards (‘HAR’), but not under IFRS. However the tax-effect of the revaluation is part of profit and loss statement under IFRS (both at OTP Core and OTP Group level). In 2010 the change of the expected dividend payment plan decreased the value of the swap (only under HAR), resulting a significant tax saving (both under HAR and IFRS).

[11] In 2Q EUR 5 million, in 3Q EUR 12 million whereas in 4Q 2011 EUR 5.4 million tranche has been repurchased from the perpetual (UT2) bond (original face amount of the serie was EUR 500 million, the remaining outstanding amount is cca. EUR 324 million. Further on in 3Q 2011 EUR 3.2 million and in 4Q 2011 a further EUR 1.9 million tranche has been repurchased from the lower tier 2 (LT2) bond serie with maturity 4 March 2015 (original face amount of the serie was EUR 125 million, the remaining outstanding amount is: EUR 120 million).

[12] Based on consultation with its Auditor in 4Q 2011 the Bank amended the valuation method of EUR/CHF basis swaps: at the end of December the market value of swaps was evaluated on the base of average swap-spreads of the September-December period instead of the spread level at the closing date. Change of methodology was reasoned by the significantly higher spread volatility in the second half of 2011, thus the application of EUR/CHF basis swap spreads on the date of evaluation consecutively resulted extreme, previously not experienced results, which corrected significantly after the date of evaluation. In accordance with the with the Auditor’s opinion, the Bank switched to a model-based valuation method in case of year end valuation of the swap portfolio. The new method follows the principle of cautiousness and reflects the spread formation during the examined period.

[13] The share-swap transaction has been concluded by OTP Bank Plc. and MOL Hungarian Oil- and Gas Plc. on 16 April 2009 for 3 year tenor. The two parties swapped 24 million OTP shares (8.57% of ordinary shares) and 5 million MOL shares. The result on the transaction is driven by the relative share price performance of the parties.

Since in January 2012 OTP shares appreciated both in absolute and in relative terms against MOL shares – about HUF 3.9 billion revaluation loss was realised on the same position.

Regarding one-off adjusted income formation: the y-o-y 3% decrease of total income is primarily due to the following: in the base period a HUF 7.1 billion gains on securities was realised on Hungarian government bonds as a result of diminishing yields, while in 2011 no meaningful gain arose on government securities. Mainly as a result of that other net non-interest income dropped by 67% y-o-y. Parallel with the 3 basis point increase of net interest margin the yearly net interest income grew by 1% y-o-y, supported by the deposit re-pricing measures of the Bank. Net profit from fees and commissions remained flat y-o-y.

In 2011 operating expenses increased by HUF 5.8 billion (+3%) y-o-y. The growth was realised on other administrative expenses (2011: HUF 83.7 billion, +10% y-o-y), primarily due to the followings. On one hand project-related advisory expenses increased (+32% y-o-y, mainly due to the costs of the project related to enhancing the effectiveness of debt collection). On the other hand the compulsory yearly contribution to the National Deposit Insurance Fund had been raised: since 1 January 2011 the due amount is raised from 0.2‰ to 0.6‰ of the deposit and bond portfolio on the balance sheet. Furthermore in 2011 HUF 0.6 billion tax-burden was realised and accounted as other administrative expense on the dividend received from the Ukrainian subsidiary. Personnel costs (in 2011: HUF 76.6 billion) and amortisation (in 2011: HUF 24.1 billion) both reduced by 2% y-o-y. Moderation of personnel costs is reasoned by technicalities. In accordance with the resolution of the 2011 Annual General Meeting of the company as well as in compliance with the changing EU regulation, the group-level remuneration policy of OTP changed, having an impact on the timing of the payable remuneration. At the same time the change has an effect on the timing of the personnel expenses through the P&L, causing a temporary reduction of personnel costs at the time of change of methodology.

2011 risk costs (without the effect of mortgage loan prepayments) shrank by 11% y-o-y. During the year formation of non-performing loans moderated somewhat compared to the base period (FX-adjusted non-performing loan formation in HUF billion 2010: 118, 2011: 82, within that 1Q: 28, 2Q: 15, 3Q: 21, 4Q: 18). Thus the provision coverage of loans with more than 90 days past due payments increased to 79.3% (+1.1 ppts y-o-y) excluding the provisions related to the mortgage loan prepayment.

The DPD90+ ratio increased from 10.6% to 13.6% y-o-y. Regarding the composition of portfolio deterioration: in 2011 retail mortgage loans worsened the most (DPD90+ ratio 2010: 8.1%, 2011: 3Q: 11.0%, 4Q: 12.6%). The 1.6% deterioration in 4Q was mainly due to FX-mortgage loan prepayment, because the denominator of the ratio, i.e. the gross amount of mortgage loans, decreased by about HUF 109 billion in 4Q 2011 (calculated with 30 September 2011 exchange rates). Within the same period the consumer and corporate loan portfolio reflected a significantly slower deterioration (consumer loans DPD90+: 2010: 20.4%, 2011: 22.7%, corporate loans: 2010: 13.7%, 2011: 15.4%). The DPD90+ ratio of the municipal loan portfolio in 3Q 2011 increased due to the debts of county level municipalities. However the takeover of their debts by the central government resulted a significant improvement in 4Q (municipal loans: DPD90+ 2010: 0.1%, 2011 3Q: 2.2%, 4Q: 0.4%). Coverage ratio of DPD90+ loan portfolio decreased in 1Q 2011 (from 78.2% to 75.5%). But this was mainly due to technical effects (older than 5 years exposures at OTP Factoring with 100% provision coverage were written off, and there was a corporate loan default, for which provisioning had been made previously). Since 2Q 2011 the coverage ratio started growing again (4Q 2011: 79.3%, +1.1 ppts y-o-y).

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

Main components of the balance sheet (closing balances, in HUF million)	2010	2011	Change %
Total Assets	6,495,965	6,548,167	1
Loans, net of allowance for loan losses	3,285,981	3,194,835	()
Loans, net of allowance for loan losses (FX adjusted)	**3,538,111**	**3,194,836**	**(10)**
Gross customer loans	3,584,077	3,581,382	0
Gross customer loans (FX adjusted)	**3,861,730**	**3,581,382**	**(7)**
Retail loans	2,557,402	2,391,531	(6)
Retail mortgage loans (incl. home equity)	2,000,538	1,835,538	(8)
Retail consumer loans	461,100	443,213	(4)
SME loans	95,765	112,781	18
Corporate loans	1,304,328	1,189,851	(9)
Loans to medium and large corporates	956,537	876,067	(8)
Municipal loans	347,791	313,784	(10)
Allowances for loan losses[1]	(298,096)	(386,547)	30
Allowances for loan losses (FX adjusted)[1]	**(323,619)**	**(386,546)**	**19**
Deposits from customers + retail bonds	3,711,491	3,913,977	5
Deposits from customers + retail bonds (FX adjusted)	**3,924,733**	**3,913,977**	**0**
Retail deposits + retail bonds	2,826,634	2,794,875	(1)
Household deposits + retail bonds	2,537,825	2,491,128	(2)
o/w: Retail bonds	283,646	344,510	21
SME deposits	288,810	303,748	5
Corporate deposits	1,098,098	1,119,102	
Deposits of medium and large corporates	898,275	919,963	2
Municipal deposits	199,823	199,139	0
Amounts due to banks, governments, deposits from the National Banks and other banks	559,506	572,721	2
Liabilities from issued securities without retail bonds	514,103	284,194	(45)
Total shareholders' equity	1,131,311	1,278,409	13
Loan Quality (%)	2010	2011	%
90+ days past due loan volume	381,262	488,668	28
90+ days past due loans/gross customer loans	10.6%	13.6%	3.0
Total allowances for loan losses/90+ days past due loans[1]	78.2%	79.1%	0.9
Market Share (%)	2010	2011	ppts
Loans	18.4%	18.2%	(0.2)
Deposits	24.0%	22.7%	(1.3)
Total Assets	24.8%	25.4%	0.6
Indicators (%)	2010	2011	ppts
Net loans to (deposits + retail bonds) (FX adjusted)	90%	82%	(9)
Leverage (Shareholder's Equity/Total Assets)	17.4%	19.5%	2.1
Leverage (Total Assets/Shareholder's Equity)	5.7x	5.1x	
Capital adequacy ratio (OTP Bank, non-consolidated, HAS)	18.1%	17.9%	(0.2)
Tier1 ratio (OTP Bank, non-consolidated, HAS)	15.4%	15.8%	0.4

[1] Excluding provisions related to the early repayment of FX mortgage loans.

Balance sheet trends

In 2011 FX-adjusted loan portfolio of OTP Core decreased by 7% as a result of a 6% drop in the retail and 9% in the corporate loan book. The deposit book together with retail bond portfolio remained stable. Consequently the FX-adjusted "net loan/(deposit+retail bond)" ratio dropped significantly (4Q 2011: 82%) by 9 ppts y-o-y.

Recovery of loan demand in the retail sector is still to come. Though the market share of OTP Core in mortgage loan disbursement is still outstandingly high (similar to the 29% reached in 2010), the newly originated volumes in 2011 were lower by 10% on a yearly base and substantially fell short of the before crisis levels (in HUF billion: 2008: 366, 2009: 64, 2010: 103, 2011: 92). Annual origination contracted despite the higher dynamics of disbursements in 4Q 2011 (+40% q-o-q), which was also affected by the significantly increasing refinancing demand related to mortgage loan prepayments. As a result of prepayments the decline of the FX-adjusted mortgage loan portfolio accelerated significantly in 4Q 2011 (in 4Q 2011 the gross FX-adjusted loan portfolio change is: -6% q-o-q, thus -8% y-o-y). The effect of prepayments on the gross loan portfolio was HUF -109 billion in 2011 (in 3Q: -0.5, in 4Q a further HUF -108 billion, calculated with the exchange rate as of 30 September 2011). However these figures reflect only the effect of transactions completed by 31 December 2011. For the prepayments in January-February 2012 the Bank made provisioning according to available information at 30 January 2012. By the closing of the program (28 February 2012) an FX-denominated mortgage loan portfolio of HUF 215 billion equivalent was prepaid (calculated at exchange rates of end-September 2011), thus 20,3% of OTP Core's portfolio on the starting date of the programme got prepaid. Negative effects of the declining FX loan portfolio was partially off-set by the HUF 64 billion HUF denominated loan amount disbursed by OTP Core for the prepayment of own and other banks' clients (in HUF billion: 4Q 2011: 17, 1Q 2012: 47 billion). Within that HUF 41 billion was disbursed to conversion of own loan portfolio (4Q 2011: 13, 1Q 2012: HUF 28 billion).

Recovery of consumer lending is also in delay. Notwithstanding that the Bank's market share in cash loan sales is at record high levels (2011: 50% versus 2010: 49%), because of weak demand the annual amount disbursed by OTP somewhat declined in this segment, too (disbursement in HUF billion 2010: 52, 2011: 48). The outstanding FX-adjusted consumer loan portfolio diminished by 4% y-o-y.

In 2011 the corporate volumes declined by 9% y-o-y. The change was influenced by a significant repayment of one corporate client in 2Q 2011.

Furthermore, the local government exposure decreased, too (-10% y-o-y). In 4Q 2011 the portfolio was reduced by the takeover of loans to county governments by the State. Bulk (cca. HUF 23 billion) of the total debt (cca. HUF 35 billion) was paid back by the State at face value to the Bank in December. Part of the outstanding bond exposure (cca. HUF 12 billion) has been converted into long-term debt and remained on the balance sheet of OTP Core as a municipal loan.

In 2011 the SME segment was the only part of the loan book which was able to expand (+18% y-o-y), however in the first half of the year the dynamics were helped by technical effects.

The deposit base of OTP Core (together with retail bonds) remained stable y-o-y. The slight decline of retail deposits was off-set by the increase of corporate deposits.

During 2011, the portfolio of issued securities (without retail bonds) decreased by HUF 230 billion (2011 closing amount: HUF 284 billion, -45% y-o-y). The significant drop is related to a disbursement by OTP Mortgage Bank: on 11 July the bank repaid EUR 750 million covered bonds (cca. HUF 199 billion), issued in 2006. Furthermore on 5 December 2011 an EUR 1,350 million mortgage bond matured , out of which only EUR 84 billion was at non-OTP Group member investors, thus its effect on the consolidated portfolio was only about HUF 24 billion at maturity. The portfolio was also decreased by the maturing amount (about HUF 33 billion) of smaller HUF-denominated mortgage bond series. In 2011 there were no major international covered bond issuances[14]. Thus the set back of the portfolio was balanced by smaller size HUF denominated mortgage bond issuances (altogether around HUF 6 billion in 2011) and forint denominated senior notes issued for Hungarian institutional investors (2011 closing amount: HUF 102 billion, HUF +40 billion y-o-y).

By the end of 2011 the stand alone capital adequacy ratio of OTP Bank Hungary was at 17.9% (-0.2 ppt y-o-y). The decline was mainly related to the forint weakening during the year requiring more regulatory capital for credit and market risk and also increasing the deductions after subsidiary investments. Besides, capital requirement of operating risk grew, too y-o-y, mainly as a result of increasing profit of the Bank. These negative effects were balanced only partially by increasing amount of Upper Lower Tier2 elements – due to revaluation – and the profit generation of banking operation. The capital adequacy still remained almost flat y-o-y. Such a position to a great extent is related to strong 2011 results of the bank under Hungarian Accounting Standards, supported by the dividends collected from subsidiaries (all-in their amount in 2011 reached HUF 79 billion, of which HUF 42.1 billion came from DSK Bulgaria and the HUF 11.6 billion from the Ukraine).

Summary of the „Home Protection Action Plan" filed by the Prime Minister and the Minister for National Economy to the Parliament on 30 May 2011

The Government and the Hungarian Banking Association announced their „Mortgage Relief Programme", containing several measures aimed at helping mortgage loan debtors with payment difficulties, to address social and economic problems stemming from FX-lending and to develop a schedule of foreclosures.

1. Fixing of the exchange rate for calculating the monthly instalments and government guarantee

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates has been announced. Accordingly, natural persons (FX mortgage debtors) can initiate between 12 August and 31 December 2011 the fixing of the exchange rate used to specify the monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates are set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the actual spot exchange rate, banks will provide a special purpose HUF denominated mortgage loan (so called „special account loan"), granting of which is not regulated by the rules of prudent lending. During the time of fixing, the Bank is entitled to charge the 3-months BUBOR interest rate on the forint obligations on the special account. Accumulating interest on the account could be capitalised in every three months. From January 2015, instalments of both the original mortgage and the special account loans have to be paid. From that time the interest rate charged

[14] The mortgage bonds issued by OTP Mortgage Bank on 10 August and on 18 November 2011 with a notional principal of EUR 750 million each were mostly purchased by OTP Bank. Only a tranche of EUR 19 million was bought by investors outside OTP Group. Senior notes issued by OTP Bank Hungary are registered on the liability side of the balance sheet of the Corporate Centre under the reporting methodology.

on the special account should not surpass the market rate applicable for forint denominated mortgages provided for the same purpose as the original FX mortgage loan. As regulated by Government Decree no. 163/2011. (VIII.22.) being in force from 25 August 2011., the monthly instalment of the special account loan shall not be higher than 15% of the last instalment paid within the fixed exchange rate period, unless the client asks the credit institution for a higher amount or the fulfilment of other conditions implies a higher instalment. These conditions are as follows: the tenor of the special account loan may exceed that of the original mortgage loan by max. 30 years, whereas the servicing of both the original mortgage loan and the special account loan should come to an end before the debtor reaches 75 years of age.

The Government backs the special account in full through a State Guarantee during the fixed exchange rate period, the guarantee applies to 25% of the special account after 1 January 2015.

2. Implementation of a quota system for foreclosures

In accordance with the above mentioned Act, by introducing a quota system for foreclosures, a schedule of foreclosure of residential real estates serving as collateral for mortgage loans has been implemented for the following three years. For the period in between 1 July and 1 October 2011 the Act maintains the auction and foreclosure moratorium, but with further restricted scope – it is not eligible for high value real estates (above HUF 30 million market value and covering at least HUF 20 million loan amount) – and from 1 October 2011 the so called „quota system for foreclosures” will be effective. The quota determines how many real estates – as a ratio of the creditors’ DPD90+ loan portfolio – are allowed to be offered for foreclosure on a quarterly base by the lenders. The quarterly quotas for 2011, 2012, 2013 and 2014 are set at 2%, 3%, 4% and 5% respectively. From 2015 onwards, the quota system as well as any foreclosure moratorium will cease to exist and the system of foreclosures returns to its normal operation in accordance with the rules of civil law and the legislation for lending.

3. Interest subsidy scheme

State subsidy is going to be provided on mortgage loans taken out to purchase apartments collateralising delinquent (by at least 180 days) or cancelled mortgage loan contracts. Furthermore mortgage loan debtors with more than 90 days past due instalments can apply for subsidized loan if the debtor concerned decides on selling his home and moving to cheaper accommodation. The interest rate subsidy – depending on the fulfilment of eligibility criteria – is provided up to 5 years, the amount of it shall be 50% of the government bond yield in the first year and is to be gradually decreasing thereafter. As for loans taken out to finance smaller accommodation, the subsidy shall not be more than 3.5%. The cabinet expects some 3 to 5 thousand families to take out the subsidy, which would entail HUF 1.3 billion budget expenditure. The final regulation has not been approved by the deadline of this report.

4. National Asset Management Company (‘NAMC’) and social housing program

The Government proposes to establish a National Asset Management Company. The lender and the debtor can jointly offer the collateral for purchase to NAMC at a selling price fixed by the regulation. NAMC buys the real estate if it is eligible and rent it to the original owner. The NAMC will also build new homes for households in need in the scope of public work programmes. These homes will be offered for rental to the families in need.

5. Resuming euro denominated mortgage lending

With strict conditions euro denominated mortgage lending is available again for retail customers. The borrower has to have an income in euro and of at least 15 times the minimum wage to apply for an euro denominated mortgage-backed loan.

Summary of the „Country Protection Action Plan" filed by the Prime Minister to the Parliament on 12 September 2011

On 12 September 2011, Hungary's Prime Minister announced a "Country Protection Action Plan" comprising several measures influencing Hungarian lending practices. The proposals directly affecting the banking sector are as follows:

1. Possibilities for early repayment at fixed, off-market exchange rates

Full early repayment of FX mortgage loans is to be allowed for debtors at off-market exchange rates of HUF/CHF 180, HUF/EUR 250 or HUF/JPY 2.00. The law, effectuating the early repayment option (Act CXXI 2011 on Amendments of the laws related to home protection) came into force on 29 September 2011. Accordingly, all costs of early repayment transactions should be absorbed by banks, including the loss, stemming from the mismatch between the book value of the loans registered at market rates and the lower amount of the repayment implied by the fixed rates. If the FX borrower meets the eligibility criteria stipulated by the law, banks can not reject the application, and should prepare the closure of the loan contract(s) within 60 days.

The main eligibility conditions in respect of the early repayment opportunity are as follows:

- The early repayment option is available for FX mortgage borrowers in case the exchange rate of the forint at origination was weaker than the fixed rates.
- Borrowers shall assume the full repayment of the original FX mortgage as well as any bridge loan or special account related to it.
- The loan contract of the client was not abrogated by the bank until 30 June 2011.
- The written application should be submitted by 30 December 2011. The fixed exchange rates for the early repayment are applicable only, if the client pays back his loan(s) within 60 days after the application.

2. Ceiling the annual percentage rate ('APR')

The Hungarian Parliament approved a law[15] on 7th November 2011 which stipulates that the maximum APR of customer loans can exceed the Central Bank's base rate by no more than 24% (given the current 7.0% underlying policy rate the maximum APR is capped at 31%). Consumer loans, credit card loans or loans linked to payment accounts are exempt: in those cases the maximum APR is capped at base rate +39%, i.e. currently at 46%. The regulation will come into effect from 1 January 2012 and afterwards those limits should be applied for new contracts only.

3. Costs raising in forint can only be transferred in forint also in case of FX loans

In the case of FX and FX-based loans, only charges and fees directly related to the raising and maintaining of FX funds (including interest like handling fees) are allowed to be charged in FX. The law effectuating this restriction (Act CXXI 2011 on Amendments of the laws related to home protection) came into force on 29 September 2011.

4. Banks are required to apply a more transparent benchmark-linked interest rate on mortgage loans

According to the law[16] approved by the Parliament on 7 November 2011, in case of new mortgage loan origination banks are required to apply either a benchmark-linked interest rate or should fix the interest rate for a longer period, minimum for three years. Apart from the interest rate banks are not allowed to charge any other regular expense for clients servicing debt properly or offer preferential rates for a limited period of time. The benchmark rates are as follows: 3 months, 6 months and 12 months BUBOR, EURIBOR or CHF LIBOR, in case of state subsidized loans the 3-year or 5-year benchmark treasury yields. Under such scheme banks will be allowed to change the benchmark-linked pricing strictly within the framework of existing regulations only in case there is a change in the credit risk. As for loans with interest rates fixed for longer interest periods, banks should notify the clients about the new applied interest rate minimum 90 days prior to the change so that the client could decide about a potential prepayment. The client is allowed to terminate its contract free of charge at the end of every interest period, thus he can decide about prepaying its loan obligation being notified about the new interest rate terms.

As for earlier originated loans with a remaining maturity of more than 1 year that do not meet the above mentioned pricing criteria, clients are once allowed to either amend the loan contract or enter into a new

[15] Act CXLVIII 2011 on ceiling the interest rate and the annual percentage rate on loans and on amendment of financial regulation in order to promote transparency in pricing practices.
[16] Act CXLVIII 2011 on ceiling the interest rate and the annual percentage rate on loans and on amendment of financial regulation in order to promote transparency in pricing practices.

contract or refinance the loan until 31 May 2012. In respect of these transactions, banks are prohibited to charge any fees for contract modification or early repayment.

The regulation will come into effect from 1 April 2012.

5. Complete credit registry

Introduction of a positive credit registry for households, in order to promote sound assessment of creditworthiness, support responsible lending practices and lessen credit risk. The law, effectuating the establishment of a central credit registry (Act CXXII 2011 on Central credit registry) was approved by the Parliament on 19 September and came into force on 11 October 2011.

Summary on the Agreement between the Government and the Hungarian Banking Association ("HBA") signed on 15 December 2011

A) Agreement on the amendment of the regulations related to the final repayment of retail FX mortgage loans at a preferential exchange rate

1. Banks are entitled to refuse an application for early final repayment, should the client fail to attach to his application by 30 January 2012 at the latest either another bank's promissory note or proof of sufficient cash on his/her account with the lending Bank to cover the repayment.
2. 30% of the banks' losses arising from early repayments in 2011 should be deductible from the bank tax due in 2011.
3. Civil servants and public officials shall not be entitled to non-repayable subsidy or disbursement at the cost of future payments, but they shall be entitled to company loans whose amount shall depend on the number of minor children raised in the household. The condition for the provision of company loans is that the loan shall not affect remuneration to be paid in the following years (i.e. it shall not realise advance remuneration in any form).
4. Company loans and non-refundable grants supporting final repayments shall be effectuated no later than until 31 December 2011. The condition for the provision of company loans and non-refundable grants is that the loan shall not affect remuneration to be paid in the following years (i.e. it shall not realise advance remuneration in any form).

B) Agreement on the Actions to alleviate the situation of FX-mortgage debtors with more than 90 days of delinquency

1. Members of the Hungarian Banking Association convert the FX-mortgage loans of DPD90+ clients to HUF mortgage loans and cancel 25% of such debts by 15 May 2012. Banks are entitled to deduct 30% of their cancelled claims from their special tax due in 2012. Eligible clients are who on 30 September 2011 had been delinquent for more than 90 days with an arrear that reached the sum of the minimum wage, provided that the total market value of real estate serving as collateral did not exceeded HUF 20 million, when the FX-mortgage loan contract was concluded.

The conversion is to take place at the average of the mid rates of the respective currencies for the period between 15 March 2012 and 15 April 2012. Furthermore Banks are entitled to deduct 30% of their cancelled claims from their special tax due in 2012. (Governing Act: CCIX Act of 2011 on water supply utilities, paragraph 92.)

2. In order to help the payment of the reduced debt after the preferential conversion, the Government provides a gradually decreasing interest rate subsidy to eligible clients. Interest rate subsidy is available for 5 years, in the first year it amounts to 50% of the yield on reference government bond, in the second, third, fourth and fifth year the ratio is 45%, 40%, 35% and 30%, respectively. Creditors may reschedule the loans of debtors entering the interest rate subsidy scheme so that within 5 years from the start of the scheme debtors shall only pay interest rates.

3. The Government provides the required facilities to increase the purchase quota of the National Asset Management Company ("NAMC") from 5,000 apartments to 25,000 up to the end 2014. The range of eligible debtors would be increased by widening the social criteria, i.e. one dependant underage child would already make the debtor eligible.

4. Properties purchased by the NAMC shall not count into the quota on foreclosure.

C) Agreement on mitigating the exchange rate risks of performing retail FX mortgage debtors and the deadline of the introduction of transparent pricing

1. The fixed exchange rate scheme for FX mortgage loans and the schedule of foreclosure of residential real estates (established by Act LXXV 2011) is to be amended as follows. The application period is to

remain open by the end of 2012 (originally it would close by end-2011), whereas the fixing and the crediting of debts deriving from the exchange difference on the special account is to be provided up to the end of 2016 (previously by end-2014).

Under the programme within the exchange ranges 180-270 CHF/HUF, 250-340 EUR/HUF and 2.5-3.3 JPY/HUF the debtor should pay the monthly instalments of the mortgage loan. The difference between the market and the fixed rate on the principal part of the monthly instalments accrues in a special account over the fixed exchange rate period. This amount is to be fully borne by the client in compliance with the effective special account regulations. Whereas the Government and the banks share the loss on the interest repayments due to the off-market fixed exchange rate on a 50%-50% basis. The settlement of interest rate parts is on a monthly base, both in case of the Government and the Bank.

In the event of exchange rate levels exceeding HUF/CHF 270, HUF/EUR 340 and HUF/JPY 3.3, exchange rate risks are entirely borne by the Government.

2. Banks need not accrue provisions for performing clients entering the fixed exchange rate scheme.

3. To ease the operational burden weighing on the banks, the Government postpones from 1 January to 1 April 2012 the date at which the following financial regulation shall come into effect: the law limiting interest rates of loans and the annual percentage rate, as well as to ensure transparent pricing (Act CXLVIII 2011).

D) Growth Pact

1. The basis and the rate of the special bank tax will remain unchanged in 2012 compared to the regulation in effect, while the rate will be reduced by 50% in 2013. In 2014 there will be no bank tax levied on banks higher than the bank tax defined by the legal framework of the European Union, or the average of the bases and the rates of bank taxes in effect in Member States. Furthermore, the Government undertakes neither to submit any regulation concerning outstanding FX-loan portfolios to the Parliament, nor to support any such action without preliminary consultation with the Banking Association.

2. In 1Q 2012, consultations among the banks and the Government is to be started on their co-operation going forward. Quarterly consultations on the situation of the economy and the role played by the financial intermediary system in fostering of economic growth is to be hold from 1Q 2012. Owners of the member banks of the extended Board of the HBA are to be invited to these events. Furthermore the Commission of the EU as well as the IMF are to be informed on the outcome of the consultations. The HBA undertakes to elaborate a concrete proposal on the role to be played by the financial intermediary system from the aspect of economic growth, underpinned by an impact assessment by the end of January 2012. The Parties shall come to an agreement on the proposal by the end of February 2012.

3. The basis for the bank tax for 2012 shall be decreased by the following amounts:

a) HUF equivalent of the growth of the loan portfolio to micro-, small- and medium size enterprises between 30 September 2011 and 30 September 2012 The basis of the calculation of the growth should be the 95% of the outstanding amount on 30 September 2011;

b) the amount of new mortgage loan originated by the financial institution to natural persons, as well as the amount of the loans above the part granted to finance the own funds and the part granted to pre-finance the subsidy part in case of EU-subsidized projects.

The total deduction from the bank tax shall not exceed 30% of the special tax.

4. The Government reiterates its commitment to place the Hungarian economy on a growth path, at the same time underlines the indispensible role of the banking sector in fostering and sustaining growth.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account in HUF mn	2010	2011	Change %
Net profit w/o dividends, net cash transfer and banking tax	7,456	3,321	(55)
Profit before income tax	8,913	4,066	(54)
Total income	9,815	5,913	(40)
Net interest income	199	65	(67)
Net profit from fees and commissions	9,533	5,047	(47)
Other net non-interest income	83	801	866
Operating expenses	(1,763)	(1,744)	(1)
Personnel expenses	(686)	(745)	9
Other administrative expenses	(1,058)	(982)	(7)
Depreciation and amortization	(19)	(17)	(9)
Main components of balance sheet closing balances in HUF mn	2010	2011	%
Total assets	12,963	8,595	34
Total shareholders' equity	11,389	7,095	38
Asset under management in HUF billion	2010	2011	%
Assets under management, total (w/o duplicates)	**1,676**	**993**	**(41)**
Retail investment funds (closing, w/o duplicates)	589	594	1%
Volume of managed assets (closing, w/o duplicates)	1,087	400	(63)
Volume of investment funds (with duplicates)	**1,111**	**796**	**(28)**
money market	334	375	12
bond	158	112	(29)
mixed	15	11	(25)
security	484	196	(60)
guaranteed	93	81	(13)
other	27	21	(22)

OTP Fund Management posted HUF 3.3 billion net profit for 2011 (excluding the special banking tax on financial institutions). The decline of operating income of the Company (-48% y-o-y) was substantially influenced by the decrease in total income, while operating expenses remained relatively stable compared to last year (-1% y-o-y). As a consequence of the legislative change effective from early 2011, the fees charged for fund and wealth management were decreased. Furthermore, the volume of investment fund units held earlier in the portfolios of private pension funds were transferred to the Government Debt Management Agency, inducing a considerable drop in the volume of assets under management and in the related fee income as well. In the second half of the year, the government has already started the redemption of these units, as a consequence the related fee on investments funds declined further.

Operating expenses for 2011 remained stable on a yearly basis, o/w other administrative expenses showed a 7% decrease reflecting the favourable impact of diminishing expert fees and other third-party services. Personnel expenses were higher by 9% y-o-y.

Regarding the domestic market for investment funds there was a significant decrease. It was driven by the intensified capital withdrawal of institutional investors and the option for early repayments of foreign currency mortgage loans had an impact on households owned investment funds, too. Mainly equity funds suffered from capital withdrawal; there was a HUF 400 billion capital outflow in 2011.

The volume of asset under management of the Company (w/o duplication) represented HUF 993 billion. The volume of investment funds transferred to the state is still being reported in the asset under management statistics of OTP Fund Management (on line 'volume of investment funds with duplicates'). The y-o-y 30% decrease of this line was primarily driven by the redemptions of transferred investment units.

The market share of OTP Fund Management stood at 28.4% as at the end of December 2011 (adjusted for estimated duplication), the y-o-y 4.3 ppts decrease was mainly driven by the shrinking institutional portfolio. The client base of the Company increased further in 2011, due to the favourable market reception of guaranteed and money market funds.

The other two consolidated fund management companies within OTP Group (in Ukraine and in Romania) realized HUF 56 million loss in 2011.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account in HUF mn	2010	2011	Change %
Net profit w/o dividends, net cash transfers and one-offs	(4,123)	2,206	154
Profit before income tax	(4,125)	2,206	153
Operating profit	7,686	9,956	30
Total income	12,695	15,497	22
Net interest income	17,329	15,527	10
Net profit from fees and commissions	(4,077)	(3,369)	17
Other net non-interest income	(557)	3,338	699
Operating expenses	(5,009)	(5,542)	11
Total risk costs	(11,812)	(7,749)	34
Provision for impairment on loan losses	(11,576)	(7,497)	35
Other provision	-236	-253	7
Main components of balance sheet closing balances in HUF mn	2010	2011	%
Total assets	285,360	270,894	(5)
Gross customer loans	308,200	305,445	(1)
Gross customer loans (FX-adjusted)	343,592	305,445	(11)
Retail loans	413	2,313	460
Corporate loans	30,583	31,139	2
Car financing loans	312,597	271,994	(13)
Allowances for loan losses	(47,550)	(54,563)	15
Allowances for loan losses (FX-adjusted)	(49,333)	(54,563)	11
Main components of balance sheet closing balances in HUF mn	2010	2011	%
Deposits from customers	4,784	4,673	(2)
Deposits from customers (FX-adjusted)	4,784	4,673	(2)
Retail deposits	2,017	1,673	(17)
Corporate deposits	2,767	3,013	9
Amounts due to banks, governments, deposits from the National Banks and other banks	228,908	211,429	(8)
Total shareholders' equity	22,180	25,332	14
Loan Quality	2010	2011	%
90+ days past due loan volume (in HUF million)	54,161	58,509	8.0
90+ days past due loans/gross customer loans (%)	17.6%	19.2%	1.6
Provision for impairment on loan losses /average gross loans (%)	3.75%	2.44%	(1.31)
Total allowances for loan losses /90+ days past due loans (%)	87.8%	93.3%	5.5
Performance Indicators (%)	2010	2011	ppts
ROA	(1.4)%	0.8%	2.2
ROE	(15.4)%	9.3%	24.7
Net interest margin	5.87%	5.58%	(0.29)
Cost/income ratio	39.5%	35.8%	(3.7)

Merkantil Bank and Car's aggregated 2011 net profit totalled to HUF 2.2 billion, much better than the HUF 4.1 billion net loss (excluding the special tax levied on financial institutions) in the base period. The banking tax payable in 2010 amounted to HUF 1.2 billion, but in 2011 the total amount of bank tax was refunded because Merkantil was entitled to deduct 30% of early repayment losses from the special tax on financial institutions.

In 2011 the net interest income was 10% lower than in the base period. This was partly offset by the lower net fee and commission expenses (-17% y-o-y) which reflects moderate business activity. On the other hand the other net non-interest income turned into positive in 2011, the total increment reached HUF 3.9 billion, thanks to the better foreign exchange result.

The moderating portfolio quality deterioration and the prudent provisioning policy led to improving coverage level (93.3%, +5.5 ppts y-o-y).

The FX-adjusted shrinkage of the car financing loan book continued in 2011 (-13% y-o-y). The lending activity strengthened: the newly disbursed car financing loan volume was 55% higher in 2011 than in the previous year.

IFRS REPORTS OF THE MAIN SUBSIDIARIES

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	2010	2011	Change %
Net profit w/o dividends, net cash transfers and one-offs	20,545	41,042	100
Profit before income tax	26,916	53,107	97
Operating profit	50,769	82,007	62
Total income	100,297	142,796	42
Net interest income	88,991	123,990	39
Net profit from fees and commissions	9,638	17,610	83
Other net non-interest income	1,668	1,196	(28)
Operating expenses	(49,529)	(60,789)	23
Total risk costs	(23,853)	(28,900)	21
Provision for impairment on loan losses	(24,135)	(28,714)	19
Other provision	282	(186)	(166)
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	664,403	868,231	31
Gross customer loans	508,139	729,910	44
Gross customer loans (FX-adjusted)	560,914	729,910	30
Retail loans	446,299	661,566	48
Corporate loans	96,899	55,262	(43)
Car financing loans	17,716	13,082	(26)
Allowances for loan losses	(54,718)	(72,332)	32
Allowances for loan losses (FX-adjusted)	(60,625)	(72,332)	19
Deposits from customers	396,788	488,582	23
Deposits from customer (FX-adjusted)	437,659	488,582	12
Retail and SME deposits	290,750	401,411	38
Corporate deposits	146,908	87,170	(41)
Amounts due to banks, governments, deposits from the National Banks and other banks	117,474	91,738	(22)
Liabilities from issued securities	22,814	105,490	362
Subordinated bonds and loans	15,421	17,567	14
Total shareholders' equity	97,778	144,838	48
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	62,573	80,705	29.0
90+ days past due loans/gross customer loans (%)	12.3%	11.1%	(1.3)
Provision for impairment on loan losses /average gross loans (%)	5.50%	4.64%	(0.86)
Allowances for loan losses/90+ days past due loans (%)	87.4%	89.6%	2.2
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	3.3%	5.4%	2.1
ROE	24.3%	33.8%	9.6
Total income margin	16.12%	18.63%	2.51
Net interest margin	14.30%	16.18%	1.88
Cost/income ratio	49.4%	42.6%	(6.8)
Net loans to deposits	114%	135%	20
Net loans to deposits (FX-adjusted)	114%	135%	20

- ***HUF 41 billion net profit for 2011 is twice as much as in the base period***
- ***Operating profit surged by 62% y-o-y supported by robust net interest and fee income***
- ***Strong consumer loan disbursement, extremely successful cross-selling of credit card products, further increasing cash loan disbursement***
- ***Cost efficiency is still improving (2011 CIR at 42.6%, -6.8 ppts y-o-y)***
- ***Stable funding, successful RUB bond issuances***

The HUF denominated financials of OTP Bank Russia were influenced by the development of the RUB/HUF exchange rate: in 2011 the closing rate of the HUF weakened by 9% y-o-y, while the average rate hardly changed y-o-y against the RUB.

The net profit of **OTP Bank Russia** for 2011 amounted to HUF 41.0 billion, almost twice as high as in the base period.

Total income in 2011 showed dynamic increase, net interest income grew by 39%, net profit from fees and commissions surged by 83% y-o-y. Besides swelling loan volumes higher interest margin (2011: 16.2%, +1.9 ppts y-o-y) also fuelled the increase of net interest income. The growth of net profit from fees and commissions was mainly driven by the still outstandingly strong dynamics of consumer lending. Net profit from fees and commissions grew by 83% y-o-y, which is due to the expanding credit card sales and improving fees and commissions income margin. In 2011 other net non-interest income contribution to total income was less on the yearly basis (-28%). This is due to the practically zero other net non-interest income in 4Q as a result of swap revaluations and forward trading losses. In line with the stronger business activity operating costs increased (+23% y-o-y), however due to the strong income dynamics operating profit grew even faster, by 62% compared 2010. Cost/income ratio dropped below 43%, showing an improvement of about 7 ppts y-o-y.

Risk cost increased by 21% y-o-y in 2011, most significantly in the third quarter. 36% of the yearly risk cost was made in this period, primarily due to a more conservative approach of provisioning on overdue credit card loans in order to enhance provision coverage. By end of 2011 DPD90+ ratio decreased to 11.1% (-1.3 ppts y-o-y). The improvement of the indicator was supported in 4Q by the write-off of a RUB 1.7 billion POS loan portfolio (with 93% provision coverage) and its sale together with a previously written-off POS portfolio in the amount of RUB 1.4 billion. The provision coverage of problem loans is steadily high (2011: 89.6%).

The good financial performance of the Bank is mainly due to the successful sale of consumer loans. The FX-adjusted consumer loan portfolio in 2011 is more than half as much as in the base period (+61% y-o-y). The outstanding growth is fuelled by the POS loan, credit card loan and cash loan disbursements.

In case of the flagship POS-loan product the dynamics of origination remained outstandingly strong and having usually the strongest sales season at the end of the year the portfolio swelled in 2011 by +39% y-o-y. Moreover, 4Q growth was negatively affected by the sale of a non-performing portfolio in the amount of HUF 13 billion (RUB 1.7 billion). Adjusting to the effect of sold loans the growth would have been 47% y-o-y. The Bank kept its No. 2 position in this segment; its market share was close to 21% by the end of December.

The other success story of the Bank, the credit card business continued its massive expansion; in 2011 the portfolio grew by 59% y-o-y. Despite the intensifying competition, market share of the bank hardly eroded (2011: 5.2%, -40 basis points y-o-y).

It is also favourable that cash loans sold through the branch network started to thrive in the course of 2010; in 2011 the portfolio grew from a relatively low base by +172% y-o-y. After changing some conditions of the product, the average loan size has been growing since 2Q 2011, but in 4Q the portfolio growth was moderated as result of a management decision that provisionally put higher yielding loan products in focus.

Due to the low margins the management deliberately cut back the corporate loan portfolio, in 2011 the portfolio shrank on the yearly basis by 43%. It is to be noted that loan sale in 2Q and 3Q also took its toll in these changes.

The growth of FX-adjusted deposits in 2011 was 12% y-o-y. In course of 3Q there was a technical transfer of SME deposits from the corporate portfolio to the retail portfolio, so year-end data of these segments are not comparable with 2010 data. The FX-adjusted net loans to deposits increased by 20.3 ppts y-o-y (2011: 135%).

With the aim of diversifying the funding base, the Bank continued its bond issuance programme launched in March 2011. After the first, RUB 2.5 billion bond transaction in March 2011 the Bank printed a RUB 5 billion paper in July. Both bonds have 3 years maturity and 8.25% and 7.95% coupon rate, respectively. In November 2011 the bank concluded another successful bond issuance. The bond had a face value of RUB 4 billion, 3 years of maturity (with a one year put option), and due to the turbulent market conditions it carries a bit higher coupon than its predecessors (10.5%). After balance sheet close, on 6 March 2012 OTP Bank Russia issued a RUB 6 billion bond maturing in 3 years, with a 2 year put option. The bond bears an annual coupon of 10.5%.

In the beginning of July 2011 Moody's upgraded the Bank's Bank Financial Strength Rating (BFSR) from 'E+' to 'D-' with stable outlook. In November the agency lowered the Bank's long term local currency and FX deposit ratings to 'Ba2' from 'Ba1' triggered by the downgrade of the mother bank's ratings. On 20 December Moody's concluded the review for possible downgrade and assigned stable outlook to the Bank's ratings. After balance sheet close, on 13 January 2012 Fitch Ratings confirmed the Bank's long term issuer credit rating at 'BB' and changed the outlook from stable to negative.

Parallel with the growing business operations the number of employees grew y-o-y by 340 to 5,108 by the end of 2011, at the same time the number of branches decreased from 155 to 148. The number of POS loan agents increased by 63% in 2011 and exceeded 22 thousand. The number of own agents grew to 6,940 while number of third party agents reached 15,563.

DSK CSOPORT (BULGARIA)[17]

Performance of DSK Group:

Main components of P&L account in HUF mn	2010	2011	Change %
Net profit w/o dividends, net cash transfers and one-offs	18,190	12,744	(30)
Profit before income tax	20,230	14,331	(29)
Operating profit	56,031	59,878	7
Total income	87,709	93,104	6
Net interest income	69,972	74,731	7
Net profit from fees and commissions	15,478	15,867	3
Other net non-interest income	2,260	2,505	11
Operating expenses	(31,678)	(33,226)	5
Total risk costs	(35,801)	(45,547)	27
Provision for impairment on loan losses	(35,232)	(45,713)	30
Other provision	(569)	166	(129)
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	1,218,627	1,360,510	12
Gross customer loans	1,072,128	1,221,517	14
Gross customer loans (FX-adjusted)	1,196,526	1,221,517	2
Retail loans	961,175	964,952	0
Corporate loans	235,351	256,565	9
Allowances for loan losses	(96,706)	(158,490)	64
Allowances for loan losses (FX-adjusted)	(107,922)	(158,490)	47
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Deposits from customers	847,807	1,013,310	20
Deposits from customer (FX-adjusted)	947,254	1,013,310	7
Retail deposits	819,478	892,163	9
Corporate deposits	127,776	121,148	(5)
Amounts due to banks, governments, deposits from the National Banks and other banks	37,541	12,223	(67)
Subordinated bonds and loans	97,866	109,262	12
Total shareholders' equity	217,992	209,484	(4)
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	118,446	200,154	69.0
90+ days past due loans/gross customer loans (%)	11.0%	16.4%	5.3
Provision for impairment on loan losses /average gross loans (%)	3.36%	3.99%	0.63
Allowances for loan losses/90+ days past due loans (%)	81.6%	79.2%	(2.5
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	1.5%	1.0%	(0.5)
ROE	8.8%	6.0%	(2.9)
Total income margin	7.23%	7.22%	(0.01)
Net interest margin	5.77%	5.80%	0.03
Cost/income ratio	36.1%	35.7%	(0.4)
Net loan to deposit ratio (FX-adjusted)	115%	105%	(10)

- ***Beside improving operating results rising provision for impairment on loan losses (+30% y-o-y) resulted in a 30% decline of 2011 net profit y-o-y***
- ***High coverage ratio (79.2%) due to significant provision for impairment on loan losses as a result of continuous portfolio quality deterioration (DPD90+ 16.4%; +5.3% y-o-y)***
- ***Stable net interest margin***
- ***Increasing FX-adjusted loan and deposit portfolio, +2% and +7% y-o-y respectively***
- ***Steadily outstanding cost efficiency (cost/income ratio in 2011: 35.7%)***

The **DSK Group** reached HUF 12.7 billion net profit in 2011. It was by 30% less compared to the level of the previous year. The performance of the Bulgarian bank in 2011 proved its henceforward robust income generating capability and efficient cost control. The Bank's operating profit increased by 7% y-o-y in 2011. Total income advanced by 6% y-o-y, basically due to 7% y-o-y increase of net interest income. Net profit from fees and commissions reflects stable performance both on annual and quarterly base (in HUF +3% y-o-y). The y-o-y +11% growth of other net non-interest income is basically due to securities and foreign currency trading results.

It was a favourable improvement that in 2011 net interest margin remained stable at 5.8%, thanks to pricing and liquidity management measures on the liability side. As a result of stringent cost control the low cost/income ratio improved further by another 40 basis points (2011: 35.7%). Due to the aforementioned, the

[17] Since 3Q 2010 based on the consolidated Profit and Loss Statement of DSK Group and the newly established Bulgarian factoring company, OTP Factoring Bulgaria LLC. Loan portfolio contains the assets sold to the factoring company at pre-sale gross value and with the related provisioning.

higher risk costs were the main reason for the decrease in net profit for the period: HUF 45.7 billion risk cost volume of 2011 represents a yearly growth of 30%.
The deterioration of loan portfolio during the year was still significant, DPD90+ ratio rose gradually from 11% to 16.4% (+5.4 ppts y-o-y). With regards to the components: the DPD90+ ratio of SME and mortgage loans grew the highest fastest: from 27.5% to 37.5% (+10 ppts) and from 11% to 17.9% (+6.9ppts), however during the yearly pace of deterioration moderated in both segments. The DPD90+ ratio of corporate loans increased to 11% (+4.8% y-o-y). However at the same time moderating deterioration of consumer loan portfolio was experienced, by the end of the year DPD90+ ratio reached 14% (+3.5 ppts y-o-y). At the end of 2011 the coverage of non-performing loans stood at 79.2% (-2.5 ppts y-o-y).
As for the loan portfolio the y-o-y FX-adjusted growth was +2% owing to 2% and 9% increase of mortgage and corporate loan portfolio, respectively. DSK's market share of customer loans remained stable (both in 2010 and in 2011 it was 14.2%).

Due to its outstanding liquidity position the Bank managed to keep its deposit rates below the market level during the year. In spite of that the FX-adjusted deposit book of the Bank grew, the +7% y-o-y growth was a result of a 9% growth of retail deposit book and a 5% decline of corporate deposits. However, as a consequence of pricing measures, DSK's market share in the retail deposit segment dropped by 1 ppt y-o-y to 17.4%, while in the corporate segment diminished by 0.9 ppt to 5.1%.

As a result of stagnating loan and increasing deposit base together with increasing provisioning, net loan-to-deposit rate declined further (2011: 105%, -10 ppts y-o-y).

Capital position of DSK is still very strong, the capital adequacy ratio is almost 1.5 times higher the regulatory minimum (2011: 20.6% vs. 12%; Tier1 ratio: 16.5% vs. 6%). Y-o-y 4% decrease of shareholders equity is caused by dividend payment to the mother bank. DSK paid out in two instalments, in June and in September, altogether HUF 42.1 billion dividend of the retained earnings for 2009 and 2010. However this dividend payment had no negative impact neither on the size of the regulatory capital, nor on capital adequacy ratio.

As part of its Private Banking Project launched in this year, DSK opened three new branches (thus number of branches is 386), number of employees increased by 150 employees to 4,477 y-o-y.

In spite of downgrading the mother bank, in 2011 Moody's Investors Service did not change the 'Baa3' local and foreign currency deposit rating of DSK Bank (outlook is negative).

OTP BANK JSC (UKRAINE)[18]

Performance of OTP Bank JSC:

Main components of P&L account in HUF mn	2010	2011	Change %
Net profit w/o dividends, net cash transfers and one-offs	8,928	5,091	(43)
Profit before income tax	5,719	11,211	96
Operating profit	36,121	26,829	(26)
Total income	61,171	53,585	(12)
Net interest income	50,690	41,784	(18)
Net profit from fees and commissions	7,999	9,063	13
Other net non-interest income	2,482	2,738	10
Operating expenses	(25,050)	(26,756)	7
Total risk costs	(30,402)	(15,618)	(49)
Provision for impairment on loan losses	(30,281)	(15,209)	(50)
Other provision	(121)	(409)	238
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	715,760	778,198	9
Gross customer loans	692,878	799,117	15
Gross customer loans (FX-adjusted)	796,969	799,117	0
Retail and SME loans	372,713	344,870	(7)
Corporate loans	363,979	405,920	12
Car financing loans	60,277	48,328	(20)
Allowances for loan losses	(154,126)	(193,587)	26
Allowances for loan losses (FX-adjusted)	(177,400)	(193,587)	9

[18] From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the financial statement and balance sheet of LLC OTP Credit was also added.

Main components of balance sheet closing balances in HUF mn	2010	2011	%
Deposits from customers	190,061	251,176	32
Deposits from customer (FX-adjusted)	217,106	251,176	16
Retail and SME deposits	129,068	150,469	17
Corporate deposits	88,038	100,707	14
Amounts due to banks, governments, deposits from the National Banks and other banks	366,979	350,556	(4)
Subordinated bonds and loans	43,895	47,971	9
Total shareholders' equity	109,469	120,149	10
Loan Quality	2010	2011	%
90+ days past due loan volume (in HUF million)	202,859	239,893	18
90+ days past due loans/gross customer loans (%)	29.3%	30.0%	0.7
Provision for impairment on loan losses /average gross loans (%)	4.44%	2.04%	(2.40)
Allowances for loan losses/90+ days past due loans (%)	76.0%	80.7%	4.7
Performance Indicators (%)	2010	2011	ppts
ROA	1.3%	0.7%	(0.6)
ROE	8.9%	4.4%	(4.5)
Total income margin	8.57%	7.17%	(1.40)
Net interest margin	7.10%	5.59%	(1.51)
Cost/income ratio	41.0%	49.9%	9.0
Net loan to deposit ratio (FX-adjusted)	285%	241%	(44)

- ***Profit before income tax in 2011 was almost twice as high as a year earlier***
- ***The disbursement of POS-loans showed a favourable trend, the corporate loan book captured dynamic growth***
- ***The volume of non-performing loans was lower in all segments, the DPD90+ ratio even improved in the second half of the year in spite of stagnating gross loan portfolio***
- ***The FX-adjusted retail and corporate deposit base expanded further on a yearly basis***

The HUF denominated financials of OTP Bank Ukraine were influenced by the development of the UAH/HUF exchange rate: in 4Q 2011 the closing rate of the HUF weakened by 14% y-o-y, while the average rate strengthened by 4% y-o-y against the UAH.

In 2011 **OTP Bank Ukraine** realized HUF 5.1 billion net profit; the profit before income tax amounted to HUF 11.2 billion, almost twice as high as a year earlier. The periodic result was primarily driven by the higher tax burden in the last quarter, due to the changes of tax legislation higher tax burden had a one-off impact on the quarterly result. With the intention of moderating the effects of financial crisis, the Ukrainian parliament accepted the so-called Anti-crisis Law, accordingly accrued but still unpaid interest income became deductible from the tax base in 2009 and 2010. In 2011, however there was a change in the legislation and the tax base was retrospectively adjusted upwards by the accrued but unpaid interest income.

The operating profit of the Bank (without risk cost) decreased by 26% y-o-y; the decline in total income continued (-12% y-o-y), whereas operating costs were by 7% higher y-o-y. Regarding the income generation, net interest income dropped by 18% y-o-y since the interest bearing portfolio diminished further as a consequence of portfolio deterioration as well as the decrease of gross loan portfolio. On the other hand, the transfer of the delinquent portfolio to OTP Factoring (Ukraine) had unfavourable impact on interest income generation too, since the Bank does not book any interest income on the transferred portfolio. In addition, higher interest rates were imposed on retail term deposits and the current deposit base had been repriced (the ratio of lower interest-bearing saving deposits decreased in the overall deposit base) in accordance with the UAH liquidity management efforts. On the whole, the expanding deposit base resulted a diminishing net interest margin (2011: 5.59%, -151 basis points y-o-y).

The net profit from fees and commissions in 2011 showed a dynamic growth (+17% y-o-y in UAH terms). The favourable development was supported by the increase of deposit and payment related fees, also, the card and transaction related fees grew further.

During 2011 operating expenses surged by 11% y-o-y in UAH terms; of which both personnel and other administrative expenses increased further. Accordingly, the recruitment of selling agents came into focus, the number of agents increased to 1.410 people. As a consequence of network rationalization, some of the branches were closed (-37 branches y-o-y) and the staff level of the Bank decreased (4Q 2011: 3,003 people, without agents) as well. Periodic costs, associated with these above mentioned processes also put a downward pressure on profit generation.

The FX-adjusted gross loan portfolio stagnated y-o-y: in case of the retail segment, the car-financing and the mortgage portfolio diminished further (-10% and -20% y-o-y, respectively), however POS-lending showed a dynamic growth. The favourable development could be reasoned by the fact that great emphasis was placed on the expansion of consumer lending; the bank is currently recruiting its regional agency network and partnering up with retail chains. In order to utilize the cross-sale opportunities a new credit card product was introduced late 2011.

The portfolio deterioration was showing a decelerating trend on a yearly basis (FX-adjusted DPD90+ loan volumes grew by HUF 32 billion in 2011 and by HUF 7 billion in 2011). The volume of non-performing loans decreased in all segment, the DPD90+ ratio reflected a decreasing trend in the second half of the year and stood at 30.0% at year end. However, the non-performing loan ratio reflected a further deterioration in case of mortgages (4Q 2011: 45.0%) and SME loans (4Q 2011: 54.3%). The coverage of non-performing loans was higher than 80% at the end of 2011 representing the favourable impact of the decreasing delinquent portfolio as well as the prudent provisioning policy.

The FX-adjusted deposit base expanded by 16% y-o-y, reaching an outstanding growth rate within the group. With the intention of boosting the UAH liquidity position, the dynamic growth of retail deposit was supported by saving deposit campaigns, while corporate deposit base increased by newly deposited amounts of several large corporate clients. Accordingly, the FX-adjusted net loan to deposit ratio improved on a yearly and on a quarterly basis as well (-44 ppts y-o-y).

OTP BANK ROMANIA (ROMANIA)

Performance of OTP Bank Romania:

Main components of P&L account in HUF mn	2010	2011	Change %
Net profit w/o dividends, net cash transfers and one-offs[1]	(6,406)	763	(112)
Profit before income tax	(6,404)	757	(112)
Operating profit	8,878	8,961	1
Total income	21,763	22,207	2
Net interest income	18,419	18,658	1
Net profit from fees and commissions	2,402	2,428	1
Other net non-interest income	943	1,121	19
Operating expenses	(12,886)	(13,246)	3
Total risk costs	(15,281)	(8,204)	(46)
Provision for impairment on loan losses	(15,046)	(8,187)	(46)
Other provision	(235)	(17)	(93)
Main components of balance sheet[2] closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	424,464	460,623	9
Gross customer loans	329,005	394,188	20
Gross customer loans (FX-adjusted)	373,238	394,188	6
Retail loans	273,372	293,573	7
Corporate loans	99,866	100,615	1
Allowances for loan losses	(24,702)	(33,266)	35
Allowances for loan losses (FX-adjusted)	(27,780)	(33,266)	20
Deposits from customers	112,619	120,822	7
Deposits from customers (FX-adjusted)	125,630	120,822	(4)
Retail deposits	82,298	96,721	18
Corporate deposits	43,331	24,101	(44)
Amounts due to banks, governments, deposits from the National Banks and other banks	266,155	280,966	6
Total shareholders' equity	25,144	28,353	13
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	34,852	47,584	37
90+ days past due loans/gross customer loans (%)	10.6%	12.1%	1.5
Provision for impairment on loan losses /average gross loans (%)	4.84%	2.26%	(2.57)
Allowances for loan losses/90+ days past due loans (%)	70.9%	69.9%	(1.0)
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	(1.6%)	0.2%	1.8
ROE	(25.3%)	2.9%	28.1
Total income margin	5.51%	5.02%	(0.49)
Net interest margin	4.66%	4.22%	(0.45)
Cost/income ratio	59.2%	59.6%	0.4
Net loans to deposits (FX-adjusted)	275%	299%	24

[1] Adjusted with result of CIRS swap transactions executed with OTP Bank in relation to interbank financing.

[2] Before transfer balance sheet numbers are displayed.

OTP Bank Romania realized HUF 0.8 million net profit in 2011, compared to the loss of HUF 6.4 billion in the previous year.

The operating result remained stable in 2011. The yearly net interest income advanced by 1% y-o-y. Taking into account the expanding volumes, the net interest margin slightly narrowed.
The other net non-interest income showed an increase of 19%, mainly driven by the better foreign exchange result – the latter was pretty volatile in the course of 2011.
The moderate operating cost increase of 3% reflects solid cost control, bearing in mind the inflationary environment.

The development of the full-year net profit was determined by the significantly decreasing risk cost (-46%). Although the portfolio quality deterioration continued, its pace slowed down remarkably. The ratio of loans with more than 90 days delay reached 12.1% at end-December (+1.5 ppts y-o-y). The bulk of portfolio quality worsening came from the mortgage loan segment.

The FX-adjusted gross loans expanded by 6% y-o-y, driven by the 8% increase in the mortgage loan volumes that account for 62% of the total loan portfolio. Total deposit volumes fall back by 4% in 2011, adjusted for the FX rate changes. Both in the household- and SME deposit segments solid growth was witnessed, but the corporate deposits declined heavily coupled with increased volatility in volumes.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account in HUF mn	2010	2011	Change %
Net profit w/o dividends and net cash transfer	2,721	3,552	31
One-off items, after-tax	0	3,440	
Net profit w/o dividends, net cash transfers and one-offs	2,721	112	(96)
Profit before income tax	3,441	162	(95)
Operating profit	6,938	8,222	18
Total income	20,155	21,784	8
Net interest income	13,964	15,383	10
Net profit from fees and commissions	3,986	4,094	3
Other net non-interest income	2,204	2,307	5
Operating expenses	(13,216)	(13,563)	3
Total risk costs	(3,497)	(8,059)	130
Provision for impairment on loan losses	(3,042)	(6,694)	120
Other provision	(455)	(1,365)	200
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	484,923	529,853	9
Gross customer loans	335,828	377,592	12
Gross customer loans (FX-adjusted)	374,034	377,592	1
Retail loans	232,466	236,778	2
Corporate loans	139,421	139,399	0
Car financing loans	2,147	1,415	(34)
Allowances for loan losses	(13,083)	(22,013)	68
Allowances for loan losses (FX-adjusted)	(14,388)	(22,013)	53
Deposits from customers	373,813	421,618	13
Deposits from customer (FX-adjusted)	416,590	421,618	1
Retail deposits	369,564	376,059	2
Corporate deposits	47,026	45,558	(3)
Amounts due to banks, governments, deposits from the National Banks and other banks	40,271	36,041	(11)
Subordinated bonds and loans	1,425	1,589	11
Total shareholders' equity	57,262	58,485	2
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	42,991	38,260	(11.0)
90+ days past due loans/gross customer loans (%)	12.8%	10.1%	(2.7)
Provision for impairment on loan losses/average gross loans	0.93%	1.88%	0.95
Allowances for loan losses /90+ days past due loans (%)	30.4%	57.5%	27.1
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	0.6%	0.0%	(0.5)
ROE	4.6%	0.2%	(4.4)
Total income margin	4.22%	4.29%	0.07
Net interest margin	2.93%	3.03%	0.11
Cost/income ratio	65.6%	62.3%	(3.3)
Net loans to deposits (FX-adjusted)	86%	84%	(2)

OTP banka Hrvatska (OBH) Group posted HUF 112 million adjusted net profit in 2011, only a fragment of its net profit in 2010. Net profit including the one-off item was HUF 3.6 billion. The significant drop of one-off adjusted net profit was due to higher provision for impairment on loan losses increasing by 120% y-o-y, aimed at making a substantively higher coverage ratio on problematic loan portfolio. OBH improved the coverage ratio from 30.4% in 2010 to 57.5% in 2011.

Further positive development is the 18% y-o-y growth of operating profit supported by higher one-off adjusted total income (+8% y-o-y) and a steady growth of net interest income (+10% y-o-y).

At the same time it was a favourable improvement that net interest margin grew by 11 basis points y-o-y basically due to more significant decline of interest rates on deposits than that of on loans. The realised net profit from fees and commissions is practically similar to that of the previous year (+3% y-o-y).

With regards to operating expenses stringent cost control prevailed, in 2011 operating expenses almost matched that of the previous year. Cost/income ratio of the Bank denotes a further improvement (62.3%, -3.3 ppts y-o-y).

As a result of methodology change introduced in June, the portfolio quality improved in every segment, except car loan portfolio. In 2011 DPD90+ ratio was down to 10.1% (-2.7 ppts y-o-y. Due to stagnating economy and high level of unemployment the loan demand remained flat. Beside of the stagnating corporate loan portfolio the 1% FX-adjusted growth of loan portfolio is due to the expansion of mortgage and consumer loans (+2 and 3% respectively).

In spite of continuous cut back of deposit rates in 2011 OBH managed to increase its FX-adjusted deposit book by 1%. As a result of stagnating loan and slightly growing deposit portfolio coupled with increasing provisioning, in 2011 the FX-adjusted net loan-to-deposit rate diminished by 2 ppts to 84%.

Following the HRK 100 million dividend payment in December, capital adequacy ratio of the Bank shrank to 13.6% from 15%, still above the 12% regulatory minimum level.

The number of employees at OBH Group stood at 971 (+14 people y-o-y) as at the end of 2011. Regarding the sales capacity and branch network, the primary goal is the maintenance and modernization of the existing branch network (103 branches; -2 branches y-o-y).

OTP BANKA SLOVENSKO (SLOVAKIA)[19]

Performance OTP Banka Slovensko:

Main components of P&L account in HUF mn	2010	2011	Change %
Net profit w/o dividends, net cash transfers and one-offs	(952)	(409)	(57)
Profit before income tax	(833)	(336)	(60)
Operating profit	3,727	3,328	(11)
Total income	13,885	13,640	(2)
Net interest income	11,207	10,968	(2)
Net profit from fees and commissions	2,380	2,499	5
Other net non-interest income	298	172	(42)
Operating expenses	(10,157)	(10,311)	2
Total risk costs	(4,560)	(3,665)	(20)
Provision for impairment on loan losses	(4,715)	(3,624)	(23)
Other provision	154	(40)	(126)
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	349,448	386,313	11
Gross customer loans	273,641	300,970	10
Gross customer loans (FX-adjusted)	305,549	300,970	(1)
Retail loans	200,297	219,482	10
Corporate loans	105,251	80,909	(23)
Allowances for loan losses	(15,677)	(18,992)	21
Allowances for loan losses (FX-adjusted)	(17,545)	(18,992)	8

[19] From 3Q 2010 on OBS sold loans to Group members. The balance sheet of OBS reflects the standing before the transfer of loans. Accordingly, in 2011 Balance Sheet contains consolidated data of OBS and OTP Faktor Slovensko s.r.o., adjusted to loans sold to OTP Bank Plc. and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements in the 2011 figures.

Main components of balance sheet closing balances in HUF mn	2010	2011	%
Deposits from customers	256,751	290,157	13
Deposits from customer (FX-adjusted)	286,814	290,157	1
Retail and SME deposits	261,980	267,286	2
Corporate deposits	24,835	22,871	(8)
Amounts due to banks, governments, deposits from the National Banks and other banks	11,825	7,596	(36)
Liabilities from issued securities	43,655	42,250	(3)
Subordinated bonds and loans	8,109	9,057	12
Total shareholders' equity	24,551	30,421	24
Loan Quality	2010	2011	Y-o-Y
90+ days past due loan volume (in HUF million)	27,965	34,650	23.9
90+ days past due loans/gross customer loans (%)	10.2%	11.5%	1.3
Provision for impairment on loan losses/average gross loans (%)	1.72%	1.26%	(0.46)
Allowances for loan losses/90+ days past due loans (%)	56.1%	54.8%	(1.3)
Performance Indicators (%)	2010	2011	Y-o-Y
ROA	(0.3%)	(0.1%)	0.2
ROE	(3.9%)	(1.5%)	2.4
Total income margin	3.83%	3.71%	(0.12)
Net interest margin	3.09%	2.98%	(0.11)
Cost/income ratio	73.2%	75.6%	2.4
Net loans to deposits	100%	97%	(3)
Net loans to deposits (FX-adjusted)	100%	97%	(3)

HUF denominated financials of OBS were highly influenced by the development of the EUR/HUF exchange rate: in 2011 the closing rate of the HUF weakened by 12% y-o-y, while the 2011 average exchange rate shows 1.4% depreciation of HUF in comparison to 2010 average rate.

In 2011 **OTP Banka Slovensko** posted HUF 409 million net loss against the HUF 952 million loss of the base period. The smaller loss is mainly reasoned by the 20% y-o-y drop of total risk costs. The tiny positive 9M profit was pushed into red in 4Q by a couple of one-off elements (4Q operating expenses were elevated by approx. EUR 0.4 million extra costs related to closing of litigations; also default interest was deducted by about the same amount related to sold corporate loan portfolios). Total income decreased by 2% y-o-y, while operating expenses grew by 2% which is a proof of a stringent cost control, taking into consideration the HUF depreciation and the one-off elements in 4Q. Cost/income ratio improved in the first three quarters of 2011 but jumped to 82% in 4Q, resulting in a y-o-y 2.4 ppts worsening for the whole year (2011: 75.6%).

Net interest income dropped by 2% y-o-y partially due to lower loan volumes and the 11 basis points lower NIM in 2011 which is explained by the higher interest cost of interest bearing liabilities. Net profit from fees and commissions grew by 5% compared to 2010.

In 2011 OBS set aside HUF 3.6 billion provision for impairment on loan losses (-23% y-o-y), out of which 4Q risk cost totalled to HUF 1.2 billion. By the end of 2011 the DPD90+ ratio worsened by 1.3 ppts to 11.5% y-o-y, mainly due to the growth of DPD90+ portfolio (+24% y-o-y), but FX-adjusted volume of total loans also shrank throughout the year. In 4Q the bank wrote off and sold corporate loans in the total amount of EUR 16 million in the course of a portfolio cleaning activity. Provision coverage of DPD90+ loans also increased due to the one-offs by 5 ppts in 4Q, however on the yearly basis it shrank by 1.3 ppts (2011: 54.8%).

The development of loan and deposit volumes was in line with the intention to strengthen the retail focus of the Bank. The FX adjusted loan portfolio shrank by 1% y-o-y. There was a significant drop in the corporate portfolio volumes (-23% y-o-y), at the same time retail lending gained momentum (+14% y-o-y and +2% q-o-q). New mortgages grew even faster than the market average supported also by promotion campaign launched in spring 2011.

FX-adjusted deposits advanced by 1% y-o-y, which is a composition of the 2% growth of retail and SME deposits (within that retail term deposits surged by 25%) and 8% drop of corporate deposits. Net loans-to-deposits ratio remained quite stable, in 2011 it stood at 97% (-3 ppts y-o-y). In 2011 the number of branches hardly changed, only dropped in 4Q from 76 to 74 due to branch close. The number of employees has grown by 36 to 609 in 2011.

[20] From 3Q 2010 on OBS sold loans to Group members. The balance sheet of OBS reflects the standing before the transfer of loans. Accordingly, in 2011 Balance Sheet contains consolidated data of OBS and OTP Faktor Slovensko s.r.o., adjusted to loans sold to OTP Bank Plc and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements in the 2011 figures.

National Bank of Slovakia introduced new asset valuation methodology effective from January 2011 raising capital requirements for credit risk. In order to offset these effects OTP Bank decided to raise the registered capital by EUR 10 million, which was accomplished on 16 December 2011.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account[1] in HUF mn	2010	2011	Change %
Net profit w/o dividends, net cash transfers and one-offs	(7,312)	(6,283)	(14)
Profit before income tax	(7,325)	(6,149)	(16)
Operating profit	(125)	(1,316)	951
Total income	6,344	5,220	(18)
Net interest income	2,568	1,460	(43)
Net profit from fees and commissions	1,689	1,872	11
Other net non-interest income	2,087	1,888	(10)
Operating expenses	(6,469)	(6,536)	1
Total risk costs	(7,200)	(4,833)	(33)
Provision for impairment on loan losses	(6,698)	(4,960)	(26)
Other provision	(502)	127	(125)
Main components of balance sheet[1] closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	114,796	121,475	6
Gross customer loans	88,753	90,523	2
Gross customer loans (FX-adjusted)	99,657	90,523	(9)
Retail loans	40,412	38,723	(4)
Corporate loans	59,244	51,801	(13)
Allowances for loan losses	(18,560)	(26,078)	41
Allowances for loan losses (FX-adjusted)	(20,823)	(26,078)	25
Deposits from customers	37,180	36,476	(2)
Deposits from customers (FX-adjusted)	41,645	36,476	(12)
Retail deposits	30,573	29,541	(3)
Corporate deposits	11,072	6,934	(37)
Amounts due to banks, governments, deposits from the National Banks and other banks	15,922	6,602	(59)
Subordinated bonds and loans	40,846	45,967	13
Total shareholders' equity	17,987	27,706	54
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	42,443	54,836	29.2
90+ days past due loans/gross customer loans (%)	47.8%	60.6%	12.8
Provision for impairment on loan losses/average gross loans (%)	7.50%	5.53%	(1.97)
Allowances for loan losses/90+ days past due loans (%)	43.7%	47.6%	3.8
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	(6.0%)	(5.3%)	0.7
ROE	(32.0%)	(27.5%)	4.5
Total income margin	5.25%	4.42%	(0.83)
Net interest margin	2.12%	1.24%	(0.89)
Cost/income ratio	102.0%	125.2%	23.2
Net loans to deposits (FX-adjusted)	189%	177%	(13)

[1] Balance sheet and P&L lines show the aggregated financial performance of OTP banka Srbija and OTP Factoring Serbia d.o.o.

The 2011 net loss of **OTP banka Srbija** reached HUF 6.3 billion, 14% lower than a year ago.

The development of the net result was determined by the weak revenues and the risk costs. With regard to the portfolio quality developments, the unfavourable tendencies continued: the ratio of DPD90+ loans hit 60.6% (+12.8 ppts y-o-y). From the second half of the year, the stabilization of the DPD90+ ratio could be observed. The coverage ratio reached 47.6% at the end of December (+3.8 ppts y-o-y). Total risk costs dropped by 33% y-o-y.

In 2011 total revenues came out 18% lower than in the base period. The net interest income decreased by 43%; the primary reason is that the loan portfolio on which interest income is booked is gradually declining as the loan quality keeps deteriorating and the loan portfolio keeps shrinking. The full-year net profit from fees and commissions performed well with an 11% y-o-y growth.

Due to the lower revenues and the stable operating costs in 2011, the Bank remained a loss maker on the operating result line.

The total gross loan portfolio shrank by 9% y-o-y, adjusted for the FX-effect. The Bank concentrated its lending activity on the RSD personal loans, which resulted in remarkable FX-adjusted volume growth in this segment (+28% y-o-y). Corporate loans that account for 57% of the total loan book dropped by 13% y-o-y.

The deposits decreased by 12% y-o-y adjusted for the FX-effect, mainly reflecting the gradual, but significant drop of corporate deposits.

The registered capital of OTP banka Srbija was raised by OTP Bank in October 2011 (in the amount of RSD 547.8 million) and in December (RSD 495.4 million). All in all, taking into account the issuance premium as well, the shareholders' equity went up by RSD 3,685.3 million after the two capital injections.

The capital adequacy ratio (CAR) reached 18.2% in December 2011, compared to 16.4% a year ago.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)[21]

Performance of CKB:

Main components of P&L account[1] in HUF mn	2010	2011	Change %
Net profit w/o dividends and net cash transfer	(16,844)	(4,525)	(73)
Profit before income tax	(16,844)	(4,525)	(73)
Operating profit	3,825	1,998	(48)
Total income	9,793	8,339	(15)
Net interest income	7,132	5,587	(22)
Net profit from fees and commissions	2,981	2,692	(10)
Other net non-interest income	(319)	61	(119
Operating expenses	(5,968)	(6,341)	6
Total risk costs	(20,669)	(6,524)	(68)
Provision for impairment on loan losses	(20,316)	(4,020)	(80)
Other provision	(353)	(2,503)	609
Main components of balance sheet closing balances in HUF mn	**2010**	**2011**	**%**
Total assets	212,228	232,750	10%
Gross customer loans	158,321	165,708	5%
Gross customer loans (FX-adjusted)	176,711	165,708	(6)%
Retail and SME loans	111,693	72,677	(35)%
Corporate loans	65,018	93,032	43%
Allowances for loan losses	(31,149)	(46,536)	49
Allowances for loan losses (FX-adjusted)	(34,768)	(46,491)	34
Deposits from customers	158,021	171,982	9
Deposits from customers (FX-adjusted)	176,599	171,982	(3)
Retail and SME deposits	113,201	134,543	19
Corporate deposits	63,398	37,439	(41)
Amounts due to banks, governments, deposits from the National Banks and other banks	21,860	22,287	2
Subordinated bonds and loans	7,532	8,408	12
Total shareholders' equity	16,222	16,231	0
Loan Quality	**2010**	**2011**	**%**
90+ days past due loan volume (in HUF million)	42,166	60,296	43.0
90+ days past due loans/gross customer loans (%)	26.6%	36.4%	9.8
Provision for impairment on loan losses /average gross loans (%)	11.97%	2.48%	(9.49)
Allowances for loan losses/90+ days past due loans (%)	73.9%	77.2%	3.3
Performance Indicators (%)	**2010**	**2011**	**ppts**
ROA	(7.5%)	(2.0%)	5.5
ROE	(85.8%)	(27.9%)	57.9
Total income margin	4.38%	3.75%	(0.63)
Net interest margin	3.19%	2.51%	(0.68)
Cost/income ratio	60.9%	76.0%	15.1
Net loans to deposits (FX-adjusted)	80%	69%	(11)

HUF denominated financials of CKB Bank were highly influenced by the development of the EUR/HUF exchange rate: in 4Q 2011 the closing rate of the HUF weakened by 12% y-o-y and 7% q-o-q against EUR, while the yearly average rate depreciated by 1% y-o-y.

Methodological note: in 2Q 2011 loan portfolio in the volume of HUF 33.4 billion was reclassified from the SME segment into corporate loans. Furthermore, a certain part of the corporate deposits – HUF 20 billion – was reclassified into the SME deposits. Those changes had a significant impact on the y-o-y development of product volumes.

[21] In 4Q 2010 OTP Groups's Montenegrin collection company (OTP Factoring Montenegro d.o.o.) started its operation, therefore from 4Q 2010 CKB Bank and its subsidiary's consolidated balance sheet and P&L statement are reported.

In 2011 **Crnogorska Komercijalna Banka** (CKB) posted a net loss of HUF 4.5 billion, compared to the loss of HUF 17 billion in 2010. The considerable improvement on a yearly basis was primarily due to the diminishing risk cost. The operating income was lower by 48% y-o-y reflecting an adverse development. On a yearly basis, net interest income decreased by 22%, net profit from fees and commissions dropped by 10%, while operating expenses increased slightly (+6%) y-o-y.

The portfolio transfer of non-performing loans from the Bank to the Montenegrin collection company continued during 2011. The Bank has already transferred loans in the amount of roughly EUR 65 million in 2010 and EUR 31.3 million in 2011. The Bank does not book any interest income on transferred portfolios; however their volumes are still booked in the balance sheet of CKB.

The net interest margin gradually improved over the last year due to the positive impact of lower interest rates on deposit base (1Q: 2.40%, 2Q: 2.52%, 3Q: 2.75%, 4Q: 2.81%).

The unfavourable development of net profit from fees and commissions (-10% y-o-y) is partially the consequence of the modest lending activity. On the other hand, the Bank did not play an active role in deposit campaigns due to its favourable liquidity position.

The yearly operating expenses were 6% higher than a year earlier. The higher level of personnel expenses was partially affected by the enhancement of collection activities. During the last year, the staff level (4Q 2011: 450 persons) and the branch network (4Q 2011: 32 branches) remained unchanged.

The loan loss provisioning decreased on a yearly basis, while other provisions (HUF 2.5 billion) were made for unpaid interest and already drawn bank guarantees.

During 2011 demand for loans remained moderate; the FX-adjusted loan portfolio declined by 6% y-o-y. With respect to the retail segment, consumer lending had high priority. Promotional campaigns focused on personal loans – the FX-adjusted personal loan growth was 11% y-o-y – and a new credit card product was also launched in autumn 2011. The volume of mortgage portfolio decreased gradually over the year (-9% y-o-y FX-adjusted).

In the last year, the emphasis was on the more effective collection activity as well as on the promotion of partial redemptions. Accordingly, the non-performing loan formation y-o-y diminished considerably; the DPD90+ ratio (2Q 2011: 39.1%, 3Q 2011: 37.9%, 4Q: 36.4%) even improved against the shrinking gross loan portfolio. In case of the retail segment, the favourable effect of collection efforts was reflected both in the mortgage and consumer segments, while the touristic season had also a positive effect on debt servicing ability of retail clients. The coverage of non-performing loan portfolio climbed to 77.2% by the end of 2011.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group was 33,826 as at 31 December 2011; during the year 2011 the staff number with respect to the core banking activities showed a declining trend. However, the headcount of factoring companies increased mainly driven by the POS-lending pick-up; while the scaling up of agent network continued further.

OTP Bank has an extensive distribution network in Hungary, which includes 377 branches and more than 2,000 ATM terminals. At the same time, OTP Group provides its services through more than 1,400 branches in 9 countries of the CEE-region.

	31 December 2011						31 December 2010					
	Bank branches	ATM	POS	Bank cards (th)	Number of banking clients (th)	Staff (closing)	Bank branches	ATM	POS	Bank cards (th)	Number of banking clients (th)	Staff (closing)
OTP Core[1]	377	2,028	42,122	3,866	4,529	8,470	380	1,995	39,231	3,841	4,592	8,034
OTP Bank Russia	148	215	2,697	1,946[4]	3,782	5,108	155	249	2,218	1,516[4]	3,715	4,768
DSK Group	386	890	4,178	1,228	2,986	4,477	387	880	5,049	1,196	2,978	4,321
OTP Bank Ukraine	152	165	406	177	275	3,003	189	216	400	124	337	3,075
OTP Bank Romania	100	136	1,302	204	229	957	106	138	1,106	171	219	1,104
OTP banka Hrvatska	103	218	1,139	363	379	971	105	217	1,102	385	382	1,016
OTP Banka Slovensko	74	115	202	134	240	609	76	117	671	119	193	573
OTP banka Srbija	52	162	3,557	100	372	649	55	190	4,054	100	349	708
CKB	32	84	4,010	153	296	450	33	105	3,819	167	290	451
Foreign banks, total	1,047	1,985	17,491	4,305	8,559	16,223	1,106	2,112	18,419	3,779	8,464	16,016
Other Hungarian and foreign subsidiaries						783						8,985
OTP Group total (w/o agents)[2]						**25,476**						**25,009**
OTP Group total[3]	**1,424**	**4,013**	**59,613**	**8,171**	**13,089**	**33,826**	**1,486**	**4,107**	**57,650**	**7,620**	**13,056**	**30,367**
OTP Bank Russia	**31 December 2011**						**31 December 2010**					
Total number of agents						***22,503***						***13,845***
employed agents						6,940						5,444
contractual agents						15,563						11,898
Other employees						5,108						4,768
OTP Bank Ukraine												
***Total number of agents* (OTP Credit)**						***1,410***						
Other employees						3,003						

[1] The headcount of OTP Core (OTP Bank, OTP Mortgage Bank, OTP Flat Lease, OTP Factoring aggregated)
[2] The total headcount of OTP Group without the employed agents of OTP Bank Russia and OTP Bank Ukraine.
[3] The total headcount of OTP Group, including the number of agents employed by the banks.
[3] Number of activated bank cards was indicated.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., as a Hungarian-registered company has a corporate governance that accords with the provisions of the Hungarian Act on Companies. Due to the nature of its banking operations, it also complies with the statutory regulations pertaining to credit institutions.

Beyond fulfilling the statutory requirements, as a company listed on the Budapest Stock Exchange (BSE), it makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations, which, following approval by the General Meeting, it publishes on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.

The Company has detailed risk management regulations applicable to all types of risks, which are in compliance with the legal regulations on prudent banking operations. Our risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results.

To ensure effective internal auditing, the Company's internal control system is structured along both vertical and horizontal lines. The system of internal checks and balances comprises a combination of process-integrated, management and independent internal audit functions. The independent internal audit organisation promotes the safe course of banking business, efficient operation and the minimising of risks, besides monitoring compliance with statutory provisions. It regularly prepares objective and impartial reports on risk management operations, internal control mechanisms and corporate governance functions for the executive boards and management.

In keeping with the regulations of the European Union and the applicable Hungarian laws, the Bank has established an independent organisational unit with the task of identifying and managing compliance risks.

General meeting

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

Committees

Members of the Board of Directors

Dr. Sándor Csányi – Chairman

Dr. Antal Pongrácz – Vice Chairman

Mihály Baumstark

Dr. Tibor Bíró

Péter Braun

Zsolt Hernádi

Dr. István Kocsis

Dr. László Utassy

Dr. József Vörös

Members of the Supervisory Board

Tibor Tolnay – Chairman

Dr. Gábor Horváth – Vice Chairman

Antal Kovács

András Michnai

Pierre Levévre

Gellért Vági Márton

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

Operation of the executive boards

OTP Bank Plc. maintains a dual governance structure, in which the Board of Directors is the Company's executive body, while the Supervisory Board performs oversight tasks.
To assist it in the performance of its governance functions the Board of Directors has created, as permanent committees, the Executive Committee and the Subsidiary Integration and Direction Committee. To ensure efficient operation the Bank also has a number of permanent and special committees.
The Bank accounts for the activities of the executive boards and the committees annually in its Corporate Governance Declaration.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

With trust and responsibility for each other

Foundations of our responsible operation

OTP Bank defined its responsibilities towards its environment in the Bank's corporate social responsibility strategy (CSR strategy), where guidelines were set and the Bank determined the related objectives. Beside the strategy the Bank declared its commitment to environmental protection and to providing healthy workplace in its Code of Ethics.

The environmentally friendly operation and compliance with statutory environmental provisions is provided by the Environmental Regulations, which is in force since 2009, and several other internal regulations. Environment related issues are dealt with in a solid and conscious way, several divisions within the bank are involved and an expert specialised in environmental protection safeguards the compliance with statutory provisions and beyond.

In order to improve its CSR principles and practices, OTP was among the first to implement the ISO 26000 standard. In the course of the implementation the processes of the Bank have been audited, areas of further development have been identified and short-, middle- and long term objectives have been set at the various areas of environmental protection.

Procurement principles

Owing to the nature of the Group's activities, besides the high volume of services, the bulk of its procurements are of IT equipment and related materials, paper, office- and branch fixtures and fittings, as well as vehicles. Procurements are put into practice according to the following guidelines. OTP Group's procurements are largely centralised in order to improve the efficiency of supplier selection and to benefit from the economies of scale resulting provided by the Group's size. Efforts are made to conduct centralised procurement of standardised items that are interchangeable within the bank and the group - in case of both IT devices and office equipment.

OTP Bank selects suppliers, products and services on the basis of quality criteria, price and life-cycle cost. A central model for the replacement of IT equipments was developed and put into force, which determines the optimal replacement interval for individual devices based on functionality, cost and environmental impacts. We have determined what quantities of various devices are needed; and to achieve this quantity items are scrapped on an ongoing basis while devices that break down in the meantime are replaced from existing stocks.

When selecting suppliers the Bank adheres to the principles of fair market conduct and equal opportunities. The procurement regulations stipulate that suppliers must comply with the statutory provisions on environmental protection. The Environmental Regulations provide separate guidelines for environmental sound procurement.

Energy consumption

In 2011 emphasis was put on projects aiming at decreasing energy consumption. As a result of an energy-saving project, not just the office areas in central buildings but also several corporate identity appliances at branches are lightened by LED lighting. As a result of the enhanced efficiency of our heat recovery systems, heat generated as a by-product of operation of computers can be used for heating office buildings. In the largest energy consuming office building there is still a time-based lighting control system in place. We continued to replace traditional closed combustion chamber gas boilers with more efficient condensing boilers, which have lower harmful emissions. The replacement has been completed at the central building and at the recreation facility in Békásmegyer. The Bank keeps using renewable energy sources (geothermic and solar). As a result of the newly introduced and ongoing energy-saving projects the consumption of electricity and gas is reduced, just with the centrally managed shut down of computers 2,518 MWh savings in electricity was achieved.

Waste management

In waste management the Bank follows the following priority: reduce waste emission – reuse waste – recycle waste – dispose waste. Paper consumption is a major issue at the Group, so reduction of that is a continuous task for the IT and bank operations division. The range of information that is compulsory to be printed was reviewed and reduced to the minimum requirement by laws; also the use of electronic data storage was expanded. With the use of recycled paper considerable amount of electricity and water was saved, whereas the emission of waste was substantially reduced. Primarily document folders, dossiers, prospectuses and leaflets are made of recycled paper. The separate collection of hazardous waste is made in accordance with the relevant statutory provisions.

In the course of 2011 several projects and investments were carried out aiming at the reduction of the Bank's environmental footprint and the strengthening of environmental consciousness within the Bank Group. In 2012 there is a pilot project for broadening the use of renewable energy sources by installing hybrid solar lighting systems in 32 branch offices.

SUPPLEMENTARY DATA

FOOTNOTES TO THE TABLE 'CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)'

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

(1) OTP Core, Corporate Centre and foreign banks aggregated, excluding one-timers.

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc, OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financing Netherlands Ltd and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Centre, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across OTP Group.

(3) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core plus the subordinated debt and senior notes arranged by OTP Bank under its running EMTN program. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Within OTP Group, the full range of financing and investments into non-OTP Core subsidiaries is allocated to the Corporate Centre. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Car Ltd, Merkantil Leasing Ltd, OTP Real Estate Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: leasing companies, factoring companies.

(4) From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the financial statement and balance sheet of LLC OTP Credit was also added.

(5) From 3Q 2010, statements are based on the aggregated financials of DSK Group and the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC.

(6) Including the financial performance of OTP Factoring Serbia d.o.o. from 4Q 2010.

(7) Revaluation result (revaluation benchmark: Croatian industrial price index) of HRK denominated government bonds issued in 1991 with 20 years tenor, 5% fixed interest rates aiming the restructuring of the Croatian economy was accounted against capital during the maturity. At maturity the revaluation result was transferred from capital to P&L on Other net non-interest income line.

(8) Aggregated net profit of Merkantil Bank and Merkantil Car without dividends, net cash transfer and provisioning for investments in subsidiaries.

(9) From 4Q 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o. (Croatia), OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).

(10) LLC AMC OTP Capitol (Ukraine) and OTP Asset Management SAI S.A. (Romania).

(11) HIF Ltd. (United Kingdom), OTP Faktoring Slovensko (Slovakia) (until 1Q 2011), OTP Buildings (Slovakia), OTP Real Slovensko (Slovakia), OTP Holding Limited (Cyprus), Velvin Ventures Ltd. (Belize), OTP Faktoring SRL (Romania).

(12) Total Hungarian subsidiaries: sum of after tax results of Hungarian group members including (Corporate Centre) and related eliminations.

(13) Total Foreign subsidiaries: sum of profit after tax (without dividends and net cash transfers) of foreign subsidiaries.

METHODOLOGICAL NOTE ON THE CALCULATION OF THE ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS PRESENTED IN THE REPORT AND ON THE METHODOLOGY OF THE FX ADJUSTMENT OF THE BUSINESS VOLUMES APPLIED IN THIS REPORT

In order to present Group level trends in a comprehensive way in the Business Report, the presented consolidated and unconsolidated profit and loss statements of the IFRS Report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Business Report.

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, special tax on financial institutions, the loss from early repayment of FX mortgage loans in Hungary, the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments and the special banking tax refund related to the early repayments.
- Other non-interest income elements stemming from provisioning release in connection with loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other administrative expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising material cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations, which are quasi marketing expenses but kept as paid cash transfer on the P&L –, Other non-interest expenses and Special tax on financial institutions.
- In 1Q 2010, parallel losses on sale of securities and release of other provisions for these securities were netted and are shown together on line “Gain/loss on securities, net” both at OTP Group consolidated and at OTP Core stand alone level. The negative P&L effect stemming from the deteriorated value of these securities was suffered in previous quarters – at the time of emerging of the above mentioned other provisions.
- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers (’dealer fees’) were registered as interest expense on the accounting income statement. Earlier this item had been booked as fee expense. In order to create a comparable time series, since 4Q 2010 dealer fees have been reclassified from net interest income to net profit from fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group’s consolidated net earnings.
- Cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, the after tax effect of the goodwill write-downs, the effect of special banking tax, the loss from early repayment of FX mortgage loans in Hungary and the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments. Cost/income ratio is calculated from operating costs, excluding other risk costs.
- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line “Provision for impairment on loan losses”), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line “Foreign exchange result, net”). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L, by modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- Within the report, fx adjusted statistics for business volumes are disclosed. For FX adjustment, the closing cross currency rates for the period of 4Q 2011 were used to calculate the HUF equivalent of the loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier and calculated with cross currency rates of previous periods.

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (IFRS)

in HUF million	2010	2011
Net interest income	**616,425**	**630,816**
(-) Agent fees paid to car dealers by Merkantil Group	(3,929)	(3,244)
Net interest income (adj.) with one-offs	**620,354**	**634,060**
(-) Revaluation result of FX swaps at OTP Core (booked within net interest income)	18,731	3,169
Net interest income (adj.) without one-offs	**601,622**	**630,891**
Net profit from fees and commissions	**140,631**	**146,522**
(+) Agent fees paid to car dealers by Merkantil Group	(3,929)	(3,244)
Net profit from fees and commissions (adj.)	**136,702**	**143,278**
Foreign exchange gains, net	**31,811**	**50,031**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	9,607	27,063
Foreign exchange result (adj.) with one-offs	**22,204**	**22,968**
(-) Non-recurring FX-gains and losses (booked within Foreign exchange gains, net at OTP Core)	8,889	3,926
Foreign exchange result (adj.) without one-offs	**13,315**	**19,042**
Net gains on securities	**5,445**	**13,290**
(+) Release of other provisions for securities	9,384	0
Net gains on securities, net (adj.) with one-offs	**14,829**	**13,290**
(-) Gain on Croatian government bonds (booked as Net gains on securities (adj) at OBH Croatia)	0	4,300
(-) Revaluation result of the treasury share swap agreement between OTP and MOL (Hungarian Oil and Gas Company) (booked as Net gains on securities (adj.) at OTP Core)	0	5,572
Net gains on securities, net (adj.) without one-offs	**14,829**	**3,418**
Gains and losses on real estate transactions	**845**	**1,002**
(+) Other operating income	**20,891**	**27,252**
(-) Received cash transfers	32	37
(-) Non-interest income from the release of pre-acquisition provisions	165	1,030
(+) Other non-interest expenses	(4,112)	(9,648)
Net other non-interest result (adj.) with one-offs	**17,426**	**17,538**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj) at OTP Core)	0	2,580
Net other non-interest result (adj.) without one-offs	**17,426**	**14,958**
Provision for impairment on loan and placement losses	**(273,024)**	**(316,673)**
(+) Non-interest income from the release of pre-acquisition provisions	165	1,030
(-) Revaluation result of FX provisions	(9,607)	(27,063)
(-) Loss from early repayment of FX mortgage loans in Hungary		(69,463)
(-) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments		9,313
Provision for impairment on loan losses (adj.)	**(263,252)**	**(228,430)**
After tax dividends and net cash transfers	**(1,215)**	**(5,603)**
(-) Film subsidies and cash transfers to public benefit organisations	(1,704)	(6,266)
After tax dividends and net cash transfers	**488**	**663**
Depreciation and amortization	**(67,324)**	**(73,432)**
(-) Goodwill impairment charges (OTP banka Srbija (Serbia), OTP Bank JSC (Ukraine), OTP banka Hrvatska (Croatia), CKB (Montenegro))	(18,519)	(23,979)
Depreciation (adj.)	**(48,805)**	**(49,453)**
Other operating expense, net	**(14,435)**	**(26,571)**
(+) Provision on securities available-for-sale and securities held-to-maturity	**9,924**	**(945)**
(-) Release of other provisions for securities	9,384	0
(-) Other costs and expenses	(7,698)	(5,674)
(-) Other non-interest expenses	(6,310)	(16,235)
(-) Other provisioning accruals (other risk costs) after interest income (OTP Bank Russia)	0	0
(-) Other provisioning release of Bagat transaction	0	0
Other provisions	**113**	**(5,607)**
Other administrative expenses	**(171,231)**	**(160,145)**
(+) Other costs and expenses	(7,698)	(5,674)
(+) Other non-interest expenses	(6,310)	(16,235)
(-) Paid cash transfers	(2,199)	(6,587)
(+) Film subsidies and cash transfers to public benefit organisations	(1,704)	(6,266)
(-) Other non-interest expenses	(4,112)	(9,648)
(-) Special tax on financial institutions	(36,098)	(35,463)
(-) Special banking tax refund		20,839
Other administrative expenses (adj.)	**(144,535)**	**(157,461)**

METHODOLOGICAL NOTE ON THE DISCLOSURE OF THE REVALUATION OF FX PROVISIONS AND THE REVALUATION RESULT REALISED ON HEDGING OPEN FX PROVISONS WITHIN THE HALF YEAR FINANCIAL REPORT

Representing a methodological change compared to the reporting structure of the 2010 Business Report of the Board of Directors, the following adjustment was implemented on the financials.

OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line "Provision for impairment on loan losses"), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.

In order to prepare and present comparable time series, this adjustment was implemented retrospectively back to the year of 2010. Therefore statistics for the base periods in the affected P&L lines of this report are differing from the previously published data. As a result of the adjustment the sum of the affected lines did not change (ie. the sum of „Provision for impairment on loan losses" and „Other net non interest income"), the modification is only influencing the profit split between these lines. Financial indicators calculated from these lines changed as well.

The FX result reached on the hedging open FX positions is included in the following table.

FX RESULT FROM THE REVALUATION OF OPEN FX POSITION HEGDING THE REVALUATION OF FX PROVISIONS (THIS ITEM IS COMPENSATED BY THE REVALUATION OF FX PROVISIONS THROUGH THE RISK COST LINE OF THE ACCOUNTING INCOME STATEMENT)

in HUF million	2010	2011
OTP Group Total	**9,607**	**27,063**
of which OTP Core (Hungary)	6,531	26,464
of which OTP Bank	4,206	12,663
OTP Mortgage Bank	2,325	4,725
OTP Factoring		9,075
OTP Bank Russia	253	(357)
CJSC OTP Bank (Ukraine)	(842)	262
OBR adj. (Romania)	898	580
OBH (Croatia)	78	119
OTP banka Srbija (Serbia)	590	(196)
Merkantil Bank + Car (Hungary)	2,098	192

STATEMENT OF RECOGNIZED INCOME OF OTP BANK PLC., ACCORDING TO HUNGARIAN ACCOUNTING STANDARDS (UNCONSOLIDATED, AUDITED)

Statement of recognized income HUF million	2010	2011	Change (%)
Net interest income	241,838	233,920	**(3)**
Interest received and similar income	611,167	618,704	1
Interest paid and similar charges	(369,329)	(384,784)	4
Net fee and commission income	**121,900**	**96,814**	**(21)**
Commissions and fees received or due	145,368	121,819	(16)
Commissions and fees paid or payable	(23,468)	(25,005)	7
Other income	**109,893**	**184,248**	**68**
Income from securities	57,651	78,831	37
Net profit or net loss on financial operations	(3,864)	51,092	1,422
Other operating income	56,106	54,325	(3)
General administrative expenses	**(146,097)**	**(133,037)**	**(9)**
Depreciation	**(14,134)**	**(14,003)**	**(1)**
Other operating charges	**(218,561)**	**(160,836)**	**(26)**
Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**(106,446)**	**(102,201)**	**(4)**
Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**120,282**	**63,716**	**(47)**
Difference between formation and utilization of general risk provisions	**573**	**(1,082)**	**(289)**
Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**(4,017)**	**(9,606)**	**139**
Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**10,338**	**2,861**	**(72)**
Profit or loss on ordinary activities	**115,569**	**160,794**	**39**
Extraordinary profit or loss	(1,820)	(6,329)	248
Profit or loss before tax	**113,749**	**154,465**	**36**
Taxes on income	(4,785)	(17,858)	273
Profit or loss after tax	**108,964**	**136,607**	**25**
General reserve	(10,896)	(13,661)	25
Profit reserves used for dividends and profit-sharing	0	0	
Dividend and profit-sharing payable	(20,160)	(28,000)	39
Profit or loss for the financial year	**77,908**	**94,946**	**22**

BALANCE SHEET OF OTP BANK PLC., ACCORDING TO HUNGARIAN ACCOUNTING STANDARDS (UNCONSOLIDATED, AUDITED)

Main balance sheet items in HUF million	2010	2011	Change (%)
Total assets	**6,213,397**	**6,717,325**	**8**
1. Liquid assets	171,255	226,490	32
2. Treasury bills and similar securities	758,697	876,777	16
3. Loans and advances to credit institutions	796,402	896,314	13
4. Loans and advances to customers	**2,607,173**	**2,651,279**	**2**
5. Debt securities, including fixed-income securities	984,323	1,098,722	12
6. Shares and other variable-yield securities	99,526	103,367	4
7. Shares and participations in corporations held as financial fixed assets	960	975	2
8. Shares and participating interests in affiliated companies	443,972	514,090	16
9. Intangible assets	142,337	119,088	(16)
10. Tangible assets	67,655	67,859	0
11. Own shares	3,729	5,519	48
12. Other assets	21,779	46,280	112
13. Prepayments and accrued income	115,589	110,565	(4)
Total liabilities	**6,213,397**	**6,717,325**	**8**
1. Amounts owed to credit institutions	739,808	866,716	17
2. Amounts owed to customers	**3,290,982**	**3,429,980**	**4**
3. Debts evidenced by certificates	534,749	509,584	(5)
4. Other liabilities	58,546	96,376	65
5. Accruals and deferred income	269,915	330,362	22
6. Provisions for liabilities and charges	73,562	102,580	39
7. Subordinated liabilities	318,594	353,466	11
8. Shareholders' equity	927,241	1,028,261	11
Performance indicators			ppts
Loans and advances to customers/amounts owed to customers	79%	77%	(2)

FINANCIAL STATEMENTS ON 2011

HAS (UNCONSOLIDATED)

OTP BANK PLC.

ASSETS

31 December 2011

Figures in million HUF

		31 December 2010	Reclassification of 2010	31 December 2011
1.	**Liquid assets**	**171,255**	-	**226,490**
2.	**Treasury bills and similar securities**	**758,697**	-	**876,777**
	a) held for trading	426,122	-	541,011
	b) held as financial fixed assets	332,575	-	335,766
2/A.	Valuation difference on treasury bills	-	-	-
3.	**Loans and advances to credit institutions**	**796,402**	**(2)**	**896,314**
	a) repayable on demand	12,036	**(2)**	16,588
	b) other loans and advances in connection with financial services	784,018	-	879,244
	ba) with remaining maturity of less than one year	583,404	-	640,942
	Showing separately: - to affiliated companies	318,212	-	405,072
	- to other companies linked by virtue of participating interests	0	-	0
	- to the NBH	-	-	-
	- to clearing houses	-	-	-
	bb) with a remaining maturity of more than one year	200,614	-	238,302
	Showing separately: - to affiliated companies	198,280	-	238,302
	- to other companies linked by virtue of participating interests	-	-	-
	- to the NBH	-	-	-
	- to clearing houses	-	-	-
	c) in connection with investment services	348	-	482
	Showing separately: - to affiliated companies	-	-	**114**
	- to other companies linked by virtue of participating interests	-	-	-
	- to clearing houses	-	-	-
3/A.	Valuation difference on loans and advances to credit institutions	-	-	-
4.	**Loans and advances to customers**	**2,607,173**	**-3**	**2,651,279**
	a) in connection with financial services	2,591,047	-3	2,615,917
	aa) with a remaining maturity of less than one year	621,980	-32	919,855
	Showing separately: - to affiliated companies	104,963	-	357,981
	- to other companies linked by virtue of participating interests	0	-	0
	ab) with a remaining maturity of more than one year	1,969,067	29	1,696,062
	Showing separately: - to affiliated companies	905,975	-	743,601
	- to other companies linked by virtue of participating interests	-	-	-
	b) in connection with investment services	16,126	-	35,362
	Showing separately: - to affiliated companies	-	-	**1,080**
	- to other companies linked by virtue of participating interests	-	-	-
	ba) receivables in connection with investment services on the exchange markets	-	-	-
	bb) receivables in connection with investment services outside the exchange markets	-	-	-
	bc) receivables from customers in connection with investment services	16,126	-	35,362
	bd) claims from clearing corporations	-	-	-
	be) receivables in connection with other investment services	-	-	-
4/A.	Valuation difference on loans and advances to customers	-	-	-
5.	**Debt securities, including fixed-income securities**	**984,323**	-	**1,098,722**
	a) issued by local governments and other public bodies	100,120	-	93,205
	(not including treasury bills and similar securities)			
	aa) held for trading	4,323	-	4,155
	ab) held as financial fixed assets	95,797	-	89,050
	b) securities issued by other borrowers	884,203	-	1,005,517
	ba) held for trading	369,850	-	89,059
	Showing separately: - issued by affiliated companies	361,212	-	66,502
	- issued by other companies linked by virtue of participating interests	-	-	-
	- own shares repurchased	6,776	-	18,656
	bb) held as financial fixed assets	514,353	-	916,458
	Showing separately: - issued by affiliated companies	475,687	-	867,385
	- issued by other companies linked by virtue of participating interests	-	-	**6,223**
5/A.	Valuation difference on debt securities	-	-	-
6.	**Shares and other variable-yield securities**	**99,526**	-	**103,367**
	a) shares and participations in corporations held for trading	84,509	-	86,754
	Showing separately: - issued by affiliated companies	-	-	-
	- issued by other companies linked by virtue of participating interests	-	-	**86,754**
	b) variable-yield securities	15,017	-	16,613
	ba) held for trading	37	-	13
	bb) held as financial fixed assets	14,980	-	16,600
6/A.	Valuation difference on shares and other variable-yield securities	-	-	-

		31 December 2010	Reclassification of 2010	31 December 2011
7.	**Shares and participations in corporations held as financial fixed assets**	**960**	-	**975**
	a) a) shares and participations in corporations held as financial fixed assets	960	-	975
	Showing separately: - participating interests in credit institutions	-	-	-
	b) b) adjusted value of shares and participations in corporations held as financial fixed	-	-	-
	Showing separately: - participating interests in credit institutions	-	-	-
7/A.	Valuation difference on shares and participations in corporations held as financial fixed assets	-	-	-
8.	**8) Shares and participating interests in affiliated companies**	**443,972**	-	**514,090**
	a) shares and participations in corporations held as financial fixed assets	443,972	-	514,090
	Showing separately: - participating interests in credit institutions	367,324	-	417,433
	b) adjusted value of shares and participations in corporations held as financial fixed assets	-	-	-
	Showing separately: - participating interests in credit institutions	-	-	-
9.	**Intangible assets**	**142,337**	**-13**	**119,088**
	a) intangible assets	142,337	-13	119,088
	b) adjusted value of intangible assets	-	-	-
10.	**Tangible assets**	**67,655**	**6**	**67,859**
	a) tangible assets for financial and investment services	64,843	6	65,035
	aa) land and buildings	46,605	1	47,922
	ab) machinery, equipment, fittings, fixtures and vehicles	15,548	5	15,130
	ac) tangible assets in course of construction	2,615	-	1,983
	ad) payments on account	75	-	0
	b) tangible assets not directly used for financial and investment services	2,812	-	2,824
	ba) land and buildings	2,571	-	2,592
	bb) machinery, equipment, fittings, fixtures and vehicles	222	-	213
	bc) tangible assets in course of construction	19	-	19
	bd) payments on account	-	-	-
	c) adjusted value of tangible assets	-	-	-
11.	**Own shares**	**3,729**	-	**5,519**
12.	**Other assets**	**21,779**	**-58**	**46,280**
	a) stocks	954	-66	843
	b) other receivables	20,825	8	45,437
	Showing separately: - from affiliated companies	9,203	-101	19,212
	- from other companies linked by virtue of participating interests	-	-	**118**
12/A.	Valuation difference on other receivables	-	-	-
12/B.	Positive valuation difference on derivatives	-	-	-
13.	**Prepayments and accrued income**	**115,589**	**0**	**110,565**
	a) accrued income	110,751	0	104,760
	b) accrued costs and expenses	3,562	-	3,738
	c) deferred charges	1,276	-	2,067
	Total assets	**6,213,397**	**-70**	**6,717,325**
	Showing separately:			
	- CURRENT ASSETS	*2,315,498*	-92	*2,612,510*
	(1+2/a+3/a+3/ba+3/c+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12+ +a 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining to the previous items)			
	- FIXED ASSETS	*3,782,310*	*22*	*3,994,250*
	(2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10+ a 2/A, 3/A, 4/A, 5/A, 6/A, 7/A, 12/A and 12/B as pertaining to the previous items]			

OTP BANK PLC.

LIABILITIES

		31 December 2010 (Figures in million HUF)	Reclassification of 2010	31 December 2011 (Figures in million HUF)
1.	**Amounts owed to credit institutions**	**739,808**	-	**866,716**
	a) repayable on demand	56,776	-	20,538
	b) with agreed maturity dates or periods of notice in connection with financial services	682,977	-	846,132
	ba) with remaining maturity of less than one year	417,464	-	550,627
	Showing separately: - to affiliated companies	146,798	-	281,685
	- to other companies linked by virtue of participating interests	25,000	-	0
	- to the NBH	-	-	-
	- to clearing houses	-	-	-
	bb) with remaining maturity of more than one year	265,513	-	295,505
	Showing separately: - to affiliated companies	-	-	**12,445**
	- to other companies linked by virtue of participating interests	-	-	-
	- to the NBH	-	-	-
	- to clearing houses	-	-	-
	c) in connection with investment services	55	-	46
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
	- to clearing houses	-	-	-
1/A.	Valuation difference on amounts owed to credit institutions	-	-	-
2.	**Amounts owed to customers**	**3,290,982**	**-10**	**3,429,980**
	a) savings deposits	168,491	**(1)**	146,452
	aa) repayable on demand	104,454	**(3)**	88,902
	ab) with remaining maturity of less than one year	64,037	**2**	57,550
	ac) with remaining maturity of more than one year	-	-	-
	b) other liabilities in connection with financial services	3,121,726	-10	3,282,784
	ba) repayable on demand	915,000	-10	1,014,829
	Showing separately: - to affiliated companies	11,510	-	11,022
	- to other companies linked by virtue of participating interests	264	-	153
	bb) with remaining maturity of less than one year	2,180,437	0	2,238,640
	Showing separately: - to affiliated companies	9,552	-	14,664
	- to other companies linked by virtue of participating interests	7,891	-	4,075
	bc) with remaining maturity of more than one year	26,289	0	29,315
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
	c) in connection with investment services	765	**1**	744
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
	ca) liabilities in connection with investment services on the stock exchange markets	-	-	-
	cb) liabilities in connection with investment services outside the stock exchange mar	-	-	-
	cc) liabilities to customers in connection with investment services	765	**1**	744
	cd) liabilities to clearing corporations	-	-	-
	ce) liabilities in connection with other investment services	-	-	-
2/A.	Valuation difference on amounts owed to customers	-	-	-
3.	**Debts evidenced by certificates**	**534,749**	-	**509,584**
	a) debt securities in issue	523,959	-	500,186
	aa) with remaining maturity of less than one year	423,013	-	376,103
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
	ab) with remaining maturity of more than one year	100,946	-	124,083
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
	b) other debt securities issued	237	-	237
	ba) with remaining maturity of less than one year	237	-	237
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
	bb) with remaining maturity of more than one year	-	-	-
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-

		31 December 2010	Reclassification of 2010	31 December 2011
	c) debt instruments treated as securities for accounting purposes, which are not	10,553	-	9,161
	recognized as debt securities under the Capital Markets Act		0	
	ca) with remaining maturity of less than one year	5,207	-	4,520
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
	cb) with remaining maturity of more than one year	5,346	-	4,641
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
4.	**Other liabilities**	**58,546**	**1,763**	**96,376**
	a) with remaining maturity of less than one year	58,546	1,763	96,376
	Showing separately: - to affiliated companies	4,894	64	16,146
	- to other companies linked by virtue of participating interests	55	-	79
	b) with remaining maturity of more than one year	-	-	-
	Showing separately: - to affiliated companies	0	-	0
	- to other companies linked by virtue of participating interests	-	-	-
4/A.	Negative valuation difference on derivatives	-	-	-
5.	**Accruals and deferred income**	**269,915**	**-8,786**	**330,362**
	a) deferred income	2,307	-	2,038
	b) deferred costs and expenses	267,608	-8,786	328,310
	c) deferred income	0	-	14
6.	**Provisions for liabilities and charges**	**73,562**	-	**102,580**
	a) provisions for pension and severance pay	388	-	0
	b) provisions for contingent liabilities and for (future) commitments	7,801	-	36,641
	c) general risk provisions	40,156	-	41,238
	d) other provisions	25,217	-	24,701
7.	**Subordinated liabilities**	**318,594**	-	**353,466**
	a) subordinated loan capital	179,219	-	197,901
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
	b) other contributions received from members in respect of co-operative credit institutions	-	-	-
	c) other subordinated liabilities	139,375	-	155,565
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
8.	**Subscribed capital**	**28,000**	-	**28,000**
	Showing separately: - own shares repurchased on nominal value	216	-	264
9.	**Subscribed capital called but unpaid (-)**	-	-	-
10.	**Capital reserve**	**52**	-	**52**
	a) difference between the par value and the purchase price of shares and securities (premiu	-	-	-
	b) other	52	-	52
11.	**General reserve**	**122,799**	-	**136,460**
12.	**Profit reserve (±)**	**692,753**	-	**760,785**
13.	**Tied-up reserves**	**5,729**	-	**8,018**
14.	**Revaluation reserve**	-	-	-
	a) revaluation reserve on value adjustments	-	-	-
	b) fair value reserve	-	-	-
15.	**Profit or loss for the financial year (±)**	**77,908**	**6,963**	**94,946**
	Total liabilities	**6,213,397**	-70	**6,717,325**
	Showing separately:			
	- SHORT-TERM LIABILITIES	4,225,991	1,753	4,449,112
	(1/a+1/ba+1/c+1/A+2/aa+2/ab+2/ba+2/bb+2/c+2/A+3/aa+			
	+3/ba+3/ca+4/a+4/A)			
	- LONG-TERM LIABILITIES	716,688	0	807,010
	(1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)			
	- EQUITY CAPITAL (8-9+10+11+12+13+14+15)	927,241	6,963	1,028,261

OTP BANK PLC.

PROFIT AND LOSS ACCOUNT

31 December 2011

Figures in million HUF

		2010	Reclassification of 2010	2011
1.	Interest received and similar income	611,167	8	618,704
	a) interest received and similar income from fixed-income securities	126,113	9	133,439
	Showing separately: - from affiliated companies	64,738	9	71,830
	- from other companies linked by virtue of participating interests	-	-	-
	b) other interest received and similar income	485,054	-1	485,265
	Showing separately: - from affiliated companies	54,890	0	58,629
	- from other companies linked by virtue of participating interests	521	-	652
2.	Interest paid and similar charges	369,329	2	384,784
	Showing separately: - to affiliated companies	20,823	-	24,792
	- to other companies linked by virtue of participating interests	522	-	737
	BALANCE (1-2)	**241,838**	**6**	**233,920**
3.	Income from securities	57,651	-	78,831
	a) income held for trading from shares and participations in corporations (dividends and profit-sharing)	5	-	67
	b) income from participating interests in affiliated companies (dividends and profit-sharing)	57,305	-	78,444
	c) income from other securities (dividends and profit-sharing)	341	-	320
4.	Commissions and fees received or due	145,368	-89	121,819
	a) in connection with other financial services	132,421	-90	109,549
	Showing separately: - from affiliated companies	42,266	-91	18,409
	- from other companies linked by virtue of participating interests	10	-	13
	b) in connection with investment services (not including trading operations)	12,947	1	12,270
	Showing separately: - from affiliated companies	7,769	-	7,321
	- from other companies linked by virtue of participating interests	-	-	-
5.	Commissions and fees paid or payable	23,468	2	25,005
	a) in connection with other financial services	22,852	1	24,389
	Showing separately: - to affiliated companies	1,841	0	2,062
	- to other companies linked by virtue of participating interests	1,029	-	1,032
	b) in connection with investment services (not including trading operations)	616	1	616
	Showing separately: - to affiliated companies	0	-	10
	- to other companies linked by virtue of participating interests	13	-	19
6.	Net profit or net loss on financial operations [6.a)-6.b)+6.c)-6.d)]	-3,864	7	51,092
	a) in connection with other financial services	56,712	-9	74,111
	Showing separately: - from affiliated companies	206,940	-10	314,611
	- from other companies linked by virtue of participating interests	1,454	-	2,805
	- valuation difference	-	-	-
	b) in connection with other financial services	52,379	-17	32,128
	Showing separately: - from affiliated companies	18,159	-15	16,498
	- from other companies linked by virtue of participating interests	1	-	0
	- valuation difference	-	-	-
	c) in connection with investment services (income from trading operations)	47,390	0	61,167
	Showing separately: - from affiliated companies	282	-	921
	- from other companies linked by virtue of participating interests	-	-	25
	- value readjustments of transferable securities held for trading	-	-	-
	- valuation difference	-	-	-
	d) in connection with investment services (expenses on trading operations)	55,587	1	52,058
	Showing separately: - to affiliated companies	155	-	906
	- to other companies linked by virtue of participating interests	-	-	2
	- value adjustments in respect of securities held for trading	-	-	-
	- valuation difference	-	-	-
7.	Other operating income	56,106	66	54,325
	a) income from operations other than financial and investment services	11,018	66	10,899
	Showing separately: - from affiliated companies	2,986	1	3,047
	- from other companies linked by virtue of participating interests	2	-	4
	b) other income	45,088	0	43,426
	Showing separately: - from affiliated companies	28,608	-13	29,656
	- from other companies linked by virtue of participating interests	-	-	-
	- value readjustments in respect of stocks	-	-	-
8.	General administrative expenses	146,097	-8,769	133,037
	a) staff costs	90,342	-8,718	76,086
	aa) wages and salaries	65,834	-7,189	52,060
	ab) other employee benefits	8,154	9	7,188
	Showing separately: - social security costs	2,449	-	2,053
	= costs relating to pensions	1,723	-	1,358
	ac) contributions on wages and salaries	16,354	-1,538	16,838
	Showing separately: - social security costs	15,101	-1,453	15,549
	= costs relating to pensions	13,308	-1,292	13,573
	b) other administrative expenses (materials and supplies)	55,755	-51	56,951

Figures in million HUF

		2010	Reclassification of 2010	2011
9.	Depreciation	14,134	7	14,003
10.	Other operating charges	218,561	123	160,836
	a) charges on operations other than financial and investment services	8,630	130	8,219
	Showing separately: - to affiliated companies	340	0	107
	- to other companies linked by virtue of participating interests	1,082	-	1,541
	b) other charges	209,931	-7	152,617
	Showing separately: - to affiliated companies	73,792	36	66,335
	- to other companies linked by virtue of participating interests	-	-	-
	- value adjustments in respect of stocks	-	-	-
11.	Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	106,446	-	102,201
	a) value adjustments in respect of loans and advances	100,177	-	64,606
	b) risk provisions for contingent liabilities and for (future) commitments	6,269	-	37,595
12.	Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	120,282	-	63,716
	a) value readjustments in respect of loans and advances	60,965	-	54,934
	b) risk provisions for contingent liabilities and for (future) commitments	59,317	-	8,782
12/A.	Difference between formation and utilization of general risk provisions	573	-	-1,082
13	Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies	4,017	-	9,606
14.	Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	10,338	-	2,861
15.	**Profit or loss on ordinary activities**	**115,569**	**8,627**	**160,794**
	Showing separately: - PROFIT OR LOSS ON FINANCIAL AND INVESTMENT SERVICES [1-2+3+4-5+6+7.b)-8-9- 10.b)-11+12-13+14]	113,181	8,691	158,114
	- PROFIT OR LOSS ON OPERATIONS OTHER THAN FINANCIAL AND INVESTMENT SERVICES [7.a)-10.a)]	2,388	-64	2,680
16.	Extraordinary income	124,186	-	6,969
17.	Extraordinary charges	126,006	0	13,298
18.	Extraordinary profit or loss (16-17)	-1,820	**0**	-6,329
19.	**Profit or loss before tax (+15+18)**	**113,749**	**8,627**	**154,465**
20.	Taxes on income	4,785	1,664	17,858
21.	**Profit or loss after tax (+19-20)**	**108,964**	**6,963**	**136,607**
22.	General reserve (±)	-10,896	-	-13,661
23.	Profit reserves used for dividends and profit-sharing	-	-	-
24.	Dividend and profit-sharing payable	20,160	-	28,000
	Showing separately: - to affiliated companies	-	-	-
	- to other companies linked by virtue of participating interests	-	-	-
25.	**Profit or loss for the financial year (+21-/+22+23-24)**	**77,908**	**6,963**	**94,946**

Mandantory layout of the cash-flow statement

Figures in million HUF

		2010	2011
1.	Interest income	611,167	618,704
2.	+Income from other financial services (except value adjustments in respect of securities and the positive valuation difference of receivables)	189,104	196,328
3.	+ Other income (except value readjustments in respect of provisions, value adjustments in respect of stocks and readjustments in respect of extraordinary depreciation)	38,564	34,733
4.	+Income from other investmentfinancial services (except value adjustments in respect of securities and positive valuation difference)	60,337	73,437
5.	+ Income from operations other than financial and investment services	11,018	10,899
6.	+ Dividend income	57,651	78,831
7.	+ Extraordinary income	136	899
8.	- Interest charges	-369,329	-384,784
9.	+Charges on other financial services (except value adjustments in respect of securities and the negative valuation difference of receivables)	-65,622	-56,518
10.	- Other charges (except provisions, value adjustments in respect of stocks, and extraordinary depreciation)	-168,223	-116,506
11.	+Charges on investment services (except value adjustments in respect of securities and negative valuation difference)	-56,203	-52,674
12.	- Charges on operations other than financial and investment services	-8,630	-8,219
13.	- General administrative expenses	-146,097	-133,037
14.	- Extraordinary charges (not including corporate tax payable for the financial year)	-2,104	-6,086
15.	- Corporate tax payable for the financial year	-4,785	-17,858
16.	- Dividends paid	-2	-20,204
17.	**Operating cash-flow**	**146,982**	**217,945**
18.	±Variation in liabilities (increase (+), decrease (-))	-547,234	303,895
19.	±Variation in receivables (increase (-), decrease (+))	162,218	-190,179
20.	±Variation in stocks (increase (-), decrease (+))	-247	45
21.	±Variation in securities shown under current assets (increase (-), decrease (+))	241,522	-208,517
22.	±Variation in securities shown under fixed assets (increase (-), decrease (+))	-155,227	-108,339
23.	±Variation in tangible assets in course of construction (including payments on account) (increase (-), decrease (+))	-80	708
24.	±Variation in intangible assets (increase (-), decrease (+))	5,586	-11,257
25.	±Variation in tangible assets (except tangible assets in course of construction and payments on account) (increase (-), decrease (+))	-7,705	-8,772
26.	±Variation in prepayments and accrued income (increase (-), decrease (+))	28,321	5,024
27.	±Variation in accruals and deferred income (increase (+), decrease (-))	119,306	69,232
28.	+ Issue of shares at par value	0	0
29.	+ Non-repayable funds received by virtue of legal regulation	0	0
30.	- Non-repayable funds transferred by virtue of legal regulation	0	-14,550
31.	- Nominal value of shares and share certificates withdrawn	0	0
32.	**Net cash-flow**	**-6,558**	**55,235**
	showing separately:		
33.	- variation in cash in hand (HUF and foreign currencies, checks)	7,551	-2,145
34.	'- variation in account balances (HUF and foreign currency accounts placed with the NBH, deposit accounts with	-14,109	57,380

PROPOSAL FOR THE USE OF THE PARENT COMPANY'S AFTER-TAX PROFIT AND THE PAYMENT OF DIVIDENDS

PROPOSAL FOR THE USE OF THE PARENT COMPANY'S AFTER-TAX PROFIT AND THE PAYMENT OF DIVIDENDS

	HUF million
Pre-tax profit	154,465
Tax liability	17,858
After-tax profit	136,607
General reserve provisioning	13,661
Use of profit reserves for dividends and participations	-
Dividends	28,000
Retained earnings	94,946

DRAFT RESOLUTION

The Annual General Meeting will distribute the HUF 136,607 million after-tax profit as follows: HUF 13,661 million will be set aside for general reserves, and HUF 28,000 million will be paid out as dividend, and thus the retained earnings will amount to HUF 94,946 million.
Dividends will be HUF 100 per share, representing 100% of the face value of each share. The actual amount of dividends to be paid to the individual shareholders will be calculated and disbursed in accordance with the Company's By-Laws, that is, the Company will distribute the dividend calculated in respect of all the shares qualifying as treasury shares among the shareholders entitled to receive dividends.
Dividends will be disbursed from 11 June 2012, in accordance with the procedural order set forth in the By-Laws.
(The above text represents a part of the draft resolution for the Annual General Meeting.)

FINANCIAL STATEMENTS ON 2011

IFRS (CONSOLIDATED)

OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(in HUF mn)

	Note	2011	2010
Cash, amounts due from banks and balances with the National Banks	4.	595,986	513,038
Placements with other banks, net of allowance for placement losses	5.	422,777	511,244
Financial assets at fair value through profit or loss	6.	241,282	233,667
Securities available-for-sale	7.	1,125,855	1,008,097
Loans, net of allowance for loan losses	8.	7,047,179	6,741,059
Associates and other investments	9.	10,342	11,554
Securities held-to-maturity	10.	124,887	172,302
Property and equipment	11.	241,797	217,615
Intangible assets	11.	249,869	263,213
Other assets	12.	140,553	109,157
TOTAL ASSETS		**10,200,527**	**9,780,946**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	13.	646,968	681,949
Deposits from customers	14.	6,398,853	5,821,489
Liabilities from issued securities	15.	812,863	1,035,153
Financial liabilities at fair value through profit or loss	16.	230,149	257,052
Other liabilities	17.	376,937	385,744
Subordinated bonds and loans	18.	316,447	290,630
TOTAL LIABILITIES		**8,782,217**	**8,472,017**
Share capital	19.	28,000	28,000
Retained earnings and reserves		1,439,095	1,327,638
Treasury shares	21.	(54,386)	(52,597)
Non-controlling interest	22.	5,601	5,888
TOTAL SHAREHOLDERS' EQUITY		**1,418,310**	**1,308,929**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,200,527**	**9,780,946**

Budapest, 24 February 2012

OTP BANK Nyrt.
elnök-vezérigazgató
2.

Dr. Sándor Csányi
Chairman and Chief Executive Officer

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(in HUF mn)

	Note	2011	2010
Interest Income:			
Loans		758,679	741,708
Placements with other banks		266,870	301,259
Securities available-for-sale		73,941	73,247
Securities held-to-maturity		7,719	11,991
Amounts due from banks and balances with the National Banks		6,504	5,052
Securities held for trading		1,725	2,091
Total Interest Income		*1,115,438*	*1,135,348*
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		209,289	216,654
Deposits from customers		212,439	227,781
Liabilities from issued securities		50,936	61,877
Subordinated bonds and loans		11,958	12,611
Total Interest Expense		*484,622*	*518,923*
NET INTEREST INCOME		**630,816**	**616,425**
Provision for impairment on loan and placement losses	5.,8.,23	**249,364**	**273,024**
Loss on loans related to early repayment	23.	**67,309**	**-**
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**314,143**	**343,401**
Income from fees and commissions		184,089	177,252
Expense from fees and commissions		37,567	36,621
Net profit from fees and commissions	24.	**146,522**	**140,631**
Foreign exchange gains, net		50,031	31,811
Net gains on securities		13,290	5,445
Gains on real estate transactions		1,002	845
Dividend income		947	951
(Provision for impairment) / Release of provision on securities available-for-sale and securities held-to-maturity	.	(945)	9,924
Other operating income	25.	27,252	20,890
Other operating expense	25.	(26,571)	(14,435)
Net operating income		**65,006**	**55,431**
Personnel expenses		169,098	160,725
Depreciation and amortization	11.	73,432	67,324
Other administrative expenses		160,145	171,231
Other administrative expenses	25.	**402,675**	**399,280**
PROFIT BEFORE INCOME TAX		**122,996**	**140,183**
Income tax	26.	(39,196)	(22,057)
NET PROFIT FOR THE YEAR		**83,800**	**118,126**
From this, attributable to:			
Non-controlling interest		**653**	**196**
Equity holders		**83,147**	**117,930**
Consolidated earnings per share (in HUF)			
Basic	37.	**312**	**443**
Diluted	37.	**312**	**437**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(in HUF mn)

	2011	***2010***
NET PROFIT FOR THE YEAR (EQUITY HOLDERS)	**83,147**	**117,930**
Fair value adjustment of securities available-for-sale	(22,732)	(10,771)
Derivative financial instruments designated as Cash-flow hedge	378	335
Net investment hedge in foreign operations	(7,993)	(2,232)
Foreign currency translation difference	78,968	30,674
NET COMPREHENSIVE INCOME	**131,768**	**135,936**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(in HUF mn)

OPERATING ACTIVITIES	***Note***	***2011***	***2010***
Profit before income tax		**122,996**	**140,183**
Goodwill impairment	*11.*	23,979	18,519
Depreciation and amortization	*11.*	49,453	48,805
Provision / (Release of provision) for impairment on securities	*7.,10.*	945	(9,754)
Provision for impairment on loan and placement losses	*5.,8.*	316,673	273,024
Provision for impairment on permanent diminution in value of investments	*9.*	3,304	425
Provision for impairment on other assets	*12.*	3,221	3,808
Release of provision on off-balance sheet commitments and contingent liabilities	*17.*	(1,863)	(3,977)
Share-based payment	*2.,29.*	6,188	(11,821)
Unrealized gains on fair value adjustment of securities held for trading		1,655	3,428
Unrealized (losses) / gains on fair value adjustment of derivative financial instruments		(105,272)	106,972
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		19,018	22,243
Net increase in loans, net of allowance for loan losses		(593,565)	(474,804)
Increase in other assets before provisions for impairment		(33,401)	(16,572)
Net increase in deposits from customers		577,364	132,602
Increase / (decrease) in other liabilities		121,493	(45,553)
Net (increase) / decrease in compulsory reserves at the National Banks		(22,816)	4,114
Dividend income		(947)	(951)
Income tax paid		(37,368)	(21,748)
Net Cash Provided by Operating Activities		**451,057**	**168,943**
INVESTING ACTIVITIES			
Net decrease / (increase) in placement with other banks before allowance for placements losses		89,063	(68,976)
Net (increase) / decrease in securities available-for-sale		(147,517)	340,238
Net (increase) / decrease in investments in subsidiaries, before provision for impairment		(2,092)	6,855
Dividend income		947	951
Net decrease in securities held-to-maturity		46,783	21,106
Additions to property, equipment and intangible assets		(110,417)	(92,633)
Disposals to property, equipment and intangible assets		26,346	21,362
Net (increase) / decrease in advances for investments included in other assets		(1,464)	2,027
Net Cash (Used in) / Provided by Investing Activities		**(98,351)**	**230,930**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(in HUF mn)
[continued]

FINANCING ACTIVITIES	*Note*	*2011*	*2010*
Net decrease in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		(34,980)	(120,800)
Cash used for redemption of issued securities		(335,556)	(302,446)
Increase in subordinated bonds and loans		25,817	9,796
Decrease in non-controlling interest		(287)	(264)
Foreign currency translation		78,969	30,674
Payments to ICES holders		(4,518)	(5,468)
Net change in Treasury shares		(1,815)	141
Dividend paid		(20,204)	(2)
Net Cash Used in Financing Activities		**(292,574)**	**(388,369)**
Net increase in cash and cash equivalents		**60,132**	**11,504**
Cash and cash equivalents at the beginning of the period		**255,045**	**243,541**
Cash and cash equivalents at the end of the period		**315,177**	**255,045**

Analysis of cash and cash equivalents

Cash, amounts due from banks and balances with the National Banks		513,038	505,649
Compulsory reserve established by the National Banks		(257,993)	(262,108)
Cash and cash equivalents at the beginning of the period		**255,045**	**243,541**
Cash, amounts due from banks and balances with the National Banks	*4.*	595,986	513,038
Compulsory reserve established by the National Banks	*4.*	(280,809)	(257,993)
Cash and cash equivalents at the end of the period		**315,177**	**255,045**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2010		**28,000**	**52**	**6,830**	**1,258,718**	**(55,468)**	**(52,678)**	**6,152**	**1,191,606**
Net profit for the year		-	-	-	117,930	-	-	-	117,930
Other comprehensive income		-	-	-	18,006	-	-	-	18,006
Share-based payment	*29.*	-	-	(6,802)	(5,019)	-	-	-	(11,821)
Sale of Treasury shares		-	-	-	-	-	496	-	496
Treasury shares									
– gain on sale		-	-	-	60	-	-	-	60
– acquisition		-	-	-	-	-	(415)	-	(415)
Payments to ICES holders	*20.*	-	-	-	(6,669)	-	-	-	(6,669)
Non-controlling interest		-	-	-	-	-	-	(264)	(264)
Balance as at 31 December 2010		**28,000**	**52**	**28**	**1,383,026**	**(55,468)**	**(52,597)**	**5,888**	**1,308,929**
Net profit for the year		-	-	-	83,147	-	-	-	83,147
Other comprehensive income		-	-	-	48,621	-	-	-	48,621
Share-based payment	*29.*	-	-	6,188	-	-	-	-	6,188
Dividend for the year 2010		-	-	-	(20,160)	-	-	-	(20,160)
Sale of Treasury shares		-	-	-	-	-	2,963	-	2,963
Treasury shares									
– loss on sale		-	-	-	(25)	-	-	-	(25)
– acquisition		-	-	-	-	-	(4,753)	-	(4,753)
Payments to ICES holders	*20.*	-	-	-	(6,313)	-	-	-	(6,313)
Non-controlling interest		-	-	-	-	-	-	(287)	(287)
Balance as at 31 December 2011		**28,000**	**52**	**6,216**	**1,488,296**	**(55,468)**	**(54,387)**	**5,601**	**1,418,310**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

OTP Bank Plc. (the "Bank" or "OTP") was established on 31 December 1990, when the previously State-owned company was transformed into a public liability company. The Bank's registered office address is 16, Nador Street, Budapest 1051.

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

These financial statements were approved by the board of directors and authorised for issue on 30 March 2012.

The structure of the Share capital by shareholders (%):

	2011	*2010*
Domestic and foreign private and institutional investors	96%	96%
Employees	2%	2%
Treasury shares	2%	2%
Total	**100%**	**100%**

The Bank and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,425 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

The number of employees at the Group:

	2011	*2010*
The number of employees at the Group	33,826	30,367
The average number of employees at the Group	32,180	30,183

1.2. Accounting

The Entities of the Group maintain their accounting records and prepare its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the local commercial, banking and fiscal regulations.

The Group's functional currency is the Hungarian Forint ("HUF").

Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with International Financial Reporting Standards ("IFRS").

Certain adjustments have been made to the entities' statutory accounts in order to present the Consolidated Financial Position and Statement of Recognized and Comprehensive Income of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as IFRS.

The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") which has not been approved by the EU. As the Group does not apply portfolio hedge accounting under IAS 39, there would be no impact on these consolidated financial statements, had it been approved by the EU at the balance sheet date.

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2011

The following amendments to the existing standards issued by the IASB and adopted by the EU are effective for the current period:

- IAS 24 (Amendment) “Related Party Disclosures” - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IAS 32 (Amendment) “Financial Instruments: Presentation” – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- IFRS 1 (Amendment) “First-time Adoption of IFRS”- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- Various standards and interpretations (Amendment) “Improvements to IFRSs (2010)” resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation),
- IFRIC 14 (Amendment) “IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction” - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The adoption of the above presented Amendments and new Standards and Interpretations had no significant impact on the Consolidated Financial Statements of the Group.

1.2.2. Amendments to IFRSs effective on or after 1 January 2012, which are not yet endorsed by EU, not yet adopted

At the balance sheet date of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2015),
- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 “Disclosures of Involvement with Other Entities” (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) “Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2013),
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2013),
- IFRS 1 (Amendment) “First-time Adoption of IFRS” - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- IFRS 7 (Amendment) “Financial Instruments: Disclosures”- Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- IAS 1 (Amendment) “Presentation of financial statements” -Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- IAS 12 (Amendment) “Income Taxes” - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- IAS 19 (Amendment) “Employee Benefits” - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after 1 January 2013).

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the Consolidated Financial Statements of the Group.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

These Consolidated Financial Statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred.

The presentation of Consolidated Financial Statements in conformity with IFRS requires the management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF, that is the functional currency, at exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP as at the date of the Consolidated Financial Statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the Consolidated Statement of Recognized Income.

Net differences resulting from translating foreign currency financial statements of consolidated subsidiaries are presented as an element of the Retained earnings and reserves in the Consolidated Statement of Financial Position.

Goodwill arising on acquisition is expressed in the functional currency of the foreign operation and translated at the closing rate in the Consolidated Statement of Financial Position. The resulting the foreign currency translation difference is presented as an element of the Retained earnings and reserves in the Consolidated Statement of Financial Position.

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank holds a significant interest. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 31. However, certain subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.10.).
As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

2.4. Accounting for acquisitions

Subsidiaries are accounted for purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. Before this date, it should be presented as Advance for investments within Other assets.

Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements.

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in Statement of Recognized Income.

Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate. The goodwill is allocated to the cost generated units that are expected to benefit from the synergies of the combinations.

The Group calculates the value in use a discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.

The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the probable economic decline and their possible influence on the financial sector as well as the limited external refinancing funds, the lower possibility of the expansion and the prospective effects of all these above mentioned factors.

Negative goodwill, when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Recognized Income as other income.

2.5. Securities held-to-maturity

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment losses recognized to reflect irrecoverable amounts.

The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognized in each period represents a constant yield on the investment.

Such securities comprise mainly securities issued by the Hungarian Government, discounted Treasury bills, mortgage bonds and foreign bonds.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Recognized Income for the period. Such securities consist of corporate shares, Hungarian and foreign government bonds, securities issued by NBH, discounted treasury bills and other securities.

2.6.2. Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are initially measured at fair value and at subsequent reporting dates also at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the Consolidated Statement of Recognized Income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Recognized Income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.
The conditions of hedge accounting applied by the Bank are the following: formally designed as hedge, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognized as reserve in the shareholders' equity. Amounts deferred in equity are transferred to the Consolidated Statement of Recognized Income and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the Consolidated Statement of Recognized Income for the period. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.

Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Recognized Income.

2.7. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities available-for-sale are measured at subsequent reporting dates at fair value. Unrealized gains and losses on available-for-sale financial instruments are recognized directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when realized in Consolidated Statement of Recognized Income for the applicable period.

Such securities consist of Hungarian government bonds, bonds issued by NBH, corporate bonds, discounted Treasury bills and other securities. Other securities include shares in investment funds and shares in commercial companies. The impairment is calculated based on discounted cash flow methodology, using the expected future cash flow and original effective interest rate.

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

Those available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less provision for impairment, when appropriate. This exception is related only to equity instruments. Impairment on equity available-for-sale securities is accounted only if there is a significant or prolonged decrease in the market value.

2.8. Loans, placements with other banks and allowance for loan and placement losses

Loans and placements with other banks are stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amount outstanding.

When a borrower is unable to meet payments as they fall due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired.

The amount of allowance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

Allowance for loan and placement losses with other banks represent management assessment for potential losses in relation to these activities.

The allowances for loan and placement losses are maintained to cover losses that have been specifically identified and for potential losses which may be present based on portfolio performance.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Provision for impairment on loan and placement losses" in the Consolidated Statement of Recognized Income. If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into net operating income.

The Group classifies the previously performing loans that have been renegotiated automatically to the to-be-monitored risk class for a certain period and records at least 1 per cent provision for impairment on them.

2.9. Sale and repurchase agreements, security lending

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

2.10. Associates and other investments

Companies where the Bank has the ability to exercise significant interest are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because the effect of using the equity method to account for such companies is not material to the consolidated financial statements as a whole.

Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded at the cost of acquisition, less Provision for impairment on investment, when appropriate.

Gains and losses on the sale of investments are determined on the basis of the specific identification of the cost of each investment.

2.11. Property and equipment, Intangible assets

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

Intangible assets	
Software	3.33-50%
Property rights	10-50%
Property	1-50%
Office equipments and vehicles	2.5-50%

Depreciation and amortization on Property and equipment and Intangible assets commence on the day such assets are placed into service.

At each balance sheet date, the Group reviews the carrying value of its Property and equipment and Intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying value of Property and equipment and Intangible assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

2.12. Financial liabilities

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

2.13. Leases

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.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as other receivables at the amount of the net investment in the lease of the Group. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the net investment outstanding of the Group in respect of the leases. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as a lessee

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The principal element of each future lease obligation is recorded as a liability, while the interest elements are charged to the Consolidated Statement of Recognized Income over the period of the leases to produce a constant rate of charge on the balance of principal payments outstanding.
Payments made under operating leases are charged to the Consolidated Statement of Recognized and Comprehensive Income on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.14. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Financial Position at acquisition cost as a deduction from Consolidated Shareholders' Equity.
Gains and losses on the sale of Treasury shares are credited or charged directly to shareholder's equity in the treasury shares. Derecognition of Treasury shares is based on the FIFO method.

2.15. Interest income and interest expense

The interest income and expense are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on the IAS 18 Revenue Standard, referring to provision of IAS 39. The Group recognizes interest income when assumes that the interest associated with the transaction will flow to the Group and the amount of the revenue can reasonably be measured. All interest income and expense recognized are arising from loans, placements with other banks, securities held for trading, securities available-for-sale, securities held-to-maturity and amounts due to banks, deposits from customers, liabilities from issued securities, subordinated bond and loans are presented under these lines.

2.16. Fees and Commissions

Fees and commissions are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on IAS 18 Revenue Standard. Fees and Commissions are recognized using the effective interest method referring to provisions of IAS 39.

2.17. Dividend income

The Group recognizes dividend income in the consolidated financial statements when its right to receive payment is established.

2.18. Income tax

The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

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

2.19. Off-balance sheet commitments and contingent liabilities

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

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

The Group recognizes provision when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

2.20. Share-based payment

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

The Bank issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the year, based on the Bank’s estimate of shares that will eventually vest. Share-based payment is recorded in Consolidated Statement of Recognized Income as Personnel expenses.

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

2.21. Consolidated Statement of Cash Flows

For the purposes of reporting Consolidated Statement of Cash Flows, cash and cash equivalents include cash, due from banks and balances with the National Banks, excluding the compulsory reserve established by the National Banks. Consolidated cash flows from hedging activities are classified in the same category as the item being hedged. The unrealized gains and losses from the translation of monetary items to the closing foreign exchange rates and unrealized gains and losses from derivative financial instruments are presented net in the statement of cash-flows for the monetary items which were being revaluated.

2.22. Segment reporting

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Group are the business and geographical segments.
The Group's reportable segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.23. Comparative figures

The presentation of certain amounts in the Consolidated Financial Statements for the year ended 31 December 2010 have been restructured to conform with the current year presentation. These restructurings were not material.

2.24. Events in accordance with early repayment at fixed exchange rates

The Hungarian Government announced the Country Protection Action Plan on 12 September 2011. The most significant arrangement, which directly affected the Bank, was the opportunity of early repayment at fixed exchange rates.

If certain conditions completed by the borrowers FX based mortgage loans can be repaid in one amount at fixed conversion rate ("early repayment") determined in the Law on Credit Institutions (Swiss Franc 180 HUF/CHF, Euro 250 HUF/EUR, Japanese Yen 2 HUF/JPY). Act CXXI of 2011 ("On the amendment of the acts in connection with the protection of homes") on early repayment entered into force on 29 September 2011. Under the law the banks may not charge any fees or other commissions for early repayment. Furthermore banks shall carry the loss derived from the difference between the book value recorded on market price and the paid amount calculated at fixed exchange rate as an early repayment. If the borrower meets the conditions determined by the law, the lender is not allowed to refuse the early repayment, and shall prepare the settlement of the contract in 60 days.
The final closing date of the opportunity of early repayment is 28 February 2012.

On 10 October 2011 the Bank and OTP Mortgage Bank Ltd. ("OTP Mortgage Bank") have made a guarantee contract about a facility in the amount of HUF 200 billion. Based on this agreement the Bank must compensate the loss of OTP Mortgage Bank on early repayment of FX based mortgage loans. The fee for guarantee was determined in the amount of HUF 5 billion.
On 26 October 2011 the Bank and OTP Flat Lease Ltd. ("OTP Flat Lease") have made a guarantee contract about a facility in the amount of HUF 2 billion. Based on this agreement the Bank must compensate the loss of OTP Flat Lease on early repayment of FX based mortgage loans. The fee for guarantee was determined in the amount of HUF 25 million.

In accordance with the guarantee contract OTP compensates the losses derived from the early repayment of OTP Mortgage Bank and OTP Flat Lease.

Regarding to Act LIX of 2006 the financial institution can reduce the amount of the payable income tax as a tax refund with 30% of the paid FX based mortgage loans. According to paragraph 11 if the tax refund exceeds the income tax determined for the year 2011 (based on paragraph 6), the difference can be claimed at tax determination by the related parties (one or more financial institution or insurance company) ("tax refund beneficiary") of the financial institution at 1 December 2011.

Up to 31 December 2011 – together at the Bank, OTP Mortgage Bank and OTP Flat Lease – 21,146 customers paid back their FX mortgage loans. Therefore provision for impairment on loan losses in the amount of HUF 32,152 million was recognized at the Group. Provision for impairment on loan losses in the amount of HUF 2,962 million was recognized at OTP relating to early repayment of the Bank's own customers.

According to the Bank's accounting policy the balance sheet date considering the events of the early repayment is 30 January 2012. Consequently OTP recognizes as provision for impairment the calculated effect of the early repayment claimed and paid till 30 January 2012. Whole amount of the expected loss relating to the transactions claimed but not yet paid up to 30 January 2012 is impaired by OTP as the customers could have presented the collateral or the collateral certificate relating to the repayment till this date – according to Act CXII of 1996 on Credit Institutions Section 200/B paragraph 2 to take effect on 29 December 2011.
As a consequence of guarantee contract OTP Bank recognized provision on expected loss of OTP Mortgage Bank and OTP Flat Lease.

As at 31 December 2011 during balance sheet compilation period – together at the Bank, OTP Mortgage Bank and OTP Flat Lease – 14,854 customers paid back their FX mortgage loans and presented collateral certificate relating to early repayment on mortgage loan that in connection with provision in the amount of HUF 35,264 million was recognized in the Group. Provision in the amount of HUF 2,164 million was recognized at the Bank relating to early repayment of the Bank's own customers.

	2011
Provision for impairment on loan losses relating to early repayment at the Group	32,152
Provision recognized at the Group relating to early repayment	35,264
Provision for impairment on loan losses relating to early repayment at the Group	**67,416**

	2011
Provision for impairment on loan losses relating to early repayment at OTP Mortgage Bank and OTP Flat Lease	61,515
Loan losses recognized as provision are deducted at OTP Mortgage Bank as according to contract this loss is not refunded by OTP	(588)
Tax refund at OTP Mortgage Bank and OTP Flat Lease – loss is not refunded by OTP	(8,875)
Refundable loss for OTP Mortgage Bank and OTP Flat Lease recognizing at OTP in connection with the guarantee	**52,052**
Fee for guarantee paid by OTP Mortgage Bank and OTP Flat Lease	(5,025)
Refundable loss for OTP Mortgage Bank and OTP Flat Lease recognizing at OTP in connection with the guarantee – Recognizing as increasing of Investments in subsidiaries	**47,027**

Based on the arising losses at the Bank, OTP Mortgage Bank and OTP Flat Lease, Merkantil Bank Ltd. ("Merkantil Bank") and Merkantil Car Ltd. ("Merkantil Car") total HUF 20,606 million tax refund was carried out at the Group's level from the bank tax paid and recognized in 2011.
The Bank recognized HUF 10,467 million as tax refund in the separate financial statements. The difference will be asserted as tax refund by the other subsidiaries of the Group.

	2011
Total expenditure at the Group affected by early repayment	66,641
During calculation of amount deductible from bank tax, provision for impairment owing to classification is taken into consideration	2,047
Consolidation effect	775
Total expenditure at the Group affected by early repayment considered at calculation of bank tax	**69,463**
30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011	20,606
Consolidation effect	232
30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011	**20,838**
Claim for bank tax refund at subsidiaries of the Group	
OTP Bank	10,467
OTP Mortgage Bank	8,759
OTP Flat Lease	116
Merkantil Bank	1,120
Merkantil Car	144
Bank tax effect of NBH tender	232
	20,838

The NBH has invited tenders for selling euro from 3 October 2011 what is announced regularly till 29 February 2012, above all weekly if necessary more frequently. Credit institution is obliged to utilize the same sum of foreign exchange as the amount published in information related to realized early repayment – according to Act on Credit Institutions 200/B – by the credit bank or the corresponding one. Credit institutions are obliged to exchange for HUF the unutilized part of EUR stock at original rate between 1 and 14 March 2012.
The Bank participated in three tenders on account of hedging the loss incurred as a consequence of early repayment at the Group.

	Tender I.	**Tender II.**	**Tender III.**
Trade date of tender	14/09/2011	03/10/2011	02/01/2012
Foreign exchange rate	287.05	294.45	315.5
EUR stock	350,000,000	200,000,000	189,000,000

EUR stock was recognized in the Bank's separate financial statements, in connection with that foreign exchange gains were realized in the amount of HUF 9,313 million in the separate financial statements as at 31 December 2011. In the Consolidated Financial Statements it was presented among Provision for impairment on loan and placement losses. This sum is reducing the loss incurred related to early repayment at the level of the Group. The details of NBH tender are presented in Note 39. d) section 5.

2.25. The agreement on 15 December 2011 between the Hungarian Government and the Hungarian Banking Association

The agreement subscribed by the Hungarian Government ("Government") and the Hungarian Banking Association ("HBA") on 15 December 2011 was partly acted in 2011, and no further agreement elements were acted until 24 February 2012 therefore it has no effects for the year 2011.

1. Measures on behalf of performing FX mortgage debtors with up to 90 days of delinquency

1. Performing FX mortgage debtors with up to 90 days of delinquency are entitled to opt for the program of fixed exchange rate scheme. During the program in the range HUF/CHF 180-270, HUF/EUR 250-340 and HUF/JPY 2.5-3.3 FX mortgage debtors are obliged to pay off monthly instalments calculated at the lower bound of the range. The difference between the market and the fixed rate on the principal part of the monthly instalments will be accumulated in a special buffer account over the fixed exchange rate period. This amount is to be fully borne by the client in compliance with the effective special account regulations.

2. 50% of the interest repayments above the cap shall be borne by financial institutions and 50% by the Government. Regarding the interests to be paid both by the banks and the Government, the settling of accounts shall take place on a quarterly basis.

2. Measures on behalf of FX mortgage debtors with more than 90 days of delinquency

1. Members of HBA have undertaken to convert the FX mortgage loans, reaching the sum of minimum wage on 30 September 2011, to HUF ones in the case of debtors with more than 90 days of delinquency and they cancel 25% such debts by 15 May 2012, provided that the total market value of real estate serving as collateral did not exceeded HUF 20 million when the FX mortgage loan contract was concluded.

   The conversion is to take place at the average of the mid rates of the respective currencies published by NBH for the period between 15 March and 15 April 2012.

   Credit institutions are entitled to deduct 30% of their cancelled claims from their bank tax due in 2012.

2. In order to help the payment of the reduced debt after the preferential conversion, the Government provides a gradually decreasing interest rate subsidy to eligible clients. Creditors may reschedule the loans of debtors entering the interest rate subsidy scheme so that within 5 years from the start of the scheme debtors shall only pay interest rates.

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

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

3.1. Impairment on loans and placements

The Group regularly assesses its loan portfolio for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Provisioning involves many uncertainties about the outcome of those risks and requires the management of the Group to make many subjective judgements in estimating the loss amounts.

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

Provisions are recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 17)

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

Provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities, for commitments to extend credit, provision for warranties arising from banking activities and provision for confirmed letter of credit.

3.4. Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 "Impairment of assets". The Group calculates the value in use a discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

NOTE 4: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF mn)

	2011	*2010*
Cash on hand		
In HUF	53,713	58,130
In foreign currency	124,737	114,659
	178,450	**172,789**
Amounts due from banks and balances with the National Banks		
Within one year:		
In HUF	138,915	100,867
In foreign currency	277,315	238,340
	416,230	**339,207**
Over one year:		
In HUF	-	-
In foreign currency	796	619
	796	**619**
Accrued interest	510	423
	417,536	**340,249**
Total	**595,986**	**513,038**
Compulsory reserve set by the National Banks	**280,809**	**257,993**

NOTE 5: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)

	2011	2010
Within one year		
In HUF	16,442	19,760
In foreign currency	403,346	488,128
	419,788	**507,888**
Over one year		
In HUF	-	-
In foreign currency	3,633	4,996
	3,633	**4,996**
Accrued interest	521	341
Provision for impairment on placement losses	(1,165)	(1,981)
Total	**422,777**	**511,244**

An analysis of the change in the provision for impairment on placement with other banks, net of allowance for placement losses is as follows:

	2011	2010
Balance as at 1 January	**1,981**	**3,514**
Provision for the period	166	222
Release of provision for the period	(1,091)	(1,882)
Foreign currency translation difference	109	127
Closing balance	**1,165**	**1,981**

Interest conditions of placements with other banks:

	2011	2010
In HUF	1.6% - 15.2%	0.8% - 10.9%
In foreign currency	0.01% - 18.5%	0.10% - 12.6%

NOTE 6: **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)**

	2011	2010
Securities held for trading		
Corporate shares	88,138	105,832
Government bonds	33,068	26,550
Treasury bills	4,146	3,774
Other securities	3,388	537
Securities issued by the NBH	1,715	19,984
Other non-interest bearing securities	7,938	2,166
	138,393	**158,843**
Accrued interest	937	404
Total	**139,330**	**159,247**

Positive fair value of derivative financial instruments designated as held for trading

	2011	2010
Interest rate swaps designated as held for trading	39,370	34,413
CCIRS[1] and mark-to-market CCIRS designated as held for trading	27,448	18,938
Foreign exchange swaps designated as held for trading	18,596	15,442
Other transactions designated as held for trading	16,538	5,627
	101,952	**74,420**
Total	**241,282**	**233,667**

An analysis of securities held for trading portfolio by currency (%):

	2011	2010
Denominated in HUF (%)	81.8%	88.5%
Denominated in foreign currency (%)	18.2%	11.5%
Total	**100.0%**	**100.0%**

An analysis of government bond portfolio by currency (%):

	2011	2010
Denominated in HUF (%)	58.3%	41.5%
Denominated in foreign currency (%)	41.7%	58.5%
Total	**100.0%**	**100.0%**

Interest rates on securities held for trading	1.2% - 12.0%	2% - 8.75%

[1] CCIRS: Cross Currency Interest Rate Swaps

Interest conditions and the remaining maturities of securities held for trading can be analysed as follows:

	2011	*2010*
Within five years		
With variable interest	1,042	27
With fixed interest	26,090	35,662
	27,132	**35,689**

	2011	*2010*
Over five years		
With variable interest	919	1,038
With fixed interest	14,266	14,118
	15,185	**15,156**
Non-interest bearing securities	96,076	107,998
Total	**138,393**	**158,843**

NOTE 7: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

	2011	2010
Securities available-for-sale		
Bonds issued by NBH	509,667	312,007
Government bonds	477,917	584,065
Treasury bills	35,388	11,463
Other non-interest bearing securities	34,223	35,522
From this:		
Listed securities:		
In HUF	*273*	*263*
In foreign currency	*7,225*	*708*
	7,498	*971*
Non-listed securities:		
In HUF	*23,322*	*22,965*
In foreign currency	*3,403*	*11,586*
	26,725	*35,522*
Corporate bonds	33,828	32,937
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*26,643*	*30,972*
	26,643	*30,972*
Non-listed securities:		
In HUF	-	-
In foreign currency	*7,185*	*1,965*
	7,185	*1,965*
Mortgage bonds	163	151
Other securities	17,902	14,740
	1,109,088	**990,885**
Accrued interest	18,697	18,901
Provision for impairment on securities available-for-sale	(1,930)	(1,689)
Total	**1,125,855**	**1,008,097**

An analysis of securities available-for sale by currency (%):

	2011	2010
Denominated in HUF (%)	81.7%	79.8%
Denominated in foreign currency (%)	18.3%	20.2%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency (%):

	2011	2010
Denominated in HUF (%)	75.8%	72.5%
Denominated in foreign currency (%)	24.2%	27.5%
Total	**100.0%**	**100.0%**

	2011	2010
Interest rates on securities available-for-sale denominated in HUF (%)	5.3% - 8.0%	5.4% - 8.9%
Interest rates on securities available-for-sale denominated in foreign currency (%)	0.4% - 20.0%	0.5% - 20.5%

Interest conditions and the remaining maturities of available-for-sale financial assets can be analysed as follows:

	2011	2010
Within five years		
With variable interest	1,890	3,549
With fixed interest	909,946	790,928
	911,836	**794,477**
Over five years		
With variable interest	1,897	2,064
With fixed interest	161,132	158,822
	163,029	**160,886**
Non-interest bearing securities	34,223	35,522
Total	**1,109,088**	**990,885**

An analysis of the change in the provision for impairment on securities available-for-sale is as follows:

	2011	2010
Balance as at 1 January	**1,689**	**6,988**
Provision for the period	332	575
Release of provision	(19)	(1,247)
Use of provision	(291)	(4,723)
Foreign currency translation difference	219	96
Closing balance	**1,930**	**1,689**

Certain securities are hedged against interest rate risk. See Note 39.

NOTE 8: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)

	2011	2010
Short-term loans and trade bills (within one year)	2,394,200	1,922,771
Long-term loans and trade bills (over one year)	5,653,270	5,522,355
	8,047,470	**7,445,126**
Accrued interest	61,161	57,205
Provision for impairment on loan losses	(1,061,452)	(761,272)
Total	**7,047,179**	**6,741,059**

An analysis of the loan portfolio by currency (%):

	2011	2010
In HUF	24%	25%
In foreign currency	76%	75%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	2011	2010
Short-term loans denominated in HUF	5.0% - 38.1%	4.5% - 36.1%
Long-term loans denominated in HUF	3% - 38.1%	1.8% - 36.1%
Short-term loans denominated in foreign currency	1% - 66%	0.9% - 83.2%
Long-term loans denominated in foreign currency	0.4% - 57.8%	1% - 67%

	2011	2010
Gross loan portfolio on which interest to customers is not being accrued	15.2%	11.7%

An analysis of the loan portfolio by type, before provision for impairment on loan losses, is as follows:

	2011		2010	
Retail loans	2,677,482	33%	2,368,554	32%
Corporate loans	2,547,123	32%	2,598,277	35%
Housing loans	2,471,184	31%	2,118,321	28%
Municipality loans	351,681	4%	359,974	5%
Total	**8,047,470**	**100%**	**7,445,126**	**100%**

An analysis of the change in the provision for impairment on loan losses is as follows:

	2011	2010
Balance as at 1 January	**761,272**	**494,378**
Provision for the period	596,734	619,227
Release of provision	(357,824)	(370,230)
Use of provision	2,793	(2,962)
Foreign currency translation difference	58,477	20,859
Closing balance	**1,061,452**	**761,272**

Provision for impairment on loan and placement losses is summarized as below:

	2011	2010
Release of provision for impairment on placement losses (see Note 5)	(596)	(1,418)
Provision for impairment on loan losses	317,269	274,442
Total	**316,673**	**273,024**

NOTE 9: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	2011	2010
Investments		
Unconsolidated subsidiaries	8,278	9,222
Associated companies (non-listed)	383	384
Other investments (non-listed)	3,335	3,268
	11,996	**12,874**
Provision for impairment on investments	(1,654)	(1,320)
Total	**10,342**	**11,554**

An analysis of the change in the provision for impairment on investments is as follows:

	2011	2010
Balance as at 1 January	**1,320**	**893**
Provision for the period	3,304	425
Use of provision	(2,969)	-
Foreign currency translation difference	(1)	2
Closing balance	**1,654**	**1,320**

NOTE 10: SECURITIES HELD-TO-MATURITY (in HUF mn)

	2011	2010
Government bonds	117,242	148,278
Mortgage bonds	2,300	2,071
Foreign bonds	1,754	2,914
Hungarian government discounted Treasury bills	1,611	15,979
	122,907	**169,242**
Accrued interest	2,869	3,214
Provision for impairment on securities held-to-maturity	(889)	(154)
Total	**124,887**	**172,302**

Interest conditions and the remaining maturities of securities held-to-maturity can be analysed as follows:

	2011	*2010*
Within five years		
With variable interest	46,900	40,605
With fixed interest	66,212	104,056
	113,112	**144,661**
Over five years		
With variable interest	372	3,704
With fixed interest	9,423	20,877
	9,795	**24,581**
Total	**122,907**	**169,242**

An analysis of securities held-to-maturity by currency (%):

	2011	*2010*
Denominated in HUF (%)	46.7%	53%
Denominated in foreign currency (%)	53.3%	47%
Total	**100%**	**100%**

In most cases, interest on variable rate bonds is based on the interest rates of 90 day Hungarian government Treasury bills and is adjusted semi-annually. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

	2011	*2010*
Interest rates of securities held-to-maturity with fixed interest	1.6% - 30%	2% - 30%
Interest rates of securities held-to-maturity with variable interest	0.2% - 5.9%	0.2% - 8.9%

An analysis of the change in the provision for impairment on securities held-to-maturity is as follows:

	2011	*2010*
Balance as at 1 January	**154**	**4,523**
Provision for the period	689	87
Release of provision	(57)	(2,044)
Use of provision	-	(2,598)
Foreign currency translation difference	103	186
Closing balance	**889**	**154**

NOTE 11: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the year ended 31 December 2011

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**373,120**	**172,003**	**172,422**	**11,798**	**729,343**
Additions	33,528	17,218	22,087	24,934	97,767
Foreign currency translation differences	19,225	10,458	9,141	695	39,519
Disposals	(44,239)	(9,133)	(16,246)	(21,084)	(90,702)
Change in consolidation scope	24	9,108	56	-	9,188
Balance as at 31 December	**381,658**	**199,654**	**187,460**	**16,343**	**785,115**
Depreciation and Amortization					
Balance as at 1 January	**109,907**	**29,809**	**108,799**	**-**	**248,515**
Charge for the year (except for Goodwill impairment)	25,000	5,931	18,522	-	49,453
Goodwill impairment	23,979	-	-	-	23,979
Foreign currency translation differences	3,483	2,503	5,534	-	11,520
Disposals	(30,580)	(1,363)	(11,329)	-	(43,272)
Change in consolidation scope	-	3,222	32	-	3,254
Balance as at 31 December	**131,789**	**40,102**	**121,558**	**-**	**293,449**
Net book value					
Balance as at 1 January	**263,213**	**142,194**	**63,623**	**11,798**	**480,828**
Balance as at 31 December	**249,869**	**159,552**	**65,902**	**16,343**	**491,666**

An analysis of the changes in the goodwill for the year ended 31 December 2011 is as follows:

Cost	Goodwill
Balance as at 1 January	**209,320**
Additions	-
Foreign currency translation difference	13,555
Current year impairment	(23,979)
Balance as at 31 December	**198,896**
Net book value	
Balance as at 1 January	**209,320**
Balance as at 31 December	**198,896**

Book value of the goodwill allocated to the appropriate cash generation units:

List of units	HUF mn
OAO OTP Bank	70,205
OTP Bank JSC	69,725
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	18,062
OTP Bank Romania S.A.	6,182
Other[2]	6,181
Total	**198,896**

[2] Other category includes: Monicomp Ltd., OTP Flat Lease Ltd., Nimo 2002 Ltd., OTP Banka Slovensko a.s., POK DSK-Rodina AD, OTP Leasing d.d.

The Bank prepared the IFRS goodwill impairment tests of the subsidiaries based on two different net present value calculation methods that shows the same result; however they represent different economical logics. On one hand is the discount cash-flow method (DCF) that calculates the value of the subsidiaries by discounting their expected cash-flow; on the other hand the economic value added (EVA) method estimates the value of the subsidiaries from the initial invested capital and the present value of the economic profit that the companies are expected to generate in the future.

The Bank applied a cash-flow model with an explicit period between 2012-2016 where for 2012 the actual, accepted annual financial plans are included and the actual financial strategic plans were used as forecasts for the period between 2013 and 2016.

Present value calculation with the DCF method

The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. For calculating the discount factor it was considered the base rates of the national banks in the actual macro forecasts as risk free rates and we calculated risk premiums by modifying the country risk premiums that are published on damodaran.com with the CDS of the different countries spread as of 31 December 2011.

The values of the subsidiaries in the DCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

Present value calculation with the EVA method

A company creates positive economic profit/value if the profitability of the invested capital is higher than the normal profit – the profit that can be usually generated in the banking sector –, which means that the company's profitability exceeds the expected yield. The economic profit of the subsidiaries was calculated by deducting the cost of invested capital from the net profit for the year. The applied discount factor and the indicators used for calculating the residual value (long term cost of capital and growth rate) are the same that are used in the DCF method.

Summary of the 2011 year end impairment test

Based on the valuations of the subsidiaries HUF 21,642 million and HUF 2,337 million consolidated IFRS goodwill impairment was recorded for OTP banka Hrvatska d.d. (Croatian subsidiary) and for Crnogorska komerčijalna banka a.d. (Montenegrin subsidiary).

For the year ended 31 December 2010

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**336,682**	**145,904**	**170,276**	**13,344**	**666,206**
Additions	45,567	17,896	16,376	20,920	100,759
Foreign currency translation differences	1,991	2,324	3,192	207	7,714
Disposals	(11,130)	(3,912)	(17,666)	(22,673)	(55,381)
Change in consolidation scope	10	9,791	244	-	10,045
Balance as at 31 December	**373,120**	**172,003**	**172,422**	**11,798**	**729,343**
Depreciation and Amortization					
Balance as at 1 January	**69,054**	**24,563**	**96,231**	**-**	**189,848**
Charge for the year (except for Goodwill impairment)	23,298	5,531	19,976	-	48,805
Goodwill impairment	18,519	-	-	-	18,519
Foreign currency translation differences	1,001	507	1,290	-	2,798
Disposals	(1,965)	(746)	(8,635)	-	(11,346)
Change in consolidation scope	-	(46)	(63)	-	(109)
Balance as at 31 December	**109,907**	**29,809**	**108,799**	**-**	**248,515**
Net book value					
Balance as at 1 January	**267,628**	**121,341**	**74,045**	**13,344**	**476,358**
Balance as at 31 December	**263,213**	**142,194**	**63,623**	**11,798**	**480,828**

An analysis of the changes in the goodwill for the year ended 31 December 2010 is as follows:

Cost	Goodwill
Balance as at 1 January	**210,229**
Additions	5,695
Foreign currency translation difference	11,915
Current year impairment	(18,519)
Balance as at 31 December	**209,320**
Net book value	
Balance as at 1 January	**210,229**
Balance as at 31 December	**209,320**

During 2010, HUF 18,519 million was impaired. This impairment was related to Crnogorska komerčijalna banka a.d.(Montenegro).

Book value of the goodwill allocated to the appropriate cash generation units:

List of units	**HUF mn**
OAO OTP Bank	65,132
OTP Bank JSC	60,446
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	40,902
OTP Bank Romania S.A.	5,539
Crnogorska komerčijalna banka a.d.	2,593
Other[3]	6,167
Total	**209,320**

NOTE 12: OTHER ASSETS (in HUF mn)

	2011	*2010*
Inventories	42,788	32,501
Current income tax receivable	38,409	8,885
Trade receivables	13,300	13,543
Fair value of derivative financial instrument designated as fair value hedge	13,137	8,489
Prepayments and accrued income	9,609	15,152
Other advances	4,187	3,741
Deferred tax receivables	2,419	7,315
Other receivables from Hungarian Government	2,362	5,794
Advances for securities and investments	2,069	605
Receivables from investment services	1,539	415
Receivables due from pension funds and investment funds	1,310	1,776
Receivables from leasing activities	959	1,045
Other	25,023	23,007
	157,111	**122,268**
Provision for impairment on other assets[4]	(16,558)	(13,111)
Total	**140,553**	**109,157**

[3] Other category includes: Monicomp Ltd., OTP Flat Lease Ltd., Nimo 2002 Ltd., OTP Banka Slovensko a.s., POK DSK-Rodina a.d.
[4] Provision for impairment on other assets mainly consists of provision for impairment on trade receivables and on tax receivables and overpayments.

Positive fair value of derivative financial instruments designated as fair value hedge

	2011	2010
CCIRS and mark-to-market CCIRS designated as fair value hedge	10,486	-
Interest rate swaps designated as fair value hedge	2,329	8,477
Forward security agreements designated as fair value hedge	126	-
Foreign exchange swaps designated as fair value hedge	53	3
Foreign exchange forward contracts designated as fair value hedge	50	-
Other transactions designated as fair value hedge	93	9
Total	**13,137**	**8,489**

An analysis of the movement in the provision for impairment on other assets is as follows:

	2011	2010
Balance as at 1 January	**13,111**	**9,724**
Provision for the period	3,221	3,808
Use of provision	(814)	(509)
Foreign currency translation difference	1,040	88
Closing balance	**16,558**	**13,111**

NOTE 13: AMOUNTS DUE TO BANKS, THE HUNGARIAN GOVERNMENT, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn)

	2011	2010
Within one year		
In HUF	47,682	111,735
In foreign currency	255,537	249,317
	303,219	**361,052**
Over one year		
In HUF	124,882	116,441
In foreign currency[5]	216,271	202,852
	341,153	**319,293**
Accrued interest	2,596	1,604
Total	**646,968**	**681,949**

The Group has used mortgage bonds as collateral in relation to collateralized borrowing (EUR 300 million).

[5] On 19 May 2011 the Bank signed an EUR 300 million Term Loan Facility. The originally planned amount was EUR 200 million, but the transaction was very well received and heavily oversubscribed, altogether 21 banks took part in the deal. The facility has a 2 years tenor, carries a margin of 2.2% above Euribor and the proceeds will be used for general funding purposes.

Interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks are as follows:

	2011	2010
Within one year		
In HUF	2.5% - 7.1%	1.9% - 6.4%
In foreign currency	0.1% - 9.9%	0.2% - 15.9%
Over one year		
In HUF	2.5% - 7.6%	0.9% - 6.9%
In foreign currency	0.5% - 9.5%	0.1% - 9.9%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2011	2010
Within one year		
In HUF	2,781,780	2,683,142
In foreign currency	3,253,215	2,897,942
	6,034,995	**5,581,084**
Over one year		
In HUF	214,366	114,618
In foreign currency	115,089	96,951
	329,455	**211,569**
Accrued interest	34,403	28,836
Total	**6,398,853**	**5,821,489**

Interest rates on deposits from customers are as follows:

	2011	2010
Within one year		
In HUF	0.1% - 11%	0.1% - 10.3%
In foreign currency	0.01% - 24%	0.01% - 15.9%
Over one year		
In HUF	0.2% - 9%	0.2% - 5.3%
In foreign currency	0.01% - 19.0%	0.02% - 18.8%

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

	2011		2010	
Retail deposits	4,343,496	68%	4,020,689	69%
Corporate deposits	1,799,732	28%	1,564,968	27%
Municipality deposits	221,222	4%	206,996	4%
Total	**6,364,450**	**100%**	**5,792,653**	**100%**

NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	2011	2010
With original maturity		
Within one year		
In HUF	374,200	320,919
In foreign currency	77,218	387,610
	451,418	**708,529**
Over one year		
In HUF	169,918	201,556
In foreign currency	168,662	97,746
	338,580	**299,302**
Accrued interest	22,865	27,322
Total	**812,863**	**1,035,153**

Interest rates on liabilities from issued securities are as follows:

	2011	2010
Issued securities denominated in HUF	0.25% - 10.5%	0.25% - 10.5%
Issued securities denominated in foreign currency	1.5% - 10.9%	1.2% - 11.5%

Issued securities denominated in HUF as at 31 December 2011 (in HUF mn):

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP 2012/I	07/01/2011-14/01/2011	07/01/2012	8,436	5	fixed	
2	OTP 2012/II	21/01/2011-28/01/2011	07/01/2012	15,077	5	fixed	
3	OTP 2012/III	04/02/2011-11/02/2011	04/02/2012	9,313	5	fixed	
4	OTP 2012/IV	18/02/2011-25/02/2011	18/02/2012	23,160	5	fixed	
5	OTP 2012/V	04/03/2011-11/03/2011	03/03/2012	14,881	5	fixed	
6	OTP 2012/VI	25/03/2011-01/04/2011	24/03/2012	14,630	5	fixed	
7	OTP 2012/VII	08/04/2011-15/04/2011	07/04/2012	18,312	5	fixed	
8	OTP 2012/VIII	22/04/2011-29/04/2011	21/04/2012	13,983	5	fixed	
9	OTP 2012/IX	06/05/2011-13/05/2011	05/05/2012	15,779	5	fixed	
10	OTP 2012/X	20/05/2011-27/05/2011	19/05/2012	10,478	5	fixed	
11	OTP 2012/XI	03/06/2011-10/06/2011	02/06/2012	8,520	5	fixed	
12	OTP 2012/XII	17/06/2011-24/06/2011	16/06/2012	5,599	5	fixed	
13	OTP 2012/XIII	01/07/2011-08/07/2011	30/06/2012	7,979	5	fixed	
14	OTP 2012/XIV	15/07/2011-22/07/2011	14/07/2012	8,840	5	fixed	
15	OTP 2012/XV	29/07/2011-05/08/2011	28/07/2012	9,835	5	fixed	
16	OTP 2012/XVI	12/08/2011-19/08/2011	11/08/2012	14,169	5	fixed	
17	OTP 2012/XVII	26/08/2011-02/09/2011	25/08/2012	6,594	5	fixed	
18	OTP 2012/XVIII	09/09/2011-16/09/2011	08/09/2012	13,479	5	fixed	
19	OTP 2012/XIX	23/09/2011-30/09/2011	22/09/2012	9,635	5	fixed	
20	OTP 2012/XX	07/10/2011-14/10/2011	06/10/2012	7,552	5	fixed	
21	OTP 2012/XXI	21/10/2011-28/10/2011	20/10/2012	8,214	5.5	fixed	
22	OTP 2012/XXII	07/11/2011-11/11/2011	06/11/2012	18,768	5.5	fixed	
23	OTP 2012/XXIII	18/11/2011-25/11/2011	17/11/2012	14,553	5.5	fixed	
24	OTP 2012/XXIV	02/12/2011-09/12/2011	01/12/2012	9,034	5.5	fixed	
25	OTP 2012/XXV	16/12/2011-29/12/2011	15/12/2012	19,109	5.5	fixed	
26	TBSZ 2013_I	26/02/2010-28/12/2010	30/12/2013	6,179	5.5	fixed	
27	TBSZ 2014_I	14/01/2011-05/08/2011	15/12/2014	1,970	5.5	fixed	
28	TBSZ 2014_II	26/08/2011-29/12/2011	15/12/2014	748	5.5	fixed	
29	TBSZ 2015_I	26/02/2010-18/12/2010	30/12/2015	5,677	5.5	fixed	
30	TBSZ 2016_I	14/01/2011-05/08/2011	15/12/2016	1,227	5.5	fixed	
31	TBSZ 2016_II	26/08/2011-29/12/2011	15/12/2016	659	5.5	fixed	
32	OTPX 2012C	25/03/2010	30/03/2012	629	indexed	floating	hedged
33	OTPX 2013C	16/12/2010	19/12/2013	450	indexed	floating	hedged
34	OTPX 2012A	11/09/2009-25/09/2009	11/09/2012	1,666	indexed	floating	hedged
35	OTPX 2013A	28/06/2010	08/07/2013	480	indexed	floating	hedged
36	OTPX 2013B	26/11/2010	06/11/2013	840	indexed	floating	hedged
37	OTPX 2014A	25/06/2009	30/06/2014	3,041	indexed	floating	hedged
38	OTPX 2014B	05/10/2009	13/10/2014	3,905	indexed	floating	hedged
39	OTPX 2014C	14/12/2009	19/12/2014	3,975	indexed	floating	hedged
40	OTPX 2014D	01/04/2011	03/04/2014	595	indexed	floating	hedged
41	OTPX 2014E	17/06/2011	20/06/2014	1,350	indexed	floating	hedged
42	OTPX 2014F	20/10/2011	21/10/2014	518	indexed	floating	hedged
43	OTPX 2014G	21/12/2011	30/12/2014	320	indexed	floating	hedged
44	OTPX 2015A	25/03/2010	30/03/2015	5,364	indexed	floating	hedged
45	OTPX 2015B	28/06/2010	09/07/2015	4,740	indexed	floating	hedged
46	OTPX 2016A	11/11/2010	03/11/2016	4,380	indexed	floating	hedged
47	OTPX 2016B	16/12/2010	19/12/2016	3,365	indexed	floating	hedged
48	OTPX 2017A	01/04/2011	31/03/2017	5,255	indexed	floating	hedged
49	OTPX 2017B	17/06/2011	20/06/2017	5,100	indexed	floating	hedged
50	OTPX 2017C	19/09/2011	25/09/2017	4,400	indexed	floating	hedged
51	OTPX 2017D	21/10/2011	19/10/2017	650	indexed	floating	hedged
52	OTPX 2017E	21/12/2011	28/12/2017	4,000	indexed	floating	hedged
53	OTPX 2019A	25/06/2009	01/07/2019	319	indexed	floating	hedged
54	OTPX 2019B	05/10/2009-05/02/2010	14/10/2019	461	indexed	floating	hedged
	Subtotal			**378,192**			

Issued securities denominated in HUF as at 31 December 2011 (in HUF mn) [continued]:

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
55	OTPX 2019C	14/12/2009	20/12/2019	394	indexed	floating	hedged
56	OTPX 2020A	25/03/2010	30/03/2020	415	indexed	floating	hedged
57	OTPX 2020B	28/06/2010	09/07/2020	450	indexed	floating	hedged
58	OTPX 2020C	11/11/2010	05/11/2020	275	indexed	floating	hedged
59	OTPX 2020D	16/12/2010	18/12/2020	245	indexed	floating	hedged
60	OTPX 2021A	01/04/2011	01/04/2021	350	indexed	floating	hedged
61	OTPX 2021B	17/06/2011	17/06/2021	390	indexed	floating	hedged
62	OTPX 2021C	19/09/2011	21/06/2021	320	indexed	floating	hedged
63	OTPX 2021D	21/12/2011	27/12/2021	425	indexed	floating	hedged
64	OTPRA_2013_B	26/11/2010	03/12/2013	3,497	indexed	floating	hedged
65	OTPRA_2014_A	25/03/2011	24/03/2014	956	indexed	floating	hedged
66	OTPRF_2020_A	12/07/2010	20/07/2020	469	indexed	floating	hedged
67	OTPRF_2020_B	12/07/2010	20/07/2020	734	indexed	floating	hedged
68	OTPRF_2020_C	11/11/2010	05/11/2020	459	indexed	floating	hedged
69	OTPRF_2021_A	05/07/2011	13/07/2021	63	indexed	floating	hedged
70	OTPRF_2021_B	20/10/2011	25/10/2021	68	indexed	floating	hedged
71	OTPRF_2021_C	21/12/2011	30/12/2021	13	indexed	floating	hedged
72	OTPRF_2021_D	21/12/2011	30/12/2021	9	indexed	floating	hedged
73	OTPRF_2021_E	21/12/2011	30/12/2021	1	indexed	floating	hedged
74	3Y_EUR_HUF	25/06/2010	25/06/2013	2,143	indexed	floating	hedged
75	DNT_HUF_2012_A	14/10/2011	13/04/2012	5,385	indexed	floating	
76	2014_RA_Bx	16/09/2011-23/09/2011	15/09/2014	1,297	indexed	floating	hedged
77	OTP_OVK_2013_I	26/08/2011-28/12/2011	26/08/2013	1,294	6.75	floating	
78	OTP_OJK_2016_I	26/08/2011-21/12/2011	26/08/2016	287	5.75	fixed	
79	OJB2012_I	17/03/2004	21/03/2012	13,870	9.83	fixed	
80	OJB2012_II	14/04/2004	16/05/2012	31,375	10	fixed	
81	OJB2012_III	19/11/2004	15/08/2012	14,353	10.5	fixed	
82	OJB2013_II	20/12/2002	31/08/2013	13,433	8.25	fixed	
83	OJB2014_I	14/11/2003	12/02/2014	13,500	8	fixed	
84	OJB2014_J	17/09/2004	17/09/2014	355	8.68	fixed	
85	OJB2015_I	10/06/2005	10/06/2015	3,231	7.7	fixed	
86	OJB2015_J	28/01/2005	28/01/2015	199	8.69	fixed	
87	OJB2016_I	03/02/2006	03/02/2016	1,266	7.5	fixed	
88	OJB2016_II	31/08/2006	31/08/2016	4,684	10	fixed	
89	OJB2016_J	18/04/2006	28/09/2016	278	7.59	fixed	
90	OJB2019_I	17/03/2004	18/03/2019	31,517	9.48	fixed	
91	OJB2019_II	25/05/2011	18/03/2019	1,059	9.48	fixed	
92	OJB2020_I	19/11/2004	12/11/2020	5,503	9	fixed	
93	OJB2020_II	25/05/2011	12/11/2020	1,487	9	fixed	
94	Other[6]			25,481			
	Subtotal issued securities in HUF			**559,722**			
	Unamortized premium			**(5,254)**			
	Fair value adjustment			**(10,350)**			
	Total issued securities in HUF			**544,118**			

[6] From the total amount HUF 25,245 million is mobil deposits of Merkantil Bank.

Issued securities denominated in foreign currency as at 31 December 2011 (in HUF mn):

	Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged
					(FX mn)	(HUF mn)			
1	OTP_EUR_2012_I	05/08/201	04/08/201	EUR	3.15	981	2.75	fixed	
2	OTP_EUR_2012_II	12/08/201	11/08/201	EUR	4.69	1,458	2.75	fixed	
3	OTP_EUR_2012_III	26/08/201	25/08/201	EUR	7.77	2,417	2.75	fixed	
4	OTP_EUR_2012_IV	09/09/201	08/09/201	EUR	12.2	3,797	2.75	fixed	
5	OTP_EUR_2012_V	23/09/201	22/09/201	EUR	3.93	1,221	2.75	fixed	
6	OTP_EUR_2012_VI	07/10/201	06/10/201	EUR	8.32	2,588	2.75	fixed	
7	OTP_EUR_2012_VII	21/10/201	20/10/201	EUR	5.99	1,864	2.75	fixed	
8	OTP_EUR_2012_VIII	07/11/201	06/11/201	EUR	4.01	1,247	2.75	fixed	
9	OTP_EUR_2012_IX	18/11/201	17/11/201	EUR	8.49	2,641	2.75	fixed	
10	OTP_EUR_2012_X	25/11/201	24/11/201	EUR	4.29	1,336	2.75	fixed	
11	OTP_EUR_2012_XI	02/12/201	01/12/201	EUR	4.06	1,264	3	fixed	
12	OTP_EUR_2012_XII	16/12/201	15/12/201	EUR	3.04	947	3	fixed	
13	OTP_EUR_2012_XIII	29/12/201	28/12/201	EUR	1.01	314	3.25	fixed	
14	OTP_EUR_2013_I	05/08/201	05/08/201	EUR	0.45	140	3	fixed	
15	OTP_EUR_2013_II	12/08/201	12/08/201	EUR	0.45	140	3	fixed	
16	OTP_EUR_2013_III	26/08/201	26/08/201	EUR	0.93	291	3	fixed	
17	OTP_EUR_2013_IV	09/09/201	09/09/201	EUR	0.87	270	3	fixed	
18	OTP_EUR_2013_V	23/09/201	23/09/201	EUR	0.5	155	3	fixed	
19	OTP_EUR_2013_VI	07/10/201	07/10/201	EUR	0.55	172	3	fixed	
20	OTP_EUR_2013_VII	21/10/201	21/10/201	EUR	0.63	194	3	fixed	
21	OTP_EUR_2013_VIII	07/11/201	07/11/201	EUR	0.27	84	3	fixed	
22	OTP_EUR_2013_IX	18/11/201	18/11/201	EUR	0.43	135	3	fixed	
23	OTP_EUR_2013_X	25/11/201	25/11/201	EUR	0.14	44	3	fixed	
24	OTP_EUR_2013_XI	02/12/201	02/12/201	EUR	0.18	57	3.5	fixed	
25	OTP_EUR_2013_XII	16/12/201	16/12/201	EUR	0.11	33	3.5	fixed	
26	OTP_EUR_2013_XIII	29/12/201	29/12/201	EUR	0.36	112	4	fixed	
27	OTPHB402/12	24/02/201	24/02/201	CHF	55.54	14,212	4	fixed	hedged
28	OTPX 2015C	22/12/201	29/12/201	EUR	0.97	302	indexed	floating	hedged
29	OTPX 2016C	22/04/201	22/04/201	EUR	1.56	485	indexed	floating	hedged
30	OTPX 2016D	22/12/201	29/12/201	EUR	1.25	387	indexed	floating	hedged
31	DC_EUR_2012_A	14/10/201	13/01/201	EUR	14.58	4,535	1.5	fixed	
32	DC_USD_120113_8	21/10/201	13/01/201	USD	4.86	1,169	8	fixed	
33	DNT_EUR_2012_A	14/10/201	13/04/201	EUR	3.42	1,065	indexed	floating	
34	DNT_USD_2012_A	14/10/201	13/04/201	USD	1.69	408	indexed	floating	
35	OMB2013_I	11/11/201	18/11/201	EUR	3.5	1,089	6.71	floating	hedged
36	OMB2014_I	15/12/200	15/12/201	EUR	198.05	61,620	4	fixed	
37	OMB2014_II	03/08/201	10/08/201	EUR	15.5	4,822	4.47	floating	hedged
38	Mortgage bonds OTP	15/10/200	15/10/201	EUR	16.6	5,164	4.7	fixed	
39	Mortgage bonds OTP VII	21/12/200	21/12/201	EUR	22.47	6,992	4.2	variable	
40	Mortgage bonds OTP	08/06/200	08/06/201	EUR	3.03	943	4.1	fixed	
41	Mortgage bonds OTP	18/09/200	18/03/201	EUR	0.9	280	3.5	fixed	
42	Mortgage bonds OTP XIX	02/11/200	02/11/201	EUR	9.76	3,038	4.1	fixed	
43	Mortgage bonds OTP XXI	20/05/201	20/05/201	EUR	10	3,111	3.5	fixed	
44	Mortgage bonds OTP	23/11/201	23/11/201	EUR	7.88	2,451	3.3	fixed	
45	OTPRU 14/03	29/03/201	25/03/201	RUR	2,500	18,675	8.55	fixed	
46	OTPRU 14/07	02/08/201	29/07/201	RUR	5,000	37,350	8.21	fixed	
47	OTPRU 14/10	03/11/201	30/10/201	RUR	3,891.5	29,069	10.88	fixed	
48	Other[7]					22,837			
	Subtotal issued securities in FX					**243,906**			
	Unamortized premium					**(750)**			
	Fair value adjustment					**2,724**			
	Total issued securities in FX					**245,880**			
	Total accrued interest					**22,865**			
	Total issued securities					**812,863**			

EMTN Programme

On 5 October 2011, the ''Commission de Surveillance du Secteur Financier'' (CSSF) approved the Base Prospectus relating to EUR 5 billion Euro Medium Term Note Programme of OTP.

[7] Other category includes promissory notes issued by OTP banka Slovensko a.s. in the amount of HUF 4,670 million and.by OAO OTP Bank in the amount of HUF 18,167 million.

Term Note Program in the value of HUF 500 billion

During 2011, Hungarian Financial Supervisory Authority approved the six additions of the prospectus of Term Note Program in a total nominal value of HUF 500 billion. On 27 January 2012 the Authority approved the 7th addition of the prospectus of the program. The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Prague, Bucharest and Sofia Stock Exchange.

Certain structured bonds are hedged by interest rate swaps which may transfer to a transferee a fixed rate and enter into an interest rate swap with the transferee to receive a fixed interest rate and pay a variable interest rate based on a notional amount which is equal to the notional amount of the hedged bond. The hedge is highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are within a range of 80-125 per cent.
The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the HUF/CHF and HUF/EUR foreign exchange rate and the risk of change in the quoted interest rates of EUR and CHF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and CHF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR or CHF LIBOR and EURIBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

NOTE 16: FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)

Negative fair value of derivative financial instruments designated as held for trading by type of contracts

	2011	*2010*
CCIRS and mark-to-market CCIRS designated as held for trading	125,014	206,877
Foreign exchange swaps designated as held for trading	50,204	4,611
Interest rate swaps designated as held for trading	40,542	40,064
Forward rate agreements designated as held for trading (FRA)	8,366	840
Foreign exchange forward contracts designated as held for trading	3,585	2,177
Option contracts designated as held for trading	2,401	2,482
Other transactions designated as held for trading	37	-
Other derivative contracts designated as held for trading	-	1
Total	**230,149**	**257,052**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	2011	2010
Fair value of derivative financial instruments designated as fair value hedge	98,415	115,159
Financial liabilities from OTP-MOL share swap transaction[8]	82,347	105,766
Giro clearing accounts	31,048	12,559
Salaries and social security payable	28,131	26,902
Provision for impairment on off-balance sheet commitments and contingent liabilities	18,434	19,650
Accrued expenses	17,601	17,228
Accounts payable	14,948	11,445
Current income tax payable	13,626	10,714
Liabilities from investment services	12,065	17,531
Deferred tax liabilities	4,559	4,098
Loans from government	4,152	4,302
Advances received from customers	2,277	1,901
Liabilities connected to loans for collection	1,117	1,147
Liabilities connected to leasing activities	1,013	814
Liabilities related to housing loans	470	351
Liabilities from specific repo deals	321	3,461
Dividend payable	280	304
Other	45,205	31,440
	376,009	384,772
Accrued interest	928	972
Total	**376,937**	**385,744**

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

	2011	*2010*
Provision for losses on other off-balance sheet commitments and contingent liabilities related to lending	11,443	12,855
Provision for litigation	3,697	3,953
Provision for other liabilities	2,022	1,944
Provision for expected pension commitments	1,272	898
Total	**18,434**	**19,650**

[8] On 16 April 2009 OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the lost of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 31 December 2011 and 2010 82,347 and HUF 105,766 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

The movements of provision for losses on off-balance sheet commitments and contingent liabilities can be summarized as follows:

	2011	2010
Balance as at 1 January	**19,650**	**23,598**
Release for the period	(1,863)	(3,977)
Use of provision	(251)	(131)
Foreign currency translation differences	898	160
Closing balance	**18,434**	**19,650**

The negative fair value of derivative financial instruments designated as fair value hedge by type of contracts

	2011	2010
CCIRS and mark-to-market CCIRS designated as fair value hedge	85,845	108,012
Interest rate swaps designated as fair value hedge	12,563	7,143
Foreign exchange swaps designated as fair value hedge	-	4
Other transactions designated as fair value hedge	7	-
Total	**98,415**	**115,159**

NOTE 18: SUBORDINATED BONDS AND LOANS (in HUF mn)

	2011	2010
Within one year:		
In HUF	-	-
In foreign currency	325	309
	325	**309**
Over one year:		
In HUF	5,000	5,000
In foreign currency	307,617	282,137
	312,617	**287,137**
Accrued interest	3,505	3,184
Total	**316,447**	**290,630**

Interest rates on subordinated bonds and loans are as follows:

	2011	2010
Denominated in HUF	3.0%	2.7%
Denominated in foreign currency	1.99% - 8.0%	1.6% - 7.75%

Partial cancellation of EUR 125 million subordinated notes

On 26 August 2011 the Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 04/03/2015, in the total notional amount of EUR 1,15 million. On 7 September 2011, and on 8 September 2011 the Bank purchased additional EUR 1 and 1 million notional amount from the same Note series. The Bank initiated the cancellation of the Notes on 26 August 2011, on 7 September 2011 and on 8 September 2011. On 21 October 2011 the Bank purchased EUR 1,85 million from the EUR 125 million subordinated Notes series. After the cancellation of these bonds the outstanding amount of the notes decreased to EUR 120 million.

On 27 January 2012 the Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 04/03/2015, in the total notional amount of EUR 12 million. On 1 February 2012 the Bank purchased additional EUR 2.05 million from the same Note series. After the cancellation of these bonds the outstanding amount of the notes decreased to EUR 105,950,000.

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 31 December 2011
Subordinated bond	HUF 5 billion	20/12/1993	20/12/2013	100%	Frequency of payment is based on the condition of interest of 2013/C credit consolidation government bonds	6%
Subordinated bond	EUR 120 million	04/03/2005	04/03/2015	100%	Three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 475.6 million	07/11/2006	Perpetual, but callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	-
Subordinated bond (under EMTN[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond	USD 65 million	21/04/2008	13/10/2015	100%	Variable, six-month LIBOR + 1.4%	1.99%
Subordinated bond	RUB 26.86 million	15/06/2001	21/06/2015	100%	Variable, based on the Russian National Bank's interest rate	8.00%
Subordinated bond	EUR 5.113 million	23/12/1997	15/11/2014	100%	Variable, six-month EURIBOR + 1.3%	2.99%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	2011	2010
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

On 21 April 2007, the law on abolishment of "Aranyrészvény" (special share assigning voting rights to the Hungarian State) came into force (Act XXVI of 2007). Consequently, this special voting share was transformed into 10 ordinary shares with a face value of HUF 100. Therefore the registered capital of the Bank consists of 280,000,010 ordinary shares with a face value of HUF 100.

NOTE 20: RETAINED EARNINGS AND RESERVES (in HUF mn)

The reserves of the Bank under Hungarian Accounting Standards are as follows:

	2011	2010
Capital reserve	52	52
General reserve	134,460	122,799
Retained earnings	760,785	692,753
Tied-up reserve	8,018	5,729
Total	**903,315**	**821,333**

The legal reserves (general reserve and tied-up reserve) are not available for distribution. The dividend has been determined on the basis of the net profit for the year determined in the separate financial statements in accordance with the Hungarian Accounting Standards.

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in April 2012. In 2011 the Bank paid dividend of HUF 20,160 million from the profit of the year 2010. In 2012 dividend of HUF 28,000 million are expected to be proposed by the management from the profit of the year 2011, which means 100 HUF and 72 HUF payable dividend by share to the shareholders as at 31 December 2011 and 31 December 2010 respectively.

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2011	*2010*
Nominal value (Ordinary shares)	1,921	1,873
Carrying value at acquisition cost	54,386	52,597

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

Change in number of shares:

	2011	*2010*
Number of shares as at 1 January	**18,731,231**	**18,786,004**
Additions	1,085,521	73,232
Disposals	(598,408)	(128,005)
Closing number of shares	**19,218,344**	**18,731,231**

Change in carrying value:

	2011	*2010*
Balance as at 1 January	**52,597**	**52,678**
Additions	4,753	415
Disposals	(2,964)	(496)
Closing balance	**54,386**	**52,597**

NOTE 22: NON-CONTROLLING INTEREST (in HUF mn)

	2011	*2010*
Balance as at 1 January	**5,888**	**6,152**
Non-controlling interest included in net profit for the period	653	196
Foreign currency translation difference	1,147	74
Changes due to ownership structure	(2,087)	(534)
Closing balance	**5,601**	**5,888**

NOTE 23: PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES (in HUF mn)

	2011	2010
Provision for impairment on loan losses		
Provision for impairment on loan losses	596,734	619,227
- from this: provision for impairment on loan losses related to early repayment	*35,264*	-
Release of provision	(357,824)	(370,230)
Provision for the period	78,359	25,445
- from this: provision on loan losses related to early	*32,045*	-
	317,269	**274,442**
Provision for impairment on placement losses		
Provision for the period	166	222
Release of provision	(1,091)	(1,882)
Provision for impairment on placement losses	329	242
	(596)	**(1,418)**
Provision for impairment on loan and placement losses	**316,673**	**273,024**
Loss on loans related to early repayment	67,309	-
Losses from early repayment recognizing in interest income from loans	107	-
Losses related to early repayment	**67,416**	**-**

NOTE 24: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions	2011	2010
Deposit and account maintenance fees and commissions	72,707	67,774
Fees and commissions related to the issued bank cards	36,613	32,570
Fees related to cash withdrawal	24,200	24,655
Fees and commissions related to lending	16,629	15,551
Fees and commissions related to fund management	11,816	16,946
Fees and commissions related to security trading	5,636	5,876
Other	16,488	13,880
Total	**184,089**	**177,252**

Expense from fees and commissions	*2011*	*2010*
Interchange fees	8,381	8,276
Fees and commissions related to issued bank cards	7,322	6,537
Fees and commissions paid on loans	4,798	3,635
Fees and commissions related to deposits	2,524	2,480
Cash withdrawal transaction fees	2,263	2,089
Fees and commissions related to lending	2,082	2,503
Insurance fees	1,996	1,820
Money market transaction fees and commissions	1,300	1,226
Fees and commissions related to security trading	977	874
Postal fees	835	803
Other	5,089	6,378
Total	**37,567**	**36,621**
Net profit from fees and commissions	**146,522**	**140,631**

NOTE 25: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	*2011*	*2010*
Other income from non-financial activities	27,252	20,890
Total	**27,252**	**20,890**

Other operating expenses	*2011*	*2010*
Provision for impairment on investments[1]	3,304	425
Provision for impairment on other assets	3,221	3,808
Provision for investment bonds	-	170
Release of provision for off-balance sheet commitments and contingent liabilities	(1,863)	(3,977)
Other operating costs	5,674	7,698
Other expense from non-financial activities	16,235	6,311
Total	**26,571**	**14,435**

Other administrative expenses	*2011*	*2010*
Personnel expenses		
Wages	124,996	118,569
Taxes related to personnel expenses	32,595	30,995
Other personnel expenses	11,507	11,161
Subtotal	**169,098**	**160,725**

[1] See details in Note 9.

Other administrative expenses	2011	2010
Depreciation and amortization	**73,432**	**67,324**
Other administrative expenses		
Taxes, other than income tax[2]	45,364	65,252
Administration expenses, including rental fees	45,069	43,884
Services	38,805	35,709
Professional fees	18,467	15,729
Advertising	12,440	10,657
Subtotal	**160,145**	**171,231**
Total	**402,675**	**399,280**

NOTE 26: INCOME TAX (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 28% of taxable income.
Deferred tax is calculated at the income tax rate of 9% in Montenegro, 10% in Bulgaria, Serbia and Cyprus, 16% in Romania, 19% in Slovakia, 20% in Croatia and Russia, 23% in Ukraine and 26% in the United Kingdom.
In 2010 due to the fact that the Hungarian Government approved a law effected that the income tax rate will be reduced to 10% from 1 January 2013 the deferred tax is calculated at 10% for those temporary differences that are expected to be resulted in taxable amounts or amounts deductable from the taxable profit after 2012. This law has been repealed therefore the deferred tax is calculated at 19% in 2011, and the opening balances have been recalculated based on the 19% tax rate.

The breakdown of the income tax expense is:

	2011	2010
Current tax expense	25,216	20,599
Deferred tax expense	13,980	1,458
Total	**39,196**	**22,057**

A reconciliation of the net deferred tax asset/liability is as follows:

	2011	2010
Balance as at 1 January	**3,217**	**2,460**
Deferred tax expense	(13,980)	(1,458)
Deferred tax related to items recognized directly in equity and in Other Comprehensive Income	8,699	2,533
Differences arising on consolidation	10	(627)
Foreign currency translation difference	(86)	309
Closing balance	**(2,140)**	**3,217**

[2] Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by the Group. The total tax amount for the year 2011 and 2010 was HUF 14.6 billion and HUF 36 billion recognized as an expense thus decreased the corporate tax base. Based on the approved regulations, financial institutions are obliged to pay this special tax until the end of 2012.

A reconciliation of the income tax expense is as follows:

	2011	2010
Profit before income tax	122,996	140,183
Income tax at statutory tax rates	27,353	31,866
Income tax adjustments due to permanent differences are as follows:		
Revaluation of investments denominated in foreign currency to historical cost	11,443	3,656
Differences in carrying value of subsidiaries	2,765	981
Effect of change of income tax rate	1,927	(912)
Share-based payment	1,176	(2,246)
Provision for impairment on investments in subsidiaries	-	(6,547)
Reversal of statutory general provision	(206)	114
Difference of accounting of equity instrument (ICES)	(711)	(4,234)
OTP-MOL share swap transaction	(871)	-
Reclassification of direct charges to reserves (self-revision)	(1,639)	(647)
Tax effect of amortization of statutory goodwill	(5,327)	(266)
Other	3,286	292
Income tax expense	**39,196**	**22,057**
Effective tax rate	**31.9%**	**15.7%**

A breakdown of the deferred tax assets and liabilities are as follows:

	2011	2010
Fair value adjustment of securities held for trading and securities available-for-sale	8,970	317
Provision for impairment on investments	4,407	8,814
Tax loss carry forward	3,852	4,906
Repurchase agreement and security lending	3,336	1,515
Adjustment from effective interest rate method	2,401	-
Difference in accounting for leases	483	492
Premium and discount amortization on bonds	472	370
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	76	117
Difference in depreciation and amortization	20	-
Fair value adjustment of derivative financial instruments	18	-
Other	3,441	1,450
Deferred tax asset	**27,476**	**17,981**

	2011	2010
Fair value adjustment of derivative financial instruments	(8,155)	(3,849)
Difference in depreciation and amortization	(5,052)	(3,474)
Net effect of treasury share transactions	(4,706)	(2,752)
Accounting of equity instrument (ICES)	(3,977)	(2,182)
Adjustment from effective interest rate method	(2,444)	-
Fair value adjustment of securities held for trading and securities available-for-sale	(1,225)	-
Temporary differences arising on consolidation	(1,129)	(2,507)
Premium and discount amortization on bonds	(243)	-
Difference in accounting for leases	(72)	-
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(19)	-
Other	(2,594)	-
Deferred tax liabilities	**(29,616)**	**(14,764)**
Net deferred tax (liability) / asset	**(2,140)**	**3,217**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial instruments may result in certain risks to the Group. The most significant risks the Group faces include:

27.1. Credit risk

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

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

Analysis by loan types and risk classes

An analysis of the gross loan portfolio by loan types and financial risk classes is as follows:

As at 31 December 2011

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount
Retail loans	3,072,883	1,194,682	155,854	242,301	482,946	**5,148,666**
Corporate loans	1,206,613	560,963	187,089	227,745	364,713	**2,547,123**
Placement with other banks	415,242	7,034	12	262	871	**423,421**
Municipal loans	265,294	64,348	8,927	11,919	1,193	**351,681**
Total gross portfolio	**4,960,032**	**1,827,027**	**351,882**	**482,227**	**849,723**	**8,470,891**
Allowance for loans	(30,127)	(93,985)	(74,005)	(245,661)	(617,674)	**(1,061,452)**
Allowance for placements	(2)	(172)	(2)	(113)	(876)	**(1,165)**
Total allowance	**(30,129)**	**(94,157)**	**(74,007)**	**(245,774)**	**(618,550)**	**(1,062,617)**
Total net portfolio	**4,929,903**	**1,732,870**	**277,875**	**236,453**	**231,173**	**7,408,274**
Accrued interest						
for loans						**61,161**
for placements						**521**
Total accrued interest						**61,682**
Total net loans						**7,047,179**
Total net placements						**422,777**
Total net exposures						**7,469,956**

As at 31 December 2010

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount
Retail loans	3,349,382	585,908	98,492	175,144	277,949	**4,486,875**
Corporate loans	1,471,952	452,792	139,389	117,396	416,748	**2,598,277**
Placement with other banks	497,820	7,619	6,285	400	760	**512,884**
Municipal loans	307,023	39,746	6,912	4,493	1,800	**359,974**
Total gross portfolio	**5,626,177**	**1,086,065**	**251,078**	**297,433**	**697,257**	**7,958,010**
Allowance for loans	(22,958)	(42,561)	(48,823)	(137,806)	(509,124)	**(761,272)**
Allowance for placements	-	(97)	(949)	(175)	(760)	**(1,981)**
Total allowance	**(22,958)**	**(42,658)**	**(49,772)**	**(137,981)**	**(509,884)**	**(763,253)**
Total net portfolio	**5,603,219**	**1,043,407**	**201,306**	**159,452**	**187,373**	**7,194,757**
Accrued interest						
for loans						**57,205**
for placements						**341**
Total accrued interest						**57,546**
Total net loans						**6,741,059**
Total net placements						**511,244**
Total net exposures						**7,252,303**

The total off-balance sheet liabilities connected to the lending activity by risk classes are as follows:

Qualification categories	*2011*	*2010*
Performing	1,039,188	1,014,076
To-be monitored	47,996	58,101
Below average	194,370	16,187
Doubtful	4,774	7,595
Bad	1,513	5,581
Total	**1,287,841**	**1,101,540**

The Group's loan portfolio increased by 6.4% in the year 2011. Analysing the contribution of loan types to the loan portfolio, the share of the retail loan type slightly increased while the share of other loan types either slightly decreased. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio increased from 12.5% to 15.7%. Among the qualified loan portfolio, the loans classified to the risk class of "to-be-monitored" expanded at the fastest level.

The Group has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the indicator was 64.9% and 65.1% as at 31 December 2011 and 31 December 2010 respectively.

The off-balance sheet liabilities connected to the lending activity increased by 16.9%.
The qualified loan portfolio increased by 50.6% in the year of 2011.

Classification into risk classes

Exposures with small amounts (retail sector) are subject to collective valuation method, which is a simplified assessment. The exposures subject to collective valuation method are classified to five risk classes (performing, to-be monitored, below average, doubtful, bad). Depending on the days of delay, a specific percentage is assigned to each risk class, and the provision for impairment is calculated on all exposures based on previously determined rates.

When applying the individual assessment method, the incurred loss of each item is determined based on the consideration of all of the following criteria:

- the credit rating of the customer or the partner: the financial position, stability and income-generating capacity affected by the financial or investment service and issuer of the security, and any changes thereto;
- compliance with the rules of repayment (delay): delays in the repayment of the loan principal and its interests;
- the country risk relating to the customer (both political and transfer risks) and any changes thereto;
- the value of collaterals, their liquidity and accessibility, and any changes therein;
- the transferability and liquidity of the exposures (the market conditions of supply and demand, the available market prices and participation in the shareholders` equity of the issuer in proportion to the investment);
- the future payment obligation recognized as a loss arising from the exposure.

Loan portfolio by countries

An analysis of the qualified gross loan portfolio in a country breakdown is as follows:

Country	2011 Carrying amount of the qualified gross loan portfolio	Allowance	2010 Carrying amount of the qualified gross loan portfolio	Allowance
Hungary	1,652,321	421,616	1,092,232	286,258
Ukraine	771,398	196,537	278,039	156,550
Bulgaria	318,961	148,292	270,510	90,296
Russia	204,577	68,904	152,290	53,099
Romania	160,413	44,162	140,210	25,268
Montenegro	143,986	70,640	150,375	64,080
Serbia	69,811	26,082	72,394	22,091
Cyprus	65,331	13,931	58,955	10,765
Slovakia	59,008	17,626	58,137	16,606
Croatia	53,119	22,004	43,110	12,704
Seychelles	5,268	806	4,701	705
The United Kingdom	2,275	1,125	828	632
Kazakhstan	2,209	150	6,268	944
The United States	1,097	6	988	1
Egypt	640	327	525	58
Netherlands	-	-	12	-
Macedonia	116	76	102	50
Ireland	81	72	85	69
Latvia	37	31	847	53
Germany	15	4	93	1
Byelorussia	-	-	1,006	10
Other[3]	196	97	126	55
Total	**3,510,859**	**1,032,488**	**2,331,833**	**740,295**

[3] Other category in 2011 includes e.g.: Italy, Island, Moldova, United Arab Emirate, Switzerland, Austria, Turkey, South Korea, Israel, Canada, China, Sweden, Libya, Poland, Australia, Bermuda.

The qualified loan portfolio increased mostly in Ukraine, Hungary and Russia and decreased in Montenegro and Serbia, but there were no significant changes in the other countries. Their stock of provision increased mostly in Romania, Croatia, Bulgaria, Hungary, Russia, Cyprus and Ukraine.

An analysis of the non-qualified gross loan portfolio in a country breakdown is as follows:

Country	*2011* Carrying amount of the non-qualified gross loan portfolio	Allowance	*2010* Carrying amount of the non-qualified gross loan portfolio	Allowance
Hungary	1,930,312	2,711	2,630,077	107
Bulgaria	979,000	12,742	881,034	10,697
Russia	589,273	4,121	390,154	2,201
Croatia	360,747	3,817	329,441	3,341
Romania	308,304	307	242,789	221
Slovakia	246,160	736	239,410	606
Montenegro	149,789	5,629	112,794	5,716
The United Kingdom	96,790	28	131,214	25
Germany	61,913	1	44,087	-
France	60,355	-	47,048	-
Ukraine	49,382	-	427,691	-
Serbia	43,807	32	49,088	42
Belgium	16,547	-	46,599	-
The United States	14,536	2	7,310	-
Netherlands	13,972	-	3,061	-
Cyprus	9,048	-	17,199	-
Switzerland	8,867	-	5,075	-
Norway	6,617	-	1,121	-
Austria	3,982	-	1,138	-
Italy	3,235	1	116	-
Poland	2,813	-	2,116	-
Sweden	1,747	-	156	-
Azerbaijan	602	-	627	-
Czech Republic	540	-	771	-
Turkey	403	-	1,151	-
Canada	273	-	51	-
Kazakhstan	271	-	108	-
Ireland	261	-	107	1
Denmark	133	-	100	-
Japan	128	-	120	-
Spain	19	-	2,922	-
Malta	-	-	10,626	-
Byelorussia	-	-	645	-
Other[4]	206	2	231	1
Total	**4,960,032**	**30,129**	**5,626,177**	**22,958**

The non-qualified loan portfolio decreased mostly in Ukraine, Cyprus, Hungary and Serbia. In some countries the stock of provision increased due to local regulations on the base of which it is compulsory to account fix rate of provision on the non-qualified portfolio.

[4] Other category in 2011 includes e.g.: Greece, Hong-Kong, Australia, Slovenia, Armenia, Vietnam, Macedonia, Portugal, Latvia, Finland, Bosnia and Hercegovina, Algeria, Guadeloupe, Yemen, Israel, Esthonia, China, Egypt.

Collaterals

The values of collaterals held by the Group by types are as follows: (**total collaterals**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	*2011*	*2010*
Mortgages	6,957,343	6,797,599
Guarantees and warranties	297,856	290,364
Assignments (revenue or other receivables)	209,013	131,434
Guarantees of state or organizations owned by state	162,516	245,971
Cash deposits	158,457	75,341
Securities	105,950	67,729
Other	970,760	926,118
Total	**8,861,895**	**8,534,556**

The values of collaterals held by the Group by types are as follows: (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	*2011*	*2010*
Mortgages	3,625,631	3,698,552
Assignments (revenue or other receivables)	325,310	277,806
Guarantees and warranties	273,286	257,096
Guarantees of state or organizations owned by state	135,969	103,220
Cash deposits	103,771	63,181
Securities	31,848	50,102
Other	598,993	694,994
Total	**5,094,808**	**5,144,951**

The coverage level of the loan portfolio (total collaterals) decreased by 3.6%, as well as the coverage level to the extent of the exposures decreased by 8.1% as at 31 December 2011.

Loans, neither past due, nor impaired

The loan portfolio analysis of the gross values of the loans that are neither past due nor impaired is as follows:

Loan type	*2011*	*2010*
Retail loans	2,224,077	2,404,099
Corporate loans	997,115	1,276,316
Placement with other banks	396,298	489,713
Municipal loans	175,452	291,891
Total	**3,792,942**	**4,462,019**

Qualification categories	*2011*	*2010*
Performing	3,723,990	4,414,665
To-be monitored	40,569	33,851
Below average	13,538	6,114
Doubtful	3,187	1,872
Bad	11,658	5,517
Total	**3,792,942**	**4,462,019**

Loans neither past due, nor impaired cover only balance sheet items.

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 56.1% to 44.8% as at 31 December 2011 compared to the prior year. The ratio of the corporate, municipal loans and interbank placements compared to the portfolio of loans neither past due nor impaired decreased during the year of 2011 while the ratio of the retail loans increased.

Renegotiated loans

An analysis of the gross value of the loans that would otherwise be past due or impaired and whose terms have been renegotiated as at 31 December 2011 and 31 December 2010 is as follows:

Loan type	*2011*	*2010*
Retail loans	421,898	305,146
Corporate loans	404,796	166,312
Municipal loans	11,197	478
Placement with other banks	-	-
Total	**837,891**	**471,936**

The gross amount of renegotiated loans increased considerably by 31 December 2011, which is connected mainly to the municipal and corporate loans. There were no renegotiated loans neither in 2011 nor in 2010 among the Placements with other banks.

Past due, but not impaired loans

The aging of gross loans that are past due but not impaired as at 31 December 2011 and 31 December 2010 is as follows:

As at 31 December 2011

Loan type	**Up to 90 days**	**91-180 days**	**181-365 days**	**Above 365 days**	**Total**
Retail loans	289,802	15,738	13,047	29,678	**348,265**
Corporate loans	71,503	8,610	1,997	7,846	**89,956**
Municipality loans	82,422	-	-	-	**82,422**
Total	**443,727**	**24,348**	**15,044**	**37,524**	**520,643**

As at 31 December 2010

Loan type	**Up to 90 days**	**91-180 days**	**181-365 days**	**Above 365 days**	**Total**
Retail loans	344,081	27,398	20,483	14,545	**406,507**
Corporate loans	40,662	23,239	8,353	4,430	**76,684**
Municipality loans	6,516	-	-	2	**6,518**
Total	**391,259**	**50,637**	**28,836**	**18,977**	**489,709**

The loans that are past due but not impaired are concentrated in the retail loan type since in the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Group.

The fair value of collaterals related to past due, but not impaired loans

An analysis of the fair value of collaterals related to past due, but not impaired loans, total collaterals and to the extent of the exposures as at 31 December 2011 and 31 December 2010 is as follows:

Fair value of the collaterals (total collaterals)	*2011*	*2010*
Retail loans	530,063	466,307
Corporate loans	284,137	184,753
Municipality loans	6,491	180
Total	**820,691**	**651,240**

Fair value of the collaterals (to the extent of the exposures)	*2011*	*2010*
Retail loans	256,388	268,830
Corporate loans	51,059	69,362
Municipality loans	807	78
Total	**308,254**	**338,270**

The collaterals above are related to only on-balance sheet exposures.

Loans individually assessed for provision

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 31 December 2011 and 31 December 2010 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

As at 31 December 2011

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	230,955	118,157	154,959	284	1
Regularity of payment	1,711	158	739	-	-
Renegotiation	49,024	4,607	9,563	2,183	19
Legal proceedings	84,327	56,452	36,275	81	76
Decrease of client classification	177,735	50,137	79,574	7,533	1,294
Loan characteristics	41,895	2,993	-	-	-
Business lines risks	25,294	7,923	1,127	4,608	437
Cross default	30,644	19,277	427	392	120
Other	20,101	2,818	1,622	6,631	793
Corporate total	**661,686**	**262,522**	**284,286**	**21,712**	**2,740**
Delay of payment	1,253	433	3,502	-	-
Renegotiation	7,324	540	-	113	53
Legal proceedings	327	287	40	-	-
Decrease of client classification	20,216	1,911	-	260	91
Cross default	552	201	2	109	35
Other	26,383	2,496	19	6,473	404
Municipal total	**56,055**	**5,868**	**3,563**	**6,955**	**583**
Placements with other banks	**4,878**	**1,246**	**-**	**-**	**-**
Total	**722,619**	**269,636**	**287,849**	**28,667**	**3,323**

As at 31 December 2010

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	145,693	69,065	104,059	1,974	-
Regularity of payment	1,047	221	429	-	-
Renegotiation	57,627	3,893	54,933	3,642	19
Legal proceedings	79,065	55,339	37,280	371	220
Decrease of client classification	362,691	49,461	211,377	24,417	306
Loan characteristics	68,317	3,261	-	803	16
Business lines risks	29,762	12,140	378	5,098	450
Country risk	7,673	3,836	-	2,609	1,304
Cross default	38,863	22,267	4,267	2,103	1,302
Other	17,459	5,106	5,054	11,783	1,253
Corporate total	**808,197**	**224,589**	**417,777**	**52,800**	**4,870**
Delay of payment	44	21	8,966	-	-
Renegotiation	1,749	181	-	27	3
Legal proceedings	847	244	15	-	-
Decrease of client classification	6,074	287	2	56	1
Cross default	204	29	-	76	8
Other	27,232	3,330	10	1,056	139
Municipal total	**36,150**	**4,092**	**8,993**	**1,215**	**151**
Placements with other banks	**7,617**	**1,679**	**-**	**-**	**-**
Total	**851,964**	**230,360**	**426,770**	**54,015**	**5,021**

By 31 December 2011 the volume of the individually rated portfolio significantly decreased in the corporate loan type. Among the rating factors of the corporate loan type, the decrease is mostly based on the decrease of client classification, loan characteristics and the cross default.

Loan characteristics:
Loans to customers are classified by using this category name if the clients are performing according to the contracts but the risks of the transactions are higher than usual (balloon payment, using loan to finance the monetary expenditures in the phase of investment).

Business lines risks:
Transactions are classified by using this category name, if the client works in the branch which had been grievously accused by the financial crisis (vehicle industry, building industry, real estate services, metal processing, financial services).

27.2. Market risk

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

27.2.1. Market Risk sensitivity analysis

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

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

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

Historical VaR (99%, one-day) by risk type	**Average**	
	2011	*2010*
Foreign exchange	1,474	934
Interest rate	524	717
Equity instruments	18	30
Diversification	(440)	(297)
Total VaR exposure	**1,576**	**1,384**

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 27.2.2., for interest rate risk in Note 27.2.3., and for equity price sensitivity analysis in Note 27.2.4. below.

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.
The strategic open position related to the foreign operations was EUR (310) million as at 31 December 2011 and EUR (310) million as at 31 December 2010. High portion of strategic positions is considered as effective hedge of investment of foreign subsidiaries, so FX risk affects the Group capital and not its earnings.

A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	**Effects to the Consolidated Statement of Recognized Income in 3 months period**	
	2011 In HUF billion	*2010* In HUF billion
1%	(11.4)	(9.6)
5%	(7.8)	(6.3)
25%	(3.1)	(1.9)
50%	(0.1)	0.9
25%	2.7	3.5
5%	6.6	7.2
1%	9.3	9.7

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) The EUR/HUF volatility increased slightly but the FX rate was stronger than the theoretic middle-rate, so the probability of losses was increased and the probability of further gains was decreased.
(3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2011.

27.2.3. Interest rate sensitivity analysis

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

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

The simulations were prepared by assuming two scenarios:
(1) 0.50% - 0.75% decrease in average HUF yields (probable scenario)
(2) 1% - 1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period after 31 December 2011 would be decreased by HUF 1,512 million (probable scenario) and HUF 7,132 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 2,597 million (probable scenario) and HUF 12,746 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2010.
This effect is counterbalanced by capital gains (HUF 7,710 million for probable scenario, HUF 10,303 million for alternative scenario) as at 31 December 2011 and (HUF 6,453 million for probable scenario, HUF 9,411 million for alternative scenario) as at 31 December 2010 on the government bond portfolio held for hedging.

The effects of the parallel shifts of the yield-curves to the net interest income on a one-year period and to the market value of the hedge government bond portfolio booked against capital can be summarized as follows (in HUF million):

	2011		*2010*	
Description	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of AFS government bonds)**	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of AFS government bonds)**
HUF (0.1%) parallel shift	(476)	1,008	(728)	1,191
EUR (0.1%) parallel shift	(795)	-	(183)	-
USD 0.1% parallel shift	(33)	-	(80)	-
Total	**(1,304)**	**1,008**	**(991)**	**1,191**

27.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	*2011*	*2010*
VaR (99%, one day, HUF million)	18	30
Stress test (HUF million)	(5)	(14)

27.2.5. Capital management

Capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.
The capital management of the Group members includes the management and evaluation of the shareholders` equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.
The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.
The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In case the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

The capital adequacy of the Group is supervised based on the financial statements data prepared in accordance with the Hungarian Accounting Standards ("HAS") applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008.

The Group has entirely complied with the regulatory capital requirements.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the alternative standard method in case of the operational risk. The consolidated Capital adequacy ratio of the Group was 17.9% and 18.3% as at 31 December 2011 and 31 December 2010 respectively. The Regulatory capital was HUF 1,486,717 million and HUF 1,365,686 million, the Total eligible regulatory capital was HUF 666,748 million and HUF 597,159 million as at 31 December 2011 and 31 December 2010 respectively.

Calculation on HAS basis

	2011	*2010*
Core capital	1,192,803	1,081,229
Supplementary capital	294,291	284,921
Deductions	(377)	(464)
due to investments	*(377)*	*(464)*
Regulatory capital	**1,486,717**	**1,365,686**
Credit risk capital requirement	514,696	480,852
Market risk capital requirement	43,934	30,807
Operational risk capital requirement	108,118	85,500
Total requirement regulatory capital	**666,748**	**597,159**
Surplus capital	**819,969**	**768,527**
Tier 1 ratio	14.3%	14.5%
Capital adequacy ratio	**17.9%**	**18.3%**

The positive components of the Core capital are the following: Issued capital, Capital reserve, Tied-up reserve, General reserve, Profit reserve, Changes in the equity, Changes due to consolidation, Non-controlling interest, Profit for the year, General risk reserve, Core loan capital.
The negative components of the Core capital are the following: Treasury shares, Intangible assets.
The positive components of the Supplementary capital are the following: Supplementary loan capital, Subordinated loan capital.
The negative components of the Supplementary capital are the following: Changes due to consolidation of equity.
The components of the Deductions: deductions due to investments.

The minimum capital adequacy ratio of the subsidiary banks prescribed by the local regulator, and the compliance with these prescriptions is as follows:

Subsidiary bank	Country	Minimum prescribed CAR	2011	2010
OAO OTP Bank	Russia	11%	16.7%	17.0%
OTP Bank JSC	Ukraine	10%	21.3%	22.1%
DSK Bank EAD	Bulgaria	12%	20.6%	23.7%
OTP Bank Romania S.A.	Romania	10%	13.4%	14.0%
OTP banka Srbija a.d.	Serbia	12%	18.2%	16.4%
OTP banka Hrvatska d.d.	Croatia	12%	13.6%	15.0%
OTP Banka Slovensko a. s.	Slovakia	8%	13.1%	11.1%
Crnogorska komerčijalna banka a.d.	Montenegro	10%	14.6%	13.9%

For international comparison purposes, the Group calculates the Regulatory capital in accordance with the Basel II directive based on IFRS data, and the consolidated Capital adequacy ratio based on this. The Capital adequacy ratio of the Group was 17.2% as at 31 December 2011 and 17.5 % as at 31 December 2010. The Regulatory capital was HUF 1,433,100 million and HUF 1,304,476 million, the Total regulatory capital requirement was HUF 666,748 million and HUF 597,159 million as at 31 December 2011 and 31 December 2010 respectively.

Calculation on IFRS basis

	2011	2010
Core capital (Tier 1)	***1,106,006***	***1,046,308***
Positive components	*1,410,131*	*1,361,964*
Issued capital	28,000	28,000
Reserves	1,273,838	1,221,152
Other issued capital components	108,293	112,812
Negative components	*(304,125)*	*(315,656)*
Treasury shares	(54,386)	(52,597)
Goodwill and other intangible assets	(249,739)	(263,059)
Supplementary capital (Tier 2)	***327,471***	***258,632***
Fair value corrections	(35,190)	(12,948)
Subordinated bonds and loans	362,661	271,580
Deductions	***(377)***	***(464)***
Regulatory capital	**1,433,100**	**1,304,476**
Credit risk capital requirement	514,696	480,852
Market risk capital requirement	43,934	30,807
Operational risk capital requirement	108,118	85,500
Total requirement regulatory capital	**666,748**	**597,159**
Surplus capital	**766,352**	**707,317**
Tier 1 ratio	13.3%	14.0%
Capital adequacy ratio	**17.2%**	**17.5%**

The positive components of the Core capital are the following: Issued capital, Profit reserve, Other reserves, Changes in the equity of subsidiaries, Profit for the year, Changes due to consolidation, Other issued capital components.
The negative components of the Core capital are the following: Treasury shares, Goodwill and other intangible assets, dividend.
The components of the Supplementary capital are the following: Revaluation reserve, Fair value adjustments, Share-based payment, Cash-flow hedge, Hedges of net investments in foreign operations, Other issued capital (in the Supplementary capital), Subordinated loan capital, Supplementary loan capital.
The components of the Deductions: deductions due to investments.

NOTE 28: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated Statement of Financial Position and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities

	2011	*2010*
Legal disputes (disputed value)	11,067,643	9,596,769
Commitments to extend credit	1,000,043	819,308
Guarantees arising from banking activities	287,513	282,232
Confirmed letters of credit	5,483	6,458
Other	139,500	110,653
Total	**12,500,182**	**10,815,420**

Legal disputes

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

The Victims of Hungarian Holocaust initiated a class action against, amongst others, OTP before the United States District Court Northern District of Illinois. The Bank emphasises that "Országos Takarékpénztár Nemzeti Vállalat" was established on 1 March 1949 with no predecessor. The Bank considers the claim against it entirely unfounded. The value of legal disputes has increased considerably because of changes in FX rates.

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 3,697 million and HUF 3,953 million as at 31 December 2011 and 31 December 2010, respectively. (See Note 17.)

Commitments to extend credit, guarantees and letters of credit

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

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

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

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

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Group to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount, until a determined date, in case of fulfilling conditions, without checking the undermined transactions. The guarantee's liability is joint and primary with the principal, in case of payment undertaking, while the Group assumes the obligation derived from guarantee independently by the conditions established by the Group.
A guarantee is most typically required when the ability of the primary obligor or principal to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency. A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal.
If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Derivatives

The Group maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most of the cases requires margin deposits.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

The Group enters into foreign exchange swap and interest rate swap transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consists of a prompt and one or more futures contracts.

Interest rate swaps oblige two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counterparties.
The interest rate swaps are used by the Group for risk management and trading purposes.

Cross-currency interest rate swaps

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

Forward rate agreements (FRA)

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

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

NOTE 29: SHARE-BASED PAYMENT

The 2006 Annual General Meeting approved a five year share option program for the years of 2006 to 2010 under which options are granted annually. The grant date of these options is 28 April 2006 and the date of the Annual General Meeting of 2007 (27 April 2007) for the increased amount of share options under the modified program.

The exercise prices of the options relating to the years of 2006 to 2010 are calculated as the average of the market price of OTP shares quoted by the BSE daily during the period between 30 April and 30 May in the actual year and decreased by HUF 1,000. In that case if the average price of the shares exceeds by more than HUF 3,000 the exercise price one day before the date of exercise, the exercise price would be increased by the amount above the HUF 3,000.

The 2007 Annual General Meeting approved a few changes in the program:
The exercise prices of the options relating to the years of 2006 to 2010 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the three month period ended 31 March in the actual year and decreased by HUF 2,000. In that case if the average price of the shares exceeds by more than HUF 4,000 the exercise price one day before the date of exercise, the exercise price would be increased by the amount above the HUF 4,000.

The vesting conditions of the option program are that, two of following conditions should be fulfilled:

- The growth of the net income reaches 10%
- The ROA indicator for the actual year ended 31 December should be at least 2.1%
- The ROE indicator for the actual year ended 31 December should be at least 20%

The exercise period of the options granted for the years of 2006 to 2010 is 19 months. The exercise period of the option program for the years of 2006 to 2010 must be opened at 1 June in the actual year, the period can be prolongated by two years. If the options remain unexercised before the end of the exercise period, the options expire. Additionally, options are forfeited if the employee leaves the Bank before the options vest. The options can only be settled by physical delivery, therefore the option program is accounted as equity-settled share based transaction.

In connection with the equity-settled share-based payment programs the Bank did not recognize any expense in 2010 because the key performance indicators – that were the vesting conditions of the options – were not fulfilled.

	2011		2010	
	Options (number of shares)	**Weighted average exercise price (in HUF)**	**Options (number of shares)**	**Weighted average exercise price (in HUF)**
Outstanding at beginning of period	50,000	134	-	-
Granted during the period	-	-	3,068,800	134
Forfeited during the period	-	-	-	-
Repurchased during the period	-	-	2,988,800	134
Exercised during the period	50,000	1,199	30,000	569
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	50,000	134

In 2009 there were no share options having been exercised. 3,068,800 pieces of shares from the total 3,500,000 had became available for exercise for the options of 2009 were distributed to the management in relation to their accomplishment and due to personal changes.

In 2010 with the consent of the parties the Board of Directors made a decision on the redemption of the option rights granted for 2009. The redemption price was HUF 3,975 per share. The weighted average remaining contractual life of the options outstanding as at 31 December 2010 is 12 month.

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted on 2011 Annual General Meeting regarding to the amendment of CRD III. directives and Act on Credit Institutions and Financial Enterprises.

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

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

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

Discounted share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is determined by the Bank's Directorate, maximum HUF 4,000.

The Bank Directorate determined the parameters for the share-based payment relating to the year 2010 as follows:

Year	**Pieces[5]**	**Exercise price per share**	**Maximum earnings per share**
2011	349,414	3,946	2,500
2012	792,974	3,946	3,000
2013	463,707	4,446	3,500
2014	563,062	4,946	3,500

During implementation of the Remuneration Policy of the Group appeared that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with concerning EU-directives –, therefore the Board of Directors made a decision to cancel the share-based payment in the referred countries.

[5] Approved by the Board of Directors supposing 100% performance.

Based on cancellation, effective performance assessment and exercise during the year effective pieces (presently) are the following as at 31 December 2011:

2011	319,400[6]
2012	738,986
2013	432,144
2014	524,735

In connection with programs accounted as equity-settled share based transactions, HUF 6,188 million was recognized as an expense during the year ended 31 December 2011.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

The compensation of key management personnel, such as the members of the Board of Directors, members of the Supervisory Board, key employees of the Bank and its major subsidiaries involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related party disclosures, is summarised below:

Compensations	*2011*	*2010*
Short-term employee benefits	8,484	12,828
Share-based payment	2,343	-
Other long-term employee benefits	886	197
Termination benefits	37	74
Redundancy payments	-	74
Total	**11,750**	**13,173**

	2011	*2010*
Loans provided to companies owned by the management (normal course of business)	42,806	36,617
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	117	117
Commitments to extend credit and guarantees	6	9

	2011	*2010*
Loans provided to unconsolidated subsidiaries	17,523	43,275

6 The share-based payment period has expired as at 31 December 2011.

NOTE 31: MAJOR SUBSIDIARIES AND ASSOCIATES

Investments in companies in which the Bank has a significant interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Bank considers the subsidiaries as cash generating units.

Major subsidiaries

Name	Ownership (Direct and Indirect) 2011	2010	Activity
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia)	97.75%	95.87%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	92.60%	91.43%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	98.94%	98.82%	commercial banking services
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Crnogorska komerčijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)/ OTP Financing Cyprus	100.00%	100,00%	refinancing activities
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Two Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services
OTP Factoring Ukraine LLC	100.00%	100.00%	work-out

Major associates

Most significant indicators of associates which are not accounted for using the equity method is as follows:

As at 31 December 2011

	Moneta Ltd.	*Company for Cash Services Ltd.*	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Agóra-Kapos Ltd.*	*Total*
Total assets	436	2,132	611	157	3,336
Total liabilities	336	204	9	108	657
Shareholders' equity	100	1,928	602	49	2,679
Reserves	(58)	-	544	17	503
Total revenues	304	892	44	934	2,174
Profit before income tax	59	27	16	36	138
Profit after income tax	59	27	14	32	132

Major associates

As at 31 December 2010

	Moneta Ltd.	*Company for Cash Services Ltd.*	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Agóra-Kapos Ltd.*	*Total*
Total assets	694	1,936	598	343	3,571
Total liabilities	485	233	5	326	1,049
Shareholders' equity	209	1,703	593	17	2,522
Reserves	(260)	-	541	-	281
Total revenues	319	765	46	501	1,631
Profit before income tax	(133)	12	4	20	(97)
Profit after income tax	(133)	11	2	17	(103)

NOTE 32: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Group, they have been excluded from the accompanying Consolidated Statement of Financial Position.

	2011	*2010*
The amount of loans managed by the Group as a trustee	43,196	44,300

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

	2011	*2010*
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	11.2%	9.8%

There were no other significant concentrations of the assets or liabilities of the Group as at 31 December 2011 or as at 31 December 2010.

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

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

NOTE 34: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations prescribed by the NBH. The following tables provide an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the period end to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

As at 31 December 2011	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	576,135	19,058	392	401	-	595,986
Placements with other banks, net of allowance for placements losses	405,347	13,843	3,379	208	-	422,777
Financial assets at fair value through profit or loss	30,593	43,480	56,315	14,818	96,076	241,282
Securities available-for-sale	570,434	106,279	253,140	190,307	5,695	1,125,855
Loans, net of allowance for loan losses	815,385	1,293,540	2,543,488	2,390,972	3,794	7,047,179
Associates and other investments	-	-	-	-	10,342	10,342
Securities held-to-maturity	7,174	15,350	92,298	9,761	304	124,887
Property and equipment, Intangible assets	-	-	-	-	491,666	491,666
Other assets	46,023	71,595	19,551	1,684	1,700	140,553
TOTAL ASSETS	**2,451,091**	**1,563,145**	**2,968,563**	**2,608,151**	**609,577**	**10,200,527**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	180,859	124,850	172,273	168,986	-	646,968
Deposits from customers	4,563,198	1,501,196	311,084	23,375	-	6,398,853
Liabilities from issued securities	169,619	304,329	239,298	99,617	-	812,863
Financial liabilities at fair value through profit or loss	31,753	77,407	112,633	8,356	-	230,149
Other liabilities	246,660	31,024	86,234	12,584	435	376,937
Subordinated bonds and loans	3,412	419	184,539	-	128,077	316,447
TOTAL LIABILITIES	**5,195,501**	**2,039,225**	**1,106,061**	**312,918**	**128,512**	**8,782,217**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,439,095	1,439,095
Treasury shares	-	-	-	-	(54,386)	(54,386)
Non-controlling interest	-	-	-	-	5,601	5,601
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,418,310**	**1,418,310**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,195,501**	**2,039,225**	**1,106,061**	**312,918**	**1,546,822**	**10,200,527**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,744,410)**	**(476,080)**	**1,862,502**	**2,295,233**	**(937,245)**	**-**

As at 31 December 2010	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	496,240	16,176	156	466	-	513,038
Placements with other banks, net of allowance for placements losses	498,465	8,173	4,360	246	-	511,244
Financial assets at fair value through profit or loss	30,988	36,531	35,642	22,917	107,589	233,667
Securities available-for-sale	390,478	137,581	283,241	180,497	16,300	1,008,097
Loans, net of allowance for loan losses	651,880	1,088,792	1,755,872	3,244,515	-	6,741,059
Associates and other investments	-	-	-	-	11,554	11,554
Securities held-to-maturity	29,727	40,070	77,873	24,632	-	172,302
Property and equipment, Intangible assets	-	-	-	-	480,828	480,828
Other assets	42,977	26,276	30,263	9,641	-	109,157
TOTAL ASSETS	**2,140,755**	**1,353,599**	**2,187,407**	**3,482,914**	**616,271**	**9,780,946**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	352,235	9,413	181,752	138,549	-	681,949
Deposits from customers	4,273,546	1,334,423	183,901	29,619	-	5,821,489
Liabilities from issued securities	144,738	589,935	237,784	62,696	-	1,035,153
Financial liabilities at fair value through profit or loss	81,780	74,881	94,376	6,015	-	257,052
Other liabilities	244,924	120,692	12,215	7,913	-	385,744
Subordinated bonds and loans	3,473	15	54,160	134,070	98,912	290,630
TOTAL LIABILITIES	**5,100,696**	**2,129,359**	**764,188**	**378,862**	**98,912**	**8,472,017**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,327,638	1,327,638
Treasury shares	-	-	-	-	(52,597)	(52,597)
Non-controlling interest	-	-	-	-	5,888	5,888
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,308,929**	**1,308,929**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,100,696**	**2,129,359**	**764,188**	**378,862**	**1,407,841**	**9,780,946**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,959,941)**	**(775,760)**	**1,423,219**	**3,104,052**	**(791,570)**	**-**

NOTE 35: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 31 December 2011

	USD	EUR	CHF	Others	Total
Assets	627,984	2,368,051	1,400,243	2,527,272	6,923,550
Liabilities	(333,291)	(2,482,507)	(134,814)	(1,880,933)	(4,831,545)
Off-balance sheet assets and liabilities, net	(255,664)	189,971	(1,327,578)	(193,256)	(1,586,527)
Net position	**39,029**	**75,515**	**(62,149)**	**453,083**	**505,478**

As at 31 December 2010

	USD	EUR	CHF	Others	Total
Assets	691,852	2,373,293	1,529,159	2,276,029	6,870,333
Liabilities	(207,776)	(2,644,529)	(120,992)	(1,315,876)	(4,289,173)
Off-balance sheet assets and liabilities, net	(354,571)	218,998	(1,484,742)	(40,709)	(1,661,024)
Net position	**129,505**	**(52,238)**	**(76,575)**	**919,444**	**920,136**

The table above provides an analysis of the main foreign currency exposures of the Group. The remaining foreign currencies are shown within 'Others'. 'Others' category contains mainly foreign currencies in RON, UAH, RUB and BGN. Whilst the Group monitors its foreign exchange position for compliance with the regulatory requirements of the National Banks and own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the 'Value-at-Risk' ("VaR") limit on the foreign exchange exposure of the Group.

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn)

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

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

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

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

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2011

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**138,940**	**89,472**	**25**	**2,049**	**-**	**385**	**-**	**-**	**-**	**1**	**54,065**	**311,049**	**193,030**	**402,956**	**595,986**
fixed rate	*137,789*	*31,302*	*20*	*215*	*-*	*385*	*-*	*-*	*-*	*1*	*-*	*-*	*137,809*	*31,903*	*169,712*
variable rate	*1,151*	*58,170*	*5*	*1,834*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,156*	*60,004*	*61,160*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*54,065*	*311,049*	*54,065*	*311,049*	*365,114*
Placements with other banks, net of allowance for placements losses	**14,979**	**343,423**	**-**	**25,956**	**1,463**	**6,973**	**-**	**14,322**	**-**	**3,023**	**28**	**12,610**	**16,470**	**406,307**	**422,777**
fixed rate	*14,914*	*332,645*	*-*	*24,778*	*1,463*	*583*	*-*	*14,322*	*-*	*3,023*	*-*	*-*	*16,377*	*375,351*	*391,728*
variable rate	*65*	*10,778*	*-*	*1,178*	*-*	*6,390*	*-*	*-*	*-*	*-*	*-*	*-*	*65*	*18,346*	*18,411*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*28*	*12,610*	*28*	*12,610*	*12,638*
Securities held for trading	**1,872**	**997**	**439**	**485**	**4,670**	**2,797**	**2,842**	**426**	**15,444**	**12,274**	**88,511**	**8,573**	**113,778**	**25,552**	**139,330**
fixed rate	*1,872*	*78*	*430*	*-*	*4,123*	*2,797*	*2,842*	*426*	*15,444*	*12,274*	*-*	*-*	*24,711*	*15,575*	*40,286*
variable rate	*-*	*919*	*9*	*485*	*547*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*556*	*1,404*	*1,960*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*88,511*	*8,573*	*88,511*	*8,573*	*97,084*
Securities available-for-sale	**515,203**	**8,575**	**2,956**	**26,676**	**46,531**	**58,499**	**73,063**	**24,412**	**244,993**	**73,128**	**35,432**	**16,387**	**918,178**	**207,677**	**1,125,855**
fixed rate	*515,203*	*6,678*	*2,956*	*26,676*	*46,531*	*58,499*	*71,323*	*24,412*	*244,993*	*72,024*	*-*	*-*	*881,006*	*188,289*	*1,069,295*
variable rate	*-*	*1,897*	*-*	*-*	*-*	*-*	*1,740*	*-*	*-*	*1,104*	*-*	*-*	*1,740*	*3,001*	*4,741*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*35,432*	*16,387*	*35,432*	*16,387*	*51,819*
Loans, net of allowance for loan losses	**958,820**	**2,957,397**	**56,874**	**524,697**	**200,464**	**1,239,811**	**180,771**	**216,696**	**189,240**	**346,566**	**1,409**	**174,434**	**1,587,578**	**5,459,601**	**7,047,179**
fixed rate	*11,519*	*92,683*	*9,980*	*100,065*	*39,131*	*449,515*	*2,862*	*197,256*	*14,312*	*327,846*	*-*	*-*	*77,804*	*1,167,365*	*1,245,169*
variable rate	*947,301*	*2,864,714*	*46,894*	*424,632*	*161,333*	*790,296*	*177,909*	*19,440*	*174,928*	*18,720*	*-*	*-*	*1,508,365*	*4,117,802*	*5,626,167*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,409*	*174,434*	*1,409*	*174,434*	*175,843*
Securities held-to-maturity	**-**	**1,707**	**17,765**	**2,828**	**18,075**	**13,291**	**1,949**	**16,274**	**19,221**	**30,911**	**1,220**	**1,646**	**58,230**	**66,657**	**124,887**
fixed rate	*-*	*1,380*	*346*	*2,164*	*-*	*13,240*	*1,949*	*16,274*	*19,221*	*30,911*	*-*	*-*	*21,516*	*63,969*	*85,485*
variable rate	*-*	*327*	*17,419*	*664*	*18,075*	*51*	*-*	*-*	*-*	*-*	*-*	*-*	*35,494*	*1,042*	*36,536*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,220*	*1,646*	*1,220*	*1,646*	*2,866*
Derivative financial instruments	**568,770**	**717,566**	**971,534**	**1,546,567**	**442,972**	**146,951**	**44,653**	**9,762**	**20,735**	**6,860**	**-**	**-**	**2,048,664**	**2,427,706**	**4,476,370**
fixed rate	*165,811*	*571,464*	*165,240*	*247,387*	*365,126*	*96,381*	*22,655*	*7,676*	*20,735*	*5,298*	*-*	*-*	*739,567*	*928,206*	*1,667,773*
variable rate	*402,959*	*146,102*	*806,294*	*1,299,180*	*77,846*	*50,570*	*21,998*	*2,086*	*-*	*1,562*	*-*	*-*	*1,309,097*	*1,499,500*	*2,808,597*

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2011

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**33,799**	**238,092**	**5,824**	**144,385**	**134,168**	**47,060**	**711**	**11,019**	**877**	**30,073**	**410**	**550**	**175,789**	**471,179**	**646,968**
fixed rate	*32,740*	*180,619*	*3,033*	*13,606*	*3*	*17,206*	*711*	*5,911*	*263*	*29,486*	-	-	*36,750*	*246,828*	*283,578*
variable rate	*1,059*	*57,473*	*2,791*	*130,779*	*134,165*	*29,854*	-	*5,108*	*614*	*587*	-	-	*138,629*	*223,801*	*362,430*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*410*	*550*	*410*	*550*	*960*
Deposits from customers	**1,191,900**	**1,608,710**	**452,772**	**472,915**	**602,281**	**940,467**	**87,339**	**68,568**	**660,254**	**140,932**	**14,739**	**157,976**	**3,009,285**	**3,389,568**	**6,398,853**
fixed rate	*755,534*	*780,249*	*444,261*	*391,674*	*602,281*	*591,082*	*87,339*	*64,741*	*14,312*	*28,385*	-	-	*1,903,727*	*1,856,131*	*3,759,858*
variable rate	*436,366*	*828,461*	*8,511*	*81,241*	-	*349,385*	-	*3,827*	*645,942*	*112,547*	-	-	*1,090,819*	*1,375,461*	*2,466,280*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*14,739*	*157,976*	*14,739*	*157,976*	*172,715*
Liabilities from issued securities	**29,589**	**8,727**	**92,830**	**46,521**	**246,245**	**53,073**	**27,002**	**7,228**	**150,083**	**128,089**	**20,331**	**3,145**	**566,080**	**246,783**	**812,863**
fixed rate	*21,455*	*8,727*	*75,268*	*23,219*	*246,245*	*53,073*	*27,002*	*7,228*	*150,083*	*128,089*	-	-	*520,053*	*220,336*	*740,389*
variable rate	*8,134*	-	*17,562*	*23,302*	-	-	-	-	-	-	-	-	*25,696*	*23,302*	*48,998*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*20,331*	*3,145*	*20,331*	*3,145*	*23,476*
Derivative financial instruments	**335,972**	**999,677**	**78,128**	**2,548,062**	**141,246**	**492,635**	**51,593**	**8,953**	**14,138**	**19,441**	-	-	**621,077**	**4,068,768**	**4,689,845**
fixed rate	*330,662*	*464,667*	*63,663*	*359,821*	*59,854*	*417,951*	*20,740*	*6,943*	*14,138*	*18,309*	-	-	*489,057*	*1,267,691*	*1,756,748*
variable rate	*5,310*	*535,010*	*14,465*	*2,188,241*	*81,392*	*74,684*	*30,853*	*2,010*	-	*1,132*	-	-	*132,020*	*2,801,077*	*2,933,097*
Subordinated bonds and loans	-	-	**5,000**	**29,518**	-	**17,135**	-	**76**	-	**261,323**	-	**3,395**	**5,000**	**311,447**	**316,447**
fixed rate	-	-	-	-	-	-	-	-	-	*261,198*	-	-	-	*261,198*	*261,198*
variable rate	-	-	*5,000*	*29,518*	-	*17,135*	-	*76*	-	*125*	-	-	*5,000*	*46,854*	*51,854*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*3,395*	-	*3,395*	*3,395*
Net position	**607,324**	**1,263,931**	**415,039**	**(1,112,143)**	**(409,765)**	**(81,663)**	**136,633**	**186,048**	**(335,719)**	**(107,095)**	**145,185**	**359,633**	**558,697**	**508,711**	**1,067,408**

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2010

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**100,759**	**61,768**	**-**	**4,007**	**-**	**6,978**	**-**	**85**	**-**	**503**	**58,650**	**280,288**	**159,409**	**353,629**	**513,038**
fixed rate	*100,307*	*9,054*	*-*	*36*	*-*	*240*	*-*	*3*	*-*	*-*	*-*	*-*	*100,307*	*9,333*	*109,640*
variable rate	*452*	*52,714*	*-*	*3,971*	*-*	*6,738*	*-*	*82*	*-*	*503*	*-*	*-*	*452*	*64,008*	*64,460*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*58,650*	*280,288*	*58,650*	*280,288*	*338,938*
Placements with other banks, net of allowance for placements losses	**19,687**	**358,348**	**9**	**71,692**	**-**	**39,297**	**-**	**947**	**-**	**4,428**	**43**	**16,793**	**19,739**	**491,505**	**511,244**
fixed rate	*19,687*	*306,146*	*-*	*27,764*	*-*	*3,282*	*-*	*414*	*-*	*4,247*	*-*	*-*	*19,687*	*341,853*	*361,540*
variable rate	*-*	*52,202*	*9*	*43,928*	*-*	*36,015*	*-*	*533*	*-*	*181*	*-*	*-*	*9*	*132,859*	*132,868*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*43*	*16,793*	*43*	*16,793*	*16,836*
Securities held for trading	**20,000**	**1,118**	**222**	**283**	**3,680**	**726**	**2,483**	**2,427**	**8,338**	**11,561**	**105,943**	**2,466**	**140,666**	**18,581**	**159,247**
fixed rate	*20,000*	*81*	*204*	*283*	*3,680*	*717*	*2,483*	*2,427*	*8,338*	*11,561*	*-*	*-*	*34,705*	*15,069*	*49,774*
variable rate	*-*	*1,037*	*18*	*-*	*-*	*9*	*-*	*-*	*-*	*-*	*-*	*-*	*18*	*1,046*	*1,064*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*105,943*	*2,466*	*105,943*	*2,466*	*108,409*
Securities available-for-sale	**312,007**	**21,260**	**501**	**39,797**	**71,040**	**80,194**	**48,423**	**4,958**	**301,939**	**73,942**	**38,079**	**15,957**	**771,989**	**236,108**	**1,008,097**
fixed rate	*312,007*	*19,196*	*501*	*39,081*	*71,040*	*80,194*	*48,423*	*4,958*	*300,243*	*73,942*	*-*	*-*	*732,214*	*217,371*	*949,585*
variable rate	*-*	*2,064*	*-*	*716*	*-*	*-*	*-*	*-*	*1,696*	*-*	*-*	*-*	*1,696*	*2,780*	*4,476*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*38,079*	*15,957*	*38,079*	*15,957*	*54,036*
Loans, net of allowance for loan losses	**817,694**	**3,266,004**	**45,661**	**264,573**	**250,115**	**987,395**	**92,261**	**129,003**	**336,202**	**323,816**	**85,365**	**142,970**	**1,627,298**	**5,113,761**	**6,741,059**
fixed rate	*9,314*	*79,887*	*1,933*	*82,600*	*2,205*	*263,182*	*2,134*	*120,333*	*8,295*	*308,272*	*-*	*-*	*23,881*	*854,274*	*878,155*
variable rate	*808,380*	*3,186,117*	*43,728*	*181,973*	*247,910*	*724,213*	*90,127*	*8,670*	*327,907*	*15,544*	*-*	*-*	*1,518,052*	*4,116,517*	*5,634,569*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*85,365*	*142,970*	*85,365*	*142,970*	*228,335*
Securities held-to-maturity	**20,017**	**5,977**	**21,996**	**7,309**	**26,596**	**19,781**	**365**	**6,742**	**20,702**	**38,812**	**2,163**	**1,842**	**91,839**	**80,463**	**172,302**
fixed rate	*-*	*1,003*	*14,051*	*6,846*	*15,731*	*19,736*	*365*	*6,742*	*20,702*	*38,812*	*-*	*-*	*50,849*	*73,139*	*123,988*
variable rate	*20,017*	*4,974*	*7,945*	*463*	*10,865*	*45*	*-*	*-*	*-*	*-*	*-*	*-*	*38,827*	*5,482*	*44,309*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*2,163*	*1,842*	*2,163*	*1,842*	*4,005*
Derivative financial instruments	**811,957**	**1,130,879**	**818,718**	**553,692**	**394,740**	**86,539**	**3,479**	**3,029**	**26,202**	**2,087**	**-**	**-**	**2,055,096**	**1,776,226**	**3,831,322**
fixed rate	*459,293*	*817,193*	*41,739*	*100,136*	*321,630*	*86,386*	*3,479*	*3,029*	*26,202*	*2,087*	*-*	*-*	*852,343*	*1,008,831*	*1,861,174*
variable rate	*352,664*	*313,686*	*776,979*	*453,556*	*73,110*	*153*	*-*	*-*	*-*	*-*	*-*	*-*	*1,202,753*	*767,395*	*1,970,148*

NOTE 36: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2010

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposit from the National Bank of Hungary and other banks	**92,985**	**373,434**	**16,001**	**10,815**	**118,884**	**13,949**	**4**	**15,311**	**283**	**37,461**	**837**	**1,985**	**228,994**	**452,955**	**681,949**
fixed rate	*90,815*	*87,411*	*8,418*	*8,706*	*3,874*	*4,272*	*4*	*3,467*	*283*	*37,397*	-	-	*103,394*	*141,253*	*244,647*
variable rate	*2,170*	*286,023*	*7,583*	*2,109*	*115,010*	*9,677*	-	*11,844*	-	*64*	-	-	*124,763*	*309,717*	*434,480*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*837*	*1,985*	*837*	*1,985*	*2,822*
Deposits from customers	**931,742**	**1,762,360**	**662,537**	**393,339**	**532,131**	**563,483**	**84,080**	**49,463**	**585,721**	**118,094**	**12,967**	**125,572**	**2,809,178**	**3,012,311**	**5,821,489**
fixed rate	*500,979*	*567,608*	*645,993*	*393,258*	*531,627*	*563,051*	*84,080*	*49,269*	*20,484*	*14,480*	-	-	*1,783,163*	*1,587,666*	*3,370,829*
variable rate	*430,763*	*1,194,752*	*16,544*	*81*	*504*	*432*	-	*194*	*565,237*	*103,614*	-	-	*1,013,048*	*1,299,073*	*2,312,121*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*12,967*	*125,572*	*12,967*	*125,572*	*138,539*
Liabilities from issued securities	**34,974**	**1,223**	**71,783**	**18,802**	**196,037**	**384,443**	**81,388**	**20,104**	**139,342**	**58,972**	**23,143**	**4,942**	**546,667**	**488,486**	**1,035,153**
fixed rate	*27,499*	*1,223*	*58,198*	*12,691*	*196,037*	*384,443*	*81,388*	*20,104*	*139,342*	*58,972*	-	-	*502,464*	*477,433*	*979,897*
variable rate	*7,475*	-	*13,585*	*6,111*	-	-	-	-	-	-	-	-	*21,060*	*6,111*	*27,171*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*23,143*	*4,942*	*23,143*	*4,942*	*28,085*
Derivative financial instruments	**641,297**	**1,377,362**	**43,305**	**1,336,517**	**74,064**	**498,463**	**9,630**	**2,495**	**12,736**	**12,551**	-	-	**781,032**	**3,227,388**	**4,008,420**
fixed rate	*629,848*	*644,609*	*32,495*	*108,703*	*56,926*	*435,607*	*9,630*	*2,495*	*12,736*	*12,551*	-	-	*741,635*	*1,203,965*	*1,945,600*
variable rate	*11,449*	*732,753*	*10,810*	*1,227,814*	*17,138*	*62,856*	-	-	-	-	-	-	*39,397*	*2,023,423*	*2,062,820*
Subordinated bonds and loans	-	**12**	-	**34,815**	-	**14,979**	-	-	**5,000**	**234,819**	**8**	**997**	**5,008**	**285,622**	**290,630**
fixed rate	-	-	-	-	-	-	-	-	*5,000*	*234,819*	-	-	*5,000*	*234,819*	*239,819*
variable rate	-	*12*	-	*34,815*	-	*14,979*	-	-	-	-	-	-	-	*49,806*	*49,806*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*8*	*997*	*8*	*997*	*1,005*
Net position	**401,123**	**1,330,963**	**93,481**	**(852,935)**	**(174,945)**	**(254,407)**	**(28,091)**	**59,818**	**(49,699)**	**(6,748)**	**253,288**	**326,820**	**495,157**	**603,511**	**1,098,668**

NOTE 37: CONSOLIDATED EARNINGS PER SHARE

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

	2011	*2010*
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	83,147	117,930
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	266,373,139	266,485,429
Basic Earnings per share (in HUF)	**312**	**443**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	83,147	117,930
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	266,438,959	269,617,607
Diluted Earnings per share (in HUF)	**312**	**437**

	2011	*2010*
	Number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	13,626,871	13,514,581
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	266,373,139	266,485,429
Dilutive effects of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares	65,820	3,132,178
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	266,438,959	269,617,607

NOTE 38: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS

(in HUF mn)

As at 31 December 2011

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Banks	6,504	-	-	-
Placements with other banks, net of allowance for placements losses	9,570	-	594	-
Securities held for trading	1,725	5,224	-	-
Securities available-for-sale	73,941	574	(313)	(28,064)
Loans, net of allowance for loan losses	741,605	11,832	(317,270)	-
From this: Consumer loans	*307,524*			
Housing loans	*191,684*			
Corporate loans	*154,235*			
Mortgage backed loans	*68,812*			
Municipality loans	*19,350*			
Securities held-to-maturity	7,719	67	(632)	-
Derivative financial instruments	71,475	10,016	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(18,112)	-	-	-
Deposits from customers	(200,717)	113,032	-	-
Liabilities from issued securities	(50,936)	-	-	-
Subordinated bonds and loans	(11,958)	-	-	-
	630,816	**140,745**	**(317,621)**	**(28,064)**

As at 31 December 2010

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Banks	5,052	-	-	-
Placements with other banks, net of allowance for placements losses	6,728	-	1,418	-
Securities held for trading	2,091	415	-	-
Securities available-for-sale	73,247	4,397	5,369	(13,298)
Loans, net of allowance for loan losses	728,282	11,915	(274,442)	-
From this: Consumer loans	*279,503*			
Housing loans	*197,274*			
Corporate loans	*166,706*			
Mortgage backed loans	*68,952*			
Municipality loans	*15,847*			
Securities held-to-maturity	11,991	(3,356)	4,385	-
Derivative financial instruments	94,148	(9,917)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(15,897)	-	-	-
Deposits from customers	(214,729)	105,617	-	-
Liabilities from issued securities	(61,877)	-	-	-
Subordinated bonds and loans	(12,611)	-	-	-
	616,425	**109,071**	**(263,270)**	**(13,298)**

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Group in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 39. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.
To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.
The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

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

a) Fair value of financial assets and liabilities

	2011		*2010*	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Banks	595,986	595,986	513,038	513,038
Placements with other banks, net of allowance for placements losses	422,777	427,427	511,244	512,195
Financial assets at fair value through profit or loss	241,282	241,282	233,667	233,667
Securities held for trading	*139,330*	*139,330*	*159,247*	*159,247*
FVA of derivative financial instruments designated as held for trading	*101,952*	*101,952*	*74,420*	*74,420*
Securities available-for-sale	1,125,855	1,125,855	1,008,097	1,008,097
Loans, net of allowance for loan losses	7,047,179	8,250,983	6,741,059	7,787,442
Securities held-to-maturity	124,887	151,604	172,302	167,130
FVA of derivative financial instruments designated as fair value hedge	13,137	13,137	8,489	8,489
Financial assets total	**9,571,103**	**10,806,274**	**9,187,896**	**10,230,058**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	646,968	758,719	681,949	621,968
Deposits from customers	6,398,853	6,510,444	5,821,489	5,802,637
Liabilities from issued securities	812,863	664,422	1,035,153	947,864
FVA of derivative financial instruments designated as fair value hedge	98,415	98,415	115,159	115,159
FVA of derivative financial instruments designated as held for trading	230,149	230,149	257,052	257,052
Subordinated bonds and loans	316,447	225,511	290,630	219,966
Financial liabilities total	**8,503,695**	**8,487,660**	**8,201,432**	**7,964,646**

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	2011	*2010*	*2011*	*2010*
Interest rate swaps designated as held for trading				
Positive fair value of interest rate swaps designated as held for trading	39,370	34,413	33,995	44,613
Negative fair value of interest rate swaps designated as held for trading	(40,542)	(40,064)	(37,495)	(59,736)
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	18,596	15,442	22,832	20,958
Negative fair value of foreign exchange swaps designated as held for trading	(50,204)	(4,611)	(45,725)	(4,306)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated as fair value hedge	2,329	8,477	3,526	13,412
Negative fair value of interest rate swaps designated as fair value hedge	(12,563)	(7,143)	(10,980)	(11,479)
CCIRS designated as held for trading				
Positive fair value of CCIRS designated as held for trading	25,149	11,539	23,641	(4,437)
Negative fair value of CCIRS designated as held for trading	(119,933)	(197,440)	(129,254)	(177,976)
Mark-to-market CCIRS designated as held for trading				
Positive fair value of mark-to-market CCIRS designated as held for trading	2,299	7,399	(1,187)	40,124
Negative fair value of mark-to-market CCIRS designated as held for trading	(5,081)	(9,437)	(9,531)	1,852
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated as fair value hedge	2,816	-	2,496	-
Negative fair value of CCIRS designated as fair value hedge	(85,349)	(108,012)	(104,207)	(113,266)
Mark-to-market CCIRS designated as fair value hedge				
Positive fair value of mark-to-market CCIRS designated as fair value hedge	7,670	-	(6,738)	-
Negative fair value of mark-to-market CCIRS designated as fair value hedge	(496)	-	(1,419)	-
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated as fair value hedge	322	12	3,062	-
Negative fair value of other derivative contracts designated as fair value hedge	(7)	(4)	(7)	(4)

	Fair value		Notional value, net	
	2011	*2010*	*2011*	*2010*
Other derivative contracts designated as held for trading				
Positive fair value of other derivative contracts designated as held for trading	16,538	5,627	14,694	2,709
Negative fair value of other derivative contracts designated as held for trading	(14,389)	(5,500)	(14,027)	(2,248)
Derivative financial assets total	**115,089**	**82,909**	**96,321**	**117,379**
Derivative financial liabilities total	**(328,564)**	**(372,211)**	**(352,645)**	**(367,163)**
Derivative financial instruments total	**(213,475)**	**(289,302)**	**(256,324)**	**(249,784)**

c) Hedge accounting

The Group regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading.

The summary of the hedging transactions of the Group are as follows:

As at 31 December 2011

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF (10,234) million	Interest rate
	CCIRS	HUF 22,826 million	Foreign exchange and interest rate
3) Net investment hedge in foreign operations	CCIRS	HUF (6,362) million	Foreign exchange

As at 31 December 2010

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF 1,334 million	Interest rate
	CCIRS	HUF (108,012) million	Foreign exchange and interest rate
3) Net investment hedge in foreign operations	CCIRS	HUF (2,521) million	Foreign exchange

d) Fair value hedges

1. Deposits from customers

The interest payment cash-flows of some structured deposits of the Group denominated in HUF and EUR are exposed to the change of equity prices, equity indices or the change of EUR/HUF exchange rate. In order to hedge the interest rate risk of the interest payments the Group entered into interest rate swap transactions, where the risk of the cash-flow's from the structured deposits were swapped to payments linked to 3 month BUBOR or EURIBOR, resulting in a decrease in the fair value exposure of the deposits from customers.

	2011	*2010*
Fair value of the hedging instruments	70	(61)

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates.
In order to hedge the interest rate risk of the cash-flows the Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 12 month EURIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	2011	*2010*
Fair value of the hedging instruments	(715)	(128)

3. Loans to customers

The Group has fixed interest rate loans denominated in various currencies. These fixed interest rate loans are exposed to fair value risk of changes of risk-free interest rates. In order to hedge the interest rate risk of the cash-flows the Group entered into pay-fixed, receive-floater interest rate swap transactions, where the risk of the payments from the loans are swapped to payments linked to 3 month EURIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.

	2011	*2010*
Fair value of the hedging instruments	(21)	(1,238)

4. Issued securities

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

	2011	*2010*
Fair value of the hedging instruments	(9,568)	(105,251)

5. NBH tender related to early repayment

The Hungarian Government announced the Country Protection Action Plan on 12 September 2011. According to it, there was opportunity of early repayment at pre-defined fixed exchange rates for the clients.
FX loan exposure means FX risk for the Group, while the Group translate it to HUF, the FX exposure assets and liabilities is needed to close. The Group initially hedged the FX exposure raised in the balance sheet related to FX based mortgage loans by entering into CCIRS transactions to eliminate it partially. Taking into account the Government decision on providing this possibility to the clients, the Bank faced FX risk regarding the early repayment, as FX based mortgage loans can be repaid in one amount at fixed conversion rate. To let the banking system hedge this exposure, the NBH announced a EUR-buying tender with special conditions. The Group entered into these tenders three cases in order to ensure the FX exposure of the assets and liabilities.

	2011	*2010*
Fair value of the hedging instruments	60,529	-

As at 31 December 2011

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses on the hedged items	Gains/ Losses on hedging instruments
Securities available-for-sale	IRS	HUF 17,694 million	HUF (715) million	HUF 587 million	HUF (587) million
Loans to customers	IRS	HUF 23,495 million	HUF (21) million	HUF (1,217) million	HUF 1,217 million
Deposits from customers	IRS	HUF 26,935 million	HUF 70 million	HUF (131) million	HUF 131 million
Liabilities from issued securities	IRS	HUF 130,429 million	HUF (9,568) million	HUF 12,329 million	HUF (12,329) million

As at 31 December 2010

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses on the hedged items	Gains/ Losses on hedging instruments
Securities available-for-sale	IRS	HUF 23,002 million	HUF (128) million	HUF 483 million	HUF (483) million
Loans to customers	IRS	HUF 47,470 million	HUF (1,238) million	HUF (160) million	HUF 160 million
Deposits from customers	IRS	HUF 20,436 million	HUF (61) million	HUF 3,522 million	HUF (3,522) million
Liabilities from issued securities	IRS	HUF 206,489 million	HUF 2,761 million	HUF 5,343 million	HUF (5,343) million
EUR mortgage bonds	CCIRS	HUF 209,063 million	HUF (45,125) million	HUF 4,761 million	HUF (4,761) million
EUR mortgage bonds	CCIRS	HUF 320,563 million	HUF (54,799) million	HUF 2,912 million	HUF (2,912) million
EUR mortgage bonds	CCIRS	HUF 55,750 million	HUF (8,088) million	HUF 517 million	HUF (517) million

NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

e) Fair value classes

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 31 December 2011

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	240,345	129,104	106,686	4,555
from this: securities held for trading	138,393	127,372	11,021	-
from this: positive FVA of derivative financial instruments designated as held for trading	101,952	1,732	95,665	4,555
Securities available-for-sale	1,107,158	284,381	821,695	1,082
Positive FVA of derivative financial instruments designated as fair value hedge	13,137	144	10,177	2,816
Financial assets measured at fair value total	**1,360,640**	**413,629**	**938,558**	**8,453**
Negative FVA of derivative financial instruments designated as held for trading	230,149	99	207,967	22,083
Negative FVA of derivative financial instruments designated as fair value hedge	98,415	6	92,479	5,930
Financial liabilities measured at fair value total	**328,564**	**105**	**300,446**	**28,013**

As at 31 December 2010

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	233,263	158,685	74,578	-
from this: securities held for trading	158,843	158,551	292	-
from this: positive FVA of derivative financial instruments designated as held for trading	74,420	134	74,286	-
Securities available-for-sale	989,196	964,535	24,635	26
Positive FVA of derivative financial instruments designated as fair value hedge	8,489	9	8,480	-
Financial assets measured at fair value total	**1,230,948**	**1,123,229**	**107,693**	**26**
Negative FVA of derivative financial instruments designated as held for trading	257,052	596	256,456	-
Negative FVA of derivative financial instruments designated as fair value hedge	115,159	4	115,155	-
Financial liabilities measured at fair value total	**372,211**	**600**	**371,611**	**-**

Movements in Level 3 financial instruments measured at fair value

EUR/CHF cross currency swap (CCIRS) portfolio

According to the risk management policies the Bank holds EUR/CHF cross currency swap portfolio with a notional totalling CHF 3,698 million (HUF 946,435 million equivalent) designated as held for trading and CHF 807 million (HUF 206,556 million equivalent) designated as hedging deals, in order to hedge its foreign currency denominated mortgage loan portfolio's FX risk.

In the second half of the year 2011 the EUR/CHF cross currency swap spreads speculation has previously unexpected volatility, which significantly differed from spreads on which the Bank could execute deals and therefore market quotations can not be used for estimating the fair value of the Bank's CIRS portfolio.

For the above mentioned reasons, the Bank has classified these deals to 3rd level in the valuation of financial instruments in IFRS, and applied non-market observable inputs, which resulted a more reliable valuation.

Sensitivity

The key risk factor for these deals are the change of the spreads. The net present value impacts of +/-10 basis points change of cross currency swap spreads on the EUR/CHF CCIRS portfolio are summarized in the table below:

Fair value (PV)	
Net fair value based on estimated inputs	(20,641)
Sensitivity (dPV)	
+10 bp	2,658
-10 bp	(2,665)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

Movements of the year 2011	Opening balance as at 30 September 2011	Transfer as at 30 September 2011	Closing balance as at 31 December 2011	Total loss as at 31 December 2011
Positive FVA of derivative financial instruments designated as held for trading	17,754	17,754	4,555	(13,199)
Positive FVA of derivative financial instruments designated as hedge accounting relationship	3,043	3,043	2,816	(227)
Securities available-for-sale	173	173	1,082	-
Financial assets measured at fair value total	**20,970**	**20,970**	**8,453**	**(13,426)**
Negative FVA of derivative financial instruments designated as held for trading	(16,399)	(16,399)	(22,083)	(5,684)
Negative FVA of derivative financial instruments designated as hedge accounting relationship	(5,138)	(5,138)	(5,930)	(792)
Financial liabilities measured at fair value total	**(21,537)**	**(21,537)**	**(28,013)**	**(6,476)**

As at 31 December 2010	Opening balance as at 1 January 2010	Transfer	Additions	Closing balance as at 31 December 2010	Total profit or loss as at 31 December 2010
Securities available-for-sale[1]	102,841	(102,841)	26	26	-
Financial assets measured at fair value total	**102,841**	**(102,841)**	**26**	**26**	**-**

[1] Certain bonds mainly issued by local governments in Hungary were reclassified to loans during the year ended 31 December 2010. These securities were not quoted on an active market and were met the definition of loans and receivables as defined in IAS 39.

NOTE 40: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS

(in HUF mn)

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported bellow.
The reportable segments of the Group on the base of IFRS 8 are the following:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries and Corporate Center.
OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financing Netherlands Ltd. and OTP Holding Ltd.
Corporate Center: it is separated from OTP Core consolidated financial statements, this is a virtual entity responsible for rendering debt and capital market related to services to the subsidiaries across the Group, mainly in the form of capital and credit financing.
The results of OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., OTP Factoring Montenegro d.o.o. and OTP Faktor Slovensko s.r.o. are included into the foreign banks segment.
The activities of the other subsidiaries are out of the leasing and fund management activity, like: OTP Real Estate Ltd., OTP Life Annuity Ltd, OTP Funds Servicing and Consulting Ltd., Monicomp Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

The reportable business and geographical segments of the Group are those components where:

- separated incomes and expenses, assets and liabilities can be identified and assignable to the segments
- transactions between the different segments were eliminated
- the main decisive board of the Group regularly controls the operating results
- separated financial information is available

Goodwill impairment:

The effect of goodwill impairment after tax in 2010 is HUF 15,001 million.
The effect of goodwill impairment after tax in 2011 is HUF 17,701 million.

Information regarding the Group's reportable segments is presented below.

As at 31 December 2011

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komerčijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+...+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**83 800**		**83 800**																
Adjustments (total)		**(77 605)**	**(77 605)**																
Dividends and net cash transfers (after income tax)		663	663																
Goodwill impairment (after income tax)		(17 701)	(17 701)																
Bank tax on financial institutions (after income tax)		(28 965)	(28 965)																
Total impact of early repayment (after income tax)		(31 602)	(31 602)																
Consolidated adjusted net profit for the year	**83 800**	**77 605**	**161 405**	**114 056**	**48 536**	**41 042**	**5 091**	**12 743**	**764**	**(6 284)**	**112**	**(408)**	**(4 524)**	**585**	**1 891**	**3 266**	**(4 572)**	**(6 728)**	**4 956**
Profit before income tax	**122 996**	**98 090**	**221 086**	**154 738**	**68 558**	**53 107**	**11 211**	**14 330**	**757**	**(6 149)**	**162**	**(336)**	**(4 524)**	**1 754**	**1 991**	**4 011**	**(4 248)**	**(8 305)**	**4 341**
Adjusted operating profit	**439 669**	**(4 090)**	**435 579**	**235 000**	**189 906**	**82 007**	**26 829**	**59 877**	**8 961**	**(1 316)**	**8 221**	**3 328**	**1 999**	**16 710**	**13 485**	**4 114**	**(889)**	**(8 305)**	**2 268**
Adjusted total income	842 344	(30 753)	811 591	419 401	360 674	142 796	53 585	93 103	22 207	5 220	21 784	13 639	8 340	46 039	23 438	6 140	16 461	(8 194)	(6 329)
Adjusted net interest income	630 816	76	630 892	327 081	292 561	123 990	41 784	74 731	18 658	1 460	15 383	10 968	5 587	20 056	18 600	104	1 352	(8 194)	(612)
Adjusted net profit from fees and commissions	146 522	(3 242)	143 280	84 687	56 125	17 610	9 063	15 867	2 428	1 872	4 094	2 499	2 692	2 277	(2 730)	5 246	(239)	0	191
Adjusted other net non-interest income	65 006	(27 587)	37 419	7 633	11 988	1 196	2 738	2 505	1 121	1 888	2 307	172	61	23 706	7 568	790	15 348	0	(5 908)
Adjusted other administrative expenses	(402 675)	26 663	(376 012)	(184 401)	(170 768)	(60 789)	(26 756)	(33 226)	(13 246)	(6 536)	(13 563)	(10 311)	(6 341)	(29 329)	(9 953)	(2 026)	(17 350)	(111)	8 597
Total risk costs	**(316 673)**	**82 634**	**(234 039)**	**(95 508)**	**(121 348)**	**(28 900)**	**(15 618)**	**(45 547)**	**(8 204)**	**(4 833)**	**(8 059)**	**(3 664)**	**(6 523)**	**(14 956)**	**(11 494)**	**(103)**	**(3 359)**	**0**	**(2 227)**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(316 673)	88 241	(228 432)	(99 209)	(117 121)	(28 714)	(15 209)	(45 713)	(8 187)	(4 960)	(6 694)	(3 624)	(4 020)	(11 981)	(7 855)	0	(4 126)	0	(121)
Other provision (adjustment)	0	(5 607)	(5 607)	3 701	(4 227)	(186)	(409)	166	(17)	127	(1 365)	(40)	(2 503)	(2 975)	(3 639)	(103)	767	0	(2 106)
Total other adjustments (one-off items)[1]	**0**	**19 546**	**19 546**	**15 246**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4 300**
Income tax	**(39 196)**	**(20 485)**	**(59 681)**	**(40 682)**	**(20 022)**	**(12 065)**	**(6 120)**	**(1 587)**	**7**	**(135)**	**(50)**	**(72)**	**0**	**(1 169)**	**(100)**	**(745)**	**(324)**	**1 577**	**615**
Total Assets	**10 200 527**	**0**	**10 200 527**	**6 548 167**	**4 737 953**	**868 231**	**778 198**	**1 360 510**	**460 623**	**121 475**	**529 853**	**386 313**	**232 750**	**482 841**	**324 888**	**9 318**	**148 635**	**1 962 390**	**(3 530 824)**
Total Liabilities	**8 782 217**	**0**	**8 782 217**	**5 269 759**	**4 102 286**	**723 393**	**658 049**	**1 151 026**	**432 271**	**93 769**	**471 368**	**355 891**	**216 519**	**402 567**	**297 979**	**1 584**	**103 004**	**1 299 920**	**(2 292 315)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF 3,169 million; non-recurring FX-gains and losses in the amount of HUF 3,926 million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 2,580 million; gain on Croatian government bonds in the amount of HUF 4,300 million; revaluation result of the treasury share swap agreement between OTP and MOL in the amount of HUF 5,571 million.

As at 31 December 2010

Main components of the Consolidated Statement of Recognized Income in HUF million	**OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports**	Adjustements on the accounting in Recognized Income	**OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports**	**OTP CORE (Hungary)**	**Foreign banks subtotal (without adjustments)**	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komerčijalna banka a.d. (Montenegro)	**Non-banking subsidiaries subtotal**	**Leasing subsidiaries**	**Asset Management subsidiaries**	**Other subsidiaries**	**Corporate Centre**	**Eliminations and adjustments**
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**118 126**		**118 126**																
Adjustments (total)		**(43 984)**	**(43 984)**																
Dividends and net cash transfers (after income tax)		488	488																
Goodwill impairment (after income tax)		(15 001)	(15 001)																
Bank tax on financial institutions (after income tax)		(29 471)	(29 471)																
Consolidated adjusted net profit for the year	**118 126**	**43 984**	**162 110**	**146 921**	**18 870**	**20 544**	**8 928**	**18 191**	**(6 406)**	**(7 312)**	**2 721**	**(952)**	**(16 844)**	**111**	**(6 336)**	**7 448**	**(1 001)**	**(6 710)**	**2 918**
Profit before income tax	**140 183**	**54 130**	**194 313**	**174 048**	**24 901**	**26 915**	**5 719**	**20 231**	**(6 403)**	**(7 325)**	**3 441**	**(833)**	**(16 844)**	**1 884**	**(6 438)**	**8 905**	**(583)**	**(8 284)**	**1 764**
Adjusted operating profit	**413 207**	**16 624**	**429 831**	**254 222**	**166 165**	**50 768**	**36 121**	**56 032**	**8 878**	**(125)**	**6 938**	**3 728**	**3 825**	**19 343**	**10 371**	**8 045**	**927**	**(8 284)**	**(1 615)**
Adjusted total income	812 487	(28 591)	783 896	432 796	321 118	100 297	61 171	87 710	21 764	6 344	20 154	13 885	9 793	46 596	19 909	10 057	16 630	(8 163)	(8 451)
Adjusted net interest income	616 425	(14 802)	601 623	324 777	262 942	88 991	50 690	69 972	18 419	2 568	13 964	11 207	7 131	22 956	20 320	270	2 366	(8 163)	(889)
Adjusted net profit from fees and commissions	140 631	(3 929)	136 702	84 807	46 553	9 638	7 999	15 478	2 402	1 689	3 986	2 380	2 981	5 329	(3 589)	9 711	(793)	0	13
Adjusted other net non-interest income	55 431	(9 860)	45 571	23 212	11 623	1 668	2 482	2 260	943	2 087	2 204	298	(319)	18 311	3 178	76	15 057	0	(7 575)
Adjusted other administrative expenses	(399 280)	45 215	(354 065)	(178 574)	(154 953)	(49 529)	(25 050)	(31 678)	(12 886)	(6 469)	(13 216)	(10 157)	(5 968)	(27 253)	(9 538)	(2 012)	(15 703)	(121)	6 836
Total risk costs	**(273 024)**	**9 885**	**(263 139)**	**(107 795)**	**(141 264)**	**(23 853)**	**(30 402)**	**(35 801)**	**(15 281)**	**(7 200)**	**(3 497)**	**(4 561)**	**(20 669)**	**(17 459)**	**(16 809)**	**860**	**(1 510)**	**0**	**3 379**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(273 024)	9 772	(263 252)	(108 507)	(139 465)	(24 135)	(30 281)	(35 232)	(15 046)	(6 698)	(3 042)	(4 715)	(20 316)	(17 105)	(15 811)	0	(1 294)	0	1 825
Other provision (adjustment)	0	113	113	712	(1 799)	282	(121)	(569)	(235)	(502)	(455)	154	(353)	(354)	(998)	860	(216)	0	1 554
Total other adjustments (one-off items)[1]	**0**	**27 621**	**27 621**	**27 621**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax	**(22 057)**	**(10 146)**	**(32 203)**	**(27 127)**	**(6 031)**	**(6 371)**	**3 209**	**(2 040)**	**(3)**	**13**	**(720)**	**(119)**	**0**	**(1 773)**	**102**	**(1 457)**	**(418)**	**1 574**	**1 154**
Total Assets	**9 780 946**	**0**	**9 780 946**	**6 495 965**	**4 184 649**	**664 403**	**715 760**	**1 218 627**	**424 464**	**114 796**	**484 923**	**349 448**	**212 228**	**511 859**	**348 774**	**13 612**	**149 473**	**1 965 892**	**(3 377 419)**
Total Liabilities	**8 472 017**	**0**	**8 472 017**	**5 364 654**	**3 618 243**	**566 625**	**606 291**	**1 000 635**	**399 320**	**96 809**	**427 661**	**324 896**	**196 006**	**442 461**	**324 787**	**1 616**	**116 058**	**1 338 061**	**(2 291 402)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of revaluation result of FX swap at OTP Core in the amount of HUF 18,732 million; non-recurring FX-gains and losses in the amount of HUF 8,889 million.

NOTE 41: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2011

1) Term Loan Facility

See details in Note 13.

2) Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

3) Home Protection Action Plan to help mortgage loan debtors with payment difficulties

Fixing of the exchange rate for calculating the monthly instalments and government guarantee

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates has been announced. Accordingly, the natural person FX mortgage debtor could initiate in writing between 12 August and 31 December 2011 the fixing of the exchange rate used to specify his monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates are set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provide a special purpose HUF denominated mortgage loan (“escrow account loan”), granting of which is not regulated by the rules of prudent lending. During the time of fixing, the Bank is entitled to charge the 3-months BUBOR interest rate on the HUF obligations on the escrow account. Accumulating interest on the account could be capitalised in every three months. Following the fixed exchange rate period instalments of both the original mortgage and the escrow account loans have to be paid. From that time the interest rate charged on the escrow account must not surpass the market rate applicable for HUF denominated mortgages provided for the same purpose as the original FX mortgage loan.

The Government backs the escrow account in full through a State Guarantee during the fixed exchange rate period, subsequently the guarantee applies to 25% of the escrow account.

Regarding the fact that the number of debtors who took the opportunity of fixing of the exchange rate detailed above is low, its effect on the Bank’s financial statements is not significant.

NOTE 42: POST BALANCE SHEET EVENTS

Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

NOTE 43: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP’S FINANCIALS (in HUF mn)

In 2011 all countries where OTP is presented with its banking subsidiaries posted positive and accelerating real GDP growth. In Hungary real GDP growth in 2011 reached 1.7%, helped by strengthening manufacturing production and increasing performance of agriculture on the production side. On the expenditure side, GDP growth was driven mainly by the strong export demand, while household consumption continued to decline. Nevertheless, both factors contributed to the increasing surplus of the current account balance.

Capital markets development in 2011 as a whole shaped worse than expected. In contrast to improving risk taking attitude of the first few months of 2011, the rest of the year was dominated again by mounting concerns about the Euro zone indebtedness and long-lasting structural issues within the EU. Credit downgrades across the European and other developed countries became fairly common. In case of Hungary the overall risk aversion of markets coupled with reservations about the measures implemented by the government. As a result, the HUF weakened significantly in the second half of 2011, government bond yields and the Hungarian CDS-levels reached new heights and after 15 years the sovereign credit rating was cut back to non-investment grade level again. In 2011 the closing rate of the HUF against the EUR weakened by 12%, while the average exchange rate deteriorated by 2%. As for the CHF/HUF rate, the weakening was at 15% and 14%, respectively. In November the Hungarian government decided to turn to the EU and the IMF for "precautionary" financial assistance.

In 2011 the Group continued to focus its activity on stable operation by maintaining robust capital position and significant liquidity reserves as well as implementing prudent risk management and monitoring practices in line with the deteriorating loan portfolio. At the same time, some Group members could already benefit from the business opportunities arising from the improving operating environment.

- One of the direct consequences of the crisis started late 2008 was the generally weak **loan demand** in most of the relevant markets except the Russian consumer lending business.

  The consolidated loan book declined by 2% in 2011 (adjusted for FX rate movements). Among the group members only Russia (+30%) and Romania (+6%) posted meaningful loan volume increase from 2010 to 2011. The FX-adjusted Russian consumer loan portfolio expanded by 61% from 2010 to 2011. In Romania the EUR-based mortgage product turned to be fairly popular and mortgages advanced by 8% from 2010 to 2011, but the SME and corporate lending contributed to the growth, too.

  The single biggest individual market, the Hungarian one, was still suffering from weak loan demand: loan volumes continued eroding gradually. Additionally the early repayment scheme of FX mortgage loans accelerated the melt down of volumes in the mortgage segment[38]. Consequently, the mortgage loan portfolio decreased by 8% from 2010 to 2011, while loans to corporate and municipal clients eroded by 9%. The only growing part of the portfolio was the SME segment, where the expansion was supported by loan reclassification as well.

  The Bulgarian gross loans advanced by 2% on the back of corporate lending, while in Ukraine the stabilization of the total gross loan portfolio could be reached. The biggest yearly decline of the loan portfolio was witnessed in Montenegro (-6%), Serbia (-9%) and at Merkantil, the Hungarian car financing business (-11%).

Countries	Loans and placements with other banks	Securities	Total
Hungary	3,582,633	1,194,535	4,777,168
Bulgaria	1,297,961	23,881	1,321,842
Ukraine	820,780	67,989	888,769
Russia	793,850	4,866	798,716
Romania	468,717	16,771	485,488
Croatia	413,866	26,025	439,891
Slovakia	305,168	26,111	331,279
Montenegro	293,775	5,383	299,158
Serbia	113,618	-	113,618
United Kingdom	99,065	-	99,065
Cyprus	74,379	-	74,379
Germany	61,928	-	61,928
France	60,355	-	60,355
Belgium	16,547	-	16,547
The United States	15,633	-	15,633
Netherlands	13,972	-	13,972
Other[39]	38,644	4,827	43,471
Total	**8,470,891**	**1,370,388**	**9,841,279**

[38] The Group reports its Hungarian core banking business activity under the brand "OTP Core". Financials for OTP Core are calculated from the Consolidated Financial Statements of the companies engaged in the Group's underlying banking operation in Hungary. These companies include the Bank, OTP Mortgage Bank, OTP Building Society Ltd., OTP Factoring Ltd., OTP Financing Netherlands B.V. and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Center, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across the Group.

[39] Other category includes the PIGS countries: Portugal (HUF 8 million), Italy (HUF 3,270 million), Greece (HUF 54 million), Spain (HUF 19 million).

- While witnessing a generally weak loan demand, the Group has put less emphasis on deposit collection since 2010. Instead of further improving its liquidity indicators, the Group has rather focused on the improvement of deposit margins. FX adjusted consolidated deposit volumes grew by 7%, 3% and 1% during the years 2009, 2010 and 2011 respectively. In 2011 the Ukrainian, the Russian and the Bulgarian subsidiaries were the top performers in deposit collection.

- The Group has accumulated a sizable amount of **liquidity reserves** since the beginning of the crisis. The operating liquidity (measured by the liquid asset surplus within one month plus the repo value of government bonds, covered bonds and municipal bonds) amounted to EUR 4.5 billion equivalent by 22 February 2012. This level of the reserves is more than enough to cover all outstanding external FX maturities of OTP Core until 2016 (the latter amounting to EUR 1.6 billion), and exceeds the requirement stemming from any potential liquidity shock (estimated at EUR 2.8 billion).

  The major source of the strong liquidity position was the successful deposit collection. Also, as FX-lending was suspended in Hungary and Ukraine, ongoing repayments of the loans generated significant additional FX liquidity. This comfortable position helped the Group to redeem its maturing obligations in the capital markets without relying on wholesale refinancing on a substantial scale. The Group paid back external obligations in the amount of EUR 1.5 billion, EUR 2.3 billion and EUR 1.4 billion in years from 2009 to 2011, respectively. Whereas the issuance of new debt was at EUR 420 million and EUR 600 million equivalent in 2010 and 2011, respectively.

  Wholesale fund raising in 2011 included RUB bond issuances of OAO OTP Bank Russia (in the amount of EUR 280 million equivalent). In Hungary the Bank started a senior bond issuance program to diversify its funding base and provide ample liquidity to the booming consumer finance business. Furthermore a syndicated loan with principal at EUR 300 million was raised by the Bank in May 2011.

  The CHF and USD liquidity demand of the Group decreased in line with its contracting FX lending business. This process was accelerated by the early repayment of FX mortgage loans in Hungary. To raise the required FX liquidity – primarily through long term FX-swaps – remained manageable for the Group.

- Another side effect of the crisis was the deterioration in the financial position of the clients, which led to worsening **loan quality** and materially increasing risk costs compared to levels obtained before the crisis. In 2011 the ratio of loans with more than 90 days of delinquency ("DPD90+ ratio") increased further to 16.6% from 13.7% at the end of 2010. The pace of deterioration, however, moderated; while in 2010 the ratio grew by 3.9%-points, in 2011 it was up by 2.9%-points. The slowdown in portfolio deterioration enabled the Group to set aside lower level of provisions for impairment on loan losses on yearly basis (excluding the provisioning related to the early repayment program). At the same time, the provision coverage of DPD90+ loans (76.7% on 31 December 2011) developed favourably, in 2010 the ratio improved by 0.8%-point and by further 2.3%-points in 2011.

- The further enhancement of the strong **capital position** still remained a top priority for the Group in 2011. The Basel 2 capital adequacy ratio of the Group reached 17.2% at the end of 2011, which is significantly higher than the ratios at its regional competitors. The ratio slightly declined from 2010 to 2011 (-0.3%-point), the main reason was the FX-effect. The significant depreciation of the HUF in the second half of the year increased the volume of risk weighted assets, as well as the capital requirement of market risk. The Tier 1 ratio (after deducting goodwill and intangible assets) stood at 13.3% and Core Tier 1 ratio (further deducting hybrid instruments from the capital base) at 12.0%.

- The second European stress test results published by the European Banking Authority ("EBA") on 15 July 2011 demonstrated the outstanding capital strength of the Group. After reaching second position in 2010 in the first round, in the second stress test under the adverse scenario the Group's Core Tier 1 ratio was the third highest, at 13.6%. In December 2011 EBA had another test focusing on the securities exposure of banks, the result again was convincing: The Group safely meets the 9% Core Tier 1 requirement.

- In 2011 the goodwill write down related to the Croatian, Montenegrin and Serbian subsidiaries resulted in a total loss of HUF 23.979 billion in the Group's consolidated financial statements under IFRS.
- Concerning the Group members, the following **rating actions** were taken by international rating agencies in 2011:
  - On 5 April 2011 Moody's Investors Service affirmed the Bank's standalone BFSR at D+ with stable outlook. The Bank's foreign-currency deposit ratings were affirmed at "Baa3". Simultaneously Moody's has lowered the Bank's local currency deposit ratings and foreign currency senior debt rating to "Baa3" in line with the sovereign ratings. The Bank's subordinated debt rating has been changed to "Ba1" and its junior subordinated debt rating to "Ba2". The outlook on BFSR is stable, while all other ratings carry negative outlook similarly to the sovereign.
  - On 15 November 2011 Standard & Poor's placed on watch negative "BBB-/A-3" long- and short-term counterparty credit ratings on the Bank and its subsidiary OTP Mortgage Bank. The rating action followed the placement of "BBB-/A-3" foreign and local currency sovereign credit ratings on Hungary on CreditWatch negative on 11 November 2011.
  - On 25 November 2011, reflecting the lowering of Hungarian government debt rating to "Ba1" and the country's foreign-currency deposit ceiling to "Ba2", Moody's Investors Service lowered the ratings of the Bank and OTP Mortgage Bank. The foreign currency deposit ratings of the Bank and OTP Mortgage Bank was downgraded to "Ba2/Not-Prime" from "Baa3/Prime-3" and downgraded the local-currency deposit ratings, foreign-currency senior debt rating, subordinated debt rating and junior subordinated debt rating by one notch.
  - On 16 December Moody's concluded the review for downgrade on ratings initiated on 4 October 2011 and affirmed the ratings of the Bank and OTP Mortgage Bank in accordance with its decision on 25 November 2011.
  - Standard & Poor's lowered Hungary's long- and short-term sovereign credit ratings to "BB+/B" from "BBB-/A-3". As a consequence of the sovereign downgrade, on 23 December S&P lowered the ratings of the Bank and OTP Mortgage Bank to "BB+/B" from "BBB-/A-3". The outlooks are negative.

REPORT OF THE SUPERVISORY BOARD ON 2011 FINANCIAL REPORTS AND PROPOSAL FOR THE USE OF THE BANK'S AFTER-TAX PROFIT

The Supervisory Board conducted its activities and performed its tasks in 2011 in accordance with the provisions of the amended Act CXII of 1996 on Credit Institutions and Financial Enterprises and Act IV of 2006 on Companies, and in compliance with the procedures regulated in its procedural rules, as amended several times.

The Supervisory Board continued to perform its **controlling function** in 2011, protecting the assets of the credit institution and of its clients, as well as its shareholders' interests.

The Supervisory Board met and passed resolutions on a total of eight occasions last year, in accordance with its approved work schedule, and ensured that its body was represented at meetings of the Bank's Board of Directors.

The Supervisory Board regularly:

- monitored the business operations of OTP Bank Plc.,
- called upon management to submit reports, and
- requested information regarding current issues related to the Bank's operation.

Based on the reports, it monitored:

- the development of the Bank's interim results,
- the development of the quality of the Bank Group's portfolio,
- compliance with the provisions of the Act on Credit Institutions and Financial Enterprises,
- the volume and composition of the qualified receivables portfolio, and fulfilment of the requirements in respect of accounting for impairment, the setting aside of risk provisions, and
- the control activity of the members of the bank group that are included in its scope of supervisory control, and
- the fulfilment of the resolutions passed by the Supervisory Board.

The Supervisory Board was briefed regarding

- the results of the Bank's business operations in 2010,
- the business-policy plans of OTP Bank and the Bank Group with respect to the year 2011,
- the modification of OTP Bank Plc.'s By-Laws,
- the briefings on the security situation of OTP Bank Plc. and the foreign subsidiary banks,
- the authorisation from the Board of Directors pertaining to the acquisition of own shares,
- report of the Audit Committee on the annual financial statements of 2010 and its proposal for use of the after-tax profit,
- the practice of corporate governance in 2010,
- OTP Bank Plc.'s compliance activities in 2010, and the proposed program of compliance activities for 2011,
- the status of the group-level implementation of the Unified Internal Audit System and the improvement of the system, and
- the lessons learnt from customer feedback regarding the Bank's services,

The Supervisory Board approved, in its capacity determined in its rules of procedure, the content of the annual report with respect to **risk management, internal control mechanisms and the operation of corporate governance functions**.

Prior to the General Meeting, the Supervisory Board reviewed all key business policy reports on the agenda of the General Meeting, as well as all proposals that relate to matters falling within the exclusive competence of the company's supreme body. The Supervisory Board studied the audited annual report and consolidated annual report, and was briefed by the auditor.

The Supervisory Board evaluated **the performance of the senior office-holders during the business year** and made a proposal – to the General Meeting – on whether to grant the senior office-holders exemption from any further liability.
The Supervisory Board made a proposal to the General Meeting – agreed in advance with the Board of Directors – regarding the person and remuneration of the **auditor** to be elected.

The Supervisory Board commented on and approved the **Corporate Governance Report** prior to its proposal to the General Meeting.

The Supervisory Board drafted and proposed to the General Meeting an **amendment to its Rules of Procedure**, which was necessary due to legislative changes and an amendment to the Bank's Bylaws, and new tasks resulting from the dissolution of the Audit Committee.

The Supervisory Board, in accordance with its Rules of Procedure, commented on the principles of the **remuneration policy** drawn up by the Board of Directors, regularly monitored and checked implementation of the remuneration policy, and ordered internal audits in this regard.

The Supervisory Board performed its **governance role** in accordance with the provisions of the Act on Credit Institutions, through the audits performed by the internal audit unit.

The Supervisory Board commented on and subsequently approved the **annual audit schedule** of the members of the Bank Group that are subject to consolidated supervision, which was based on the strategic auditing plan, the company's business policy plan, the statutory requirements, the resolutions and recommendations of external auditing organisations and the company's Executive Bodies, the recommendations of the managers of the company's individual departments and the managers of the companies that are included in its scope of supervisory control, the theme audits conducted jointly at group level, and the results of earlier audits and risk analyses, as well as other risks resulting from changes, while also taking the organisational structure of the company into consideration.

Based on its annual audit schedule for the year 2011 and other extraordinary assignments, the Internal Audit Department carried out **171 audits, made 1207 accepted proposals** in connection with audits, caused **61 employees to be held personally accountable**, and reviewed the **draft versions of 481 internal regulations**.

Pursuant to the Act on Credit Institutions and Financial Enterprises, the Supervisory Board of a credit institution subject to **consolidated supervision** is **obliged to ensure** the appropriate functioning of the internal audit of credit institutions, financial enterprises and investment companies that are under its control

At OTP Bank Plc. and the members of the group that are included in its scope of supervisory control, in the course of operating the Standard Internal Auditing System (EBER) in 2011 special priority continued to be given to mitigating the risks arising from the changes in the economic environment, performing the tasks created in response to the high-risk factors revealed by the Bank Group's Internal Audit Department, assessing the risks inherent in critical bank processes and systems, the new and partly unmeasured risks arising as a consequence of hitherto unaudited areas and technological advances, and to the professional and timely briefing of the OTP Group's management.

The Internal Audit Directorate of OTP, in accordance with its annual plan, conducted audits not only at the organisational units of OTP Bank Plc., but also at other companies in the OTP Group.

In 2011, with the coordination of the parent bank's Internal Audit Directorate, **theme audits** were conducted at **group level** into the compliance of the risk management procedures built into the appraisal process for retail unsecured loans and into the practices related to preparing for decisions, the controlling of the reliability of reporting by the subsidiaries on the credit-risk quality of the OTP Bank Group's portfolio, and the checking of user and access management in key information technology systems. The theme audits extended to all of the foreign subsidiaries, while the IT-related theme audit also covered an additional three designated subsidiaries in Hungary.

In 2011 the Internal Audit Directorate launched **two new series of audits** at the subsidiary banks. One was an audit of the settlement of employees' expenses, while the other related to the auditing of the control of activities performed under contract.

Based on the findings of the audit supervision activities, the **audits** focused on inspection of the **IT** systems at the supervised subsidiaries continued, with the year 2011 devoted to the determination and implementation of information technology security requirements in the development phase of the IT systems in Russia, Slovakia and Serbia.

The Internal Audit Directorate, in keeping with its quality assurance program for internal auditing activities, continued its **quality assurance inspection of the internal audit units of the OTP Group** in 2011. As a part of this, on-site inspections of internal auditing activities were held at two foreign banks (OTP Bank Slovensko, DSK Bank), and one domestic subsidiary (OTP Real Estate Fund Management).

The purpose of the quality assurance audits was to evaluate the regulation and operation of the subsidiaries' internal audit units, the standard and efficiency of their operation, and to assess the auditing risks of the given company, and the strengths and weaknesses of internal auditing.

The audits provided, and will continue to provide, an opportunity for the other group members to familiarise themselves with the methods – in line with international standards – that have been successfully applied by the individual companies in the group, and to identify areas in which activities need to be improved or where the support of the parent company is required.

It is through the bank group-level quarterly, annual and ad-hoc **reports** that the internal audit unit summarises, for the Supervisory Board of OTP – in addition to the Executive Bodies of the Bank – the internal audit activities performed within the group, the findings of group-level theme audits of key importance, completion of the tasks undertaken in action plans drawn up by the audited departments, as well as extraordinary events and findings that came to light in the course of internal audit activities and which are also of significance at group level.

To ensure legal compliance, the internal audit departments of the subsidiaries under supervision sent

- their annual report prepared in respect of their annual activities and their operating conditions related to 2010, and
- their audit plan for 2011to the Bank's Supervisory Board.

The Supervisory Board of OTP Bank Plc. discussed and evaluated the proposals regarding theme audits deemed to be of particular importance, as well as the annual plans and reports. From then onward, the Supervisory Board monitored implementation of the recommendations of the reports that had been accepted.

The Supervisory Board, based on the summary reports and regular proposals of Internal Audit, monitored the findings of audits conducted by **external organisations**, and the implementation of the measures specified in action plans drawn up on the basis of the resolutions passed by them.

In 2011 the **Hungarian Financial Supervisory Authority** conducted several supervisory audits at the Bank in connection with individual complaints made by customers, which beyond the various recommendations and compulsory measures concluded with the imposition of supervisory fines. Thus in thirty-six cases related to complaints it imposed fines totalling six million eight hundred and fifty thousand forints, due to breaches of the consumer protection rules and the complaint handling requirements.

Based on the documentation made available to it, the Supervisory Board has concluded that OTP Bank Plc. prepared its **annual report** in accordance with the provisions of Act CXII of 1996 on Credit Institutions and Financial Enterprises, Act C of 2000 on Accounting, and Government Decree 250/2000. (XII. 24.) on the characteristics of credit institutions' and financial enterprises' obligation with respect to the preparation of annual financial statements and bookkeeping.

The Bank accounted for impairment and set aside risk provisions in accordance with the provisions of the government decree on the specific requirements to be met by credit institutions and financial enterprises in respect of the preparation of annual reports and bookkeeping, as well as with the Bank's Accounting Policy, by applying the regulations, agreed with its auditor, on rating and measurement, impairment and provisioning. The Bank also set aside general risk provisions in line with the provisions of the Act on Credit Institutions and Financial Enterprises.

On the basis of the documentation made available to the Supervisory Board in respect of the **consolidated annual report** of OTP Bank Plc., the Supervisory Board has ascertained that the consolidated annual report prepared by the Bank is in accordance with the provisions of Act C of 2000 on Accounting and the international financial reporting standards approved by the European Union.

The Supervisory Board of OTP Bank Plc. judges that the operations of OTP Bank Plc. were legally compliant and reflected the interests of shareholders, and that, despite the impact of the protracted economic crisis, the business results were favourable and in accordance with the profit expectations of the management.

The Supervisory Board of OTP Bank Plc., in agreement with the contents of the report of the auditor, approves:
the unconsolidated report on the 2011 business year, prepared in accordance with Hungarian Accounting Standards (HAS),

*with **a balance sheet total of HUF 6,717 billion 325 million,** and*

the
consolidated annual report on the 2011 business year, prepared in accordance with International Financial Reporting Standards,

with **a balance sheet total of HUF 10,200 billion 527 million,** and

*the proposal in respect of the distribution of the **after-tax profit under HAS of HUF 136 billion 607 million,***
and, having approved the business report of the Board of Directors, submits the above for the approval of the Company's General Meeting.

The Supervisory Board agrees with the proposal of the Board of Directors that **dividend in an amount of HUF 100** per share be paid from the 2011 after-tax profit, in accordance with the Company's By-Laws.

REPORTS OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE 2011 FINANCIAL REPORTS

FREE TRANSLATION OF THE HUNGARIAN ORIGINAL

Deloitte.

Deloitte Auditing and Consulting Ltd.
H-1068 Budapest, Dózsa György út 84/C, Hungary
H-1438 Budapest, P.O.Box 471, Hungary

Tel: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.com/hungary

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

Translation of the Hungarian original

INDEPENDENT AUDITORS' REPORT

on the financial statements submitted for the forthcoming General Meeting of OTP Bank Plc.

To the Shareholders and the Board of Directors of OTP Bank Plc.

Report on the Financial Statements

We have audited the accompanying financial statements of OTP Bank Plc. (the "Bank") for the year 2011, which comprise the balance sheet as at December 31, 2011 - which shows total assets of 6,717,325 million HUF and a retained profit for the year of 94,946 million HUF -, and the related profit and loss account for the year then ended and the supplement comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Act and generally accepted accounting principles in Hungary, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit clause (opinion).

Clause (Opinion)

We have audited the financial statements of OTP Bank Plc., including its sections and items and the supporting accounting records and certificates thereof, in accordance with the applicable National Standards on Auditing and have obtained reasonable assurance that the financial statements have been prepared pursuant to the Accounting Act and generally accepted accounting principles. In our opinion, the financial statements give a true and fair view of the financial position of OTP Bank Plc., as at December 31, 2011.

Other Reporting Obligation on the Business Report

We have examined the accompanying business report of OTP Bank Plc., for the year 2011.

Management is responsible for the preparation of this business report in accordance with the Accounting Act and generally accepted accounting principles in Hungary.

Our responsibility is to assess whether the accounting information in the business report is consistent with that contained in the financial statements prepared for the same business year. Our work with respect to the business report was limited to assessing the consistence of the business report with the financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Bank.

In our opinion, the business report of OTP Bank Plc., for the year 2011. corresponds to the figures included in the financial statements of OTP Bank Plc. for the year 2011.

Budapest, February 24, 2012

The original Hungarian version has been signed.

Horváth Tamás

Deloitte Auditing and Consulting Ltd.
1068 Budapest Dózsa György út 84/C.
000083

Nagyváradiné Szépfalvi Zsuzsanna

registered statutory auditor
005313

Deloitte.

Deloitte Auditing and Consulting Ltd.
H-1068 Budapest, Dózsa György út 84/C, Hungary
H-1438 Budapest, P.O.Box 471, Hungary

Tel: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.com/hungary

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of OTP Bank Plc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OTP Bank Plc. (the "Bank") for the year 2011, which financial statements comprise the consolidated statement of financial position as at December 31, 2011 – which shows total assets of 10,200,527 million HUF – , and the related consolidated statement of recognized and comprehensive income – which shows a net profit for the year attributable to Shareholders of 83,147 million HUF –, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit clause (opinion).

Clause (Opinion)

We have audited the consolidated financial statements of OTP Bank Plc. including its sections and items and the supporting accounting records and certificates thereof, in accordance with the applicable National Standards on Auditing and have obtained reasonable assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards as adopted by the European Union.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of OTP Bank Plc. as at December 31, 2011, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Reporting Obligation on the Consolidated Business Report

We have examined the accompanying consolidated business report of OTP Bank Plc. for the year 2011.

Management is responsible for the preparation of this consolidated business report in accordance with the Hungarian Accounting Act.

Our responsibility is to assess whether the accounting information in the consolidated business report is consistent with that contained in the consolidated financial statements prepared for the same business year. Our work with respect to the consolidated business report was limited to assessing the consistence of the consolidated business report with the consolidated financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Bank.

In our opinion, the consolidated business report of OTP Bank Plc. for the year 2011. corresponds to the figures included in the consolidated financial statements of OTP Bank Plc. for the year 2011.

Budapest, February 24, 2012

....	....
Horváth Tamás	Nagyváradiné Szépfalvi Zsuzsanna
Deloitte Auditing and Consulting Ltd.	registered statutory auditor
1068 Budapest, Dózsa György út 84/C	005313
000083	

DRAFT RESOLUTION

The Annual General Meeting accepts the Board of Directors' Business Report on 2011 business activities of the Company, as well as the proposal for the Bank's separate – in accordance with Hungarian Accounting Standards – and consolidated financial statements – in accordance with International Financial Reporting Standards (IFRS) – for the year 2011, together with the proposal for distribution of profit after tax, based on the reports of the Supervisory Board and the Auditor.

The AGM approves the Bank's unconsolidated 2011 balance sheet with HUF 6,717,325 million balance sheet total and with HUF 136,607 million after tax profit. The AGM will distribute the HUF 136,607 million after-tax profit as follows: HUF 13,661 million will be set aside for general reserves, and HUF 28,000 million will be paid out as dividend, and thus the retained earnings will amount to HUF 94,946 million.

Dividends will be HUF 100 per share, representing 100% of the face value of each share. The actual amount of dividends to be paid to the individual shareholders will be calculated and disbursed in accordance with the Company's Bylaws, that is, the Company will distribute the dividend calculated in respect of all the shares qualifying as treasury shares among the shareholders entitled to receive dividends. Dividends will be disbursed from 11 June 2012, in accordance with the procedural order set forth in the By-Laws.

The AGM approves the Bank's consolidated 2011 balance sheet with HUF 10,200,527 million balance sheet total and with HUF 83,800 million net income of which HUF 83,147 million is attributable to equity holders.

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

Introduction

OTP Bank Plc treats the development and maintenance of an **advanced corporate governance system**, conforming to Hungarian and international standards, as a key priority. A reliable governance system, accurate financial planning, responsible management and the appropriate control mechanisms are what form the basis for efficient and profitable operation. To this end, OTP Bank Plc is continuously reviewing and developing its corporate governance practices.

Our corporate governance practice is an important means of ensuring the **fulfilment of our strategic objectives**. Accordingly, within the effective statutory frameworks, we have developed a corporate governance system that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and our socially responsible corporate conduct. There is no perfect, universally applicable corporate governance solution through which every goal can be achieved as efficiently as possible. For this reason we continuously monitor our governance practices, identifying any deficiencies arising as the result of external and internal changes, and effect those modifications that best serve the fulfilment of our objectives.

The resulting governance structure, optimised to suit our objectives, takes into account the special characteristics of our operations as well as the statutory, supervisory and stock-market requirements that apply to the Bank, while also endeavouring to comply with the related Budapest Stock Exchange (BSE) guidelines. The purpose of the BSE's corporate governance guidelines is for the governance and operating structures of stock exchange-listed companies to be **transparent, and comparable** based on a uniform set of criteria. This enables investors, taking into consideration the special characteristics of a given company's operations, the complexity of its activities, and the statutory requirements related to its risk management and financial reporting, to make a well-founded judgement regarding the extent to which the given corporate governance practice ensures reliable and profitable operation.

Like all organisations that provide financial and investment services, the operations of OTP Bank Plc are, to a high degree, regulated in statutory provisions. As a consequence, not only certain business activities, but our operations as a whole are regulated in detail and monitored by the authorities on a continuous basis. The individual internal control functions (risk management, compliance, and internal audit) have to conform to strict standards, and their effectiveness must be attested not only within the internal corporate governance system, but also to the satisfaction of the external supervisory authorities. All these factors guarantee purposeful, comprehensive and verified risk management procedures, as well as reliable and appropriately supervised data reporting. Therefore, our status as a financial and investment service provider requires us to implement complex and effective corporate governance practices that simultaneously ensure **responsible conduct towards clients and shareholders, reliable operation, and long-term profitability**.

1.) Statement on Corporate Governance Practice

OTP Bank Plc's operation fully complies with the provisions of the relevant statutory regulations, the decrees of the supervisory authorities and the regulations of the Budapest Stock Exchange (BSE). The structure and operating conditions of the Company are contained in the Bylaws, which are approved by the General Meeting.

1.1. Management bodies

Board of Directors

The Company's executive body is the Board of Directors. In its objectives and activities, particular emphasis is placed on increasing shareholder value, profitability and efficiency, and on managing risks and complying fully with external requirements – in other words on ensuring the most effective enforcement of business, ethical and internal control policies.
The scope of its authority is defined in the effective statutory provisions, the Company's Bylaws, General Meeting resolutions, and the procedural rules of the Board of Directors. The procedural rules set out the structure of the Board of Directors, the tasks relating to the preparation, implementation and drafting of resolutions of its meetings, as well as all other issues relating to the operation of the Board of Directors.
The members of the Board of Directors are elected by the General Meeting for a term of five years. All the obligations and prohibitions specified for executive officers under Act CXII of 1996 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.
In view of the Board of Directors' executive role in the governance of the Bank it is appropriate, and conducive to successful operation, that the members of the Board of Directors also have a personal interest in ensuring the Company's profitable operation. Therefore the members of the Board of Directors also participate in the share option scheme approved by the General Meeting. However, this prevents them from comprehensively fulfilling the statutory criteria for independence. Nonetheless, in view of the fact that the Board of Directors also has an important role in overseeing the work of management, it is consequential that **the Board of Directors, by principle, has a majority of non-executive members**. The makeup of the Board of Directors ensures that professional expertise, experience, and a degree of impartiality that exceeds the above-mentioned independence requirement, are brought to bear in equal measure in the decision-making processes.

The employer's rights towards the executive officers of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance for the appointment or withdrawal of appointment of deputy CEOs. The Chairman & CEO is empowered to decide in all matters that do not, pursuant to the Bylaws, fall within the scope of authority of the General Meeting or the Board of Directors.

Members of the Board of Directors of OTP Bank Plc:

Executive members:

Dr. Sándor Csányi
Chairman & CEO

Dr. Sándor Csányi (59) graduated from the College of Finance and Accountancy in 1974 with a bachelor's degree in business administration and in 1980 from the Budapest University of Economic Sciences with a degree in economics. He is an economist with a specialisation in finance, and is also a qualified pricing specialist and certified auditor. After graduation he worked at the Revenue Directorate and then at the Secretariat of the Ministry of Finance, after which, between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a head of department at Magyar Hitel Bank. He was deputy CEO of K&H Bank from 1989 to 1992. Since 1992 he has been Chairman & CEO of OTP Bank Plc, where he is responsible for the Bank's strategy and overall operation. He is a member of the European Board of Directors for MasterCard, one of the world's leading payment card companies, and is Vice Chairman of the Board of Directors of MOL Plc, Co-Chairman of the National Association of Entrepreneurs and Employers (VOSZ), and until April 2011 was a member of the Board of Directors of the Hungarian Banking Association. He has been Chairman of the Hungarian Football Association (MLSZ) since July 2010.
As of 31 December 2011 he held 200,000 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 2,700,000).

Dr. Antal Pongrácz
Deputy Chairman of the Board of Directors, Deputy CEO for Administrative Affairs
Staff Division

Dr. Antal Pongrácz (66) graduated from the Budapest University of Economic Sciences and earned a PhD in 1971. From 1969 he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various executive positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports. Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he was CEO, and then Chairman & CEO, of the European Commercial Bank Rt. Between 1994 and 1998 he was Chairman & CEO of Szerencsejáték Rt, then in 1998-99 he served as CEO of Hungarian flagship carrier, Malév. Since 2001 he has been executive director of OTP Bank's Staff Division and more recently, Deputy CEO. He has been a member of OTP Bank's Board of Directors since 2002 and Deputy Chairman since 9 June 2009.
As of 31 December 2011 he held 200,000 ordinary OTP shares.

Non-executive members:

Mihály Baumstark
Agricultural engineer, economist

Mr. Mihály Baumstark (63) holds degrees in agricultural engineering and agricultural economics. He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was deputy head of the Investment Policy Department. After this he was managing director of Hubertus Rt., and from 1999 to 2012 he was deputy CEO and then Chairman & CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He was a member of OTP Bank's Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank's Board of Directors since 1999.
As of 31 December 2011 he did not hold any ordinary OTP shares.

Dr. Tibor Bíró
Head of Department
Budapest Business School

Dr. Tibor Bíró (60) graduated from the Budapest University of Economic Sciences with a degree in business administration. He is a certified auditor and chartered accountant. He was the Head of the Financial Department of the City Council of Tatabánya from 1978-82. He began teaching at the College of Finance and Accountancy in 1982 and has been head of department since 1992. He is a member of the Educational Committee of the Chamber of Hungarian Auditors. He has been a non-executive member of OTP Bank's Board of Directors since 1992.
As of 31 December 2011 he held 30,681 ordinary OTP shares.

Péter Braun
Electrical Engineer
Former Deputy CEO, OTP Bank Plc.

Péter Braun (76) earned a degree in electrical engineering from the Technical University of Budapest. Between 1954 and 1989 he worked for the Research Institute for Electrical Energy, with his last position there being head of department. After that, he was the managing director of K&H Bank Rt., working in its Computer and Information Centre. He is a member of GIRO Rt.'s Board of Directors, and was Deputy CEO of OTP Bank Plc. from 1993 until his retirement in 2001. Since the second half of 2009 he has been the chairman of the Chief Information Officers' Association (VISZ). He has been a member of OTP Bank's Board of Directors since 1997.
As of 31 December 2011 he held 527,905 ordinary OTP shares.

Zsolt Hernádi
Chairman & CEO
MOL Plc.

Zsolt Hernádi (52) graduated in 1986 from the department of industrial design at the Karl Marx University of Economic Science. Between 1989 and 1994 he held a number of positions at Kereskedelmi és Hitelbank Rt., where from 1992 to 1994 he was deputy CEO of the financial institution.
Between 1994 and 2001 he was CEO and a member of the Board of Directors at Magyar Takarékszövetkezeti Bank Rt. He has been a member of MOL's Board of Directors since 1994, and its Chairman since 2000, while since 11 June 2001 he has been the company's Chairman and CEO. He is also a member of the Corporate Governance and Remuneration Committee of MOL's Board of Directors. He has been a member of OTP Bank's Board of Directors since 29 April 2011.
As of 31 December 2011 he held no ordinary OTP shares.

Dr. István Kocsis
Managing Director
Merkantil Bank Zrt.

Dr. István Kocsis (60) obtained his degree in mechanical engineering from the Mechanical Engineering Faculty of the Technical University of Budapest in 1976, and earned his PhD in 1985. Career highlights: 2002-2005 Paks Nuclear Power Plant, CEO; 2005-2008 Hungarian Power Companies Ltd. (MVM Zrt.), CEO; 2008-2011, CEO of Budapest Transport Corporation (BKV Zrt.); since 2011 Managing Director of Merkantil Bank Zrt. Offices held: Chairman of the Ányos Jedlik Society; chairman of the Scientific Society For Measurement, Automation and Informatics; member of the Social Senate of the University of Pecs; member of the national Presidium of the Hungarian Chamber of Commerce and Industry; chairman of the endowment advisory board of the Duna-Mecsek Regional Development Foundation.
Non-executive member of OTP Bank's Board of Directors since 1997
As of 31 December 2011 he held 81,600 ordinary OTP shares.

Dr. László Utassy
Chairman & CEO
Merkantil Bank Ltd.

Dr. László Utassy (60) graduated from the Faculty of Law of ELTE University in Budapest in 1978.
He held various positions at the State Insurance Company between 1978 and 1995 and then went on to work at ÁB-Aegon Rt. He was Chairman & CEO of OTP Garancia Insurance from 1996 to 2008. He was managing director of OTP Bank Plc. between 2009 and 2010. Since 1 January 2011 he has been Chairman & CEO of Merkantil Bank Ltd. He has been a member of OTP Bank's Board of Directors since 2001.
As of 31 December 2011 he held 260,000 ordinary OTP shares.

Dr. József Vörös
Professor, Head of Institute
University of Pécs

Dr. József Vörös (61) earned a degree in economics from the Budapest University of Economic Sciences in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE). In 1993 he attended the Advanced Management Program (AMP) at Harvard Business School. Since 1994 he has been a professor at JPTE, and was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was chairman of the Board of Trustees, and in 2009 he took up the post of Head of Institute. He has been a non-executive member of OTP Bank's Board of Directors since 1992.
As of 31 December 2011 he held 117,200 ordinary OTP shares.

The **Board of Directors** meets as and when necessary, but at least eight times a year.
Meetings of the Board of Directors are convened by the Chairman & CEO by means of a written invitation, in accordance with the prevailing work schedule.
The Chairman & CEO must convene a meeting of the Board of Directors if

- a resolution has been passed by the Board of Directors to hold an extraordinary meeting of the Board;
- At least three Board members requests a meeting in writing by designating the reason and the purpose, and the items of the agenda, and by submitting a written proposal in respect of the decision to be made;
- The Supervisory Board or the auditor initiates such a meeting in writing;
- The Supervisory Board requires it;
- Under the law, a decision must be made about whether to convene an extraordinary General Meeting.

Minutes must be taken of the meetings of the Board of Directors, and its resolutions must be documented.

The table below provides a brief overview of the number of Board of Directors meetings held in 2011, and of the attendance at these meetings:

Board of Directors meetings 2011

Date	Present	Absent
*14.02**	*8*	-
16.03	*8*	-
31.03	*8*	-
*29.04***	*9*	-
06.06	*8*	*1*
19.09	*9*	*1*
07.11	*9*	-
15.12	*9*	-

Note:
In 2011 the Board of Directors met on a total of 8 occasions. In addition, resolutions were passed on 94 occasions by written vote.
**With effect from 1 February 2011 – when Dr. György Szapáry stood down – the number of members of the Board of Directors changed from 9 to 8.*
***On 29 April 2011 the General Meeting elected a nine-member Board of Directors (new member: Zsolt Hernádi).*

The items on the agenda of the Board of Directors included, among other things, the tasks stipulated by law, such as making a decision on convening, and specifying the agenda of, the General Meeting, the acceptance of the documents submitted to the annual ordinary General Meeting, preparing a proposal concerning the annual report prepared in accordance with the Accounting Act and the use of the after-tax profit, preparation of the report on the management, on the Company's asset/liability position and on its business policy, measures taken to ensure the appropriate management of the Bank's trading books.
Additional, strategic tasks are, for example, the approval and annual review of the Bank's strategy, determination of its business plan, a review of the Bank's asset/liability position based on the quick reports, review of the Bank's liquidity situation, evaluation of changes in the qualified receivables portfolio, approval and review of the regulations that fall within the Board of Director's scope of authority (collateral evaluation, risk assumption, customer rating, etc.), regular review of compliance with the Credit Institutions Act and the Capital Markets Act, compliance, and customer complaints management. Furthermore, the Board of Directors is informed of any undertaking of obligations in excess of HUF 3 billion.
In addition, as part of its operative duties, the Board of Directors may make case-by-case decisions in respect of transactions that exceed the threshold value limit.

Supervisory Board

At the Bank, in line with the two-tier governance structure, the Supervisory Board performs the oversight of the Company's management and business activity. For this reason – and in accordance with the legal provisions – the principle of a majority of independent (non-executive) members is fully enforced in respect of the composition of the Supervisory Board.

Supervisory Board members are elected by the General Meeting for a term of three years. The ratio of *independent* (non-executive) Supervisory Board members (4 persons) to the total number of Supervisory Board members (6 persons) is 67%.
In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board. The rules pertaining to the election and recall of the employee-representative member of the Board of Directors are determined by the Workers' Council operating at the Company, and this member is not considered to be independent by the Company.

The Supervisory Board establishes its own procedural rules, which are approved by the General Meeting.

The Company's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises the right of prior approval in respect of the establishment, termination and remuneration of the managers and employees of the internal audit organisation.

Members of OTP Bank Plc's Supervisory Board:

Tibor Tolnay
Chairman of the Supervisory Board
Chairman & CEO
Magyar Építő Zrt.

Tibor Tolnay (61) graduated from the Budapest University of Technology with a degree in civil engineering and then in economic engineering, and subsequently received a degree in economics from the Budapest University of Economics. In 1994 he was appointed Chairman & CEO of Magyar Építő Rt. He has been Chairman of OTP Bank's Supervisory Board since 1999. He was a member of the Audit Committee between 27 April 2007 and 29 April 2011.
As of 31 December 2011 he held 54 ordinary OTP shares.

Dr. Gábor Horváth
Deputy Chairman of the Supervisory Board
Lawyer

Dr. Gábor Horváth (56) earned a degree in law from ELTE University in Budapest. From 1983 he worked for the Hungarian State Development Bank. He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance. He has been a member of OTP Bank Plc.'s Supervisory Board since 1995, and a member of the Board of Directors of MOL Plc. since 1999. Since 27 April 2007 he has been deputy chairman of OTP Bank's Supervisory Board, and between 27 April 2007 and 29 April 2011 he was chairman of the Audit Committee.
As of 31 December 2011 he held 10,000 ordinary OTP shares.

Kovács Antal
Deputy CEO, Retail Division
OTP Bank Plc.

Mr. Antal Kovács (59) graduated from the Budapest University of Economics with a degree in economics in 1985. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has served as OTP Bank's Deputy CEO. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute. He has been a member of OTP Bank's Supervisory Board since 2004.
As of 31 December 2011 he held 23,000 ordinary OTP shares.

<u>András Michnai</u>
Executive Director, Compliance Directorate
OTP Bank Plc

András Michnai (57), who represents the employees of OTP Bank, graduated from the College of Finance and Accounting with a degree in business economics.
He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. From 1981 he held a management position in the central network coordination department and then in the network. From 1994, as deputy management director, he participated in the central coordination of the branch network. Since 2005 he has headed the Bank's independent Compliance Department (since 2011 a Directorate) as executive director. He further expanded his professional skills, earning a masters degree at the College of Finance and Accounting, and is a registered tax advisor. He has been a member of OTP Bank's Supervisory Board since 25 April 2008.
He has been a member of OTP Bank's Supervisory Board since 25 April 2008.
As of 31 December 2011 he held 15,600 ordinary OTP shares.

<u>Pierre Lefèvre</u>
CEO
Groupama International SA

Pierre Lefèvre (55) has a degree in general engineering and industrial management. He began his career in 1980 at the internal audit department of Unilever Benelux.
In 1984 he joined the AXA Group where he held various management positions, first in Belgium (management control, life and asset insurance), and then from 1994 in the United Kingdom − it was here that he first worked in the position of CEO, and later as CEO & Chairman. Following his appointment in 1998 he worked as Chairman of the Board of Directors of AXA Nederland BV, and from 2002 onwards as Chairman & CEO of the UK company Groupama Insurances. On 1 November 2007 Pierre Lefèvre was appointed CEO of the Italian Groupama subsidiaries. Since 1 January 2011 he has been head of Groupama's international division, and since 29 April 2011 a member of OTP's Supervisory Board.
As of 31 December 2011 he held no ordinary OTP shares.

<u>Márton Gellért Vági</u>
General Secretary
Hungarian Football Association

Dr. Márton Gellért Vági (50) graduated in 1987 from the Karl Marx University of Economic Science with a degree in Foreign Economics, and in 1994 obtained his doctorate from the same institution.
Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Zrt.), as managing director, deputy CEO and then CEO. Between 2006 and 2010 he was Chairman of the National Development Agency. From July 2002 until 1 January 2011 he was a member of the Board of Directors of FHB Nyrt., during which period he also spent four years as Chairman of the Board. Since 2010 he has been general secretary of the Hungarian Football Association. He has authored or co-authored more than 80 research papers, essays and books. He has been a member of OTP's Supervisory Board since 29 April 2011.
As of 31 December 2011 he held no ordinary OTP shares.

The Supervisory Board meets at least six times a year.
The meetings of the Supervisory Board are convened by the chairman. The meetings must also be convened if a member of the Supervisory Board or at least two members of the Board of Directors, or the auditor, requests it in writing, indicating the objectives and reasons for the meeting.
Minutes are taken of the meetings of the Supervisory Board and its resolutions are documented.

The table below provides a brief overview of the number of Supervisory Board meetings held in 2011, and of the attendance at these meetings:

Supervisory Board Meetings
2011

Date	Present	Absent
18.02	5	-
18.03	4	1
31.03	5	-
29.04*	5	1
10.06	4	2
23.09	6	-
11.11	6	-
15.12	5	1

Note:
In 2011 the Supervisory Board met on a total of 8 occasions.
*On 29 April 2011 the General Meeting elected a six-member Supervisory Board (the mandate of Jean-Francois Lemoux expired; two new members: Pierre Lefévre and Márton Gellért Vági).

The main function of the Supervisory Board is to see to it that the Bank has a comprehensive and effectively operating system of oversight and control. The agendas of the meetings included, among other things, the review of documents to be submitted to the annual ordinary General Meeting, a report on the annual financial statements and on the proposal concerning the use of the after-tax profit, the review of the Bank's annual and interim financial reports, and the proposal to the General Meeting regarding the auditor to be elected as well as his/her remuneration.
The tasks concerning the management of the internal audit unit includes the acceptance of the audit plan at the bank-group level, and the discussion of the report at the bank-group level of the audits performed by the internal audit units and of the performance of the audit tasks at the bank-group level. Additional agenda items include compliance with the provisions of the Credit Institutions Act, the situation in terms of implementation at group level of the Unified Internal Audit System and the further development of the system, a review of the implementation of the resolutions that close the audits performed by the authorities, a review of the volume and composition of the qualified receivables portfolio, changes in impairment and the risk provisioning obligations, report on compliance activity, etc.

Determining the remuneration of the Board of Directors and the Supervisory Committee is in the competence of the Company's supreme body, the General Meeting. The principles and frameworks of the long-term remuneration and incentives system for employees in senior positions are also determined by the General Meeting. Accordingly – on the basis of the provisions on remuneration policy set forth in the Act on Credit Institutions, which complies with the relevant EU directives – the Bank's Annual General Meeting of 2011, in its resolution no. 9/2011, approved the principles and rules of the remuneration policy of OTP Bank Plc. and the Bank Group, and the Board of Directors issued the internal regulations and procedures necessary for their implementation. At the Annual General Meetings the Board of Directors gives a briefing on the annual and medium-term objectives providing the basis for performance-based remuneration, and on their fulfilment.

Audit Committee

The Audit Committee supported the work of OTP Bank Plc's Supervisory Board and performed the functions of formulating opinions, making evaluations and making recommendations. The establishment of the Audit Committee in 2006 was mandatory under the Companies Act; however, in view of the exceptions specified in the Credit Institutions Act and the Capital Market Act, and based on experience gained over the past few years, at the General Meeting held on 29 April 2011 a proposal was made to dissolve the Committee.
Experience has shown that under the dual governance system the Supervisory Board has the authority and duties necessary for fully performing the tasks of the Audit Committee, and therefore in the interest of simplifying operation and rendering it more efficient the General Meeting resolved to formally terminate operation of the Committee. At the same time, it made a rule on the separate recording of votes cast by the independent members of the Supervisory Board in decisions made

when exercising the powers ascribed to the Audit Committee in the Companies Act and the Capital Market Act.

Prior to its dissolution the Audit Committee met once in 2011.

Audit Committee Meetings 2011

Date	Present	Absent
31.03	*3*	*-*

The agenda of the Audit Committee meeting included the Bank's non-consolidated financial statements for 2010 prepared in accordance with International Financial Reporting Standards, a report on the financial statements and on the proposal for the use of the after-tax profit, a proposal to elect the Company's auditing company and approve the person responsible for the audit, and the determination of the remuneration for this work.

1.2. The operation of the committees

a) **Permanent committees** established by the Bank's Management in support of management functions:

Management Committee
The Management Committee is a permanent committee established by the Board of Directors. It is a forum that directly supports the work of the Chairman & CEO and is the supreme management body of the Bank. It has decision making power in the issues that are relegated into its scope of authority by the Organisational and Operational Regulations, it takes a preliminary position and prepares decisions in the majority of issues that are discussed by the General Meeting, the Board of Directors and the Supervisory Board, and plays a coordinating role in the senior management of the Bank.

Subsidiary Integration and Direction Committee
Following acquisitions implemented by the Bank, this committee directs and coordinates the approval of action plans related to issues of the various individual companies and their relation to the group, and this is the committee to which the subsidiaries report. It is responsible for disseminating best practises across the Group, and for managing conflicts that arise between the subsidiaries and the headquarters. It requires and approves reports regarding the annual action plans of the subsidiaries. It makes individual decisions in respect of issues that are currently being discussed in relation to the subsidiaries.

The Management Committee and the Subsidiary Integration and Direction Committee perform their work in accordance with a semi-annual work plan accepted by them and meet once a month (or as many times as necessary). Their work is regulated by their rules of procedure.

Management Coordination Committee
The primary function of the committee is to act as an operative decision-making forum to ensure that the Bank can respond flexibly and effectively to market and regulatory factors and that the Bank as a whole can act in a coordinated fashion. The committee does not diminish the competence of the Bank's related standing committees (TÉÁB, ALCO, HLB, LIIB) and acts as an operative forum of coordination between the special areas in order to resolve complex questions. Similarly to the Management Committee, it fulfils a coordination and decision-making function in the Bank as a whole, but its role – unlike the strategic role of the MC – is operative in nature. Owing to the operative nature of the committee, it holds its meetings on an ad hoc basis, without a preliminary work plan, generally on a monthly basis.

The following additional permanent committees operate within the Company for the performance of specific tasks:
Asset-liability Committee, Credit-Limit Committee; Product Development, Sales and Pricing Committee; Work Out Committee; Information Technology Control Committee; Investment Committee, Group Operational Risk Management Committee.

Permanent committees are established by the Bank's Board of Directors for specific tasks, and the scope and rules of their operation are contained in their respective rules of procedure approved by the MC. In respect of resolutions, permanent committees, with the exception of the Credit-Limit, Group-Level Operational Risk Management Committee and the Work-Out Committee, operate on the principal that grants decision-making power to the chairman.

b) **Other committees:**

Ethics Committee
A special committee of the Bank that is elected by the Board of Directors and operates under the management of one of the external members of the Board of Directors.

Remuneration Committee
The Remuneration Committee is a committee that was established by the Board of Directors and meets on a continuous basis, which assists in elaborating the principles for the remuneration of the CEO and the deputy CEOs (hereinafter: Management) and the members of the Board of Directors and Supervisory Board (hereinafter: Office Holders), makes a recommendation in respect of the system or remuneration, and monitors it.
The Remuneration Committee exercises its authority as a body.

Communication Consultation Committee
The task of this committee, which was established in 2011, is to coordinate the processes related to communication work at group level, and to ensure fulfilment of the objectives and principles articulated in the communication strategy. Its chairperson and composition are determined by the Management Committee, and its rules of procedure are approved by the Management Coordination Committee.

A Nomination Committee has not been established at the Bank.

1.3. Members of OTP Bank Plc's senior management:

Dr. Sándor Csányi
Chairman & CEO

Dr. Antal Pongrácz
Deputy Chairman of the Board of Directors,
Deputy CEO for Administrative Affairs
Staff Division

Antal Kovács
Member of the Supervisory Board
Deputy CEO
Retail Division
(For their CVs, see the section entitled 'Management bodies')

László Bencsik
CFO, Deputy CEO
Strategy and Finance Division

Mr. László Bencsik (42) has been deputy CEO of OTP Bank Plc, and head of the Strategy and Finance Division, since August 2009.
He joined OTP Bank in September 2003, when he became executive director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning.
From 2000, until he joined OTP Bank, he was a project manager at consulting firm McKinsey & Company.
Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture).
In 1996 he graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Masters in Business Administration (MBA) from INSEAD Business School in France.
As of 31 December 2011 he held no ordinary OTP shares.

Dr. István Gresa
Deputy CEO
Credit Approval and Risk Management Division

Dr. István Gresa (59) graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Budapest University of Economic Sciences in 1980. He earned a PhD from the same establishment in 1983. He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank's Zalaegerszeg branch. From 1993 he was director of OTP Bank's Zala County Directorate, and from 1998 he served as the executive director of the bank's West Transdanubian Region. Since 1 March 2006 he has been Deputy CEO of OTP Bank and the head of the Credit Approval and Risk Management Division and chairman of the Board of Directors at OTP Factoring Ltd. Since 22 May 2007 he has been chairman of the Board of Directors at the OTP National Health Fund. As of 31 December 2011 he held 63,758 ordinary OTP shares.

Dániel Gyuris
Deputy CEO
Real Estate, Small Enterprises and Agriculture Division
Chairman & CEO
OTP Mortgage Bank Ltd. and OTP Building Society Ltd.

Mr. Dániel Gyuris (53) obtained a post-graduate degree in agricultural engineering from Gödöllő University of Agricultural Sciences in 1998. Two years earlier he graduated in economics from the Budapest University of Economic Sciences, where he majored in bank management. In the same year he obtained a post-graduate diploma from the College of Finance and Accountancy. He is a certified accountant and property valuation specialist. He began his career as an agricultural engineer at an industrial cooperative, where as deputy production manager he was responsible for the overall management of the production processes.
In 1989 he was appointed a head of department at Agrobank Ltd., and then from 1991 he held a similar position at Inter-Europe Bank Ltd. From 1999 he was CEO of FHB Land Credit and Mortgage Bank Plc., and was the executive director responsible for the operation of the bank group. Since 1 November 2010 he has been deputy CEO of OTP Bank Plc., and is also the head of the Real Estate, Small Enterprises and Agriculture Division, as well as Chairman & CEO of OTP Mortgage Bank Ltd. and OTP Building Society Ltd.
As of 31 December 2011 he did not hold any ordinary OTP shares.

Ákos Takáts
Deputy CEO
IT and Bank Operations Division

Ákos Takáts (52) graduated from the University of Horticulture and Food Industry in 1982 and earned a degree in engineering in 1985. He has worked in the banking sector since 1987. From 1993 he served as a deputy head of department at OTP Bank Plc., then, from 1995, he was managing director of the Bank's IT Development Directorate. Since 1 October 2006 he has served as OTP Bank's Deputy CEO and the head of the IT and Logistics Division.
As of 31 December 2011 he held 153,347 ordinary OTP shares.

László Wolf
Deputy CEO
Commercial Banking Division

László Wolf (52) graduated from the Budapest University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993. From April 1993 he was executive director of OTP Bank's Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division. As of 31 December 2011 he held 654,640 ordinary OTP shares.

1.4 Internal control system

The appropriate functioning of the internal control system is provided for, at bank-group level, in accordance with the relevant statutory regulations and in keeping with the relevant Recommendations. The internal control system, alongside responsible corporate governance, is a cornerstone of the internal lines of defence that promote prudent, reliable and effective operation in accordance with the statutory regulations and internal regulations, protects the economic interests and social objectives of the customers and the owners and ensures continued trust in the Company.
The internal control functions are independent of each other and of the areas they supervise and audit. A significant aspect of their operation is management support; however, internal control functions are also expected to provide support to the senior management in making sound decisions.

Internal audit

The main function of internal audit is the protection of customers, the Company's assets and shareholders' interests.

In order to ensure effective auditing, the structure of the Company's internal audit system is segmented both vertically and horizontally. The system is built on three related levels of control, and at the same time is also segmented by area. The elements of the internal audit system comprise of in-process, management and independent internal audit.

The independent internal audit organisation supports safe business management, and effective operation, and it seeks to minimise risks and – in conjunction with the Compliance function – ensure compliance with the statutory regulations. Its key characteristic is that it is an independent, professional and objective organisation that inspects all control levels. The professional oversight of the organisation is conducted by the Supervisory Board, within the framework set by the Credit Institutions Act.

The independent internal audit organisation has an annual audit plan which is approved by the Supervisory Board. The annual plan is prepared using a risk-based methodology and, in addition to focusing on the areas that entail regulatory, business and operational risk, and the other main risk exposures, it also takes into account changes in the prevailing economic situation.

The internal audit system includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the subsidiaries defined in the Act on Credit Institutions as included in the scope of consolidated supervision. Uniform internal audit methods are created, continuously developed and implemented in respect of the operation and activities of the bank group members' internal audit units.

The internal audit organisation prepares objective and independent reports for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a group-level, summary account of the audits conducted in the given quarter, the risks identified in the course of its own audits and audits conducted by the authorities, and the success of any action taken to eliminate them. The audit organisation reports annually on the performance of the tasks stipulated in the group-level annual audit schedule, the audits conducted and other activities, and on the circumstances of the organisation's operation, as well as on any changes to the internal audit system.
The organisation annually prepares, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions.
In extraordinary cases that require immediate attention, the audit unit is entitled to perform an extraordinary audit.

Risk management

The basis for effective group-level risk management is the introduction of a standardised, "OTP-compatible" organisational structure as well as regulations and procedures at the subsidiaries concerned. The Company has detailed risk management rules for each of the various types of risk (liquidity, market, country, counterparty, credit risk, operational risk, and compliance risk), and these rules are in harmony with the statutory regulations pertaining to prudential banking operations. The annual report describes the risk management practices, the limits, and compliance with these limits.

Within the Company, the Credit Approval and Risk Management Division and the Strategy and Finance Division exercise functional control over the guidelines, methodology and infrastructure of the Bank Group's risk management strategy, the purpose of which is to create a clearly defined, transparent, standardised credit, country, counterparty, market and operational risk management system at group level which complies with the Basel requirements, the expectations of the supervisory authority and local conditions. The Bank Group's Risk Management Strategy and the Bank Group's Risk Assumption Regulations are approved by the Bank's Board of Directors. The Bank has established an Operational Risk Management Committee at group level.

The Bank's risk management system encompasses the identification of the risks, assessment of their impact, elaboration of the necessary action plans, and the monitoring of their effectiveness and results. The management make their business decisions in a knowledge of all the key risks. All significant risks related to internal and external operations, or to compliance with financial and legal requirements, as well as numerous other risks, are evaluated and managed using a clearly-defined and transparent internal mechanism.

Compliance

In accordance with EU regulations and with the Hungarian statutory provisions an independent organisational unit (the Compliance Directorate) operates at the Company, with the task of exploring and managing compliance risks. This function is supported by the appropriate regulatory documents: the compliance policy, strategy and work plan. The purpose of the compliance policy is to establish the framework of compliance activities in respect of the entire OTP Bank Group, to determine the definition, purpose of compliance and the tasks and scope of the function. Another important document of the compliance policy is the OTP Bank Group's compliance strategy. The compliance policy is approved by the Board of Directors of OTP Bank Plc. The Compliance Directorate prepares a comprehensive report each year about the Bank Group's compliance activities and position, which is approved by the Bank's Board of Directors. The OTP Bank Group's senior management is responsible for the implementation in practice of the compliance policy.

Auditor

The General Meeting has the authority to elect the company performing the audit, and to approve the nomination of the member responsible for the audit.

Our Company is audited by Deloitte Auditing and Advisory Kft. (Cg. 01-09-071057). Last year the auditor did not perform any activity that was not related to its auditing tasks.

The Board of Directors must inform the Company's General Meeting and Supervisory Board if the auditor is given any other material mandates. In addition, if warranted, the Company's Board of Directors, Supervisory Board and other boards may use the services of an external consultant as well.

1.5. Disclosure of information

Providing regular, authentic information is essential if the shareholders and the other participants in the capital market are to make sound decisions, and the way in which the Company discloses information also has an impact on its reputation.

The Company discloses information in strict compliance with the provisions of the Capital Market Act, the Credit Institutions Act, the Investment Services Act, the Companies Act and the relevant Regulations of the BSE. In addition, the Company has effective internal regulations that ensure compliance with the obligation to disclose information.
The aforementioned regulations ensure that all material information pertaining to the Company and having a bearing on the price of the Company's shares is published accurately, in full, and in good time.
The Board of Directors describes its business, strategic goals and mid-term strategic plans of the given year at every ordinary General Meeting. The proposal to the General Meeting is published by the Company on the website of the Budapest Stock Exchange in accordance with its rules of disclosure and the provisions of the relevant regulations of the BSE.
The Company, in accordance with the statutory regulations, publishes on the Company's website and in its Annual Report the professional careers of the members of the Board of Directors, the Supervisory Board and the management.
The proposal pertaining to the remuneration of the chairman and members of the Board of Directors and the chairman and members of the Supervisory Board constitute a part of the proposals of the General Meeting.
The Company has detailed risk management regulations that include every type of risk (liquidity, market and credit risk) which are consistent with the statutory regulations pertaining to prudential banking operation. The Annual Report provides information about the Company's risk management practices, the relevant limits and compliance with the limits.

The Company has detailed internal regulations pertaining to insiders and potential insiders that fully comply with the restrictions and prohibitions regulated in detail by the Capital Market Act. In addition, the guidelines pertaining to securities trading by insiders are also available on the website. All transactions involving the Company's shares performed by the members of the Board of Directors and the Supervisory Board are published by the Company in accordance with the rules on disclosure, and the shareholdings in the Company of the officers of the Company (number of shares) are published in the Company's Annual Report.

The Board of Directors has assessed the effectiveness of information disclosure processes in 2011, and found them to be satisfactory.

1.6. Overview of the exercising of shareholders' rights

Participation in the General Meeting and voting rights

Shareholders may exercise their right of participation and their voting rights at the General Meeting, in person or by proxy.
The letters of proxy must be set forth in a notarised deed or a private document of full probative force. In the event that a shareholder is represented at the General Meeting by its legal representative (e.g. director, managing director, mayor etc.), the deed issued by the court or court of registration concerning the right of representation, or a certificate testifying to the election of the mayor, must be presented at the venue of the General Meeting.
The letters of proxy must be handed over during the period and at the location specified in the invitation to the General Meeting. If the letter of proxy was issued outside Hungary, it must satisfy, in terms of its form, the statutory provisions pertaining to the authentication or counter-authentication of

documents issued outside Hungary. Information on the subject can be obtained from the Hungarian representation offices abroad.

A condition of participation and voting in the General Meeting is that

- o the shareholding as at the time of the shareholder matching procedure is corroborated by the result of the shareholder matching procedure;
- o the holder of the shares has been effectively entered into the Company's Share Register;
- o the voting right associated with ownership of the shares does not violate the provisions of the Company's Bylaws, which the Company ascertains through a check following receipt of the result of a holder matching procedure from KELER Zrt;

The rules on participation in the General Meeting and the exercising of voting rights on the part of GDR holders are contained in the Custody Agreement concluded between the Bank of New York and OTP Bank Plc.

Further details are contained in the Company's Bylaws on our website.

1.7. Brief description of the rules related to the conducting of the General Meeting

The Company requests a shareholder-matching procedure for the date of the General Meeting, as a corporate event, from the Central Clearing House and Depository (Budapest) Ltd. (KELER Zrt.). The shareholder-matching procedure may take place only in the period between the 7th and 5th trading day at the stock exchange prior to the General Meeting. The rules pertaining to the shareholder-matching procedure are contained in the effective regulations of KELER.

The Company deletes all data from the Share Register that are effective at the time of the holder matching procedure, and at the same time the data resulting from the holder matching procedure are entered into the Share Register and the Share Register is closed after the data of the holder matching procedure are entered, at 12 o'clock noon Budapest time on the second working day prior to the day of the General Meeting. Afterwards entries regarding the shareholding of any shareholder may be made at the earliest on the working day after the General Meeting is closed.

The General Meeting must be announced in the manner specified in respect of announcements made by the Company, at least 30 days before the projected date of the General Meeting, unless otherwise stipulated in the Companies Act.

The invitation must contain the following

a) the Company's official name and registered seat;
b) the date and place of the General Meeting;
c) the manner in which the General Meeting is to be held;
d) the agenda of the General Meeting;
e) the provisions contained in section 8.5 of the Bylaws, with the reminder that shareholders may participate in and vote at the General Meeting only in compliance therewith;
f) information about the place and date of the handing over of the letters of proxy;
g) in the event that there is no quorum, the place and date of the reconvened General Meeting
h) the time of ownership verification and closure of the Share Register,
i) the fact that in order to exercise shareholder's rights the shareholder must be listed in the Share Register at the time of its closure, but subsequent to this the shares may be freely traded without this affecting the ability to exercise shareholder's rights,
j) the conditions, stipulated in the Bylaws, for exercising the shareholder's right to request information,
k) the conditions, stipulated in the Bylaws, for exercising the shareholder's right to supplement the agenda of the General Meeting, and
l) information regarding the time, place and means (including the address of the Company's website) of accessing the motions and proposed resolutions on the agenda of the General Meeting.

Questions not listed on the agenda may be discussed by the General Meeting only if all shareholders are present and they give their unequivocal consent thereto.

The General Meeting is regarded as having a quorum if the votes of the attending shareholders represent more than half of the total votes embodied by shares entitling the holder to vote.

If a duly convened General Meeting still does not have a quorum an hour after the time specified in the invitation, the General Meeting that is reconvened at this time – that is, an hour after the original time – shall have a quorum in respect of the agenda items set forth in the invitation regardless of the number of people attending.

If a General Meeting that has a quorum cannot pass a resolution in respect of all the items on the agenda, it may decide to suspend the meeting and to convene a follow-up General Meeting, while indicating the new time and place. The General Meeting may only be suspended once, and the follow-up General Meeting must be held within 30 days of the suspension.

In respect of the quorum of a suspended and then reconvened General Meeting (follow-up General Meeting), the general rules apply. The follow-up General Meeting may pass decisions only in respect of the announced agenda items of the original General Meeting in respect of which the original General Meeting did not make a decision.

The General Meeting is chaired by the Chairman of the Board of Directors or another person designated by the Board of Directors who

- opens the General Meeting;
- appoints the person responsible for taking minutes;
- determines whether the General Meeting has a quorum;
- gives and revokes the right to speak;
- formulates resolution proposals and puts them to the vote;
- announces the result of the vote on the basis of the results indicated by the vote counters;
- announces the intermission; and
- closes the General Meeting.

Prior to the opening of the General Meeting, shareholders who have voting devices may notify the Chairman of the General Meeting in writing if they would like to speak in relation to any of the agenda items. The comments made by the shareholders may not be on a topic that is different from the designated agenda item. The Chairman of the General Meeting must grant the right to speak to persons who have indicated their desire to speak in accordance with the above.

The Chairman of the General Meeting may determine the order in which the comments on the given agenda item will be heard, may grant any person the right to speak or may retract such right, with the proviso that the right to speak may be retracted from a shareholder who has indicated his/her wish to speak in writing only if the shareholder's comments depart from the given agenda item despite a warning in this regard. The Chairman of the General Meeting may prohibit the recording in the minutes of comments that are made after the right to speak is retracted, and may terminate the availability of the technical conditions (microphone) for making such comments.

The Chairman of the General Meeting may decide to hold the General Meeting in private, and, with the exception of the members of the Board of Directors, the executives specified in the Credit Institution Act, the members of the Supervisory Board, the auditor, shareholders with blocks of votes and the representatives of such shareholders as well as the representatives of the State Financial Supervisory Authority and the Budapest Stock Exchange, he may exclude anyone from attending the General Meeting.

The General Meeting passes its resolutions, unless the Company’s Bylaws stipulate otherwise, through a simple majority of the votes of the attending shareholders.

Decisions at the General Meeting are made by open vote.

In its first resolution, the General Meeting selects, from the list proposed by the Chairman of the General Meeting, the attending shareholders who will act as the authenticator of the minutes and the vote counters. In the case of an unsuccessful vote the Chairman of the Meeting must submit a new proposal.

Minutes must be taken of the General Meeting, which must include the following:

- the Company's official name and registered seat;
- the date and place of the General Meeting and the manner in which it is held;
- data necessary for determining whether the General Meeting has a quorum and changes in the number of persons attending;
- the name of the Chairman of the General Meeting, the person taking the minutes, the authenticator of the minutes and the name of the vote counters;
- the most important events at the General Meeting and the proposals made;
- the resolution proposals, the number of votes for and against the proposals and the number of those who abstained;
- objections to a resolution by any shareholder and any member of the Board of Directors or the Supervisory Board if the person objecting requests it himself.

The minutes are signed by the Chairman of the General Meeting and the person taking the minutes and are authenticated by an attending shareholder who has been selected for this purpose.

The Board of Directors must send the Company Court an authenticated copy of the minutes of the General Meeting within 30 days after the General Meeting is adjourned, together with the attendance register and the documents that certify that the General Meeting was properly convened.

For further details, please consult the Company's Bylaws, which you can download from our website.

1.8. Declaration on Remuneration

The amendment to the Act on Credit Institutions and Financial Enterprises – in line with the relevant European Union directive – introduced a number of provisions that placed tighter restrictions on the freedom to make decisions on remuneration than under the previous legislation, and credit institutions were obliged to comply with these requirements by 31 May 2011 at the latest. Accordingly the Bank's General Meeting and Board of Directors provided for the drafting of a Remuneration Policy for OTP Bank Plc and the Bank Group, which brought about a significant change to the existing remuneration structure.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at OTP Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of OTP Bank Plc.'s Board of Directors and Supervisory Board, and – among the employees in an employment relationship with OTP Bank Plc. – the members of the Bank's Management (Chairman & CEO and his deputies), and those level 3-4 managers who materially influence the Bank's risk assumptions, and all managers whose salaries fall into the same size category as those of managers who are subject to the Remuneration Policy because of their function, and among the managers employed by the subsidiaries in the Bank Group, the chief executives of the subsidiaries and, at certain subsidiaries, their level-two managers (deputies). The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Board of Directors.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Board of Directors based on the function, size and complexity of the unit being managed.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with OTP Bank Plc., the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Board of Directors on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – a preferentially-priced share package, in equal proportions. At all the members of the Bank Group, the share-based part of the variable remuneration is provided to the employees concerned by OTP Bank Plc.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public information, while with respect to the remuneration policy, OTP Bank complies with its public disclosure obligation in accordance with the provisions of Govt. Decree 234/2007 (IX. 4.).

2.) CG Report on compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, the Company states, by completing the following tables, the extent to which it has implemented the recommendations and proposals specified in the specific sections of the Corporate Governance Recommendations ("CGR") of the Budapest Stock Exchange in its own corporate governance.
By looking at the tables, market participants are able to gain a quick insight into the extent to which the corporate governance practices of particular companies comply with certain requirements specified in the CGR, and to quickly compare the practices of various companies.

Level of compliance with the Recommendations

The company specifies whether it has applied the relevant recommendation or not, and if not, it describes briefly the reasons why a particular recommendation has not been implemented.

1.1.1 The Board of Directors has ensured that shareholders have access, in a timely manner, to the information required for exercising their rights.

Yes

1.1.2 The Company follows the "one share – one vote" principle

No

Each of the Company's ordinary shares ensures one voting right. In keeping with the stipulations of the Company's Bylaws, voting rights depend specifically on the size of the shareholding.

1.2.8 The Company ensures that owners may participate in the General Meeting if they meet the same conditions.

Yes

1.2.9 Only those issues may be put on the General Meeting's agenda that are accurately defined and described.

Yes

The resolution proposals comprised the recommendation of the Supervisory Board and included a detailed explanation of the effects that the decision would have if taken.

Yes

1.2.10 Shareholders' comments and addenda to the agenda items were published no later than two days before the General Meeting.

Yes

1.3.8 Comments made in respect of the agenda items of the General Meeting were available to the shareholders no later than at the time of registration.

Yes

Written comments in respect of the agenda items were published two working days before the General Meeting.

Yes

1.3.10 The election and recall of senior office-holders is made in a separate resolution in respect of each person.

Yes

2.1.1 The tasks of the Board of Directors include those specified in point 2.1.1.

Yes

2.3.1 The Board of Directors held meetings at pre-specified, regular intervals.

Yes

The Supervisory Board held meetings at pre-specified, regular intervals.

Yes

The rules of procedure of the Board of Directors contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.

Yes

The rules of procedure of the Supervisory Board contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.

Yes

2.5.1 The Company's board of directors has a sufficient number of independent members to ensure impartiality.

No
At the Bank, in line with the two-tier governance structure, the Supervisory Board has a controlling function, while the Board of Directors fulfils an executive function. For this reason – and in accordance with the legal provisions – the principle of a majority of independent (non-executive) members must be fully enforced in respect of the composition of the Supervisory Board.
In harmony with the executive role of the Board of Directors, and to provide incentives for ensuring successful operation, the members of the Board of Directors have a personal stake in the successful operation of the Company. Consequently, the members of the Board of Directors participate in the share option program accepted by the General Meeting. For this reason, however, they cannot fully meet the criteria of independence stipulated by law. But since the Board of Directors also has an important role to play in supervising the management, it is essential that the principle of maintaining a majority of independent members in the Board of Directors be observed. The personal composition of the Board of Directors ensures the presence, in equal measure, of expertise, experience and independence, which goes beyond what is stated above, in its decision-making processes.

2.5.4 The Board of Directors regularly (in relation to the annual CG report) asked its members who are considered to be independent to confirm that they are independent.

No
In respect of the two-tier governance structure, in keeping with the provisions of the Companies Act, the criteria of independence pertain to the members of the Supervisory Board and not to the Board of Directors. Consequently, the company fully complies with the statutory regulations in respect of the Supervisory Board; however, in the case of the Board of Directors, the company does not consider it necessary to determine the remuneration of the members of the Board of Directors independently of the results of the company, and based on their personal interest, the members do not satisfy this provision.
At the same time, since the Board of Directors has an important role to play in supervising the management, it is essential that the principle of maintaining a majority of independent members in the Board of Directors be observed.

2.5.5 The Supervisory Board regularly (in relation to the annual CG report) asked its members who are considered to be independent to confirm that they are independent.

Yes

2.5.7 The Company published on its website its guidelines concerning the independence of the Board of Directors and the Supervisory Board and the applied criteria of independence.

Yes

2.6.1 Members of the Board of Directors notified the Board of Directors (supervisory board / Audit Committee) if he/she (or a person who is closely related to him/her) had a material personal stake in any transaction of the Company (or any of its subsidiaries).

Yes

2.6.2 Transactions concluded between board and management members (and persons related to them) and the Company (or its subsidiary) were conducted in accordance with the regular business practices of the Company but on the basis of stricter rules of transparency than is customary in the course of regular business practices.

Yes

Transactions, specified in 2.6.2, which depart from regular business practices and the conditions thereof were accepted by the Supervisory Board (Audit Committee).

No
The Company prepared procedural rules for approving transactions that depart from usual business practices, and this ensures adequate control.

2.6.3 The board member informed the Supervisory Board / Audit Committee (Nomination Committee) if he/she was asked to act as a member on the board or in the management of a company that does not belong to the Group.

Yes

2.6.4 The Board of Directors created guidelines pertaining to the flow of information within the Company as well as the management of insider information and supervises compliance therewith.

Yes

The Board of Directors created guidelines pertaining to insider trading of securities and supervises compliance therewith.

Yes
2.7.1 The Board of Directors created remuneration guidelines for the remuneration and evaluation of the work of the Board of Directors, the Supervisory Board and the management.

Yes

The Supervisory Board commented on the remuneration guidelines.

Yes
The General Meeting approved the remuneration guidelines and the amendments thereto pertaining to the Board of Directors and the Supervisory Board in a separate agenda item.

Yes

2.7.2. The Board of Directors must evaluate its own performance in a given business year. The Board of Directors evaluated its own performance in a given business year.

No
The annual report of the Company contains the overall evaluation of the activity, which includes a description of the work of the management bodies, and therefore the personal appraisal of the members is performed in the course of the work of the bodies.

2.7.3 The supervision of the performance of the management and the remuneration of the management falls within the competence of the Board of Directors.

Yes

The framework of and changes in benefits that are due to the members of the management and are different from what is customary are approved by the General Meeting in a separate agenda item.

Yes

2.7.4 The General Meeting approved the principles of share-based remuneration schemes.

Yes

Prior to the decision by the General Meeting concerning share-based remuneration schemes the shareholders received detailed information (at least as described in point 2.7.4)

Yes

2.7.7 The Company has prepared a Declaration on Remuneration and presented it to the General Meeting.

No
The amendment to the Act on Credit Institutions and Financial Enterprises – in line with the relevant European Union directive – introduced a number of provisions that placed tighter restrictions on the freedom to make decisions on remuneration than under the previous legislation, and credit institutions were obliged to comply with these requirements by 31 May 2011 at the latest. Accordingly, the Bank's General Meeting and Board of Directors provided for the drafting of a Remuneration Policy for OTP Bank Plc and the Bank Group, which brought about a significant change to the existing remuneration structure.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at OTP Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of OTP Bank Plc.'s Board of Directors and Supervisory Board, and – among the employees in an employment relationship with OTP Bank Plc. – the members of the Bank's Management (Chairman & CEO and his deputies), and those level 3-4 managers who materially influence the Bank's risk assumptions, and all managers whose salaries fall into the same size category as those of managers who are subject to the Remuneration Policy because of their function, and among the managers employed by the subsidiaries in the Bank Group, the chief executives of the subsidiaries and, at certain subsidiaries, their level-two managers (deputies). The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Board of Directors.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Board of Directors based on the function, size and complexity of the unit being managed.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with OTP Bank Plc., the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Board of Directors on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – a preferentially-priced share package, in equal proportions. At all the members of the Bank Group, the share-based part of the variable remuneration is provided to the employees concerned by OTP Bank Plc.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, OTP Bank complies with its public disclosure obligation in accordance with the provisions of Govt. Decree 234/2007 (IX. 4.).

The Declaration on Remuneration contains the remuneration of certain members of the Board of Directors, the Supervisory Board, and the management.

No
See: previous point

2.8.1 The Board of Directors or the committee operated by it is responsible for the supervision and direction of the Company's entire risk management operations.

Yes

The Board of Directors verifies the efficiency of risk management procedures at specific intervals.

Yes

The Board of Directors took the necessary steps to identify key risk areas.

Yes

2.8.3 The Board of Directors formulated the principles pertaining to the internal control system.

Yes

The internal control system, which has been established by the management, ensures that the risks to which the Company is exposed are managed and that the Company's objectives are attained.

Yes

2.8.4 When formulating the internal control system, the Board of Directors took into account the criteria specified in point 2.8.4.

Yes

2.8.5 The management is responsible for establishing and maintaining the internal control system.

Yes

2.8.6 The Company created an independent internal audit function which reports to the Audit Committee.

No
The Audit Committee supported the work of OTP Bank Plc's Supervisory Board and performed the functions of formulating opinions, making evaluations and making recommendations.
However, in view of the exceptions specified in the Credit Institutions Act and the Capital Market Act, and based on experience gained over the past few years, at the General Meeting held on 29 April 2011 a proposal was made to dissolve the Committee. Experience has shown that under the dual governance system the Supervisory Board has the authority and duties necessary for fully performing the tasks of the Audit Committee, and therefore, in the interest of simplifying operation and rendering it more efficient the General Meeting resolved to formally terminate operation of the Committee. At the same time, it made a rule on the separate recording of votes cast by the independent members of the Supervisory Board in decisions made when exercising the powers ascribed to the Audit Committee in the Companies Act and the Capital Market Act.

The internal audit group must report, at least once, to the Audit Committee about the operation of risk management, the internal control mechanisms, and the corporate governance functions.

No
See: previous point

2.8.7 The internal audit activity is performed by the internal audit organisation on the basis of a mandate given by the Audit Committee.

No

In accordance with the Credit Institutions Act, the internal audit organisation is governed by the Supervisory Board, and the audit organisation cannot perform its internal audit activities based on the mandate of the Audit Committee. The former members of the Audit Committee participate in the execution of this task in their capacity as members of the Supervisory Board.

Internal audit is organisationally separate from operative management.

Yes

2.8.8 The internal audit plan was approved by the Board of Directors (Supervisory Board) upon the recommendation of the Audit Committee.

Yes

2.8.9 The Board of Directors prepared a report for shareholders on the operation of internal controls.

Yes

The Board of Directors formulated its rules of procedure in respect of receiving and processing reports on the operation of internal controls and preparing its own reports.

Yes

2.8.11 The Board of Directors identified the key deficiencies of internal controls and reviewed and re-evaluated the relevant activities.

Yes

2.9.2 The Board of Directors, the Supervisory Board and the Audit Committee were notified when the auditor's mandate, by its nature, may have incurred considerable expenditure, may have given rise to a conflict of interest or may have had any other material impact on business operations.

Yes

2.9.3 The Board of Directors notified the Supervisory Board if it gave a mandate to an audit company or an external audit expert in respect of an event that has a material impact on the Company's operation.

Yes

The Board of Directors specified in advance, in a resolution, the events that may be considered to have a material impact on the Company's operation.

Yes

3.1.6 The Company published on its website the tasks delegated to the Audit Committee, the Nomination Committee, and the Remuneration Committee, together with the goals, rules of procedure and the composition of the committees (members' names, brief CV and date of appointment).

Yes

3.2.1 The Audit Committee oversaw the effectiveness of risk management, the operation of the internal control system and the internal audit activity.

No
In accordance with the Credit Institutions Act, the internal audit organisation is governed by the Supervisory Board, and assigning powers of oversight to the Audit Committee would run contrary to these statutory requirements. The former members of the Audit Committee participate in the execution of this task in their capacity as members of the Supervisory Board.

3.2.3 The Audit Committee receives accurate and detailed information about the work schedule of the internal auditor and the independent auditor and receives a copy of the report by the auditor regarding the problems identified during the audit.

Yes

3.2.4 The Audit Committee asked the new candidate for the auditor position to submit a disclosure declaration as specified in 3.2.4.

Yes

A 3.3.1 The Company has a Nomination Committee.

No
The Company does not have a Nomination Committee; however, in respect of the members of the management – the Chairman & CEO and the deputy CEOs – the Bank's Board of Directors exercises control partly because it exercises employer's rights in respect of the Chairman & CEO and – in accordance with the Bylaws of the Company – the Board of Directors exercises the employer's rights by way of the Chairman & CEO in respect of the deputy CEOs, with the proviso that the Board of Directors must receive prior notice of the appointment and dismissal of such persons.
In addition, Act CXII of 1996 (Credit Institutions Act) contains strict requirements in respect of persons who are appointed to an executive position, and compliance therewith is verified by the State Financial Supervisory Authority within the scope of its right to exercise preliminary approval, which is necessary for the appointment.

3.3.2 The Nomination Committee prepares the way for changes in personnel.

No
See the comments under point 3.3.1 above.

The Nomination Committee reviewed the procedures pertaining to the selection and appointment of the members of the management.

No
See the comments under point 3.3.1 above.

The Nomination Committee evaluated the activities of board members and the members of the management.

No
See the comments under point 3.3.1 above.

The Nomination Committee examined all proposals concerning the nomination of board members that were proposed by the shareholders or by the Board of Directors.

No
See the comments under point 3.3.1 above.

3.4.1 The Company has a Remuneration Committee.

Yes

3.4.2 The Remuneration Committee has submitted a proposal regarding the remuneration system of the boards and the management (amount and structure of remuneration for each person), and oversees this process.

Yes

3.4.3 The remuneration of the management has been approved by the Board of Directors based on the proposal of the Remuneration Committee.

Yes

The remuneration of the Board of Directors is approved by the General Meeting upon the recommendation of the Remuneration Committee.

Yes

The Remuneration Committee has also checked the system of share options, cost reimbursements and other contributions.

Yes

3.4.4 The Remuneration Committee has formulated proposals in respect of the principles of remuneration and the remuneration of individual persons.

Yes

The Remuneration Committee has reviewed the terms and conditions of contracts that were concluded with the management.

No

A review of the terms of contracts concluded with members of the management does not fall within the remit of the Remuneration Committee.

The Remuneration Committee has checked if the Company has satisfied the obligation of disclosure regarding executive remuneration issues.

Yes

3.4.7 The majority of the members of the Remuneration Committee are independent.

Yes

3.5.1 The Board of Directors has disclosed its reasons for merging the Remuneration and the Nomination Committee.

No

The Company operates a Remuneration Committee; it does not operate a Nomination Committee.

See the comments under point 3.3.1 above.

3.5.2 The Board of Directors has performed the tasks of the Nomination and the Remuneration Committee and has issued a statement on its reasons for doing so.

No

The Company operates a Remuneration Committee; it does not operate a Nomination Committee.

See the comments under point 3.3.1 above.

4.1.1 The Board of Directors, in its disclosure guidelines, has determined the principles and procedures that ensure that all material information that has a significant bearing on the Company and on the price of its shares is published and is accessible accurately, in full and in good time.

Yes

A 4.1.2 In the course of providing information, the Company has ensured that all shareholders and market participants receive equal treatment.

Yes

4.1.3 The Company's disclosure guidelines include electronic and internet disclosure procedures.

Yes

The Company's website has been created with due regard to the disclosure guidelines, and with a view to providing appropriate information to investors.

Yes

4.1.4 The Board of Directors has assessed the effectiveness of disclosure processes.

Yes

4.1.5 The Company publishes its corporate events calendar on its website.

Yes

4.1.6 The Company, in its annual report and on its website, has provided information to the public about its strategic goals and about its guidelines related to its core activity, business ethics and its various stakeholders.

Yes

4.1.8 The Board of Directors has stated in its annual report the other mandates, together with the type and volume of such mandates, that the entity that audits the Company's annual financial statements has received from the Company and its subsidiaries.

Yes

4.1.9 The Company, in its annual report and on its website, has disclosed information pertaining to the professional careers of members of the Board of Directors, the Supervisory Board and the management.

Yes

4.1.10 The Company has provided information about the internal organisation and operation of the Board of Directors and the Supervisory Board and the criteria applied when evaluating the work of the Board of Directors and the management and of their individual members.

No
The Company's website provides information about the operation of its management bodies in the Bylaws. See also: point 2.7.2.

4.1.11 The Company has published in its annual report and on its website a Declaration on Remuneration, which describes the remuneration guidelines used and, specifically, the guidelines pertaining to the remuneration of members of the Board of Directors, the Supervisory Board and the management.

No
See the comments under point 2.7.7 above.

4.1.12 The Board of Directors has published risk management guidelines which discuss the internal control system, and the risk management principles and rules, and provide an overview of major risks.

Yes

4.1.13 In order to provide information to market participants, the Company publishes its report on corporate governance once a year, when the annual report is published.

Yes

4.1.14 The Company publishes on its website the guidelines pertaining to securities trading in respect of the Company's shares by persons classified as insiders.

Yes

The Company, in its annual report and on the Company's website, has disclosed information about the stakes held in the Company's securities and in its share-based incentive system by members of the Board of Directors, the Supervisory Board and the management.

Yes

4.1.15 The Company has published in the annual report and on the Company's website the relationship of members of the Board of Directors and the management with any third parties that may have an impact on the Company's operation.

Yes

Level of compliance with the recommendations

The Company must specify whether it applies the relevant recommendation of the FTA or not.
Yes

J 1.1.3 The Company has an organisational unit that deals with investor relations.
Yes

J 1.2.1 The Company has published on its website the summary related to its General Meetings and shareholder voting rights (including voting by proxy).
Yes

J 1.2.2 The Company's Bylaws are accessible on the Company's website.
Yes

J 1.2.3 The Company's website contains the information specified in point 1.2.3 (regarding the cut-off date in respect of corporate events).
Yes

J 1.2.4 The Company has published on its website the information and documents regarding the General Meeting as specified in point 1.2.4 (invitation, proposals, resolution proposals, resolutions, minutes).
Yes

J 1.2.5 The Company held its General Meeting by ensuring that as many shareholders can attend as possible.
Yes

J 1.2.6 The Company published the addenda to the agenda items within five days of their receipt, in a manner that is identical to the manner of publishing the original invitation to the General Meeting.
Yes

J 1.2.7 The voting procedure used by the Company ensured that the decision by the owners is determined unequivocally, clearly and quickly.
Yes

J 1.2.11 The Company, upon the shareholders' request, forwarded information pertaining to the General Meeting electronically as well.
Yes

J 1.3.1 The Company's General Meeting accepted the chairman of the General Meeting prior to the actual discussion of the agenda items.
No

J 1.3.2 The Board of Directors and the Supervisory Board were represented at the General Meeting.
Yes

J 1.3.3 The Company's Bylaws allow the invitation of a third party to the Company's General Meetings upon the initiative of the Chairman of the Board of Directors or the shareholders of the Company, and such third party may participate with advisory right and comment on the relevant agenda item.
Yes

J 1.3.4 The Company did not restrict the right of owners who participate in the General Meeting to ask for information, to comment and to submit a motion and did not set any preconditions in respect of such right.
Yes

J 1.3.5 The Company published on its website within three days its responses to questions that it was unable to answer satisfactorily at the General Meeting. The Company published an explanation in respect of questions that it refused to answer.
Yes

J 1.3.6 The chairman of the General Meeting and the Company ensured that responses to questions asked at the General Meeting did not violate any statutory or stock exchange regulations pertaining to the provision of information and disclosure and ensured that such provisions are observed.
Yes

J 1.3.7 The Company published a press release and/or held a press conference about the decisions of the General Meeting.
Yes

J 1.3.11 The Company's General Meeting makes decisions about amendments to the Bylaws in separate resolutions.
Yes

J 1.3.12 The Company published the minutes of the General Meeting containing the Company's resolutions, the description of the resolution proposals and all material questions and answers concerning the resolution proposals within 30 days after the General Meeting.
Yes

J 1.4.1 The Company, within 10 working days, paid dividends to shareholders who have provided all necessary information and documents.
No

J 1.4.2 The Company published its guidelines concerning solutions for preventing hostile takeovers directed at the Company.
No

J 2.1.2 The rules of procedure of the Board of Directors contain the organisational structure of the Board of Directors, tasks related to the preparation and execution of the meetings and the formulation of resolutions and other issues related to the operation of the Board of Directors.
Yes

J 2.2.1 The Supervisory Board provides a detailed description in its rules of procedure and work plan of the operation and tasks of the board, as well as of the administrative rules and procedures that the Supervisory Board follows.
Yes

J 2.3.2 The board members had access to the proposals of the given meeting at least five days before the given meeting.
Yes

J 2.3.3 The rules of procedure stipulate the regular and occasional participation in the board meetings of non-board members.
Yes

J 2.4.1 The members of the Board of Directors were selected in a transparent manner, and information pertaining to the candidates were disclosed at least five days before the General Meeting.
Yes

J 2.4.2 The composition and headcount of the boards complies with the stipulations of point 2.4.2.
Yes

J 2.4.3 In the orientation program of the Company, newly elected non-executive board members were able to learn about the structure and operation of the Company and their tasks as board members.
Yes

J 2.5.2 The division of the tasks of the chairman and the CEO is stipulated in the key documents of the Company.
Yes

J 2.5.3 The Company provided information about how it ensures that the Board of Directors remains objective in its evaluation of the management activities in the event that the position of Chairman & CEO is combined.
No

J 2.5.6 No member of the Company's Supervisory Board held a position on the Company's Board of Directors or in the management in the three years prior to his/her nomination.
No

J 2.7.5 The remuneration policy of the Board of Directors, the Supervisory Board and the management serves the purposes of the Company and therefore the strategic objectives of shareholders.
Yes

J 2.7.6 Members of the Supervisory Board receive a fixed remuneration no portion of which is tied to the share price.
Yes

J 2.8.2 The Board of Directors elaborated risk management principles and basic rules together with the members of the management who are responsible for planning, operating and supervising risk management processes and for the incorporation thereof into the Company's daily operation.
Yes

J 2.8.10 When evaluating the internal control system, the Board of Directors took into account the criteria specified in 2.8.10.
Yes

J 2.8.12 The Company's auditor assessed and evaluated the Company's risk management systems and the risk management activities of the management and submitted a relevant report to the Audit Committee.
Yes

J 2.9.1 The rules of procedure of the Board of Directors, the Supervisory Board and the committee include the procedure to be followed when the services of an external consultant are used.
Yes

J 2.9.4 The Board of Directors may invite the Company's auditor to attend its meetings where the agenda items of the General Meeting are discussed, with advisory right.
Yes

J 2.9.5 The Company's internal audit organisation cooperated with the auditor in order to ensure the effective execution of the audit.
Yes

J 3.1.2 The chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee (and the other committees of the Company) regularly inform the Board of Directors of the meetings of the relevant committees, and the committees prepare at least one report each business year for the executive body and/or the Supervisory Board.
No

J 3.1.4 The Company's committees consist of members who have appropriate abilities, expertise and experience for carrying out their tasks.
Yes

J 3.1.5 The rules of procedure of the Company's committees contain the stipulations specified in point 3.1.5.
Yes

J 3.2.2 The members of the Audit Committee received exhaustive information about the Company's accounting, financial and operating characteristics.
Yes

J 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Board of Directors about the operation of the Board of Directors and the work and performance of individual members of the Board of Directors.
No

J 3.3.4 The majority of the members of the Nomination Committee is independent.
No

J 3.3.5 The Nomination Committee's rules of procedure include the stipulations specified in 3.3.5.
No

J 3.4.5 The Remuneration Committee ensures that a declaration on remuneration is prepared.
No

J 3.4.6 The Remuneration Committee consists only of the non-executive members of the Board of Directors.
No

J 4.1.4 The Company's disclosure guidelines include at least the stipulations set out in point 4.1.4.
Yes

In the annual report the Board of Directors informs shareholders of the results of its study concerning the effectiveness of disclosure processes.
Yes

J 4.1.7 The Company prepares its financial statements in accordance with IFRS principles.
Yes

J 4.1.16 The Company prepares and publishes its statements in English as well.
Yes

DRAFT RESOLUTION

The AGM accepts OTP Bank Plc.'s 2011 Report on Corporate Governance.

EVALUATION OF THE ACTIVITIES OF THE MANAGEMENT IN THE BUSINESS YEAR, DECISION ON GRANTING DISCHARGE OF LIABILITY

Based on Act IV of 2006 on Companies, and in accordance with the provisions of the By-Laws approved by the General Meeting of OTP Bank Plc., the supreme governance body of the company each year puts on the agenda the evaluation of the work performed by the senior office-holders in the previous business year, and passes a resolution as to whether to grant the office-holders exemption in respect of any further liability.

The executive management of OTP Bank Plc. is performed by a body that consists of the senior office-holders, namely the **Board of Directors**.

In 2011 OTP Bank Plc.'s Supervisory Board, in fulfilment of its duties stipulated in the Companies Act and in the Bylaws of OTP Bank Plc., monitored the activities of the Board of Directors, ensured that it was represented at meetings of the Board of Directors, and called upon the executive management to submit regular reports.

The Supervisory Board of OTP Bank Plc. makes the following statements:

In the past year, the Board of Directors of OTP Bank Plc. regularly met and made decisions and resolutions, and subsequently monitored their implementation.
At the Annual General Meeting of 2011 it presented a report on the Bank's activities and results in 2010, and gave a briefing on the bank group's business policy plans for 2011.
The Board of Directors, in compliance with its statutory obligation, submitted its Corporate Governance Report, together with the financial statements prepared in accordance with the Accounting Act, to the Annual General Meeting. In its report the Board of Directors summarised the corporate governance practice applied in the previous business year, and made a declaration on any deviations from the Corporate Governance Recommendations of the Budapest Stock Exchange.

The Bank's Board of Directors continuously monitored:

- the statements contained in the reports of the management,
- development of the Bank's results, based on the quarterly interim reports and the reports prepared in accordance with the Hungarian accounting regulations and approved by the auditor,
- compliance with the provisions of the Credit Institutions Act,
- the changes in the quality of the bank group's portfolio,
- new commitments where the transaction value exceeded three billion forints,
- placements exceeding HUF 300 million and their positions,
- the capital position of the subsidiaries,
- current and likely future impacts of the deteriorating economic environment on the bank group,
- the processes related to the prepayment of foreign-currency mortgage loans, opportunities for mitigating the losses,
- opportunities to assist customers with foreign currency-based home loans, the tasks related to prepayment,
- current issues concerning the operation of the Bank.

The Board of Directors discussed

- the reports presented to the Annual General Meeting,
- the Bank's reports and auditor's reports for 2010,
- the Company's business report for 2010,
- the Corporate Governance Report (2010),
- OTP Bank Plc.'s remuneration policy/guidelines,
- the amendment of OTP Bank Plc.'s Bylaws,
- the rules of procedure of the Remuneration Committee,
- the bank group's internal annual audit report for 2010,
- fulfilment of the conditions of the Profit Sharing Program in respect of the business years 2007-2010, and
- the briefing on the Company's business policy for the year 2011,
- OTP Bank Plc.'s lending policy for 2011,

- OTP Bank Plc.'s proposal regarding the compliance activities in 2010, the annual program of compliance activities in 2011,
- the bank group level internal audit schedule,
- the bank group's quarterly internal audit reports, and
- the audit conducted at bank group level into the compliance and practices of soft collection activities related to retail transactions, and
- the reliability of reporting by the subsidiaries to OTP Bank Plc., the audit relating to the credit-risk quality of the OTP bank group's portfolio, and
- the reports of audits of user and access management in the key information technology systems, and
- briefings on the security situation of OTP Bank Plc. and the foreign subsidiary banks, and
- the findings of customer complaint management operations, the briefings on the HFSA's consumer protection auditing practice,
- presentation of the new limit calculation methodology, determination of the 2011 sector limits, and a presentation of the extent of limit utilisation as at 31 March 2011,
- every quarter, the consolidated and group-member controlling reports, and
- the proposal on the OTP Group's operational risk management activities in 2010,
- the Board of Directors' authorisation to buy back shares,
- the Declaration on Remuneration,
- determination of the conditions for performance-based remuneration in 2010, and the target value for the return on risk-adjusted capital (RORAC) in 2011,
- amendment of the regulations that fall under the authority of the Board of Directors, the issuance of new regulations, and reviews of the risk management rules and related limits prescribed in the statutory provisions and existing regulations*(Organisational and Operational Regulations; Risk Management Regulations; Regulations on the procedures for valuation, impairment and provisioning in respect of receivables, investments, assets received in lieu of claims and recorded as inventory, and off balance sheet liabilities; Regulations on the sale and purchase and management of treasury shares based on authorisation from the General Meeting; CEO's directive on insider status and certain related obligations and prohibitions; Review of the regulations defining fair value calculation in accordance with IFRS; the rules on the use of the KONDOR+ position management system; review of OTP Bank Plc.'s individual and group-level market risk management regulations; approval of the Business Regulations of OTP Bank Plc.'s Investment Services Division; amendment of the Risk Assumption, Customer Rating, Collateral Valuation and Bank Group Risk Assumption Regulations and the group-level regulations on OTP Bank's trading-purpose market risks and OTP Bank's currency risk management, trading-purpose interest risk management and share price risk management regulations and the regulations on the keeping of the trading book, and the related limits; as well as the Bank Group's Governance Regulations; the Code of Ethics; and the regulations on the Remuneration Policy of OTP Bank Plc. and the Bank Broup)*

The Board of Directors regularly made decisions regarding

- the capital positions of the individual subsidiaries and companies within its scope of interest, the raising of their capital, and the acquisition of companies and equity interests,
- reviews of existing limits,
- the modification of counterparty limits,
- internal loans,
- the granting of authorisations to sign on behalf of the Company.

Corporate Social Responsibility (CSR) also has an important role at the Company, in connection with which the Board of Directors made a number of decisions regarding the granting of additional assistance over and above the regular support given to charitable causes.

In keeping with the Corporate Government Recommendations of the Budapest Stock Exchange, the Board of Directors of OTP Bank Plc. evaluated the <u>effectiveness of its public disclosure processes</u>. Among the corporate governance requirements, particular importance is ascribed to the transparency of the Company's operations, and the public disclosure practices followed by the Company have a profound impact on how the Company is perceived. A primary task in implementation of the public disclosure process was ensuring full compliance with the statutory provisions and internal regulations, which the Bank assured on a continuous basis.The Board of Directors assessed the effectiveness of the public disclosure procedures for 2010, and found them to be satisfactory.

The third pillar of the Basel II Accord is Public Disclosure. In compliance with the statutory provisions applicable following implementation of the principles of the EU directive (section 137/A of Act XCII of 1996, and Government Decree 234/2007 (IX.4.), in the course of the year the Board of Directors of OTP Bank Plc. approved the amendment of the Bank's Public Disclosure Regulations, and fulfilled the requirements pertaining to the publication of information for public disclosure.

OTP Bank Plc., in accordance with section 312/A of Act IV of 2006 on Companies, published details of all cash and non-cash benefits received by the members of the Company's Board of Directors, Supervisory Board and Audit Committee in their capacity as such, broken down by member and the legal grounds for the benefits, in respect of the year 2010.

In accordance with section 92 paragraph (3) of Act CXII of 1996 on Credit Institutions and Financial Enterprises, the Board of Directors of OTP Bank Plc., as a credit institution subject to consolidated supervision, has designated Dr. Antal Pongrácz as the Board Member responsible for the the prudent operation of the credit institutions, financial enterprises and investment companies under its control.

The Supervisory Board has found that the Board of Directors of OTP Bank Plc. has, as prescribed by the provisions of the Act on Credit Institutions and Financial Enterprises and the accounting laws, and in accordance with them, drafted, and prepared for submission to the General Meeting, the Bank's annual report and consolidated annual report.

The data in the Bank's annual report and the Company's profit indicators show that under the direction of the Board of Directors the Company has met the targets of the amended 2011 business plan and the objectives set by management.

Despite the impacts of the protracted crisis, the Bank and the bank group remain stable and profitable even after the negative effect on profit resulting from the redemption of foreign currency mortgage loans in Hungary, as well as the purchase of currency from the National Bank of Hungary for the purpose of the loan redemptions, and payment of the special tax on financial institutions.

In the course of the year the Bank's external environment was fundamentally shaped by the weakening growth prospects of the global economy, and specifically of the European Union, and the problems related to the financing of government debt in the eurozone.

In Hungary OTP Bank made considerable efforts to assist mortgage borrowers struggling with repayment difficulties, and to manage the problems caused by foreign currency lending.

In Hungary the Bank increased its market share in the area of retail lending, and in respect of mortgage origination it retains its leading position, even though overall volumes are considerably smaller than they were before the crisis. In the case of consumer loans, the Bank's market share of new disbursements is outstanding, despite the weak demand.

Due to the fact that its operating result remained stable at annual level, and specifically owing to the improvement in net interest income and revenues from fees and commissions, the stable contribution from the subsidiaries and strict cost controls, and in spite of the significantly higher tax burden and the rising cost of risk, the Company closed 2011 with a positive result. The Board of Directors has conducted its activities with a view to preserving shareholder value, while keeping the Company's interests at the fore. The Bank has strong liquidity and an excellent capital position.

Based on the result of the second European stress test published by the EBA, OTP Bank continues to be one of Europe's most stable financial institutions

Based on the above summary, the Supervisory Board proposes to the General Meeting that exemption from any further liability be granted to the senior office-holders of the Company.

DRAFT RESOLUTION

Based on the appraisal of senior office holders' (i.e. members of the Board of Directors) 2011 business activities, the Annual General Meeting hereby certifies that senior office holders of the Company conducted their activities and performed their tasks by keeping the Company's interests at the fore during the fiscal year.

ELECTION OF THE COMPANY'S AUDITOR, APPROVAL OF THE APPOINTMENT OF OFFICIAL RESPONSIBLE FOR AUDITING, SETTING THE REMUNERATION

ELECTION OF THE COMPANY'S AUDITOR, APPROVAL OF THE APPOINTMENT OF OFFICIAL RESPONSIBLE FOR AUDITING, SETTING THE REMUNERATION

Based on Section 3 Para 66 Act CXII of 1996 (Act on Credit Institutions and Financial Enterprises) the Supervisory Board proposes – concerning the audit of the OTP Bank Plc.'s unconsolidated and consolidated 2012 accounts – that the General Meeting:

1. elects **Deloitte Auditing and Consulting Ltd.** (000083)
   H-1068 Budapest, Dózsa Gy. u. 84/c

   and approves the appointment of **Zsuzsanna Szépfalvi Nagyváradiné** (005313) chartered auditor, as the individual in charge of auditing.

   In the event any circumstance should arise which ultimately precludes the activities of as appointed auditor in this capacity, proposes the appointment of **Zoltán Nagy** (005027) chartered auditor, to be the individual in charge of auditing.

2. The General Meeting establishes the total amount of sixty million five hundred thousand Hungarian Forint **(HUF 60,500,000) + VAT** as the auditor's remuneration for the audit of the annual accounts of 2012, prepared pursuant to Act C of 2000 on Accounting as applicable to credit institutions and the audit of the consolidated annual accounts, of which **HUF 48,000,000 + VAT** shall be paid in consideration of the audit of the unconsolidated annual accounts, and **HUF 12,500,000 + VAT** shall be the fee payable for the audit of the consolidated annual accounts.

DRAFT RESOLUTION

Based on Section 3 Para 66 Act CXII of 1996 (Act on Credit Institutions and Financial Enterprises) – concerning the audit of OTP Bank Plc.'s unconsolidated and consolidated 2012 financial statements – the AGM is electing Deloitte Auditing and Consulting Ltd. as the Bank's auditor from 1 May 2012 until 30 April 2013. The Annual General Meeting approves the nomination of Zsuzsanna Nagyváradiné Szépfalvi (No. 005313 chartered auditor) as the person responsible for auditing. In case any circumstance should arise which ultimately precludes the activities of Zsuzsanna Nagyváradiné Szépfalvi as appointed auditor in this capacity, the Annual General Meeting proposes the appointment of Zoltán Nagy (No. 005027 chartered auditor) to be the individual in charge of auditing.
The General Meeting establishes the total amount of HUF 60,500,000 + VAT as the Auditor's remuneration for the audit of the 2012 annual accounts, prepared in accordance with Hungarian Accounting Standards as applicable to credit institutions, and for the audit of the consolidated annual accounts prepared pursuant Act on Accounting.
Out of total remuneration HUF 48,000,000 + VAT shall be paid in consideration of the audit of the unconsolidated annual accounts, and HUF 12,500,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.

PROPOSAL FOR MODIFICATION OF THE BY-LAWS
(sections 12.A/2., 13.5., 13.8. and 15.§)

Summary of the proposals

The amendments apply to the following sections of the By-Laws:

1.) **Amendments concerning the publication of announcements** (By-Laws [Article 15])
2.) **Review of the terms "qualified influence" and "controlling stake" as per the Credit Institutions Act, clarification** (By-Laws [section 12/A.2])
3.) **Clarification and coordination of the rules of the ownership identification procedure** [By-Laws sections 13.5 and 13.8])

Typesetting of the proposals

The text of the By-Laws is written in Times New Roman font, the new text is marked with double underlining, while deleted sections are indicated with ~~strikethrough~~.

We recommend that the General Meeting vote in one voting session to amend the By-Laws.

DRAFT RESOLUTION

The General Meeting decides to amend the Company's By-Laws in accordance with the Proposal of the Board of Directors, through one resolution.

Amendment proposals

1.) Amendments concerning the publication of announcements (By-Laws [15.§])

"Article 15

Notices

The Company shall publish its notices specified in the statutory regulations and in these By-Laws and announcements on its own website (www.otpbank.hu), on the website of the Budapest Stock Exchange (BSE) (www.bet.hu), and on the website operated by the Supervisory Authority (www.kozzetetelek.hu)."

Explanation of point 1.) of the proposal:

The notices and announcements that the Company is obliged to publish as well as the place of their publication are specified in various statutory regulations (such as, especially, the Capital Markets Act (Tpt.), the Credit Institutions Act (Hpt.), the Investment Services Act (Bszt.), the Companies Act (Gt.), and the Decree of the Ministry of Finance 24/2008 (VIII. 15) PM on the detailed rules of the obligation to provide information about publicly traded securities. It would be expedient to precisely clarify the references to the announcements and notices and to clearly indicate the places of publication in the Company's By-Laws.
The clarification of references to the announcements and notices, the inclusion of the website www.kozzetetelek.hu operated by the Supervisory Authority, and a specific reference to the respective websites of the Company and of the BSE in the By-Laws are also justified on the basis of the statutory regulations referred to.

2.) Review of the terms "qualified influence" and "controlling stake" as per the Credit Institutions Act, clarification (By-Laws [section 12/A.2.])

"12/A.2. Senior officers must immediately notify the Chairman & CEO if:
a.) they have a qualified interest or a controlling ~~interest~~ influence in any company as defined in the Credit Institutions Act;
b.) any of his/her close relatives has a qualified interest or a controlling ~~interest~~ influence in any company as defined in the Credit Institutions Act;
c.) after his/her appointment, an event occurred that disqualifies him/her from serving as a senior officer."

Explanation of point 2.) of the proposal:

The purpose of the proposed modification is to ensure compliance with the prevailing content of the Credit Institutions Act.
Section 12/A.2 of the current By-Laws contains the definition of a qualified influence and of a controlling stake as per the Credit Institutions Act. Because the expression *controlling stake* is no longer used in the effective Credit Institutions Act, modifying the By-Laws accordingly, i.e. deleting the term *controlling stake*, is justified.
We recommend that instead of controlling stake, we use the term "controlling influence" as defined in the Credit Institutions Act – and which is more in line with the interests of the Company – to denote a criterion for a potential conflict of interest that must be reported obligatorily.

3.) **Clarification and coordination of the rules of the ownership identification procedure** [By-Laws sections 13.5 and 13.8])

"13.5. The payment of dividends shall be started within 60 days from the adoption of the relevant resolution by the General Meeting. The Company will request an ownership identification with respect to ~~the starting date of dividend payment as a company event~~ the dividend payment, as a company event, from Keler Zrt. The date of the ownership identification is the 5th (fifth) trading day before the starting date of dividend payment. The rules of ownership identification are contained in the effective regulations of Keler Zrt.

The date of the (General Meeting) resolution on the starting date of dividend distribution shall precede such date by at least 20 business days."

"13.8. The Company shall take into account the dividend to be paid on shares that qualify as own shares and consider it as a share to be paid to shareholders who are entitled to receive dividends in proportion to the ratio of shares held by them (i.e. the Company shall distribute it among shareholders who are entitled to receive dividends). At least 10 working days must pass between the publication of the announcement containing the dividend per share which has been adjusted by the dividend paid on the shares that qualify as own shares and which is based on the resolution concerning the amount of the dividend and the starting day of dividend payment on the one hand, and the first day of dividend payment on the other. ~~Between the date of the announcement's publication and the first day of dividend payment the Company shall ensure that the portfolio of its own shares does not change.~~"

Explanation of point 3.) of the proposal:

We recommend defining the effective date of the ownership identification specified in Article 13 of the By-Laws in a way that better suits the Company's interests.
In accordance with the current rules, the Company requests ownership identification, in relation to dividend payment, with respect to the *day of commencement* of the dividend payment as the *date of a company event*. It is recommended that the text be revised so that the Company requests ownership identification from Keler Zrt. for the purposes of dividend payment as a company event by ensuring that the effective date of the ownership identification is the *5th (fifth) trading day prior to the day of commencement of dividend payment*.
Because the trading ban (stated in section 13.8) that lasts until the starting day of dividend payment *unreasonably* restricts the Company, cancelling the provision is justified.

DRAFT RESOLUTION

The General Meeting accepts the amendment of section 12/A.2, sections 13.5 and 13.8 as well as Article 15 of the Company's By-Laws pursuant to the proposal of the Board of Directors, in accordance with the annex of the minutes to the General Meeting.

ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Election of the members of the Board of Directors:

Mr. Tamás Erdei
Dr. István Gresa

DRAFT RESOLUTION

The Annual General Meeting elects Mr. Tamás Erdei to the member of the Bank's Board of Directors until the closing AGM of the fiscal year 2015 but latest until April 30, 2016.

The Annual General Meeting elects Dr. István Gresa to the member of the Bank's Board of Directors until the closing AGM of the fiscal year 2015 but latest until April 30, 2016.

APPROVING THE REMUNERATION GUIDELINES

REMUNERATION GUIDELINES OF OTP BANK PLC.

The amended Act on Credit Institutions and Financial Enterprises is, in line with the relevant European Union directive, stricter than the previous regulations. It has introduced changes that restrict the degree of freedom that companies have when making remuneration decisions – and these are requirements that credit institutions must comply with from 31 May 2011 at the latest. The Bank's Board of Directors submitted a proposal to the General Meeting for the year 2011, which is in line with the new statutory regulations.
The remuneration policy for the year 2012 is included in the current document.

1. The objective of the Remuneration Policy

The objective of the Bank Group's Remuneration Policy is to acknowledge the performance, within the risk-tolerance capacity of the Bank Group, of the management of OTP Bank and of individual managers occupying key positions, as well as of the heads of the subsidiaries of the Bank Group in contributing to results at the bank and at the group level, and to provide an incentive for performance.

2. Effect of the Remuneration Policy

The following individuals fall under the effect of the Bank Group's Remuneration Policy:

- members of the Board of Directors of OTP Bank Plc.
- members of the Supervisory Board of OTP Bank Plc.

and

from the employees of OTP Bank Plc.

- the Bank's CEO
- the Bank's deputy CEOs
- 3rd-level managers heading the independent central organisational units
- heads of the regional profit centres
- based on case-by-case assessment, 4th-level managers, primarily in respect of departments that discharge controlling and risk-management functions
- all managers who in terms of their income fall into the same category as the managers who come under the effect of the remuneration policy based on their functions
- dealers working in the treasury trading department

as well as,

of the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision,

- the 1st-level managers of the subsidiaries
- in the case of certain subsidiaries, the 2nd-level (deputy) managers of the subsidiaries.

Decisions on the persons subject to the scope of the Bank Group's Remuneration Policy are made by the Board of Directors of the Bank.

3. The framework for applying the Bank Group's Remuneration Policy to the subsidiaries

All basic decisions under the remuneration policy shall be made by OTP Bank Plc., while the subsidiaries shall be responsible for complying with local statutory regulations and obligations.

- In the case of **credit institutions that have their registered seat in Hungary**, the remuneration policy shall be comprehensively applied in respect of level 1 and level 2 managers.
- In case of **foreign subsidiaries**, the performance-based components of compensation specified in the remuneration policy shall be applied in a manner being in accordance with the restrictions of local regulations, with the proviso that at subsidiaries outside the European Union, the principle of proportionality shall be kept with respect to the instruments and the payment process of performance-based remuneration.
- In the case of **Investment Fund Management Companies and Financial Enterprises**, the remuneration policy will be applied using the principle of proportionality, with the proviso that in the case of companies operating within EU member states the payment of performance-based remuneration will be deferred.
- In the case of **Auxiliary Enterprises** – in view of the nature of their activities – the current forms of remuneration (basic salary and bonus) will continue to be applied.

4. The ratio of fixed and variable remuneration

Members of the **Board of Directors** and the **Supervisory Board** shall receive a fixed honorarium and will not be awarded performance-based remuneration in this capacity of theirs.

With respect to the persons covered by the remuneration policy, remuneration shall consist of fixed and variable components. The ratio of fixed and performance-based remuneration components shall be determined by the Bank's Board of Directors, according to the function, size and complexity of the organization managed.

The current ratios of fixed and performance-based remuneration are as follows:

Management categories covered by the remuneration policy of the OTP Bank Group	**Structure of remuneration**	
	ratio of fixed remuneration	**ratio of variable remuneration**
members of the Board of Directors of OTP Bank Plc.*	100%	
members of the Supervisory Board of OTP Bank Plc.*	100%	
of the employees of OTP Bank Plc.		
the Bank's CEO	20%	80%
the Bank's deputy CEOs	20%	80%
3rd-level managers heading independent organizational units**	20 - 50%	50 - 80%
certain 4th-level managers of departments responsible for special management functions who participate in the preparation of decisions	30 - 70%	30 - 70%
managers classified on the basis of the amount of their income	30 - 50%	50 - 70%
dealers working in the treasury trading department	35%	65%
of the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision		
the 1st-level managers of the subsidiaries	20 - 80%	20 - 80%
in the case of key subsidiaries, 2nd-level (deputy) managers	25 - 65%	35 - 75%

* fixed honorarium
** including the heads of the regional profit centres of the network

5. The method and instruments of performance assessment linked to variable remuneration

In the case of **managers employed by OTP Bank Plc.**, performance is assessed, in addition to the RORAC index[1] reflecting the Bank Group's return on risk adjusted capital, on the basis of criteria measuring individual performance (financial indices, as well as indices measuring the quality of work).

In the case of the **managers of the Bank Group's subsidiaries**, performance is assessed on a differential basis, in view of the nature of the companies' respective activities.

The target values of the indices are determined by the Bank's Board of Directors on the basis of the prevailing annual financial budget. The Board of Directors may modify such target values in consideration of statutory changes implemented after the determination thereof and/or changes in market circumstances that have a significant objective effect on the Bank's profit and/or the achievement of the target values set.

6. Determining entitlement to variable remuneration

In respect of the year evaluated, the entitlement to variable remuneration and the extent thereof must be determined within 30 days following the ordinary annual General Meeting closing the year in question.

- For **senior managers of OTP Bank Plc.** (CEO and deputy CEOs) the entitlement to variable remuneration and the extent of such compensation shall be determined by the Board of Directors, in proportion to the fulfilment of annual objectives.
- The entitlement of **managers employed by the Bank** to variable remuneration and the extent thereof shall be determined by the CEO, with the proviso that in respect of the heads of Risk Management, Internal Audit and Compliance the Remuneration Committee has the right of joint decision-making.
- The entitlement of the **managers of the Bank Group's subsidiaries** to variable remuneration and the extent of compensation shall be determined by the body exercising ownership rights, with the preliminary approval of the Remuneration Committee of OTP Bank Plc.

7. Principles and rules concerning the payment of variable remuneration

- Upon assessing the performance of the year evaluated ("T year"), the amount of performance-based remuneration is determined and broken down to the level of individuals. The amount of performance-based remuneration is determined in consideration of individual performance, as well as the ratio of fixed and variable compensation.
- As a principal rule, performance-based variable remuneration shall be paid out in the form of a cash bonus and a share allowance granted at a discount, at a ratio of 50-50%.
- The number of shares per person that may be used as a share allowance granted at a discount must be determined on the basis of the quotient of the amount of share-

[1] This index is calculated on the basis of the figures of Hungarian and foreign group members that were subject to consolidation throughout the entire economic year assessed.

based performance remuneration and the value of the share allowance granted with a discount in effect at the time of performance assessment.

- The value of share allowance granted at a discounted price in effect at the time of performance assessment must be determined on the basis of the average of the daily mean quoted price of the ordinary shares issued by OTP Bank, as registered by the Budapest Stock Exchange, on the three business days preceding the date of performance assessment.
- The share allowance granted at a discounted price may contain a maximum discount of HUF 2,000 at the time of performance assessment, and the profit content per share may amount to maximum HUF 4,000 at the time of vesting the share compensation. In respect of the year assessed, the specific content of the share allowance granted at a discounted rate shall be decided upon by the Board of Directors of the Bank, within 30 days from the General Meeting closing the economic year evaluated.
- As a principal rule, 60% of variable remuneration shall be deferred for a period of 3 years, within which the extent of deferred payment shall be identical every year.
- Entitlement to deferred payment shall be determined in consideration of the subsequent assessment of risks. The assessment of risks takes place, on the one hand, on the basis of criteria pertaining to prudent operations – that is, in consideration of the fulfilment of the requirements concerning an amount of capital that is in excess of the minimum guarantee capital specified in the Act, and ensuring operations without the need to take advantage of the deposit insurance fund – and, on the other hand, it is linked to the activities of the persons concerned. On the basis of the assessment of risks related to the activities of the persons concerned, deferred amounts may be partially or fully reduced in case of a significant breach of the internal regulations, with special respect to those concerning risk management.

  Entitlement to deferred amounts is linked to the subsequent assessment of risks and effective employment at the time of paying out the deferred amount. Any valid deviations from the above may only be authorized in respect of managing directors (CEO, deputy CEOs) by the OTP Bank's Board of Directors. In the case of exceptional performance, deviations may be permitted in respect of bank employees in management functions and heads of the subsidiaries, on the basis of a decision made by the OTP Bank's CEO.
- 50% of the first (non-deferred) share allowance granted at a discounted price shall be retained for a period of 1 year (entitlement will be awarded, but the compensation may actually be drawn in the period between 1 June and 31 December of the year following the year in which such compensation was awarded).
- The period within which share allowances granted at a discounted price may be vested shall be determined by the Board of Directors of OTP Bank Plc. Its maximum length is 2 years, it can be prolonged once with the proviso that the total length of the draw down period shall not exceed 2 years.

For dealers employed in treasury trading department, performance-based remuneration shall not contain any component linked to shares. Performance-based remuneration shall be settled in three instalments, by the end of the year following the period assessed.

The Board of Directors shall be entitled to adopt decisions on the settlement of share allowances by way of an agreement qualifying as a special share-based legal transaction, which must be in line with the actual market price of the share allowance.

For all members of the Bank Group, the share-based portion of variable remuneration shall be made available by OTP Bank Plc.

DRAFT RESOLUTION

The Annual General Meeting approves the Remuneration Guidelines of OTP Bank Plc in accordance with the annex to the minutes of the General Meeting, and authorises the Company's Board of Directors to amend the detailed rules of the Remuneration Policy of OTP Bank Plc and the Bank Group in line with the attached, approved proposal.

ESTABLISHING THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD

ESTABLISHING THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD

The remuneration of the members of OTP Bank's Board of Directors and Supervisory Board falls under the competence of the General Meeting.

So far, based on the practice of previous years, the proposal on remuneration for board members took into consideration the rate of planned wage growth for the Bank's other employees.

Concerning the current economic and financial situation, general increase in employees' wages is not proposed by the Bank. In line with the aforementioned purpose, the Remuneration Committee does not propose amendments to the remuneration of the members of the Board of Directors and Supervisory Board approved by the General Meeting in its resolution no. 10/2011.

DRAFT RESOLUTION

The Annual General Meeting accepts the remuneration of the members of the Board of Directors and Supervisory Board stated in its resolution no. 10/2011 without amendment.

AUTHORIZATION OF THE BOARD OF DIRECTORS TO THE ACQUISITION OF OWN SHARES

AUTHORIZATION OF THE BOARD OF DIRECTORS TO THE ACQUISITION OF OWN SHARES

Pursuant to the Companies Act the authorization of the Board of Directors to the acquisition of treasury shares pertains to the exclusive authority of the General Meeting.

Resolution No. 11/2011 of the Annual General Meeting has authorized the Board of Directors to the acquisition of treasury shares. This authorization expires on 31 October 2012; however this mandate can be renewed according to the Companies Act.

This authorization is provided by the present proposal. The authorization shall be limited in time and only a certain number of treasury shares can be acquired thereby. These limitations are included in the present proposal.

The purposes of the authorization of the Board of Directors are as follows: to provide the necessary shares according to the Remuneration policy of OTP Bank Plc.; to ensure the possibility of rapid intervention into share-price fluctuations; to develop and maintain services provided to the Company's customers and to execute transactions aimed at optimizing the Company's equity situation.
Upon the authorization transactions can be executed on a regulated market (stock exchange) or over-the-counter (OTC). In order to avoid the concurrent existence of two authorizations Resolution No. 11/2011 of the Annual General Meeting is hereby repealed. In accordance with the law in force OTP Bank Plc. will publish all relevant data concerning treasury shares and transactions related thereto.

DRAFT RESOLUTION

The Annual General Meeting is hereby authorizes the Board of Directors to acquire treasury shares (shares issued by OTP Bank Plc) in order to provide the necessary shares for the Remuneration policy of OTP Bank Plc, to ensure the possibility of rapid intervention to restrain share-price fluctuations, to develop and maintain services provided to the Company's customers and to execute transactions aimed at optimizing the Company's equity situation.
The Board of Directors is entitled to acquire 100 HUF face value ordinary shares with the proviso that the volume of treasury shares under this authorization shall not exceed 56,000,000 shares at any time.
If the acquisition of shares is for consideration then the purchase price of the shares at each transaction shall not be lower than the face value of the shares and not be higher than 150%, of the highest price registered on the Budapest Stock Exchange on the day before the transaction with the proviso that if such transaction is executed on the Budapest Stock Exchange the purchase price shall not be higher than 120% of the closing price registered on the Budapest Stock Exchange on the day before the transaction.
The Board of Directors is entitled to the acquisition of treasury shares until 31 October 2013. Authorization granted to the board of Directors by Resolution No. 11/2011 of the Annual General Meeting is hereby repealed.