OTP Bank Plc.

Proposals for the Company's Annual General Meeting

(English translation)

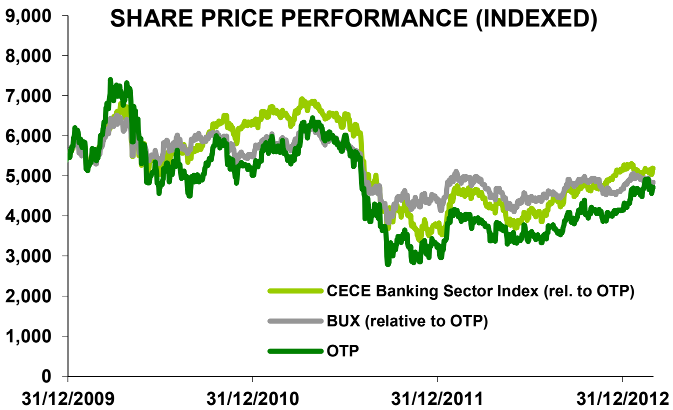
26 April 2013

THE AGENDA OF THE GENERAL MEETING

THE 2012 BUSINESS REPORT OF THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA[1]

Main components of the Statement of recognised income	2011 HUF million	2012 HUF million	Change %
Consolidated after tax profit	**83,800**	**122,586**	**46**
Adjustments (total)	**(77,605)**	**(27,363)**	**(65)**
Consolidated adjusted after tax profit without the effect of adjustments	**161,405**	**149,949**	**(7)**
Pre-tax profit	221,086	192,192	(13)
Operating profit	435,579	449,664	3
Total income	811,592	844,553	4
Net interest income	630,892	650,319	3
Net fees and commissions	143,280	151,570	6
Other net non-interest income	37,419	42,664	14
Operating expenses	(376,013)	(394,890)	5
Total risk costs	(234,039)	(253,692)	8
One off items	19,546	(3,779)	(119)
Corporate taxes	(59,682)	(42,243)	(29)
Main components of balance sheet closing balances	2011	2012	%
Total assets	10,200,527	10,113,466	(1)
Total customer loans (net, FX adjusted)	**6,718,225**	**6,464,192**	**(4)**
Total customer loans (gross, FX adjusted)	**7,724,416**	**7,618,368**	**(1)**
Allowances for possible loan losses (FX adjusted)	(1,006,190)	(1,154,176)	15
Total customer deposits (FX adjusted)	**6,186,842**	**6,550,708**	**6**
Issued securities	812,863	643,123	(21)
Subordinated loans	316,447	291,495	(8)
Total shareholders' equity	1,418,310	1,514,553	7
Indicators based on one-off adjusted earnings	2011	2012	ppts
ROE	11.8%	10.2%	(1.6)
ROA	1.6%	1.5%	(0.1)
Operating profit margin	4.36%	4.43%	0.07
Total income margin	8.12%	8.31%	0.19
Net interest margin	6.31%	6.40%	0.09
Cost-to-asset ratio	3.76%	3.89%	0.13
Cost/income ratio	46.3%	46.8%	0.5
Risk cost to average gross loans	2.95%	3.11%	0.16
Total risk cost-to-asset ratio	2.34%	2.50%	0.16
Effective tax rate	27.0%	22.0%	(5.0)
Net loan/(deposit+retail bond) ratio (FX adjusted)	102%	95%	(8)
Capital adequacy ratio (consolidated, IFRS) - Basel2	17.3%	19.7%	2.4
Core Tier1 ratio - Basel2	12.0%	14.7%	2.7
Share Data	2011	2012	%
EPS diluted (HUF) (from unadjusted net earnings)	312	457	46
EPS diluted (HUF) (from adjusted net earnings)	606	563	(7)
Closing price (HUF)	3,218	4,150	29
Highest closing price (HUF)	6,450	4,391	(32)
Lowest closing price (HUF)	2,798	2,960	6
Market Capitalization (EUR billion)	2.9	4.0	38
Book Value Per Share (HUF)	5,065	5,409	7
Tangible Book Value Per Share (HUF)	4,173	4,561	9
Price/Book Value	0.6	0.8	33
Price/Tangible Book Value	0.8	0.9	13
P/E (trailing, from accounting net earnings)	10.8	9.5	(12)
P/E (trailing, from adjusted net earnings)	5.6	7.7	38
Average daily turnover (EUR million)	34	22	(36)
Average daily turnover (million share)	2.1	1.7	(20)



MOODY'S RATINGS

OTP Bank	
Foreign currency long term deposits	Ba1
Financial strength	D
OTP Mortgage Bank	
Covered mortgage bond	Baa3
DSK Bank	
Foreign currency long term deposits	Ba1
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 2012 RESULTS OF OTP GROUP

Below 3% budget deficit, successful public debt refinancing, negative GDP dynamics in Hungary; fiscal consolidation and moderating loan demand in other group member economies

Apart from January, the rest of 2012 turned to be more supportive for Hungary from capital markets perspectives compared to 2011. The significant turnaround in market sentiment on one hand was fuelled by the major central banks' further liquidity enhancing measures, but the firm commitment of the Hungarian government to keep the fiscal deficit below 3% and some of the adjustment measures introduced for achieving this target also improved the generally positive attitude towards Hungarian assets. The Hungarian forint was one of the best-performing currencies, similar to Hungarian government bonds and foreign investors' holding in local government papers reached all-time highs with over HUF 5 trillion. The State safely financed its maturing debts without turning to external markets. At the same time, the preliminary GDP-statistics published on 14 February 2013 painted a dire picture about the Hungarian economy: with the GDP dropping 1.7% y-o-y this performance was one of the weakest in the region. It is quite alarming that the investment ratio was the lowest in the European Union, whereas household consumption was fairly benign.

The consecutive rate cuts of the Central Bank resumed from August 2012 may have a positive impact on the cost of debt financing in medium term, however for the time being it could not revitalize the economic growth. The total gross loan volume of the credit institution sector (excluding Hungarian Development Bank, Eximbank and KELER) contracted by 15% in 2012, and according to Hungarian Accounting Standards the sector posted HUF 151 billion total loss, whereas in 2011 the sector recognized HUF 241 billion negative earnings (adjusted for the dividend income the losses were HUF 204 billion and HUF 331 billion, respectively).

While the fiscal consolidation in the countries of OTP Group has taken its toll through lower GDP growth, in most of the countries but Hungary, Croatia and Serbia economic activity remained in the positive territory. As a result of adjustments external positions (current account) in general improved, unemployment however stagnated at high levels which may halt back loan demand.

Consolidated earnings: HUF 150 billion adjusted net results in 2012 with y-o-y improving margins, moderating portfolio deterioration from 2H 2012, substantial DPD90+ coverage pick up

In 2012 OTP Group posted HUF 122.6 billion accounting profit versus HUF 83.8 billion a year earlier. The main reason behind the significant y-o-y improvement was the drop in the amount of adjustments: there were no goodwill impairment charges in 2012; bulk of the net impact of early repayment of FX mortgages was booked in 2011, whereas the yearly net amount of special tax on financial institutions basically remained the same. The adjusted profit was at HUF 150 billion versus HUF 161.4 billion a year earlier. The y-o-y 7% drop was mainly related to the weaker performance at OTP Core in Hungary. The Hungarian profit contracted by 17%. At the same time the profit contribution of foreign subsidiaries advanced from HUF 51.3 billion (32% of consolidated profits) in 2011 to HUF 61.0 billion (41%) in 2012.

As a positive development, the total income without one-off items further increased, its amount at HUF 845 billion underpins a 4% growth y-o-y. Out of core revenues, net interest income advanced by 3% supported by the growth of high margin consumer lending in Russia and the Ukraine. On the opposite, the net interest income at OTP Core contracted by 11% due to lower net interest margin and smaller interest earning assets. The consolidated net fee income grew by 6% y-o-y.

Group-level operating expenses shaped according to the original expectations of the management. Out of the 5% y-o-y nominal growth around 2% is reasoned by the weaker average rate of the forint. Expenses advanced mainly at subsidiaries (in Russia and in the Ukraine) where growing business activity required additional sales channels. Furthermore, in Serbia the bank recognised a one-timer expense in relation to litigations pertaining to loans originated prior to the acquisition of the subsidiary.

FX-adjusted consolidated loan volumes declined by 1% y-o-y but already grew slightly in 4Q 2012 (+0.4% q-o-q). The yearly drop is mainly related to the 7% decline of Hungarian loans. The Ukrainian and Montenegrin portfolio also suffered meaningful contraction (-7% and -5%, respectively). On the positive side, consumer loans advanced nicely in Russia and the Ukraine (+31% and 282%, respectively) and in line with the management's aspiration this product segment grew substantially in Romania, Slovakia and Serbia, too. As a result, the consolidated consumer loan book grew by 14% y-o-y.

Deposit volumes increased by 6% y-o-y with Romania, Russia, Slovakia and Serbia achieving double digit growth, and only CKB suffered a deposit decline. Given their big absolute volumes, the 3% deposit volume growth both in Hungary and Bulgaria was meaningful. As a result, the consolidated net loan-to-deposit ratio dropped by 8 ppts to 95% y-o-y.

The strong liquidity positions of the Group did not require foreign currency denominated wholesale funding, on the contrary, through the excess liquidity generated by on-going FX loan repayments the Bank managed to reduce its outstanding net swap position. By the end of 2012 the gross liquidity reserves of the Group reached almost EUR 6 billion equivalent and by the end of the year OTP had already managed to renew all its 2013 swap roll-over needs.

One of the positive momentums of 2012 was that while the DPD90+ ratio further increased – partly due to the decline of overall loan volumes – from the second half of the year there was a definite deceleration in portfolio deterioration (DPD90+ ratio growth in %-points: 1Q 2012: 0.8, 2Q: 1.4, 3Q: 0.2, 4Q: 0.1). By end-2012 the DPD90+ ratio reached 19.1%. Since the beginning of the crisis the 4Q deterioration was the smallest: the ratio stagnated at OTP Core and grew by only 0.2 ppt at DSK.

The annual amount of risk costs grew by roughly HUF 20 billion and represented HUF 254 billion. The provision coverage of non-performing loans advanced significantly by 3.3 ppts to 80.0% y-o-y.

The consolidated capital adequacy ratio of OTP Group under IFRS increased to 19.7% in December (+2.4 ppts y-o-y) with the Tier1 ratio climbing to 16.1% and Core Tier1 to 14.7%. The significant quarterly growth was due to several reasons: on one hand OTP introduced the Advanced Measurement Approach for the calculation of the capital requirement of operational risk. This method reflects more properly the Group's operational risks and resulted in a HUF 28 billion savings in capital needs for operational risk y-o-y. Furthermore, the regulatory capital was boosted by annual accounting profits and gains on the AFS security portfolio resulted by the lower yield environment (booked against the equity). The stand-alone capital adequacy ratio of OTP Bank stood at 20.5% (+2.6 ppts y-o-y).

OTP Core: the net result dropped by 17% y-o-y, margins and loan volumes contracted, lower annual risk costs, moderating portfolio deterioration

The adjusted after tax profit of **OTP Core** (basic activity in Hungary) in 2012 represented HUF 94.6 billion. The y-o-y 17% decline was mainly due to weaker operating profit. Risk costs fell short of 2011 by HUF 5 billion. Total income contracted by 6% y-o-y as a result of an 11% decline in net interest income. The net interest margin moderated by 44 basis points and interest earning assets also dropped in the wake of the early FX mortgage repayment. The weaker net interest income was partially offset by a modest increase in net fees, doubling other net non-interest income and cost management. The portfolio deterioration, however slowed down getting support from the stabilizing forint and the growing participation of clients in FX mortgage fixing scheme during the second half of the year. Despite y-o-y lower risk costs the provision coverage of non-performing loans advanced significantly.

Loan volumes dropped by 7% y-o-y (FX-adjusted), within that retail mortgages contracted by 9%, while the corporate book decreased by 6%, latter partly due to non-performing portfolio write-offs and sale. The volume of consumer loans stagnated. Municipal loans contracted, too, however the 13% drop was mainly due to the debt consolidation of municipalities with less than 5,000 inhabitants. Loans to micro and small enterprises were the only ones realizing growth, +8% y-o-y. Amid the weak loan demand across the whole sector, OTP managed to improve its market position: out of newly disbursed mortgages OTP grabbed 34% in 4Q, whereas in case of cash loans its share represented 52%.

Deposits and retail bonds stagnated y-o-y. Retail deposit and bonds contracted by 7% y-o-y as a result of the crowding out effect of household targeted government bond sales. The drop was off-set however, by the increase in corporate and municipality deposits (+16% and +21% respectively). The net loan-to-deposit ratio declined to 73% (-7 ppts y-o-y).

Without banking tax **Merkantil Group** (the Hungarian car financing and leasing business) posted HUF 501 million net profit in 2012 which was one fourth of the net earnings pocketed a year ago. The key reason behind was the y-o-y 20% decline in operating profit. On a yearly base DPD90+ ratio remained flat at 19.2%, as well as its provision coverage. The FX-adjusted loan book further shrank (-9% y-o-y), but new loan disbursement showed an improving trend.

OTP Fund Management posted more than HUF 2 billion after tax profit in 2012 (without banking tax). This result fell short of 2011 earnings by 39%. Annual net fee income dropped by 11%. The volume of total assets under management reached HUF 1,077 billion underpinning an increase of 8% y-o-y. The company retained its dominant position in the investment fund market; its market share represented 25.9%.

Performance of the non-Hungarian business

In 2012 the trend of growing profit contribution by foreign subsidiaries continued, they posted altogether HUF 61 billion versus HUF 51.3 billion a year ago. Bulk of the net result was produced by the Russian and Bulgarian subsidiaries, HUF 71 billion in total, while the Ukrainian unit posted HUF 0.5 billion profit. The Croatian operation not only remained profitable, but managed to substantially improve its result without one-offs. Losses in Serbia and Montenegro moderated a lot, while the Slovakian bank remained in red. The substantial loss at the Romanian entity is partly related to the 54% increase of risk costs, but the operating profit also suffered a setback.

Similar to the previous year **OTP Bank Russia** posted strong earnings in 2012 (at HUF 47.2 billion). The key driver of the 15% y-o-y profit growth was the strong operating profit underpinning a 48% improvement. Net interest income grew nicely (+37%). The annual net interest margin almost reached 18% (+1.75 ppts y-o-y) supported by the good dynamism of high margin consumer lending (+31% y-o-y, +15% q-o-q). Parallel with the lending growth operational expenses advanced by 18%, while risk costs doubled. The DPD90+ ratio reached 16.6% by the end of 2012. As a result of higher risk costs, provision coverage improved by 2.7 ppts y-o-y to 92.3%.

The **Bulgarian DSK Group** realized HUF 24.2 after tax profit in 2012, almost twice as much as in 2011. Since the operational profit remained practically flat, the key reason behind the improving profitability was the lower risk costs. The lower net interest income was due to lower net interest margins (-16 bps y-o-y), interest earning assets stagnated. The 4Q increase of operating expenses was induced mainly by seasonality, but a few bigger projects also generated higher advisory costs. As a result the cost-to-income ratio increased by 2.8 ppts y-o-y. It was highly positive that the portfolio deterioration showed strong signals of further moderation from 2H. Despite the lower annual risk costs, the bank managed to improve its DPD90+ coverage by 5.6 ppts y-o-y.

While the annual HUF 0.5 billion net profit of **OTP Bank Ukraine** is only fraction of the net earning a year ago. The significant y-o-y drop was due to doubling risk costs. At the same time operating profit advanced by 25%. Out of core earnings both net interest income and net fees had a decent growth (+19% and +39% respectively), whereas the annual net interest margin reached almost 7% (4Q 2012: 8.89%). The dynamic expansion of consumer loans kept its momentum throughout the whole year. The meaningful growth of retail deposits (+21%) was the key funding source of such spectacular increase. Corporate loans, on the other hand, representing around half of the total loan book, contracted by 9%. The DPD90+ ratio grew substantially (+6.4 ppts y-o-y) and reached 36.4%, provision coverage was at 79% by end-2012.

OTP Bank Romania posted a significant loss of HUF 5.5 billion versus a profit of HUF 763 million in 2011. Such a turn-around was due to a 28% decline in operating profit, but risk costs also advanced by 54%. Within core earnings the net interest income dropped by 15% as a result of on-going deposit campaigns aimed at improving the net loan-to-deposit ratio of the bank (the ratio decreased by 80 ppts). Higher risk costs aimed at increasing the provision coverage on DPD90+ volumes. As for balance sheet dynamism, consumer loans grew by 74% (FX-adjusted), while the y-o-y increase of deposits was the highest across the group (+40%).

OTP banka Hrvatska (Croatia) continued its profitable operation posting HUF 3.7 billion after tax earnings in 2012. Despite risk costs declining by more than half, the provision coverage of non-performing loans improved further (61%). Amid the moderate increase of mortgages and the consumer portfolio, the loan book shrank by 1% y-o-y. At the same time deposits increased by 4%, thus the net loan-to-deposit ratio dropped to 80%.

The **Slovakian subsidiary** at the end failed to turn into profit making and similar to 2011 it had another loss making year (-HUF 1.1 billion). The negative result was due to higher risk costs aimed at improving the provision coverage. The operating profit of the bank improved, its net interest income grew by 10% y-o-y with stringent cost management in place. The consumer loan portfolio advanced by 78%, whereas the mortgage book grew by 8%.

The **Serbian subsidiary** posted HUF 4.9 billion loss underpinning a 21% decrease y-o-y. On the back of improving net interest margin and the resumed growth of FX-adjusted loan book, the net interest income more than doubled. Still, the operating profit remained in red. The portfolio quality kept improving; the DPD90+ ratio dropped by 8 ppts y-o-y and provision coverage grew by 8.2 ppts.

The operating profit of **CKB Montenegro** improved significantly, by 42% y-o-y. Out of total income the net interest income advanced by 30% as a result of better margins. Cost management performed nicely, too. While the high risk costs still pushed the bank into red, its annual loss of HUF 3.9 billion fell short of 2011 loss by 14%. The DPD90+ ratio increased by 4.4 ppts y-o-y and reached 40.8%, its coverage was 77%, similar to that of a year ago.

Credit ratings, shareholder structure

In the previous few months ratings at OTP Group changed as follows: following the downgrade of the Republic of Hungary, on 23 November 2012 Standard & Poor's also lowered the ratings of OTP Bank and OTP Mortgage Bank; both ratings were changed from 'BB+' onto 'BB' with *stable outlook*. On 14 February 2013 Moody's Investors Services completed the rating review process started in December 2012. As a result while it confirmed the rating of OTP Bank and OTP Mortgage Bank at ‘Ba1’ with *negative outlook,* it downgraded both entities’ BFSR rating from ‘D+/ba1’ into ‘D/ba2’. Following that rating action on 15 February 2013 Moody’s downgraded DSK Bank from ‘Baa3’ into ‘Ba1’ (*negative outlook*), whereas it left unchanged OTP Bank Russia’s ‘Ba2’ rating (*negative outlook*).

As for the ownership structure of the Bank, there were no major changes: by the end of December 2012 four investors had more than 5% influence (beneficial ownership) in the Company, namely the Rahimkulov family (9.02%), MOL (The Hungarian Oil and Gas Company) (8.70%), Groupama Group (8.43%), and the Lazard Group (5.73%).

KEY POST BALANCE SHEET EVENTS

Hungary

- On 9 January 2013 Fitch Ratings has affirmed OTP Bank Plc's Support Rating at '3' following the upgrade of the outlook from negative to stable on the Hungarian sovereign on 20 December 2012.
- On 28 January 2013 IMF released an assessment after its Article IV review, and the European Commission published a report, too. They emphasized that the Hungarian government had to keep the budget deficit under 3% by implementing sustainable measures.
- On 29 January 2013 the National Bank of Hungary lowered the base rate by 25 basis points to 5.5%. According to the unanimous opinion of the members of the Monetary Council, “the monetary policy instruments currently available allow enough manoeuvring room to maintain a monetary policy consistent with the current outlook for inflation and the real economy, expanding the range of unconventional policy tools may provide effective support only during times of acute financial market stress.” On 26 February the base rate was cut by another 25 basis points to 5.25%.
- On 8 February 2013 Moody’s Investors Service affirmed Hungary’s ‘Ba1’ government bond rating and maintained the negative outlook.
- On 12 February 2013 Hungary successfully returned to the international bond market by issuing USD bonds. The Government Debt Management Agency sold USD 1.25 billion with five year tenor at a spread of 335 basis points above Treasuries and USD 2 billion of 10-year bonds with 345 basis points premium above benchmark.
- According to preliminary data published by the Central Statistical Office on 14 February 2013 the Hungarian GDP contracted by 1.7% in 2012. In the fourth quarter the economic output declined by 2.7% compared to a year ago and 0.9% compared to the previous quarter.
- On 14 February 2013, Moody’s Investors Service concluded the review for downgrade of the standalone credit assessments and the debt and deposit ratings of OTP Bank Plc and OTP Mortgage Bank. According to Moody’s decision both banks’ local and foreign currency long term deposit rating was confirmed at ‘Ba1’ and ‘Ba2’ respectively. OTP Bank’s foreign currency long-term senior unsecured debt rating was confirmed at ‘Ba1’. The foreign currency long-term subordinated debt rating (Lower Tier2) was downgraded to ‘Ba3’ from ‘Ba2’ and the foreign currency long-term junior subordinated debt rating (Upper Tier2) was downgraded to ‘B1(hyb)’ from ‘Ba3(hyb)’. Both banks’ BFSR was downgraded to ‘D/ba2’ from ‘D+/ba1’. All the ratings are on negative outlook.
- On 15 February Moody’s Investors Service concluded the review process of covered bonds issued by OTP Mortgage Bank and confirmed their rating at ‘Baa3’.
- On 17 February 2013 Mr. Gyula Pleschinger, state secretary at the Economy Ministry stated that the government had informal talks with commercial banks on how to stimulate lending in Hungary. As part of the deal, the government may offer banks a tax refund from the special tax on financial institutions or to write off bank tax in case commercial banks will boost their lending activity. Mr. Pleschinger claimed that the agreement is likely to be struck by the end of this spring and may provide more aggressive incentives than the ones offered earlier.
- On 3 March 2013 the mandate of Mr. Andras Simor, central bank governor has expired. His office was taken over by Mr. György Matolcsy on 4 March 2013. The Prime Minister also nominated Mr. Mihály Varga for Minister of the National Economy.

Russia

- On 9 January 2013 Fitch Ratings simultaneously with the affirmation of OTP Bank Plc’s Support rating at ’3’ has affirmed its Russian subsidiary OJSC OTP Bank's (OTPR) Long-term Issuer Default Ratings

(IDRs) at 'BB' and National Rating at 'AA-(rus)' and revised the Outlooks to Stable from Negative. The agency has also upgraded OTPR's Viability Rating to 'bb-' from 'b+'.

- On 15 February 2012 Moody's Investors Service confirmed the long-term local- and foreign-currency deposit ratings of OTP Bank (Russia) OJSC (OTP Russia) at 'Ba2' with a negative outlook. National Scale Rating of the Bank has also been confirmed at 'Aa2.ru'.

Ukraine

- On 12 February 2013 the IMF said that after a two-week visit in Ukraine, the representatives of IMF will resume talks with Ukraine in March, as important policy issues (mainly state subsidies on gas and heating for households) remained on the agenda. The IMF credit line approved in July 2010 has expired in December 2012.

Bulgaria

- On 31 January 2013 the Parliament approved the Public Finances Law, which will take effect with the 2014 budget. The law includes a budget deficit cap of 2% of the GDP. On 1 February 2013 the Finance Ministry announced that the 2012 budget shortfall reached 0.45%, below the 1.3% deficit target.
- On 15 February 15 Moody's Investors Service downgraded the local and foreign currency deposit ratings of DSK Bank EAD to 'Ba1/NP' from 'Baa3+/Prime-3'. All the ratings are on negative outlook.
- On 20 February 2013 the Bulgarian government led by Mr. Boiko Borisov resigned.

Croatia

- On 1 February 2013 Moody's Investors Service downgraded Croatia's government bond rating to 'Ba1' from 'Baa3'. Simultaneously the outlook has been changed from negative to stable.

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

	2011 HUF million	2012 HUF million	Change %/ppts
Consolidated after tax profit	**83,800**	**122,586**	**46**
Adjustments (total)	**(77,605)**	**(27,363)**	**(65)**
Dividend and total net cash transfers (consolidated)	663	(391)	(159)
Goodwill/investment impairment charges (after tax)	(17,701)	3,977	(122)
Special tax on financial institutions (after corporate income tax)	(28,965)	(29,174)	1
Impact of early repayment of FX mortgage loans in Hungary (after corporate income tax)	(31,601)	(1,775)	(94)
Consolidated adjusted after tax profit without the effect of adjustments	**161,405**	**149,949**	**(7)**
Banks total without one-off items[1]	155,864	147,616	(5)
OTP CORE (Hungary)[2]	114,056	94,587	(17)
Corporate Centre (after tax)[3]	(6,727)	(7,089)	5
OTP Bank Russia	41,042	47,158	15
CJSC OTP Bank (Ukraine)[4]	5,091	528	(90)
DSK Bank (Bulgaria)[5]	12,744	24,214	90
OBR adj. (Romania)[6]	763	(5,530)	(824)
OTP Banka Srbija (Serbia)[7]	(6,283)	(4,934)	(21)
OBH (Croatia)	3,552	3,714	5
OBH, adj.	112	3,714	
OBH one-off items[8]	3,440	-	0
OBS (Slovakia)[9]	(409)	(1,161)	184
CKB (Montenegro)	(4,525)	(3,872)	(14)
Leasing	1,890	2,051	8
Merkantil Bank + Car, adj. (Hungary)[10]	2,206	501	(77)
Foreign leasing companies (Slovakia, Croatia, Bulgaria, Romania)[11]	(316)	1,549	(590)
Asset Management	3,265	2,042	(37)
OTP Asset Management (Hungary)	3,321	2,041	(39)
Foreign Asset Management Companies (Ukraine, Romania)[12]	(56)	2	(103)
Other Hungarian Subsidiaries	(4,268)	(934)	(78)
Other Foreign Subsidiaries (Slovakia, United Kingdom, Cyprus, Romania, Belize)[13]	(305)	(756)	148
Eliminations	1,520	(65)	(104)
Total after tax profit of HUNGARIAN subsidiaries[14]	110,107	89,041	(19)
Total after tax profit of FOREIGN subsidiaries[15]	51,298	60,912	19
Share of foreign profit contribution, %	*32%*	*41%*	*9*

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME [3]

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
Consolidated after tax profit	**83,800**	**122,586**	**46**
Adjustments (total)	**(77,605)**	**(27,363)**	**(65)**
Dividends and net cash transfers (after tax)	663	(391)	(159)
Goodwill/investment impairment charges (after tax)	(17,701)	3,977	(122)
Special tax on financial institutions (after corporate income tax)	(28,965)	(29,174)	1
Impact of early repayment of FX mortgage loans in Hungary (after corporate income tax)	(31,601)	(1,775)	(94)
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax), final fact, recognized from 3Q 2011 to 1Q 2012		*(33,376)*	
o/w Loss from early repayment of FX mortgage loans in Hungary (before corporate income tax)		*(65,053)*	
Corporate income taxes due to losses from early repayments		*12,360*	
Special banking tax refund (after corporate income tax)		*16,048*	
Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments (after corporate income tax)		*3,269*	
Consolidated adjusted after tax profit without the effect of adjustments	**161,405**	**149,949**	**(7)**
Before tax profit	**221,086**	**192,192**	**(13)**
Operating profit	**435,579**	**449,664**	**3**
Total income	**811,592**	**844,553**	**4**
Net interest income	**630,892**	**650,319**	**3**
Net fees and commissions	**143,280**	**151,570**	**6**
Other net non-interest income	**37,419**	**42,664**	**14**
Foreign exchange result, net	19,042	19,863	4
Gain/loss on securities, net	3,419	4,696	37
Net other non-interest result	14,959	18,105	21
Operating expenses	**(376,013)**	**(394,890)**	**5**
Personnel expenses	(169,097)	(188,953)	12
Depreciation	(49,454)	(47,420)	(4)
Other expenses	(157,462)	(158,517)	1
Total risk costs	**(234,039)**	**(253,692)**	**8**
Provision for loan losses	(228,432)	(242,695)	6
Other provision	(5,607)	(10,997)	96
Total one-off items	**19,546**	**(3,779)**	**(119)**
Revaluation result of FX swaps at OTP Core	3,169	(2,528)	(180)
Gain on the repurchase of own Upper and Lower Tier2 Capital at OTP Core	2,580	1,415	(45)
Gain on Croatian government bonds at OTP Croatia	4,300	0	(100)
Result of the treasury share swap at OTP Core	5,572	(2,667)	(148)
Corporate taxes	**(59,682)**	**(42,243)**	**(29)**
Performance Indicators	2011	2012	%/ppts
ROE (adjusted)	11.8%	10.2%	(1.6)
ROA (adjusted)	1.6%	1.5%	(0.1
Operating profit margin	4.36%	4.43%	0.07
Total income margin	8.12%	8.31%	0.19
Net interest margin	6.31%	6.40%	0.09
Net fee and commission margin	1.43%	1.49%	0.06
Net other non-interest income margin	0.37%	0.42%	0.05
Cost-to-asset ratio	3.76%	3.89%	0.13
Cost/income ratio	46.3%	46.8%	0.5
Risk cost for loan losses-to-average gross loans	2.95%	3.11%	0.16
Risk cost for loan losses-to-average FX adjusted gross loans	2.96%	3.19%	0.23
Total risk cost-to-asset ratio	2.34%	2.50%	0.16
Effective tax rate	27.0%	22.0%	(5.0)
Non-interest income/total income	22%	23%	1
EPS base (HUF) (from unadjusted net earnings)	312	457	46
EPS diluted (HUF) (from unadjusted net earnings)	312	457	46
EPS base (HUF) (from adjusted net earnings)	606	563	(7)
EPS diluted (HUF) (from adjusted net earnings)	606	563	(7)

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

Comprehensive Income Statement	2011 HUF million	2012 HUF million	Change %
Consolidated after tax profit	83,800	122,586	46
Fair value adjustment of securities available-for-sale (recognised directly through equity)	(22,732)	48,180	(312)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	378	532	41
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	(7,993)	4,978	(162)
Foreign currency translation difference	78,968	(53,390)	(168)
Net comprehensive income	**132,421**	**122,886**	**(7)**
of which Net comprehensive income attributable to non-controlling interest	1,109	619	(44)
Net comprehensive income attributable to equity holders	**131,312**	**122,267**	**(7)**
Average exchange rate of the HUF (in forint)	2011	2012	Change %
EUR/HUF	279	289	4
CHF/HUF	227	240	6
USD/HUF	201	225	12
JPY/100HUF	253	283	12

- ***HUF 150 billion adjusted net earnings underpins a y-o-y 7% decline as a result of improving operating profit and higher risk costs***
- ***The 3% improvement in operating profit y-o-y to a large extent was a result of higher Russian and Ukrainian operating profits (+HUF 40 billion, +48% and +HUF 7 billion, +25% respectively)***
- ***Improving consolidated total revenue- and net interest margin***
- ***Increasing risk costs lifting the provision coverage of non-performing loans to 80.0%***

In 2012 **OTP Group** posted HUF 150 billion adjusted after tax profit (excluding the special banking levy, the impact of early repayment of FX mortgages, dividends and positive tax shield of investment impairment charges[4]) underpinning a 7% decline y-o-y. The accounting profit including all the adjustments represented HUF 122.6 billion, which is by 46% higher than in 2011. The key reason behind the improvement was the base effect of the early FX prepayment and goodwill impairment.

The 7% y-o-y decline in the annual adjusted profit was partly caused by one-off items (revaluation of FX swaps and the result of the treasury share swap), but also by the 6% increase in provisioning for loan losses – mostly related to the loan books of OTP Russia, OTP Ukraine and OTP Romania.

The operating profit of the Group improved, however, by 3% y-o-y due to the rapid growth of the Russian net interest income (+37%, +HUF 46 billion) which offset the weaker Hungarian net interest result (-35 HUF billion y-o-y). Operating expenses expanded by 5% y-o-y (+HUF 19 billion), of which HUF 8 billion increase was due to the weaker forint y-o-y. The FX-adjusted cost increase was only 3% (+HUF 11 billion). Bulk of the FX-adjusted change was related to the Russian and Ukrainian subsidiaries (+HUF 7.2 and HUF 1.5 billion y-o-y respectively), where higher costs were triggered by enhanced business activity. Furthermore, Serbian operational expenses increased substantially, too (+HUF 2 billion FX-adjusted, +33% y-o-y) (please see further details in the section of OTP banka Srbija).

The effective tax burden decreased in 2012: the stronger forint generated a positive tax shield of HUF 5.7 billion on the investments in foreign subsidiaries at OTP Core. In 2011, on the contrary, the weaker forint generated an additional tax burden of HUF 8.4 billion.

ASSET-LIABILITY MANAGEMENT

In 2012 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 160 million in 2012 and and mainly it respresents the Rubel-denominated bond issuances financing the consumer lending activity of the Russian subsidiary.

[4] In 2012, impairment charges were recognised at OTP Bank on the investments into the Serbian and Montenegrin subsidiaries (under local accounting standards: HUF 15 billion and HUF 5.9 billion respectively). Though under IFRS these impairments had direct effect neither on the consolidated balance sheet nor on the P&L, there was a positive tax shield of HUF 4.0 billion that added to the Group's IFRS accounting profit. This profit is recognised as an adjustment item in the adjusted P&L of OTP Group.

Despite the significant repayment of maturing debts in 2012, the liquidity reserves of OTP Group remained permanently above the safety level. By the end of 2012 the liquidity reserves of the Group amounted to 5.9 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 swiss franc and US dollar liquidity need of the Group stemming from its FX lending operation is declining gradually due to the FX-liquidity generated in course of the business. The renewal of half of the maturing foreign exchange swaps was sufficient to keep the safe level of the foreign exchange liquidity reserve (at end 2012: EUR 1.6 billion).

… 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 some 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 2012 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 48.6 billion, primarily due to the capital requirement of the FX risk exposure at HUF 36.2 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 limits (both overnight and intraday) for net open positions, and by stop-loss limits. The open positions of the non-Hungarian group members were negligible measured either against their balance sheet total or regulatory capital (the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk), because of that the consolidated FX exposure was concentrated at OTP Bank (Hungary). In line with previous years' practice, the main part of this FX exposure was the strategic open FX position (in the amount of EUR 310 million) kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries in the next 2 years.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE OTP GROUP

Main components of balance sheet closing balances	2011 HUF million	2012 HUF million	Change %
TOTAL ASSETS	**10,200,527**	**10,113,466**	**(1)**
Cash and amount due from banks	595,986	602,521	1
Placements with other banks	422,777	356,866	(16)
Financial assets at fair value	241,282	222,874	(8)
Securities available-for-sale	1,125,855	1,411,177	25
Net customer loans	7,047,179	6,464,191	(8)
Net customer loans (FX adjusted)	**6,718,225**	**6,464,191**	**(4)**
Gross customer loans	8,108,631	7,618,367	(6)
Gross customer loans (FX adjusted)	**7,724,416**	**7,618,367**	**(1)**
o/w Retail loans	5,033,552	5,086,233	1
Retail mortgage loans (incl. home equity)	2,988,786	2,797,094	(6)
Retail consumer loans	1,600,909	1,831,297	14
SME loans	443,907	457,841	3
Corporate loans	2,281,663	2,168,134	(5)
Loans to medium and large corporates	1,939,505	1,863,469	(4)
Municipal loans	342,153	304,666	(11)
Car financing loans	346,309	289,655	(16)
Bills and accrued interest receivables related to loans	62,865	74,346	18
Allowances for loan losses	(1,061,452)	(1,154,176)	9
Allowances for loan losses (FX adjusted)	(1,006,190)	(1,154,176)	15
Equity investments	10,342	7,936	(23)
Securities held-to-maturity	124,887	429,303	244
Premises, equipment and intangible assets, net	491,666	489,142	(1)
o/w Goodwill, net	198,896	189,619	(5)
Premises, equipment and other intangible assets, net	292,770	299,523	2
Other assets	140,553	129,456	(8)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,200,527**	**10,113,466**	**(1)**
Liabilities to credit institutions and governments	646,968	534,324	(17)

Main components of balance sheet closing balances	2011 HUF million	2012 HUF million	Change %
Customer deposits	6,398,853	6,550,708	2
Customer deposits (FX adjusted)	**6,186,842**	**6,550,708**	**6**
o/w Retail deposits	4,629,164	4,755,210	3
Household deposits	4,064,029	4,141,305	2
SME deposits	565,070	613,905	9
Corporate deposits	1,523,249	1,754,489	15
Deposits to medium and large corporates	1,272,216	1,464,702	15
Municipal deposits	251,039	289,786	15
Accrued interest payable related to customer deposits	34,403	41,009	19
Issued securities	812,863	643,123	(21)
o/w Retail bonds	344,510	230,626	(33)
Issued securities without retail bonds	468,353	412,497	(12)
Other liabilities	607,086	579,263	(5)
Subordinated bonds and loans	316,447	291,495	(8)
Total shareholders' equity	**1,418,310**	**1,514,553**	**7**
Indicators	2011	2012	ppts
Loan/deposit ratio (FX adjusted)	125%	116%	(9)
Net loan/(deposit + retail bond) ratio (FX adjusted)	102%	95%	(7)
90+ days past due loan volume	1,335,917	1,442,646	8
90+ days past due loans/gross customer loans	16.6%	19.1%	2.5
Total provisions/90+ days past due loans[1]	76.7%	80.0%	3.3
Consolidated capital adequacy - Basel2	2011	2012	%/ppts
Capital adequacy ratio (consolidated, IFRS)	17.3%	19.7%	2.4
Tier1 ratio	13.3%	16.1%	2.8
Core Tier1 ratio	12.0%	14.7%	2.7
Leverage (Total Assets/Shareholder's Equity)	7.2x	6.7x	
Regulatory capital (consolidated)	1,433,085	1,473,525	3
o/w Tier1 Capital	1,105,876	1,203,019	9
o/w Core Tier1 Capital	997,583	1,098,882	
Hybrid Tier1 Capital	108,293	104,136	(4)
Tier2 Capital	327,587	270,849	(17)
Deductions from the regulatory capital	(377)	(343)	(9)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	8,297,547	7,485,293	(10)
o/w RWA (Credit risk)	6,397,182	6,004,147	(6)
RWA (Market & Operational risk)	1,900,365	1,481,146	(22)
Closing exchange rate of the HUF (in HUF)	2011	2012	%
EUR/HUF	311	291	(6)
CHF/HUF	256	241	(6)
USD/HUF	241	221	(8)
JPY/100HUF	311	257	(17)

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

- ***Further increase in consumer loan volumes in Russia (+31%), the Ukraine (+282%), Slovakia (+78%), Romania (+74%) and Serbia (+26%) q-o-q***
- ***In the mortgage segment only the Slovakian book increased (+8% y-o-y), the Hungarian one further contracted (-9% y-o-y)***
- ***Double digit deposit growth in Romania, Russia, Slovakia and Serbia, meaningful increase in absolute terms in Hungary and Bulgaria (+3% each)***
- ***Consolidated net loan-to-deposit ratio sank to 95% (-8 ppts y-o-y, FX-adjusted)***

Methodological note: in 2012 at OTP Bank Romania large- and medium sized corporate portfolio elements were reclassified into the SME segment – in case of loans and deposits in the amount of HUF 15.5 billion and HUF 12.3 billion, respectively.

The consolidated FX-adjusted loan portfolio increased contracted by 1% y-o-y, but increased in 4Q by 0.4% q-o-q. In 2012 on Group-level only the consumer segment could grow (+14% y-o-y) with the Russian and Ukrainian portfolios remaining the engines of growth. From the beginning of 2012 the sales of Slovakian, Romanian and Serbian cash loans also gained spectacular strength.

As for consumer lending, due to seasonality the Russian growth accelerated in the last quarter of 2012 and the annual dynamism remained strong (+31%). The increase of the Ukrainian consumer lending remained steady, 2012 closing volumes represented HUF 41 billion, up by HUF 30 billion y-o-y. As for POS loans, the dynamic expansion of the selling network continued, by the end of December the bank used almost 2,600 agents. The expansion of the agent- and partner retail chain network is continuous (end-2012 POS loan portfolio: HUF 25 billion). In order to capitalize on cross sale potentials starting from end-2011 the Bank entered the market with new credit card products and cash loan sale was intensified through branches. By the end of December credit card loan volumes represented HUF 9 billion with cash loans standing at HUF 7 billion.

Regarding other consolidated loan segments the Group-level portfolio decreased y-o-y (this would have been the situation in the SME segment, too if financials were adjusted for the effect of the corporate loan reclassification in Romania). The quarterly decline of the consolidated mortgage portfolio moderated meaningfully as the Hungarian FX-mortgage prepayment came to end in February 2012[5]. Beside Hungary mortgage loans declined continuously in the Ukraine and in Russia, too (-9%, -12% and -22% y-o-y, respectively). On the contrary the Slovakian mortgage volumes could increase in 2012 (y-o-y +8%). The Bulgarian, Romanian, Croatian and Serbian mortgage books remained stable during the year (-2%, +2%, +1% and +0.3% respectively).

The decline in municipal loans (-11% y-o-y) is primarily due to the debt consolidation of Hungarian municipalities with less than 5 thousand inhabitants in December 2012 (for details please see the section of OTP Core).

FX-adjusted deposit volumes increased by 6% y-o-y. Significant quarterly growth was registered in Russia, Romania, Serbia, Slovakia, Hungary and Bulgaria (25%, 40%, 15%, 10%, 3% and 3%, respectively). In Hungary mainly corporate deposits expanded (+16% y-o-y), whereas retail deposit and bond volumes together were down by 7% primarily due to the intensified competition triggered by the sales of government bonds.

The volume of issued securities dropped by 21% y-o-y. The decline is mostly due to the volume drop of Hungarian retail bonds (down by HUF 114 billion y-o-y), partly due to maturing HUF denominated mortgage bonds (in the amount of HUF 59 billion), maturing of Slovakian mortgage bonds (in the amount of HUF 9 billion) and the redemption of Russian bonds. In the latter case most of the investors executed the put option related to a RUB 4 billion (about HUF 28 billion) bond series of the Russian subsidiary. Furthermore, senior bonds issued by OTP Bank with face value of CHF 100 million matured on 24 February 2012. The volume decrease was partly offset by the issuance of forint denominated bonds to Hungarian institutional investors (their volume increased by HUF 22 billion to HUF 125 billion y-o-y), and the Russian subsidiary issued a senior bond in order to finance its consumer lending business (in the amount of HUF 44 billion equivalent).

The FX-adjusted volume of Lower and Upper Tier2 capital ("LT2", "UT2") shrank a bit y-o-y. The yearly change is partly resulted from the repurchase of EUR 14.1 million from the LT2 maturing on 4 March 2015 and EUR 2.4 million from the perpetual UT2 bonds. Since the beginning of the crisis OTP Group accumulated a significant liquidity buffer[6]. By end-December 2012, the volume of liquid reserves reached EUR 5.9 billion equivalent, which is by EUR 4.4 billion higher than all the external FX obligations of the Group.

CONSOLIDATED CAPITAL ADEQUACY RATIO (IN ACCORDANCE WITH BASEL II)

At the end of 2012 the regulatory capital of OTP Group represented HUF 1,474 billion, while the risk-weighted-assets, taking into account the capital needs for credit-, market- and operational risks, stood at HUF 7,485 billion. The capital adequacy ratio stood at 19.7% with the Tier1 ratio (after deducting goodwill and intangible assets) at 16.1% and the Core Tier1 ratio (further deducting hybrid instruments) at 14.7%.

The improvement of the consolidated capital adequacy ratio was supported by the continuous profit generation of the Group, furthermore the regulatory capital was also boosted by a revaluation gain on the available-for-sale security portfolio in the wake of the lower yield environment (recognised against the equity). Furthermore, from end-2012 the Group calculates its capital requirement for operational risk according to the Advanced Measurement Approach, which allows the Group to determine the capital requirement with the use of mathematical-statistical models based on empirical data and expert assessment, rather than with the use of gross income and volume data. Due to the methodology change the capital requirement related to operational risk decreased by HUF 27 billion y-o-y, which resulted in a HUF 346 billion decrease in risk weighted assets related to operational risk. The methodology change approved by the Hungarian Financial Supervisory Authority reduced the capital requirement for 2012, but also means that capital requirement for operational risk might get more volatile going forward.

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5 The early repayment of Hungarian mortgage loans resulted altogether a HUF 217 billion decrease in the gross loan portfolio (in 2011 approx. HUF 110 billion, while in 1Q 2012 another HUF 107 billion). The negative effect of the declining FX loan portfolio was partially offset by forint denominated mortgage loan disbursements amounting to HUF 64 billion, originated by OTP Bank to remortgaging clients. (From this amount a HUF 41 billion was disbursed to own customers.)

6 The Group's operating liquidity reserve consists of bonds of the National Bank of Hungary, government bonds, liquid asset surplus within one month and repoable covered bonds and municipal bonds.

OTP BANK'S HUNGARIAN CORE BUSINESS[7]

OTP Core Statement of recognised income (segmented):

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After-tax profit without the banking levy, dividends and net cash transfer	114,056	94,587	(17)
Corporate income tax	(40,682)	(22,933)	(44)
Pre-tax profit	154,738	117,520	(24)
Operating profit	235,000	211,355	(10)
Total income	419,401	394,243	(6)
Net interest income	327,081	292,570	(11)
Net fees and commissions	84,687	85,820	1
Other net non-interest income	7,633	15,853	108
Operating expenses	(184,401)	(182,888)	(1)
Total risk costs	(95,508)	(90,056)	(6)
Provisions for possible loan losses	(99,209)	(86,986)	(12)
Other provisions	3,701	(3,070)	(183)
Total one-off items	15,246	(3,779)	(125)
Revaluation result of FX swaps	3,169	(2,528)	(180)
Gain on the repurchase of own Upper and Lower Tier2 Capital	2,580	1,415	(45)
Revaluation result of the treasury share swap agreement	5,572	(2,667)	(148)
Revenues by Business Lines			
RETAIL			
Total income	320,229	307,118	(4)
Net interest income	242,576	229,237	(5)
Net fees and commissions	73,427	74,692	2
Other net non-interest income	4,225	3,189	(25)
CORPORATE			
Total income	37,466	33,182	(11)
Net interest income	25,794	21,527	(17)
Net fees and commissions	10,437	10,723	3
Other net non-interest income	1,235	932	(25)
Treasury ALM			
Total income	58,984	49,061	(17)
Net interest income	58,710	41,806	(29)
Net fees and commissions	714	(63)	(109)
Other net non-interest income	(440)	7,317	
Performance Indicators	2011	2012	ppts
ROE	9.5%	7.1%	(2.4)
ROA	1.7%	1.5%	(0.3)
Operating profit margin (operating profit / avg. total assets)	3.6%	3.3%	(0.3)
Total income margin	6.43%	6.17%	(0.26)
Net interest margin	5.01%	4.58%	(0.43)
Net fee and commission margin	1.3%	1.3%	0.0
Net other non-interest income margin	0.1%	0.2%	0.1
Operating costs to total assets ratio	2.8%	2.9%	0.1
Cost/income ratio	44.0%	46.4%	2.4
Cost of risk/average gross loans	2.77%	2.55%	(0.22)
Cost of risk/average gross loans (FX adjusted)	2.76%	2.60%	(0.16)
Effective tax rate	26.3%	19.5%	(6.8)

- ***After tax profit declined by 17% as a result of diminishing operating income and negative one-off effects***
- ***11% drop of net interest income is mainly due to declining loan volumes and eroding net interest margin***
- ***Total loans, within that mortgage loans declined by 7% and 9% respectively, deposits remained stable, as a result loan-to-deposit ratio sank further (2012: 73%).***
- ***Retail activity remained market leading: in mortgage and cash loan origination market share reached 34% and 52% in 4Q 2012, respectively***

[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.

P&L developments

Without the effect of banking tax and FX mortgage loan prepayments **OTP Core** posted a net profit of HUF 94.6 billion in 2012, by 17% lower than a year ago. 2012 profit decreased by HUF 3.8 billion due to one-off items such as the revaluation of FX swaps and the profit impact of the treasury share-swap transaction. Furthermore, operating income also declined by 10% primarily driven by the 6% drop of total income. Net interest income generation was by 11% lower y-o-y, on one hand due to narrowing deposit margins and the shrinking portfolio on the other, partially as a result of early repayment of FX mortgage loans. The fixed exchange rate scheme available for FX mortgage borrowers had an additional negative impact (approx. HUF 0.4 billion less interest income in 4Q 2012)[8]. By end-2012 almost 32 thousand clients, representing 26.5% of eligible borrowers applied for the facility. Annual operating expenses declined by 1%. The latter is the result of several factors: personnel expenses grew fundamentally due to higher number of employees aimed at strengthening the collection processes, moreover technical effects emerged from bringing the management compensation system in line with regulatory requirements of CRD III in 2010. Administrative expenses shrank significantly (-8% y-o-y), partially due to declining marketing and advisory costs as a result of stringent cost management. Furthermore, the changed recognition of tax deductible transfers caused a technical effect[9].

Risk cost lagged behind its 2011 level by 6%. Portfolio deterioration decelerated somewhat y-o-y (FX-adjusted non-performing loan formation in HUF billion 2011: 83, 2012: 75), whereas deterioration slowed down remarkably after the second quarter of 2012, thanks to the stronger forint and to the fixed exchange rate scheme available for FX borrowers. At the same time, the provision coverage of non-performing loans increased significantly to 81.9% (up by 0.9 ppt and 2.8 ppts in 2011 and 2012, respectively).

The share of non-performing loans ('DPD90+ rate') ascended to 16.1%. Loans to large companies improved y-o-y (DPD90+ ratio 2011: 15.4%, 2012: 13.1%) – partly due to write-offs and sale of receivables. Besides, the FX mortgage portfolio deterioration slowed down especially in the second half of the year (DPD90+ ratio of mortgages 2011: 12.6%, 2012: 17.6%). The consumer loan book deteriorated steadily (DPD90+ 2011: 22.7% 2012: 24.8%), while the municipality portfolio remained good (DPD90+ ratio 2011: 0.4%, 2012: 0.6%).

The conversion of non-performing FX mortgage loans and the subsequent 25% debt forgiveness did not have a material P&L impact in 2012, since the effect of the debt forgiveness was mainly off-set by release of previously accumulated provisions. Altogether HUF 2.2 billion of loans was forgiven (together with exposures of OTP Flat Lease Ltd) resulting banking tax re-fund in the amount of HUF 0.6 billion. The latter was recognised as an adjustment item in the consolidated P&L in 2012, its total after tax effect was at +HUF 0.5 billion.

The annual tax burden declined significantly (effective tax rate dropped from 26% to 20%). The main reason was the HUF 5.7 billion positive tax shield stemming from the revaluation of subsidiary investments in 2012 thanks to the appreciation of the forint. In 2011 on the contrary, HUF 8.4 billion additional tax was generated because of forint depreciation.

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

Main components of balance sheet closing balances	2011 HUF million	2012 HUF million	Change %
Total Assets	6,548,167	6,229,359	(5)
Net customer loans	3,194,835	2,807,565	(12)
Net customer loans (FX adjusted)	**3,095,396**	**2,807,565**	**(9)**
Gross customer loans	3,581,382	3,234,343	(10)
Gross customer loans (FX adjusted)	**3,468,346**	**3,234,343**	**(7)**
Retail loans	2,328,619	2,180,188	(6)
Retail mortgage loans (incl. home equity)	1,779,009	1,620,985	(9)
Retail consumer loans	437,415	438,497	0
SME loans	112,195	120,707	8
Corporate loans	1,139,727	1,054,155	(8)
Loans to medium and large corporates	833,523	786,761	(6)
Municipal loans	306,204	267,394	(13)
Provisions[1]	(386,547)	(426,779)	10
Provisions (FX adjusted)[1]	**(372,951)**	**(426,779)**	**14**

[8] The 2012 annual estimated after tax profit effect of the fixed exchange rate scheme was recognised in OTP Core's P&L as other risk cost in 2Q 2012. From 2Q 2012 credit institutions' contribution tax started to be recognised in the P&L of OTP Core as OTP Core's burden share in the fixed exchange rate scheme. Simultaneously the formerly set aside other provisions were released. In the adjusted financial statements of this report the tax is reclassified from other expenses (administrative expenses) to net interest income.

[9] Tax deductible transfers paid by Hungarian group members in 2H 2012 were reclassified from other expenses to corporate income tax. Thus the paid transfer and the amount of related corporate tax allowance were recognised jointly on the corporate income tax line of the adjusted P&L (in a net way). In 2011 HUF 4.7 billion paid transfer was booked among other administrative expenses at OTP Core.

Main components of balance sheet closing balances	2011 HUF million	2012 HUF million	Change %
Deposits from customers + retail bonds	3,913,977	3,863,322	(1)
Deposits from customers + retail bonds (FX adjusted)	**3,875,003**	**3,863,322**	**0**
Retail deposits + retail bonds	2,768,090	2,567,595	(7)
Household deposits + retail bonds	2,466,088	2,257,203	(8)
o/w: Retail bonds	344,510	230,626	(33)
SME deposits	302,002	310,392	3
Corporate deposits	1,106,913	1,295,727	17
Deposits of medium and large corporates	909,456	1,056,244	16
Municipal deposits	197,457	239,483	21
Liabilities to credit institutions	572,721	403,947	(29)
Issued securities	628,704	479,637	(24)
o/w retail bonds	*344,510*	*230,626*	*(33)*
Issued securities without retail bonds	284,194	249,012	(12)
Total shareholders' equity	1,278,409	1,396,132	9
Loan Quality	2011	2012	%/ppts
90+ days past due loan volume	488,668	521,062	7
90+ days past due loans/gross customer loans	13.6%	16.1%	2.5
Total provisions/90+ days past due loans[1]	79.1%	81.9%	2.8
Market Share	2011	2012	ppts
Loans	18.2%	19.0%	0.8
Deposits	22.7%	23.0%	0.3
Total Assets	25.4%	26.6%	1.2
Performance Indicators	2011	2012	ppts
Net loans to (deposits + retail bonds) (FX adjusted)	80%	73%	(7)
Leverage (Shareholder's Equity/Total Assets)	19.5%	22.4%	2.9
Leverage (Total Assets/Shareholder's Equity)	5.1x	4.5x	
Capital adequacy ratio (OTP Bank, non-consolidated, HAS)	17.9%	20.5%	2.6
Core Tier1 ratio (OTP Bank, non-consolidated, HAS)	15.8%	19.4%	3.6

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

Balance sheet trends

In 2012 FX-adjusted gross loan portfolio decreased by 7% as a result of a 6% contraction of retail volumes and an 8% decline in the corporate segment. The deposit book together with retail bonds stagnated. As a result, the "net loan-to-deposit+retail bond" ratio declined (2012: 73%, -7ppts y-o-y, FX-adjusted).

Loan demand in the retail segment is still missing momentum. The FX-adjusted decrease of the mortgage portfolio continued after closing the early repayment scheme, though at more moderate pace (2012: -9% y-o-y). After the closure of early repayments OTP's market share in mortgage loan sales exceeded 30% again (4Q 2012: 34%, thus in 3-12M: 32%). However, the overall loan disbursement dropped during the year as temporary demand for refinancing forint loans boosted by the early repayments run out of steam (2012 annual disbursement: HUF 87 billion, -6% y-o-y). Going forward the interest subsidy scheme on forint mortgages launched by the Government may result in a stronger customer demand. OTP was the first bank offering this product from early August 2012. Thanks to the regulatory modifications, from January 2013 the conditions of the subsidised loans became more favourable for clients. Accordingly, instead of the decreasing amount of subsidy under the old scheme it will remain flat for 5 years period and the available loan amount was also increased (in case of building or purchase a new flat from HUF 10 million to HUF 15 million, in case of purchase or renovation of a used flat from HUF 6 million to HUF 10 million). The value limit of the used real estate to be purchased was raised from HUF 15 million to HUF 20 million. Under the scheme the mortgage borrower can enjoy a forint interest rate of around 6-7% in the first 5 years provided all relevant requirements are met.

Apart from outstanding market share in new sales (2011: 50%, 2012: 57%) no material expansion was experienced in cash loans: due to sluggish demand the newly disbursed personal loan portfolio lagged behind that of the previous year (in HUF billion: 2011: 48, 2012: 46) and the loan book decreased. However the portfolio of overdrafts increased in 2012, thus the total consumer loan book stagnated.

Loan volumes to middle and large companies decreased by 6% in 2012. Thus only loans to micro and small enterprises could expand by 8% y-o-y.

The decline of municipal loan portfolio (-13% y-o-y) is due to the debt consolidation of municipalities with less than 5 thousands inhabitants taking place in December 2012. In the consolidation process the State gave a non-refundable subsidy to the relevant municipalities for the total repayment of their outstanding obligations (loans, bonds, bills of exchange) as at 12 December 2012. In case of OTP Bank HUF 28,8 billion total debt of 957 municipalities has been repaid (calculated with 27 December 2012 exchange rate the FX-composition of the debt in HUF equivalent was the following: HUF-denominated: HUF 24.1 billion, CHF-denominated: HUF 4.4 billion and EUR-denominated: HUF 0.1 billion). Simultaneously the Bank transferred a HUF 75.5 million bail-deposit, related to the loan accounts, to the state treasury.

Take-over of the debts of municipalities with more than 5 thousands inhabitants by the State is expected in 1H 2013. The measure of the debt take-over will be 40%, 50%, 60% or 70%, based on the income generating capacity of the municipality compared to the average income generating capacity of the municipality's settlement category. However, the central administration has the opportunity to deviate from these rates upwards, based on individual agreement with local governments. At OTP Bank total loan amount of municipal debt to the 192 municipalities with more than 5 thousands inhabitants represented HUF 245 billion at the end of 2012. Accordingly, part of this loan amount becomes receivables from the State during 2Q 2013 in the balance sheet of OTP Bank.

The deposit base of OTP Core (together with retail bonds) remained stable y-o-y. It was supported by corporate flows, within that especially by deposits of large companies. As for retail deposits, y-o-y volume development was determined by the fact that clients could use their savings for early repayment of FX mortgage loans. Furthermore, since the beginning of 2012 the state offers attractive interest rates on the government bonds and conducts intensive promotional campaign. As a result, the structure of retail savings realigned at the expense of term deposits and bank bonds in favour of government bonds.

The portfolio of issued securities (without retail bonds) declined by 12% y-o-y. The decrease was caused by repayments of forint denominated mortgage bonds (in the amount of HUF 59 billion). There was no bond issuance on the international capital markets in 2012[10]. Thus, the decline of the outstanding portfolio due to maturities was offset only by HUF denominated senior unsecured notes issued for Hungarian institutional investors (2012 closing volume: HUF 125 billion, +22 billion y-o-y).

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends, net cash transfer and banking tax	3,321	2,040	(39)
Corporate income tax	(745)	(257)	66
Profit before income tax	4,066	2,297	(44)
Total income	5,913	4,633	(22)
Net interest income	65	55	(16)
Net fee and commission income	5,047	4,516	(11)
Other net non-interest income	801	62	(92)
Operating expenses	(1,744)	(2,371)	36
Personnel expenses	(745)	(870)	17
Operating expenses	(982)	(1,462)	49
Depreciation	(17)	(38)	122
Other provisions	(103)	35	(134)
Main components of balance sheet closing balances	**2011**	**2012**	**%**
Total assets	8,633	6,617	(23)
Total shareholders' equity	7,115	5,092	(28)
Asset under management	**2011 HUF billion**	**2012 HUF billion**	**%**
Assets under management, total (w/o duplicates)	**993**	**1,077**	**8**
Retail investment funds (closing, w/o duplicates)	594	672	13
Volume of managed assets (closing, w/o duplicates)	400	405	1
Volume of investment funds (with duplicates)	**796**	**771**	**(3)**
money market	375	388	3
bond	112	139	24
mixed	11	11	(4)
security	196	94	(52)
guaranteed	81	89	11
other	21	50	141

OTP Fund Management posted HUF 2 billion after tax profit in 2012 excluding the special banking tax on financial institutions.

The series of rate cuts started by the central bank from August 2012 channelled savings from deposits into investment funds. Assets under management gradually grew from the second half of the year, as well as the fee income from asset management. The wealth management fee income however dropped significantly on the back of the redemption of investment fund units held in the portfolios of private pension funds.

[10] Major part of the EUR 510 million mortgage bond issued by OTP Mortgage Bank on 6 September 2012 was purchased by OTP Bank, while third party investors bought EUR 5 million notional of the tranche.

Consequently, total fees declined by 11% y-o-y. Operating costs expanded by 40% y-o-y due to a one-off item. The Hungarian Financial Supervisory Authority ('HFSA') reviewed the practice of local fund managers as to how much fees they charged directly and indirectly for handling private pension investments. As a result the HFSA obliged OTP Fund Management to refund HUF 597 million to OTP Private Pension Fund. This expense item was recognised as administrative cost in 2012. The 17% increase in personnel expenses y-o-y was partly related to success fees booked under the remuneration scheme.

Assets under management without duplication represented HUF 1,077 billion underpinning a y-o-y 84 billion increase. Investment funds in general had a good performance in 2012, especially in 4Q. Within that bond funds and derivative funds enjoyed the strongest inflows, whereas money market funds suffered capital outflow.

As a result the securities portfolio funds increased by 13% y-o-y, however the company's market share shrank to 25.9% (-25 bps y-o-y).

The other two consolidated fund management companies within the Group (in the Ukraine and in Romania) posted HUF 2 billion profits in 2012 versus a HUF 56 million loss in the previous year.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	2,206	501	(77)
Income tax	0	(11)	
Profit before income tax	2,206	512	(77)
Operating profit	9,956	7,956	(20)
Total income	15,497	13,994	(10)
Net interest income	15,527	15,346	(1)
Net fees and commissions	(3,369)	(3,106)	(8)
Other net non-interest income without the effect of revaluation of FX provisions	3,338	1,755	(47)
Operating expenses	(5,542)	(6,038)	9
Total risk costs	(7,749)	(7,444)	(4)
Provision for possible loan losses without the effect of revaluation of FX provisions	(7,497)	(7,710)	3
Other provision	(253)	267	(206)
Main components of balance sheet closing balances	**2011**	**2012**	**%**
Total assets	270,894	242,982	(10)
Gross customer loans	305,445	267,744	(12)
Gross customer loans (FX-adjusted)	292,788	267,744	(9)
Retail loans	2,293	4,038	76
Corporate loans	30,352	39,755	31
Car financing loans	260,143	223,951	(14)
Allowances for possible loan losses	(54,563)	(47,891)	(12)
Allowances for possible loan losses (FX-adjusted)	(54,038)	(47,891)	(11)
Deposits from customers	4,673	4,276	(8)
Deposits from customers (FX-adjusted)	4,672	4,276	(8)
Retail deposits	1,673	1,321	(21)
Corporate deposits	2,998	2,955	(1)
Liabilities to credit institutions	211,429	172,987	(18)
Total shareholders' equity	25,332	26,293	4
Loan Quality	**2011**	**2012**	**%/ppts**
90+ days past due loan volume (in HUF million)	58,509	51,414	(12.1)
90+ days past due loans/gross customer loans (%)	19.2%	19.2%	0.0
Cost of risk/average gross loans (%)	2.44%	2.69%	0.25
Cost of risk/average gross loans (FX-adjusted) (%)	2.42%	2.75%	0.33
Total provisions/90+ days past due loans (%)	93.3%	93.1%	(0.2)
Performance Indicators	**2011**	**2012**	**ppts**
ROA	0.8%	0.2%	(0.6)
ROE	9.3%	1.9%	(7.4)
Net interest margin	5.58%	5.97%	0.39
Cost/income ratio	35.8%	43.2%	7.4

Merkantil Bank and Car's aggregated 2012 after tax result amounted to HUF 501 million, representing a 77% decline compared to the previous year.

The annual operating result declined by 20% y-o-y, owing to the 10% drop in total income, while operating costs rose by 9%. Net interest income showed a 1% decline. Intragroup funding spreads widened, however, this was offset by the weakening average exchange rate of the forint against the swiss franc (+6% y-o-y). The 47% decline in other net non-interest income was mainly attributable to a base effect (ie. in 2011 significant FX gain was realised).

The share of loans with more than 90 days of delinquency remained unchanged at 19.2%. In 2012 non-performing loans in the gross amount of HUF 12 billion with provision coverage at 100% were sold to OTP Factoring. The provision coverage ratio remained stable at a satisfactorily high level of 93.1%.

The FX-adjusted car financing loan book continued to erode: it contracted by 14% y-o-y, partly because of the sale of loans to Factoring. In 2012 new car loan sales developed favourably, they jumped by 44% y-o-y, while in case of big ticket leasing new sales volumes doubled.

IFRS REPORTS OF THE MAIN SUBSIDIARIES

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	41,042	47,158	15
Income tax	(12,064)	(13,690)	13
Profit before income tax	53,107	60,849	15
Operating profit	82,007	121,541	48
Total income	142,796	193,273	35
Net interest income	123,990	170,001	37
Net fees and commissions	17,610	20,998	19
Other net non-interest income	1,196	2,273	90
Operating expenses	(60,789)	(71,732)	18
Total risk costs	(28,900)	(60,692)	110
Provision for possible loan losses	(28,714)	(59,567)	107
Other provision	(186)	(1,126)	506
Main components of balance sheet closing balances	2011	2012	%
Total assets	868,231	1,027,763	18
Gross customer loans	729,910	843,424	16
Gross customer loans (FX-adjusted)	706,163	843,424	19
Retail and SME loans	640,875	806,805	26
Corporate loans	52,761	30,013	(43)
Car financing loans	12,526	6,606	(47)
Allowances for possible loan losses	(72,332)	(129,491)	79
Allowances for possible loan losses (FX-adjusted)	(70,109)	(129,491)	85
Deposits from customers	488,582	590,958	21
Deposits from customer (FX-adjusted)	470,961	590,958	25
Retail and SME deposits	387,059	471,325	22
Corporate deposits	83,902	119,633	43
Liabilities to credit institutions	91,738	75,112	(18)
Issued securities	105,490	118,063	12
Subordinated debt	17,567	16,399	(7)
Total shareholders' equity	144,838	191,883	32
Loan Quality	2011	2012	%/ppts
90+ days past due loan volume (in HUF million)	80,705	140,239	73.8
90+ days past due loans/gross customer loans (%)	11.1%	16.6%	5.5
Cost of risk/average gross loans (%)	4.64%	7.57%	2.93
Cost of risk/average (FX-adjusted) gross loans (%)	4.61%	7.69%	3.08
Total provisions/90+ days past due loans (%)	89.6%	92.3%	2.7
Performance Indicators	2011	2012	ppts
ROA	5.4%	5.0%	(0.4)
ROE	33.8%	28.0%	(5.8)
Total income margin	18.63%	20.39%	1.76
Net interest margin	16.18%	17.93%	1.75
Cost/income ratio	42.6%	37.1%	(5.5)
Net loans to deposits (FX-adjusted)	135%	121%	(14)
FX rates (in HUF)	2011	2012	%
HUF/RUB (closing)	7.47	7.26	(3)
HUF/RUB (average)	6.83	7.25	6

- ***HUF 47 billion profit for 2012 exceeded 2011 results by 15%***
- ***Operating profit surged by 48% y-o-y***
- ***Leaping risk cost, y-o-y improving provision coverage (2012: 92.3%)***
- ***Still robust consumer loan disbursement***
- ***Cost efficiency is further improving (2012 cost/income ratio at 37.1%, -5.5 ppts y-o-y)***

After tax profit of **OTP Bank Russia** for 2012 amounted to HUF 47.2 billion, by 15% higher than the net profit for 2011.

Total income in 2012 showed dynamic increase, net interest income and net fees grew by 37% and 19% y-o-y, respectively. Besides swelling loan volumes (FX-adjusted 19% increase) higher interest margin (2012: 17.9%, +1.8 ppts y-o-y) also fuelled the increase of income. Although net fee margin was stable y-o-y in 2012, net fees increased by 19% y-o-y, mainly driven by the still outstandingly strong dynamics of the credit card business and the growing amount of loans sold with insurance. In 2012 about HUF 2.3 billion other net non-interest income beefed up the results, mainly owing to the FX gains due to revaluation of open positions in 2Q and 4Q.

Operating expenses grew 18% y-o-y due to the stronger business activity: cost areas linked to business volumes like administrative cost (+28%) and personnel expenses (+18%) grew, while depreciation decreased by 17% y-o-y. Despite higher operating costs 2012 operating profit showed an outstanding performance and surged by 48% y-o-y. As a result, cost/income ratio of the bank improved significantly (2012: 37.1%, -5.5 ppts y-o-y).

Risk cost grew substantially in 2012, by 110% y-o-y. The increase in risk cost is due to portfolio deterioration, DPD90+ portfolio grew by 16.7% q-o-q and by 73.8% y-o-y. As a result of the total loan book growth, increase of DPD90+ ratio was milder, it grew to 16.6% by the end of the year (+5.6 ppts y-o-y). Owing to the high provisioning, the provision coverage of DPD90+ loans further improved (2012: 92.3%, +2.7 ppts y-o-y).

The Russian bank remained very successful in selling consumer loans; in 2012 the gross FX-adjusted consumer loan portfolio increased by 31% y-o-y. In case of the flagship POS-loan product, with record disbursement in 4Q 2012 the y-o-y portfolio expansion reached 29%. This achievement was supported by a larger agent network but also average loan volume grew by about 9% compared to the previous year, and the average term of POS loans lengthened by about 1 month to 13 months. The bank kept its No. 2 position in this market segment. Notwithstanding the strengthening market competition, the credit card segment showed robust growth in 2012 (+61% y-o-y). Currently the bank is the seventh largest player in this segment. Personal loans disbursement, which excelled in 2011 with high growth, was scaled back according to a management decision in the first half of 2012 as more emphasis was put on products with higher profitability. From 3Q 2012 on this segment showed growth again (2012: +3% y-o-y), despite the higher pricing.

Other retail lending products (car loans -47% y-o-y, mortgage loans -22% y-o-y) as well as corporate loans portfolio continued to contract in 2012: the latter shrank by 43% y-o-y. This typically low margin segment is dominated by state owned banks; OTP Bank Russia has rather started to improve the letter of credit and corporate treasury business from 2Q 2012 on.

In 2012 total deposits grew by 25% y-o-y, FX-adjusted. Due to slightly higher interest rates the retail portfolio volume (especially that of the term deposits) grew by 24% y-o-y. SME deposits also increased (+14% y-o-y), and corporate deposit base grew back to levels seen in the beginning of 2011 (+43% y-o-y). As a result of the increasing deposit base, FX-adjusted net loan-to-deposit ratio decreased to 121% in 2012, -14 ppts y-o-y.

With the aim of diversifying the funding base, the Bank already tapped 4 times the rouble bond market in 2011 and 2012, issuing a total of RUB 17.5 billion bonds. Out of which RUB 6 billion was printed in 1Q 2012. In November 2012 in case of a puttable bond with face value of RUB 4 billion, 97% of the investors executed their put option, thus the outstanding obligation decreased.

The number of employees increased to 5,177 by the end of 2012, at the same time the number of branches decreased by one to 146. The number of active points of sale grew by 18% in 2012 and almost reached 29 thousand.

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	12,744	24,214	90
Income tax	(1,587)	(3,329)	110
Profit before income tax	14,331	27,543	92
Operating profit	59,878	58,927	(2)
Total income	93,104	95,732	3
Net interest income	74,731	74,671	(0.1)
Net fees and commissions	15,867	16,875	6
Other net non-interest income	2,505	4,186	67
Operating expenses	(33,226)	(36,804)	11
Total provisions	(45,547)	(31,384)	(31)
Provision for possible loan losses	(45,713)	(31,153)	(32)
Other provision	166	(230)	(239)
Main components of balance sheet closing balances	**2011**	**2012**	**%**
Total assets	1,360,510	1,292,031	(5)
Gross customer loans	1,221,517	1,143,861	(6)
Gross customer loans (FX-adjusted)	1,143,653	1,143,861	0.01
Retail loans	903,468	891,331	(1)
Corporate loans	240,185	252,530	5
Allowances for possible loan losses	(158,490)	(178,538)	13
Allowances for possible loan losses (FX-adjusted)	(148,390)	(178,538)	20

Main components of balance sheet closing balances	2011	2012	%
Deposits from customers	1,013,310	979,054	(3)
Deposits from customer (FX-adjusted)	948,140	979,054	3
Retail deposits	834,837	861,722	3
Corporate deposits	113,303	117,332	4
Liabilities to credit institutions	12,223	36,356	197
Subordinated debt	109,262	43,901	(60)
Total shareholders' equity	209,484	209,187	(0.1)
Loan Quality	2011	2012	%/ppts
90+ days past due loan volume (in HUF million)	200,154	210,664	5.3
90+ days past due loans/gross customer loans (%)	16.4%	18.4%	2.0
Cost of risk/average gross loans (%)	3.99%	2.63%	(1.35)
Cost of risk/average (FX-adjusted) gross loans	4.04%	2.72%	(1.32)
Total provisions/90+ days past due loans (%)	79.2%	84.8%	5.6
Performance Indicators	2011	2012	ppts
ROA	1.0%	1.8%	0.8
ROE	6.0%	11.6%	5.6
Total income margin	7.22%	7.22%	0.00
Net interest margin	5.80%	5.63%	(0.17)
Cost/income ratio	35.7%	38.4%	2.7
Net loan to deposit ratio (FX-adjusted)	105%	99%	(6)
FX rates (in HUF)	2011	2012	%
HUF/BGN (closing)	159.1	148.9	(6)
HUF/BGN (average)	142.8	148.0	4

- ***2012 after tax profit almost doubled mainly as a result of significantly moderating risk costs (down by 31% y-o-y)***
- ***Declining FX-adjusted net loans and increasing deposit book resulted declining net-loan-to-deposit ratio (99%, -6 ppts y-o-y)***
- ***Slightly narrowing net interest margin (5.63%, -16 bps y-o-y) due to change of methodology and moderating lending rates***
- ***Decelerating portfolio deterioration, significantly growing coverage ratio (84.8%, +5.6 ppts y-o-y)***

DSK Group reached HUF 24.2 billion of after tax profit in 2012, almost twice as high as in 2011. The performance of the Bulgarian bank in 2012 proved its henceforward robust income generating capability and efficient cost control. Beside the practically stagnating operating income (-2% y-o-y) the outstanding profit growth is basically due to lower provisioning (down by 31% y-o-y).

Total income increased by 3% y-o-y due to exchange rate movements (in local currency it stagnated). This is primarily the result of increasing net fee income (+6% y-o-y) and the outstanding increase (+67% y-o-y) of other non-interest income from gains realized on government securities and on FX transactions. Net interest income remained flat in HUF terms.

In 2012 net interest income was primarily driven by two factors. On one hand from the middle of October 2012 the Bank does not accrue interest on DPD180+ loans and also terminated the related provisioning in accordance with its modified interest recognition methodology. On the other hand the basically stagnating portfolio together with the slightly eroding interest margin (2012: 5.63/%, -16 bps) also had a negative effect on interest income.

Growth of operating expenses was mainly driven by advisory costs related to some bigger projects (+11% y-o-y). Consequently, the cost/income ratio increased. Thus significant y-o-y improvement of net profit is due to the moderate provisioning. HUF 31.4 billion amount underpins a y-o-y 31% drop. As a result of moderating portfolio deterioration, the provision coverage of DPD90+ loans grew to 84.8% (+5.6 ppts y-o-y).

In 2012 portfolio deterioration slowed down quarter by quarter (DPD90+ ratio: 1Q: 17.4%, 2Q: 18.0%, 3Q: 18.2%, 4Q: 18%). Regarding the composition the deterioration: by the end of the year the DPD90+ ratio of mortgage and consumer loans increased to 21.7% and 15.7%, respectively, while the ratio of SME and corporate loans went up to 41.2% and 11.1%, respectively.

The loan portfolio remained flat y-o-y (FX-adjusted), only the corporate loan book increased (+5% y-o-y). Retail loan market share was 29% and decreased slightly (-1.2 ppts y-o-y) as a result of loan transfers to OTP Faktoring Bulgaria, while corporate loan market share was stable at 6%. Market share of DSK in loans was at 12.8% by end-2012 (-1.3 ppts y-o-y).

In spite of the continuously below-market average deposit interest rates the deposit base increased by 3% y-o-y (FX-adjusted). Regarding the segments: the retail portfolio advanced by 3% y-o-y, while the SME sector grew by 2%. The 4% decline of large corporate deposits was partially balanced by the y-o-y 40%

increase of municipal deposit portfolio. As a result of that DSK's overall deposit market share shrank to 11.4%, within that the retail segment decreased to 16.1% (y-o-y -1.3 ppts) while the corporate segment was stable at 5.1%.

Due to stagnating gross loan portfolio, higher provisioning and slightly increasing deposit base the net-loan-to-deposit ratio declined to 99% (-6 ppts y-o-y).

The capital position of DSK remained very strong, though in 2012 the Bank repaid a subordinated debt with face value of EUR 200 million to its mother company. The capital adequacy ratio is more than 1.5 times higher than the regulatory minimum (2012: 18.9% vs. 12%; Tier1 ratio: 15.8% vs. 10%).

OTP BANK JSC (UKRAINE)

Performance of OTP Bank JSC:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends and net cash transfer	5,091	528	(90)
Corporate income tax	(6,120)	(2,180)	(64)
Profit before income tax	11,211	2,708	(76)
Operating profit	26,829	33,511	25
Total income	53,585	64,510	20
Net interest income	41,784	49,586	19
Net fees and commissions	9,063	12,634	39
Other net non-interest income	2,738	2,289	(16)
Operating expenses	(26,756)	(30,998)	16
Total risk costs	(15,618)	(30,804)	97
Provision for possible loan losses	(15,209)	(30,597)	101
Other provision	(409)	(207)	(49)
Main components of balance sheet closing balances	**2011**	**2012**	**%**
Total assets	778,198	653,603	(16)
Gross customer loans	799,117	683,478	(14)
Gross customer loans (FX-adjusted)	734,051	683,478	(7)
Retail loans	316,950	309,441	(2)
Corporate loans	372,726	337,595	(9)
Car financing loans	44,375	36,441	(18)
Allowances for possible loan losses	(193,587)	(196,132)	1
Allowances for possible loan losses (FX-adjusted)	(177,923)	(196,132)	10
Deposits from customers	251,176	243,132	(3)
Deposits from customer (FX-adjusted)	230,963	243,132	5
Retail and SME deposits	138,441	167,488	21
Corporate deposits	92,522	75,644	(18)
Liabilities to credit institutions	350,556	242,571	(31)
Subordinated debt	47,971	42,925	(11)
Total shareholders' equity	120,149	112,464	(6)
Loan Quality	**2011**	**2012**	**%/ppts**
90+ days past due loan volume (in HUF million)	239,893	248,671	4
90+ days past due loans/gross customer loans (%)	30.0%	36.4%	6.4
Cost of risk/average gross loans (%)	2.04%	4.13%	2.09
Cost of risk/average (FX-adjusted) gross loans (%)	2.07%	4.32%	2.25
Total provisions/90+ days past due loans (%)	80.7%	78.9%	(1.8)
Performance Indicators	**2011**	**2012**	**ppts**
ROA	0.7%	0.1%	(0.6)
ROE	4.4%	0.5%	(3.9)
Total income margin	7.17%	9.01%	1.84
Net interest margin	5.59%	6.93%	1.34
Cost/income ratio	49.9%	48.1%	(1.8)
Net loans to deposits (FX-adjusted)	241%	200%	(41)
FX rates (in HUF)	**2011**	**2012**	**%**
HUF/UAH (closing)	29.92	27.38	(8)
HUF/UAH (average)	25.16	27.85	11

- ***HUF 528 million after tax profit in 2012 as a result of operating profit improving by 25% and doubling risk costs***
- ***Strong POS loan origination with cross sale of credit cards catching up***
- ***Retail deposits advanced by 21% y-o-y providing hryvnia liquidity for consumer lending***
- ***With the further erosion of gross loans the DPD90+ ratio grew to 36.4%, the cash coverage remained stable at 78.9% (-1.8 ppts y-o-y)***

In 2012 **OTP Bank Ukraine** posted HUF 528 million of profits which significantly fell short of 2011 net earnings at HUF 5 billion.

The annual operating profit (in hryvnia terms) increased by 14% supported by 9% growth in total income: the net interest income advanced by 8% as a result of successful consumer lending activity and higher net interest margin (2012: 6.93%, +1.33 ppts). Net fees in hryvnia terms grew by 28%: not only deposit and transaction fees performed nicely, but revenues also from payment protection policies sold with consumer loans increased, too.

Operating expenses grew only moderately (+5% y-o-y, FX-adjusted) driven mainly by the 8% increase in personnel expenses on the back of stronger POS and cash loan sales. In that segment agent-related selling activity gained ground against the traditional branch-based business. The agency network showed a dynamic expansion and grew to 2,591 by year end, whereas 3 branches were closed. Annual cost dynamics reflected both strong cost management and a relatively low inflation environment. As a result, FX-adjusted administrative expenses moderated by 0.3% y-o-y. The cost-to-income ratio declined by a further 1.9 ppts to 48.1%.

Risk costs doubled y-o-y, in case of consumer loans a new scoring system has been implemented together with a new verification system, as a result the quality of newly disbursed loans was better around the end of the year compared to that of in summer, true, in the overall portfolio those results are not yet meaningful. Despite growing risk costs the DPD90+ coverage declined slightly (-1.8 ppts y-o-y) and reached 78.9% by end-2012 as DPD90+ loan volumes in hryvnia terms increased by 14% y-o-y.

Since the launch of consumer lending in March 2011 newly disbursed volumes have been growing. The outstanding POS loan portfolio doubled y-o-y, and the Bank entered federal retail chains with its products. The cross sale of credit cards continued to be successful, too, in 4Q 2012 volumes advanced by 61%. Cash loan disbursement, however was scaled back somewhat in 2H due to more stringent scoring.

Similar to the meltdown of retail mortgage portfolio (-12% y-o-y, FX-adjusted), corporate volumes contracted, too as a result of repayments and write-offs (-9%). Corporate loans showed a slight recovery in 4Q as part of the loans written-off earlier was brought back into the balance sheet again as the management expects resuming payment service.

In order to provide hryvnia liquidity for the growing need of consumer lending, the bank launched deposit campaigns focusing on household clients. As a result of attractive offered rates, retail term deposits advanced by 21% y-o-y (FX-adjusted) and part of the existing deposits was repriced, too (the share of lower yielding deposits shrank). As a result, the net loan-to-deposit ratio decreased further (2012: 212%, -29 ppts y-o-y).

Due to a regulation of the Ukrainian National Bank, the capital position of OTP Ukraine lowered from 20.3% in September 2012 to 13.8% in December (the regulatory minimum is at 10%). However from 1 January 2013 new accounting standards for provisioning were introduced according to which the capital adequacy ratio would have been higher than 18% by end-2012.

OTP BANK ROMANIA (ROMANIA)

Performance of OTP Bank Romania:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	763	(5,530)	(824)
Income tax	7	579	
Profit before income tax	757	(6,109)	(907)
Operating profit	8,961	6,495	(28)
Total income	22,207	19,811	(11)
Net interest income	18,658	15,916	(15)
Net fees and commissions	2,428	1,677	(31)
Other net non-interest income without the effect of revaluation of FX provisions	1,121	2,218	98
Operating expenses	(13,246)	(13,317)	1

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
Total risk costs	(8,204)	(12,604)	54
Provision for possible loan losses without the effect of revaluation of FX provisions	(8,187)	(12,440)	52
Other provision	(17)	(164)	874
Main components of balance sheet closing balances	**2011**	**2012**	**%**
Total assets	460,623	461,458	0.1
Gross customer loans	394,188	392,608	(0.5)
Gross customer loans (FX-adjusted)	369,032	392,608	6
Retail loans	275,167	306,019	11
Corporate loans	93,865	86,589	(8)
Allowances for possible loan losses	(33,266)	(45,583)	37
Allowances for possible loan losses (FX-adjusted)	(31,082)	(45,583)	47
Deposits from customers	120,822	155,348	29
Deposits from customers (FX-adjusted)	111,271	155,348	40
Retail deposits	89,181	128,704	44
Corporate deposits	22,090	26,644	21
Liabilities to credit institutions	280,966	239,464	(15)
Total shareholders' equity	28,353	32,581	15
Loan Quality	**2011**	**2012**	**%/ppts**
90+ days past due loan volume (in HUF million)	47,584	62,388	31
90+ days past due loans/gross customer loans (%)	12.1%	15.9%	3.8
Cost of risk/average gross loans (%)	2.26%	3.16%	0.90
Cost of risk/average gross loans (FX-adjusted) (%)	2.28%	3.27%	0.99
Total provisions/90+ days past due loans (%)	69.9%	73.1%	3.2
Performance Indicators	**2011**	**2012**	**ppts**
ROA	0.2%	(1.2%)	(1.4)
ROE	2.9%	(18.2%)	(21.1)
Total income margin	5.02%	4.30%	(0.72)
Net interest margin	4.22%	3.45%	(0.77)
Cost/income ratio	59.6%	67.2%	7.6
Net loans to deposits (FX-adjusted)	304%	223%	(81)
FX rates (in HUF)	**2011**	**2012**	**%**
HUF/RON (closing)	72	66	(9)
HUF/RON (average)	66	65	(1)

OTP Bank Romania realized HUF 5.5 billion loss in 2012, while in 2011 HUF 763 million profit was reached.

The annual operating result declined by 28%, reflecting mainly the diminishing revenues. The net interest margin narrowed by 76 basis points, entailing a 15% drop in net interest income. The setback can be mainly reasoned by the elevated interest expenses due to the successful deposit collection in a competitive market. The 31% decline in net fees y-o-y was attributable to the reclassification of some items from fees into net interest income from 2012 onwards. In 2012 operating expenses went up by 1% which reflects strong cost control, considering the inflationary environment.

The DPD90+ ratio increased to 15.9%, although in 4Q 2012 the ratio remained flat. In 2012 bulk of the portfolio deterioration came from the mortgage loan segment. However, due to the increasing risk cost the provision coverage ratio improved.

The total gross loans grew by 6% y-o-y adjusted for the FX-effect. In 2012 the launch and upswing of local currency denominated consumer lending was the key milestone. Consumer loan volumes leaped by 74% y-o-y. The success of the deposit collection was marked by the increasing market share in 2012, supported by the 40% volume expansion. The net loan to deposit ratio declined.

In 2012 the mother company increased the capital of OTP Bank Romania twice, altogether by HUF 12 billion equivalent.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends and net cash transfer	3,552	3,714	5
One-off items, after-tax	3,440	0	(100)
After tax profit w/o dividends, net cash transfers and one-offs	112	3,714	
Income tax	(50)	(1,039)	
Profit before income tax	162	4,754	
Operating profit	8,222	8,497	3
Total income	21,784	22,550	4
Net interest income	15,383	16,220	5
Net fees and commissions	4,094	4,660	14
Other net non-interest income	2,307	1,670	(28)
Operating expenses	(13,563)	(14,052)	4
Total risk costs	(8,059)	(3,744)	(54)
Provision for possible loan losses	(6,694)	(2,988)	(55)
Other provision	(1,365)	(756)	(45)
Main components of balance sheet closing balances	**2011**	**2012**	**%**
Total assets	529,853	519,570	(2)
Gross customer loans	377,592	351,410	(7)
Gross customer loans (FX-adjusted)	353,538	351,410	(1)
Retail loans	221,746	225,851	2
Corporate loans	130,466	124,757	(4)
Car financing loans	1,327	802	(40)
Allowances for possible loan losses	(22,013)	(23,740)	8
Allowances for possible loan losses (FX-adjusted)	(20,592)	(23,740)	15
Deposits from customers	421,618	407,754	(3)
Deposits from customer (FX-adjusted)	393,807	407,754	4
Retail deposits	351,240	361,426	3
Corporate deposits	42,566	46,329	9
Liabilities to credit institutions	36,041	37,832	5
Subordinated debt	1,589	1,489	(6)
Total shareholders' equity	58,485	59,813	2
Loan Quality	**2011**	**2012**	**%/ppts**
90+ days past due loan volume (in HUF million)	38,260	38,892	1.7
90+ days past due loans/gross customer loans (%)	10.1%	11.1%	0.9
Cost of risk/average gross loans	1.88%	0.82%	(1.06)
Cost of risk/average (FX-adjusted) gross loans	1.90%	0.85%	(1.05)
Total provisions/90+ days past due loans (%)	57.5%	61.0%	3.5
Performance Indicators	**2011**	**2012**	**ppts**
ROA	0.0%	0.7%	0.7
ROE	0.2%	6.3%	6.1
Total income margin	4.29%	4.30%	0.01
Net interest margin	3.03%	3.09%	0.06
Cost/income ratio	62.3%	62.3%	0.0
Net loans to deposits (FX-adjusted)	85%	80%	(5)
FX rates (in HUF)	**2011**	**2012**	**%**
HUF/HRK (closing)	41.27	38.59	(6)
HUF/HRK (average)	37.53	38.48	3

OTP banka Hrvatska posted HUF 3.7 billion after tax profit in 2012 (+5% y-o-y). The annual profit formation mainly reflected the 54% drop in risk costs as operating income remained stable.

Total income of the Croatian subsidiary was stagnant in 2012, due to exchange rate movements it has advanced by 4% in HUF terms. Net interest income grew by 5% y-o-y as a result of stable net interest margin (2012: 3.09%, +0.06 ppt y-o-y) and portfolio formation. 14% increase of net fees was driven by the significantly improving card- and POS-terminal revenues in the summer tourist season and loan prepayment fees, while other net non-interest income dropped by 28%.

The cost/income ratio in 2012 was improving continuously (1Q 2012: 65.6%, 2Q: 62.9%, 3Q: 60.8%; 4Q: 60.0%).

After an improvement in the first half of the year, in 2H the portfolio deterioration accelerated, thus the DPD90+ ratio grew by 0.9 ppt to 11.1% y-o-y. With regards to different segments, the quality of consumer loans stagnated at 10.1%, while DPD90+ ratio of mortgage loans elevated to 8.0%. DPD90+ ratio of SME loans improved to 19.0%, while the ratio of car- and corporate loans went up to 15.2% and 17.2%, respectively. Coverage ratio of DPD90+ loan portfolio at year-end 2012 was 61% (+3.5 ppts y-o-y).

Due to shrinking economy and high level of unemployment the loan demand remained subdued. In 2012 the loan portfolio declined by 1% due to 2% increase of retail and 4% decline of corporate loan portfolio

(FX-adjusted). Within the retail book mortgage and consumer loans grew by 1% and 3%, respectively. As the contraction in loan portfolio is typical on the Croatian market, the market share of the bank in loans was stable at 3.2%.

In 2012 the FX-adjusted deposit book expanded in all segments, altogether by 4% y-o-y. The annual growth of retail and SME portfolio was 3%, while the corporate book developed by 9%. As a result, the market share practically remained unchanged at 4.3%. In the wake of decreasing loans but increasing deposits, the net-loan-to-deposit rate dropped by 4 ppts to 80% in 2012.

Capital adequacy ratio of the Bank increased by 1.4 ppts y-o-y to 14.9% (regulatory minimum: 12%).

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance OTP Banka Slovensko:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	(409)	(1,161)	184
Income tax	(72)	(182)	153
Profit before income tax	(336)	(979)	191
Operating profit	3,328	3,440	3
Total income	13,640	13,932	2
Net interest income	10,968	12,019	10
Net fees and commissions	2,499	2,930	17
Other net non-interest income	172	(1,017)	(691)
Operating expenses	(10,311)	(10,491)	2
Total risk costs	(3,665)	(4,420)	21
Provision for possible loan losses	(3,624)	(4,420)	22
Other provision	(40)	1	(102)
Main components of balance sheet closing balances	**2011**	**2012**	**%**
Total assets	386,313	374,224	(3)
Gross customer loans	300,970	291,991	(3)
Gross customer loans (FX-adjusted)	281,754	291,991	4
Retail and SME loans	205,486	222,326	8
Corporate loans	75,725	69,144	(9)
Car financing loans	543	520	(4)
Allowances for possible loan losses	(18,992)	(21,042)	11
Allowances for possible loan losses (FX-adjusted)	(17,781)	(21,042)	18
Deposits from customers	290,157	299,014	3
Deposits from customer (FX-adjusted)	271,599	299,014	10
Retail and SME deposits	250,186	274,855	10
Corporate deposits	21,412	24,159	13
Liabilities to credit institutions	7,596	6,074	(20)
Issued securities	42,250	28,296	(33)
Subordinated debt	9,057	8,464	(7)
Total shareholders' equity	30,421	26,993	(11)
Loan Quality	**2011**	**2012**	**%/ppts**
90+ days past due loan volume (in HUF million)	34,650	34,823	0.5
90+ days past due loans/gross customer loans (%)	11.5%	11.9%	0.4
Cost of risk/average gross loans (%)	1.26%	1.49%	0.23
Cost of risk/average (FX-adjusted) gross loans (%)	1.28%	1.54%	0.26
Total provisions/90+ days past due loans (%)	54.8%	60.4%	5.6
Performance Indicators	**2011**	**2012**	**ppts**
ROA	(0.1%)	(0.3%)	(0.2)
ROE	(1.5%)	(4.0%)	(2.5)
Total income margin	3.71%	3.66%	(0.05)
Net interest margin	2.98%	3.16%	0.18
Cost/income ratio	75.6%	75.3%	(0.3)
Net loans to deposits (FX-adjusted)	97%	91%	(6)
FX rates (in HUF)	**2011**	**2012**	**%**
HUF/EUR (closing)	311	291	(6)
HUF/EUR (average)	279	289	4

* P&L account lines and indicators beginning from 2012 are adjusted for banking tax

In 2012 **OTP Banka Slovensko** posted HUF 1,161 million after tax loss without the banking tax, compared to the loss of HUF 409 million in 2011, mainly as a result of growing risk cost. The total burden of banking tax in 2012 was HUF 951 million for the Slovakian bank. According to the decision of the Slovakian parliament the base of the banking tax broadened from 2H 2012, and there is an extraordinary banking tax due since October 2012. The total burden of banking taxes is expected to reach HUF 1.5 billion in 2013 for the Slovakian subsidiary.

Due to the FX-adjusted total loan growth and the stable margins (2012 total income margin: 3.66%, -4 bps y-o-y) total income shaped well in 2012. Y-o-y net interest income grew by 10% and net fees by 17%. The strong income generation was somewhat off-set by the HUF 1 billion other net non-interest income loss, mainly stemming from swap revaluation. Operating expenses grew by 2% y-o-y, which, taking into consideration the higher average HUF/EUR exchange rate (+4% y-o-y), demonstrates a stringent cost control. In 2H 2012 operating expenses (within that the administrative expenses) declined as the contribution to the deposit protection fund was abolished to compensate for the higher banking tax payable. The total effect was HUF 217 million before tax in 2H. Cost/income ratio improved a bit in HUF terms to 75.3% in 2012, although in local currency it showed a slight increase.

In 2012 HUF 4.4 billion of provisions was set aside (+21% y-o-y) out of which more than half was made in 4Q (HUF 2.4 billion). The outstandingly high risk cost was made in order to improve provision coverage of non-performing loans (2012: 60.4%, +5.6 ppts y-o-y). Mainly mature uncovered fast loans in the SME segment was affected by the coverage enhancement. By the end of 2012 the volume of 90 days past due loans increased by only half of a percentage point, while DPD90+ ratio increased by only 41 bps y-o-y (2012: 11.9%).

The yearly development of loan and deposit volumes was in line with the intention of the management to strengthen the retail focus of the Bank. In yearly comparison total loans grew by 4%, within that retail and SME loan growth was +8%, while corporate and municipal loan portfolio dropped by 9%. Within the retail portfolio the increase of mortgage loans was meaningful (+8%), while the consumer loan portfolio surged by 78% y-o-y. FX-adjusted deposit base surged by 10% y-o-y. Net loans-to-deposits ratio stood at 91% at the end of 2012 (-6 ppts y-o-y).

In 2012 altogether 4 branches were closed so the bank ended the year with 70 branches.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	(6,283)	(4,934)	(21)
Income tax	(134)	3	(102)
Profit before income tax	(6,149)	(4,937)	(20)
Operating profit	(1,316)	(1,708)	30
Total income	5,220	6,322	21
Net interest income	1,460	3,071	110
Net fees and commissions	1,872	1,604	(14)
Other net non-interest income without the effect of revaluation of FX provisions	1,888	1,648	(13)
Operating expenses	(6,536)	(8,030)	23
Total risk costs	(4,833)	(3,228)	(33)
Provision for possible loan losses without the effect of revaluation of FX provisions	(4,960)	(3,159)	(36)
Other provision	127	(69)	(154)
Main components of balance sheet closing balances	**2011**	**2012**	**%**
Total assets	121,475	122,994	1
Gross customer loans	90,523	90,026	(1)
Gross customer loans (FX-adjusted)	82,313	90,026	9
Retail loans	34,999	38,397	10
Corporate loans	47,313	51,629	9
Allowances for possible loan losses	(26,078)	(26,404)	1
Allowances for possible loan losses (FX-adjusted)	(23,373)	(26,404)	13
Deposits from customers	36,476	38,268	5
Deposits from customers (FX-adjusted)	33,309	38,268	15
Retail deposits	27,069	29,692	10
Corporate deposits	6,239	8,575	37
Liabilities to credit institutions	6,602	17,088	159
Subordinated debt	45,967	37,561	(18)
Total shareholders' equity	27,706	25,171	(9)
Loan Quality	**2011**	**2012**	**%/ppts**
90+ days past due loan volume (in HUF million)	54,836	47,329	(13.7)
90+ days past due loans/gross customer loans (%)	60.6%	52.6%	(8.0)
Cost of risk/average gross loans (%)	5.53%	3.50%	(2.03)
Cost of risk/average gross loans (FX-adjusted) (%)	5.72%	3.67%	(2.05)
Total provisions/90+ days past due loans (%)	47.6%	55.8%	8.2

Performance Indicators	2011	2012	ppts
ROA	(5.3%)	(4.0%)	1.3
ROE	(27.5%)	(18.7%)	8.8
Total income margin	4.42%	5.17%	0.75
Net interest margin	1.24%	2.51%	1.27
Cost/income ratio	125.2%	127.0%	1.8
Net loans to deposits (FX-adjusted)	177%	166%	(11)
FX rates (in HUF)	2011	2012	%
HUF/RSD (closing)	3.0	2.6	(14)
HUF/RSD (average)	2.7	2.6	(4)

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

OTP banka Srbija posted HUF 4.9 billion net loss in 2012 against the negative result of HUF 6.3 billion in the previous year.

The operating result did not break even yet. Total revenues grew by 21% y-o-y, within that net interest income jumped more than two-fold. This is partly attributable to a base effect: in 2011 both rapid portfolio deterioration and high interest expenses on deposits were a drag on net interest income.

In the fourth quarter of 2012 one-off expenses were recognised in the amount of HUF 1.3 billion, which emerged due to litigations in relation to loans disbursed by Zepter banka before the acquisition in 2006. The annual operating costs jumped by 23% due to this one-off expense, adjusting for this item operating costs would have increased by a mere 3%.

The total risk cost declined by 33%, as portfolio quality developed favourably during 2012 and the downtrend of the DPD90+ ratio started from end-2011 continued. The Bank was deliberately lifting the provision coverage ratio (up by 8.2 ppts y-o-y).

Adjusted for the FX-effect, total gross loan portfolio expanded by 9% y-o-y. The Bank focused its lending activity on dinar denominated personal loans, which resulted in remarkable volume growth in this segment (+50% y-o-y). In the second half of the year corporate lending gained momentum, too and strong new disbursements underpinned a remarkable 9% volume growth in the course of 2012. Deposit volumes showed a 15% expansion y-o-y FX-adjusted, the net loan-to-deposit ratio kept on declining.

In 2Q 2012 OTP Bank (Hungary) raised the capital of the Serbian bank by RSD 2.2 billion through converting subordinated debt into ordinary shares. OTP Bank also increased the capital of its Serbian bank by RSD 4.5 billion in December 2012, which was registered on 17 January 2013 by the Serbian Court of Registration.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)[11]

Performance of CKB:

Main components of P&L account	2011 HUF million	2012 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(4,525)	(3,872)	(14)
Corporate income tax	0	7	
Pre-tax profit	(4,525)	(3,865)	(15)
Operating profit	1,998	2,830	42
Total income	8,339	10,047	20
Net interest income	5,587	7,238	30
Net fees and commissions	2,692	2,489	(8)
Other net non-interest income	61	319	422
Operating expenses	(6,341)	(7,217)	14
Total risk costs	(6,524)	(6,695)	3
Provision for possible loan losses	(4,020)	(2,655)	(34)
Other provision	(2,503)	(4,039)	61
Main components of balance sheet closing balances	2011	2012	%
Total assets	232,750	208,633	(10)
Gross customer loans	165,708	147,244	(11)
Gross customer loans (FX-adjusted)	155,142	147,244	(5)
Retail loans	68,042	65,277	(4)
Corporate loans	87,099	81,966	(6)
Allowances for possible loan losses	(46,536)	(46,252)	(1)
Allowances for possible loan losses (FX-adjusted)	(43,526)	(46,252)	6

[11] 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.

Main components of balance sheet closing balances	2011	2012	%
Deposits from customers	171,982	157,924	(8)
Deposits from customers (FX-adjusted)	160,912	157,924	(2)
Retail deposits	125,896	121,708	(3)
Corporate deposits	35,016	36,217	3
Liabilities to credit institutions	22,287	21,671	(3)
Subordinated debt	8,408	2,041	(76)
Total shareholders' equity	16,231	17,048	5
Loan Quality	2011	2012	%/ppts
90+ days past due loan volume (in HUF million)	60,296	60,034	(0.4)
90+ days past due loans/gross customer loans (%)	36.4%	40.8%	4.4
Cost of risk/average gross loans (%)	2.48%	1.70%	(0.78)
Cost of risk/average (FX-adjusted) gross loans (%)	2.51%	1.76%	(0.75)
Total provisions/90+ days past due loans (%)	77.2%	77.0%	(0.2)
Performance Indicators	2011	2012	ppts
ROA	(2.0%)	(1.8%)	0.2
ROE	(27.9%)	(23.3%)	4.6
Total income margin	3.75%	4.55%	0.80
Net interest margin	2.51%	3.28%	0.77
Cost/income ratio	76.0%	71.8%	(4.2)
Net loans to deposits (FX-adjusted)	69%	64%	(5)
FX rates (in HUF)	2011	2012	%
HUF/EUR (closing)	311.1	291.3	(6)
HUF/EUR (average)	279.3	289.3	4

In 2012 the **Montenegrin CKB** bank posted HUF 3.9 billion loss against the negative result of HUF 4.5 billion a year before. The operating profit improved substantially (+42% y-o-y), mainly as a result of higher total income (+20%). Net interest income improved by 30% y-o-y. The good performance on one hand was supported by the favourable liquidity position which enabled the Bank to increase its interbank loan portfolio and realize higher interest income on those assets. At the same time interest rates on retail term deposits were lowered, too.

The 14% increase of operating expenses y-o-y (FX-adjusted) was mainly reasoned by higher personnel expenses. Administrative expenses grew by 2.9% (FX-adjusted) y-o-y reflecting stronger marketing activities and higher advisory fees.

Risk costs for possible loan losses decreased by 34% y-o-y with the portfolio deterioration slowing down, while the provision coverage remained stable at 77%. The y-o-y 6% increase in DPD90+ volumes in local currency was due to corporate exposure that had been restructured earlier, but became non-performing. The 4.4 ppts increase in the DPD90+ ratio (40.8%) y-o-y was partly reasoned by the 5% contraction of gross loans, too.

The Bank’s 2012 profitability to a large extent was affected by the hefty amount of other risk costs related to malpractices before 2009. Those costs were booked in December 2012.

The demand for retail loans remained sluggish: the FX-adjusted retail book decreased by 4%, the lower mortgage disbursement was partly off-set by a pickup in consumer lending. As a result of active promotional campaigns the FX-adjusted volume of cash loans advanced by 4%. The corporate book started decreasing from April 2012 however in 4Q a slight pickup was experienced, but closing volumes dropped by 6% y-o-y.

As a result of lower deposit rates, retail deposits shrank by 3%, while corporate deposits grew in the same magnitude mainly as a consequence of new deposit placements of large companies even though the rates decreased. The trend-like decrease of the net loan-to-deposit ratio continued (end-2012: 64%, -5 ppts y-o-y).

At the end of 2012 CKB’s capital adequacy ratio stood at 12.4% (the regulatory minimum is 10%) as a result of a partial conversion of subordinated loans from its mother company into share capital.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 36,431 as at 31 December 2012 (+2,605 people y-o-y). During 2012 there was a staff increase in Russia and Ukraine the headcount of people employed in consumer lending increased further in the wake of partnering up with new retail chains. OTP Group provides services through more than 1,400 branches in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes around 380 branches and 1,956 ATM terminals. The Bank has more than 49,000 POS-units at the same time.

	31/12/2012				31/12/2011			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	380	1,956	49,385	8,507	377	2,028	42,122	8,470
OTP Bank Russia (w/o employed agents)	146	255	2,697	5,177	148	242	2,697	5,108
DSK Group	381	878	4,196	4,736	386	890	4,178	4,477
OTP Bank Ukraine (w/o employed agents)	150	164	358	3,052	152	165	406	3,003
OTP Bank Romania	89	122	1,323	970	100	136	1,302	957
OTP banka Hrvatska	103	222	1,261	984	103	218	1,139	971
OTP Banka Slovenko	70	113	193	639	74	115	202	609
OTP banka Srbija	51	151	2,959	660	52	162	3,557	649
CKB	31	79	4,272	422	32	84	4,010	450
Foreign subsidiaries, total	**1,021**	**1,984**	**17,259**	**16,640**	**1,047**	**2,012**	**17,491**	**16,224**
Other Hungarian and foreign subsidiaries				840				783
OTP Group total (w/o employed agents)				**25,987**				**25,477**
OTP Bank Russia – employed agents				*8,339*				*6,940*
OTP Bank Ukraine – employed agents				*2,107*				*1,410*
OTP Group total (aggregated)	**1,401**	**3,940**	**66,644**	**36,432**	**1,424**	**4,040**	**59,613**	**33,827**

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., as being registered in Hungary, has a corporate governance that accords with the provisions of the Hungarian Act on Companies. As the company conducts 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. After being approved by the General Meeting, this declaration is published 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. Its 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 business, efficient operation and the minimising of risks, besides monitoring compliance with the statutory regulation. 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 the supreme governing body of OTP Bank Plc. 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
Dr. István Gresa
Mihály Baumstark
Dr. Tibor Bíró
Péter Braun
Tamás Erdei
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

* Due to his resignation his membership ceased as of 26 September 2012

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. has 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, the Subsidiary Integration and Direction Committee and the Remuneration Committee. To ensure effective operation the Bank also has a number of permanent and special committees.

The Bank gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Declaration.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

With trust and responsibility for each other

The principle of environmental responsibility

OTP Bank's impact on the environment is manifested in two main areas: its own operation, and the provision of banking services. In the case of the latter the impact is considerably greater, owing to the size of the company and its extensive network of stakeholders. Consequently, the assessment of environmental risks and the measurement and mitigation of environmental impacts requires constant vigilance from the Bank Group, and presents it with a range of tasks that encompass, besides the elaboration of specific measures and action plans, the promotion of environmental awareness.

The role of the Environmental Protection Regulations

The identification of impacts resulting from operation took place in connection with the drafting of the Bank's Environmental Protection Regulations. Environmentally aware operation and compliance with the statutory requirements continue to be governed by the Regulations – which have been in effect since 2009 – and other internal directives. The purpose of the Regulations – beyond ensuring compliance with the relevant environmental statutory requirements – is to ensure commitment and a responsible attitude to protecting the environment, and to minimise the environmental impacts of the organisation's operation and maintenance.

The Regulations also contain provisions on the responsibility that suppliers are expected to display; thus they stipulate that in the course of concluding and reviewing all service contracts entered into by the Bank environmental aspects must be taken into consideration, and – in an extent that is consistent with the type and object of the contract – regulated, in the contract.

The Bank complies with the statutory provisions on the recording and handling of hazardous waste, the various types of which are specified in the Environmental Protection Regulations. The organisation publishes the quantity of waste generated at the Bank Group from one year to the next, in the Corporate Social Responsibility Report.

The guidelines on environmentally aware procurement also constitute a part of the Regulations. The procurement of environmentally sound products has become standard practice in the case of marketing publications. These publications and prospectuses are made almost exclusively with environmentally friendly paper. The Bank plans to extend the use of environmentally friendly materials to centrally posted customer information letters in 2013.

Conscious resource use

The year 2012 saw a continuation of the existing programs aimed at cutting down on resource usage: the Bank further improved the efficiency of its heat recovery system, making use of alternative energy sources (solar collectors, geothermic energy) and continuing to replace traditional light bulbs with modern, more environmentally friendly LED bulbs. It regularly reviews and, where possible, reduces the range of information that it is compulsory to print out, while expanding and encouraging the use of electronic channels and data storage media. In a pilot project launched in 2012, the Bank stepped up its use of renewable energy sources through the installation of hybrid solar lamps in a total of 32 of its branches. In 2013 it plans to involve more branches in this scheme. Besides these measures, OTP Bank is constantly examining further opportunities to make use of renewable energy sources.

In 2012 the Bank used its internal communication channels to promote environmental awareness among employees. In doing so it constantly maintained sight of the need to provide practical information that goes beyond the commonly known solutions, and to present the most important interrelationships and impacts through tangible examples, informatively and in a comprehensible form.

Thanks to our measures aimed at improving resource-efficiency, and to the environmental awareness of our employees, the Bank's resource utilisation per employee is continuously decreasing. OTP Group gives an account of its energy, water, paper, toner, CD and DVD usage in its Corporate Social Responsibility Report.

The Bank consciously manages the environmental impacts related to its operation, and scope for further development lies primarily in the more deliberate management of indirect environmental impacts, and in the implementation of programs that support more environmentally sustainable consumption and strengthen environmental awareness among a broad cross-section of the public.

SUPPLEMENTARY DATA

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

General note: regarding OTP Core and other subsidiaries, profit after tax 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. DSK Group balance sheet contains the loans sold to the factoring company at before sale gross value and the related provisions as well.

(6) Net earnings are adjusted with the result of CIRS swap transactions executed with OTP Bank in relation to interbank financing. Before transfer balance sheet numbers are displayed.

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

(8) In 3Q 2011 a one-timer gain from securities in the amount of HUF 3.4 billion was recognised (after corporate income tax).

(9) From 2011 on Balance Sheet contains consolidated data of OTP Banka Slovensko and OTP Faktor Slovensko s.r.o., adjusted for 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 since 2011. From 2012 on P&L data and related indices are adjusted for the special banking tax.

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

(11) 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).

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

(13) 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).

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

(15) Total Foreign subsidiaries: sum of the after tax profits of foreign subsidiaries.

CALCULATION OF ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS PRESENTED IN THE BUSINESS REPORT

In order to present Group level trends in a comprehensive way in the Business Report, the presented consolidated and Separate profit and loss statements of the Report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated and separate accounting financials of OTP Bank are disclosed in the SupplementaryData section of the 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 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 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 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 3Q 2012, four subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the four companies’ previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Tax deductible transfers paid by Hungarian group members in 2H 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (ie. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L. Thus these transfers had no material P&L effect in the adjusted P&L in 2H 2012.
- From 2012 credit institutions’ contribution tax started to be recognised in the accounting P&L of OTP Group and OTP Core as OTP Core’s burden share in the fixed exchange rate scheme provided to FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the tax is reclassified from other expenses (administrative expenses) to net interest income. Since only the 4Q’s tax payment was material in its amount financials for the previous quarters were not adjusted retrospectively.
- Within the report, FX-adjusted statistics for business volumes are disclosed. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier.

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (IFRS)

in HUF million	2011	2012
Net interest income	**630,816**	**645,465**
(-) Agent fees paid to car dealers by Merkantil Group	(3,244)	(2,768)
(+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme		(442)
Net interest income (adj) with one-offs	**634,061**	**647,792**
(-) Revaluation result of FX swaps at OTP Core (booked within net interest income)	3,169	(2,528)
Net interest income (adj.) without one-offs	**630,892**	**650,319**
Net fees and commissions	**146,522**	**154,337**
(+) Agent fees paid to car dealers by Merkantil Group	(3,244)	(2,768)
Net fees and commissions (adj.)	**143,280**	**151,570**
Foreign exchange result on Consolidated IFRS P&L	**50,031**	**3,171**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	27,063	(16,692)
Foreign exchange result (adj.) with one-offs	**22,968**	**19,863**
(-) Non-recurring FX-gains and losses (booked within Foreign exchange gains, net at OTP Core)	3,926	0
Foreign exchange result (adj.) without one-offs	**19,042**	**19,863**
Gain/loss on securities, net (adj.) with one-offs	**13,290**	**(235)**
(-) Gain on Croatian government bonds (booked as Gain on securities, net (adj) at OBH Croatia)	4,300	0
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)	5,572	(4,932)
Gain/loss on securities, net (adj.) without one-offs	**3,419**	**4,696**
Gains and losses on real estate transactions	**1,002**	**1,131**
(+) Other non-interest income	**27,252**	**23,987**
(-) Received cash transfers	37	14
(-) Non-interest income from the release of pre-acquisition provisions	1,030	416
(+) Other non-interest expenses	(9,648)	(7,132)
(+) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.		307
(+) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.		1,657
Net other non-interest result (adj.) with one-offs	**17,538**	**19,520**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj) at OTP Core)	2,580	1,415
Net other non-interest result (adj.) without one-offs	**14,959**	**18,105**
(+) Provision for impairment on loan and placement losses	(249,364)	(229,470)
(+) Gains/Losses on loans related to early repayment	(67,309)	2,490
Provision for possible loan losses	**(316,673)**	**(226,980)**
(+) Non-interest income from the release of pre-acquisition provisions	1,030	416
(-) Revaluation result of FX provisions	(27,063)	16,692
(-) Loss from early repayment of FX mortgage loans in Hungary	(69,463)	4,409
(-) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments	9,313	(5,278)
(-) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.		307
Provision for possible loan losses (adj.)	**(228,432)**	**(242,695)**
After tax dividends and net cash transfers	**(5,603)**	**(7,963)**
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	(6,266)	(9,837)
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement		2,265
After tax dividends and net cash transfers	**663**	**(391)**
Depreciation	**(73,432)**	**(47,420)**
(-) Goodwill impairment charges (OTP banka Srbija (Serbia), OTP Bank JSC (Ukraine), OTP banka Hrvatska (Croatia), CKB (Montenegro))	(23,979)	0
Depreciation (adj)	**(49,454)**	**(47,420)**
Income taxes	**(39,196)**	**(23,088)**
(-) Corporate tax impact of goodwill/investment impairment charges	6,278	3,977
(-) Corporate tax impact of the special tax on financial institutions	6,498	6,580
(-) Corporate tax impact of the loss from early repayment of FX mortgage loans in Hungary	13,198	(838)
(-) Corporate tax impact of the special banking tax refund	(3,719)	251
(-) Corporate tax impact of the revaluation of FX purchased from the National Bank of Hungary to cover the FX need of early repayments	(1,770)	1,003
(+) Tax deductible transfers		(8,182)
Corporate income tax (adj.)	**(59,682)**	**(42,243)**

in HUF million	2011	2012
Other operating expense, net	**(26,571)**	**(35,033)**
(+) Provision on securities available-for-sale and securities held-to-maturity	**(945)**	**505**
(-) Other costs and expenses	(5,674)	(7,276)
(-) Other non-interest expenses	(16,235)	(17,912)
(-) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.		1,657
Other provisions (adj.)	**(5,607)**	**(10,997)**
Other administrative expenses	**(160,145)**	**(187,105)**
(+) Other costs and expenses	(5,674)	(7,276)
(+) Other non-interest expenses	(16,235)	(17,912)
(-) Paid cash transfers	(6,587)	(10,780)
(+) Film subsidies and cash transfers to public benefit organisations	(6,266)	(9,837)
(-) Other other non-interest expenses	(9,648)	(7,132)
(-) Special tax on financial institutions	(35,463)	(35,754)
(-) Special banking tax refund	20,839	(1,323)
(-) Tax deductible transfers		(8,182)
(-) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme		(442)
Other non-interest expenses (adj.)	**(157,461)**	**(158,517)**

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 previous reporting structure, the following adjustment is implemented on the financials shown within the financial reports and interim management reports published since 2Q 2011.

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 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 first quarter of 2010. Therefore statistics for the base periods in the affected P&L lines of this report are differing from the disclosure published before 2Q 2011. As a result of the adjustment the sum of the affected lines did not change (ie. the sum of „Provision for 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 table following this paragraph.

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	2011	2012
OTP Group Total	**27,063**	**(16,692)**
of which OTP Core (Hungary)	26,464	(17,498)
of which OTP Bank	12,663	(7,791)
OTP Mortgage Bank	4,725	(3,920)
OTP Factoring	9,075	(5,788)
OTP Bank Russia	(357)	(214)
CJSC OTP Bank (Ukraine)	262	398
OBR adj. (Romania)	580	698
OBH (Croatia)	119	15
OTP banka Srbija (Serbia)	(196)	947
Merkantil Bank + Car (Hungary)	192	(1,038)

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

HUF million	2012	2011	Change %
Net interest income	233,920	240,915	**3**
Interest received and similar income	618,704	716,972	16
Interest paid and similar charges	(384,784)	(476,057)	24
Net fee and commission income	**96,814**	**91,433**	**(6)**
Commissions and fees received or due	121,819	117,844	(3)
Commissions and fees paid or payable	(25,005)	(26,411)	6
Other income	**184,248**	**43,870**	**(76)**
Income from securities	78,831	43,098	(45)
Net profit or net loss on financial operations	51,092	(44,488)	(187)
Other operating income	54,325	45,260	(17)
General administrative expenses	**(133,037)**	**(127,323)**	**(4)**
Depreciation	**(14,003)**	**(14,410)**	**3**
Other operating charges	**(160,836)**	**(164,750)**	**2**
Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**(102,201)**	**(63,342)**	**(38)**
Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**63,716**	**96,592**	**52**
Difference between formation and utilization of general risk provisions	**(1,082)**	**5,810**	**(637)**
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	**(9,606)**	**(21,625)**	**125**
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	**2,861**	**1,117**	**(61)**
Profit or loss on ordinary activities	**160,794**	**88,287**	**(45)**
Extraordinary profit or loss	(6,329)	(10,457)	(65)
Profit or loss before tax	**154,465**	**77,830**	**(50)**
Taxes on income	(17,858)	(25,257)	41
Profit or loss after tax	**136,607**	**52,573**	**(62)**
General reserve	(13,661)	(5,257)	(62)
Profit reserves used for dividends and profit-sharing	0	0	
Dividend and profit-sharing payable	(28,000)	(33,600)	20
Profit or loss for the financial year	**94,946**	**13,716**	**(86)**

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

HUF million	2012	2011	Change %
Total assets	**6,717,325**	**6,471,393**	**(4)**
1. Liquid assets	226,490	245,099	8
2. Treasury bills and similar securities	876,777	1,233,169	41
3. Loans and advances to credit institutions	896,314	664,267	(26)
4. Loans and advances to customers	**2,651,279**	**2,283,207**	**(14)**
5. Debt securities, including fixed-income securities	1,098,722	1,091,490	(1)
6. Shares and other variable-yield securities	103,367	118,666	15
7. Shares and participations in corporations held as financial fixed assets	975	935	(4)
8. Shares and participating interests in affiliated companies	514,090	493,600	(4)
9. Intangible assets	119,088	121,278	2
10. Tangible assets	67,859	70,140	3
11. Own shares	5,519	4,934	(11)
12. Other assets	46,280	32,261	(30)
13. Prepayments and accrued income	110,565	112,347	2
Total liabilities	**6,717,325**	**6,471,393**	**(4)**
1. Amounts owed to credit institutions	866,716	823,633	(5)
2. Amounts owed to customers	**3,429,980**	**3,537,044**	**3**
3. Debts evidenced by certificates	509,584	380,218	(25)
4. Other liabilities	96,376	70,890	(26)
5. Accruals and deferred income	330,362	204,727	(38)
6. Provisions for liabilities and charges	102,580	91,245	(11)
7. Subordinated liabilities	353,466	327,152	(7)
8. Shareholders' equity	1,028,261	1,036,484	1
Performance Indicators			ppts
Loans and advances to customers/amounts owed to customers	77%	65%	(16)

STATEMENT OF RECOGNIZED INCOME OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS (CONSOLIDATED, AUDITED, ACCOUNTING STRUCTURE)

HUF million	2012	2011	Change %
Interest Income:			
Loans	795,475	758,679	5
Placements with other banks	341,071	266,870	28
Securities available-for-sale	78,624	73,941	6
Securities held-to-maturity	20,204	7,719	162
Amounts due from banks and balances with the National Banks	6,749	6,504	4
Securities held for trading	1,827	1,725	6
Total Interest Income	*1,243,950*	*1,115,438*	*12*
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	294,631	209,289	41
Deposits from customers	237,898	212,439	12
Liabilities from issued securities	54,033	50,936	6
Subordinated bonds and loans	11,923	11,958	0
Total Interest Expense	*598,485*	*484,622*	*23*
NET INTEREST INCOME	**645,465**	**630,816**	**2**
Provision for impairment on loan and placement losses	229,470	249,364	(8)
(Gains) / Loss on loans related to early repayment	(2,490)	67,309	(104)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	**418,485**	**314,143**	**33**
Income from fees and commissions	203,499	184,089	11
Expense from fees and commissions	49,162	37,567	31
Net profit from fees and commissions	**154,337**	**146,522**	**5**
Foreign exchange gains, net	3,171	50,031	(94)
Net (losses) / gains on securities	(235)	13,290	(102)
Gains on real estate transactions	1,131	1,002	13
Dividend income	2,803	947	196
Release of provision (provision for impairment) on securities available-for-sale and securities held-to-maturity	505	(945)	(153)
Other operating income	23,987	27,252	(12)
Other operating expense	(35,033)	(26,571)	32
Net operating income	**(3,671)**	**65,006**	**(106)**
Personnel expenses	188,952	169,098	12
Depreciation and amortization	47,420	73,432	(35)
Other administrative expenses	187,105	160,145	17
Other administrative expenses	**423,477**	**402,675**	**5**
PROFIT BEFORE INCOME TAX	**145,674**	**122,996**	**18**
Income tax	(23,088)	(39,196)	(41)
NET PROFIT FOR THE YEAR	**122,586**	**83,800**	**46**
From this, attributable to:			
Non-controlling interest	896	653	37
Owners of the company	121,690	83,147	46
Consolidated earnings per share (in HUF)			
Basic	457	312	46
Diluted	457	312	46

BALANCE SHEET OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS (CONSOLIDATED, AUDITED)

HUF million	2012	2011	Change %
Cash, amounts due from banks and balances with the National Banks	602,521	595,986	1
Placements with other banks, net of allowance for placement losses	356,866	422,777	(16)
Financial assets at fair value through profit or loss	222,874	241,282	(8)
Securities available-for-sale	1,411,177	1,125,855	25
Loans, net of allowance for loan losses	6,464,191	7,047,179	(8)
Associates and other investments	7,936	10,342	(23)
Securities held-to-maturity	429,303	124,887	244
Property and equipment	251,393	241,797	4
Intangible assets	237,749	249,869	(5)
Other assets	129,456	140,553	(8)
TOTAL ASSETS	**10,113,466**	**10,200,527**	**(1)**

HUF million	2012	2011	Change %
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	534,324	646,968	(17)
Deposits from customers	6,550,708	6,398,853	2
Liabilities from issued securities	643,123	812,863	(21)
Financial liabilities at fair value through profit or loss	122,032	230,149	(47)
Other liabilities	457,231	376,937	21
Subordinated bonds and loans	291,495	316,447	(8)
TOTAL LIABILITIES	**8,598,913**	**8,782,217**	**(2)**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,534,572	1,439,095	7
Treasury shares	(53,802)	(54,386)	(1)
Non-controlling interest	5,783	5,601	3
TOTAL SHAREHOLDERS' EQUITY	**1,514,553**	**1,418,310**	**7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,113,466**	**10,200,527**	**(1)**

FINANCIAL STATEMENTS ON 2012

HAS (UNCONSOLIDATED)

OTP BANK PLC.
ASSETS

31 December 2012
Figures in million HUF

		31 December 2011	31 December 2012
1.	**Liquid assets**	**226,490**	**245,099**
2.	**Treasury bills and similar securities**	**876,777**	**1,233,169**
	a) held for trading	541,011	828,376
	b) held as financial fixed assets	335,766	404,793
2/A.	Valuation difference on treasury bills	-	-
3.	**Loans and advances to credit institutions**	**896,314**	**664,267**
	a) repayable on demand	16,588	23,894
	b) other loans and advances in connection with financial services	879,244	639,741
	ba) with remaining maturity of less than one year	640,942	510,729
	Showing separately: - to affiliated companies	405,072	337,852
	- to other companies linked by virtue of participating interests	-	1,150
	- to the NBH	-	-
	- to clearing houses	-	-
	bb) with a remaining maturity of more than one year	238,302	129,012
	Showing separately: - to affiliated companies	238,302	114,012
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	-	-
	- to clearing houses	-	-
	c) in connection with investment services	482	632
	Showing separately: - to affiliated companies	114	109
	- 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**	**2,651,279**	**2,283,207**
	a) in connection with financial services	2,615,917	2,240,380
	aa) with a remaining maturity of less than one year	919,855	869,150
	Showing separately: - to affiliated companies	357,981	351,254
	- to other companies linked by virtue of participating interests	-	6,885
	ab) with a remaining maturity of more than one year	1,696,062	1,371,230
	Showing separately: - to affiliated companies	743,601	520,984
	- to other companies linked by virtue of participating interests	-	5,047
	b) in connection with investment services	35,362	42,827
	Showing separately: - to affiliated companies	1,080	155
	- 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	35,362	42,827
	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**	**1,098,722**	**1,091,490**
	a) issued by local governments and other public bodies	93,205	80,870
	(not including treasury bills and similar securities)		
	aa) held for trading	4,155	4,769
	ab) held as financial fixed assets	89,050	76,101
	b) securities issued by other borrowers	1,005,517	1,010,620
	ba) held for trading	89,059	313,937
	Showing separately: - issued by affiliated companies	66,502	301,106
	- issued by other companies linked by virtue of participating interests	-	-
	- own shares repurchased	18,656	11,962
	bb) held as financial fixed assets	916,458	696,683
	Showing separately: - issued by affiliated companies	867,385	651,299
	- issued by other companies linked by virtue of participating interests	6,223	5,827
5/A.	Valuation difference on debt securities	-	-
6.	**Shares and other variable-yield securities**	**103,367**	**118,666**
	a) shares and participations in corporations held for trading	86,754	91,757
	Showing separately: - issued by affiliated companies	-	-
	- issued by other companies linked by virtue of participating interests	86,754	91,757
	b) variable-yield securities	16,613	26,909
	ba) held for trading	13	9
	bb) held as financial fixed assets	16,600	26,900
6/A.	Valuation difference on shares and other variable-yield securities	-	-

		31 December 2011	31 December 2012
7.	**Shares and participations in corporations held as financial fixed assets**	**975**	**935**
	a) shares and participations in corporations held as financial fixed assets	975	935
	Showing separately: - participating interests in credit institutions	-	-
	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**	**514,090**	**493,600**
	a) shares and participations in corporations held as financial fixed assets	514,090	493,600
	Showing separately: - participating interests in credit institutions	417,433	395,474
	b) adjusted value of shares and participations in corporations held as financial fixed assets	-	-
	Showing separately: - participating interests in credit institutions	-	-
9.	**Intangible assets**	**119,088**	**121,278**
	a) intangible assets	119,088	121,278
	b) adjusted value of intangible assets	-	-
10.	**Tangible assets**	**67,859**	**70,140**
	a) tangible assets for financial and investment services	65,035	67,326
	aa) land and buildings	47,922	49,118
	ab) machinery, equipment, fittings, fixtures and vehicles	15,130	15,795
	ac) tangible assets in course of construction	1,983	2,413
	ad) payments on account	-	-
	b) tangible assets not directly used for financial and investment services	2,824	2,814
	ba) land and buildings	2,592	2,587
	bb) machinery, equipment, fittings, fixtures and vehicles	213	227
	bc) tangible assets in course of construction	19	0
	bd) payments on account	-	-
	c) adjusted value of tangible assets	-	-
11.	**Own shares**	**5,519**	**4,934**
12.	**Other assets**	**46,280**	**32,261**
	a) stocks	843	982
	b) other receivables	45,437	31,279
	Showing separately: - from affiliated companies	19,212	19,378
	- 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**	**110,565**	**112,347**
	a) accrued income	104,760	105,004
	b) accrued costs and expenses	3,738	3,121
	c) deferred charges	2,067	4,222
	Total assets	**6,717,325**	**6,471,393**
	Showing separately:		
	- CURRENT ASSETS	*2,612,510*	*2,968,374*
	[1+2/a+3/a+3/ba+3/c+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12+ + the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining to the previous items]		
	- FIXED ASSETS	*3,994,250*	*3,390,672*
	[2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10+ the sums from 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

Figures in million HUF

		31 December 2011	31 December 2012
1.	**Amounts owed to credit institutions**	**866,716**	**823,633**
	a) repayable on demand	20,538	94,287
	b) with agreed maturity dates or periods of notice in connection with financial services	846,132	729,346
	ba) with remaining maturity of less than one year	550,627	535,842
	Showing separately: - to affiliated companies	281,685	337,643
	- to other companies linked by virtue of participating interests	-	11,852
	- to the NBH	-	-
	- to clearing houses	-	-
	bb) with remaining maturity of more than one year	295,505	193,504
	Showing separately: - to affiliated companies	12,445	0
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	-	-
	- to clearing houses	-	-
	c) in connection with investment services	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**	**3,429,980**	**3,537,044**
	a) savings deposits	146,452	127,634
	aa) repayable on demand	88,902	74,934
	ab) with remaining maturity of less than one year	57,550	52,700
	ac) with remaining maturity of more than one year	-	-
	b) other liabilities in connection with financial services	3,282,784	3,402,353
	ba) repayable on demand	1,014,829	1,002,021
	Showing separately: - to affiliated companies	11,022	7,716
	- to other companies linked by virtue of participating interests	153	3,550
	bb) with remaining maturity of less than one year	2,238,640	2,376,325
	Showing separately: - to affiliated companies	14,664	40,850
	- to other companies linked by virtue of participating interests	4,075	23,837
	bc) with remaining maturity of more than one year	29,315	24,007
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	c) in connection with investment services	744	7,057
	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 mark	-	-
	cc) liabilities to customers in connection with investment services	744	7,057
	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**	**509,584**	**380,218**
	a) debt securities in issue	500,186	372,159
	aa) with remaining maturity of less than one year	376,103	235,874
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	ab) with remaining maturity of more than one year	124,083	136,285
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	b) other debt securities issued	237	235
	ba) with remaining maturity of less than one year	237	235
	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 2011	31 December 2012
	c) debt instruments treated as securities for accounting purposes, which are not recognized as debt securities under the Capital Markets Act	9,161	7,824
	ca) with remaining maturity of less than one year	4,520	3,861
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	cb) with remaining maturity of more than one year	4,641	3,963
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
4.	**Other liabilities**	**96,376**	**70,890**
	a) with remaining maturity of less than one year	96,376	70,890
	Showing separately: - to affiliated companies	16,146	1,278
	- to other companies linked by virtue of participating interests	79	50
	b) with remaining maturity of more than one year	-	-
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
4/A.	Negative valuation difference on derivatives	-	-
5.	**Accruals and deferred income**	**330,362**	**204,727**
	a) deferred income	2,038	3,147
	b) deferred costs and expenses	328,310	201,415
	c) deferred income	14	165
6.	**Provisions for liabilities and charges**	**102,580**	**91,245**
	a) provisions for pension and severance pay	-	-
	b) provisions for contingent liabilities and for (future) commitments	36,641	2,835
	c) general risk provisions	41,238	35,428
	d) other provisions	24,701	52,982
7.	**Subordinated liabilities**	**353,466**	**327,152**
	a) subordinated loan capital	197,901	181,507
	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	155,565	145,645
	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	264	219
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 (premium	-	-
	b) other	52	52
11.	**General reserve**	**136,460**	**141,717**
12.	**Profit reserve (±)**	**760,785**	**845,614**
13.	**Tied-up reserves**	**8,018**	**7,385**
14.	**Revaluation reserve**	-	-
	a) revaluation reserve on value adjustments	-	-
	b) fair value reserve	-	-
15.	**Profit or loss for the financial year (±)**	**94,946**	**13,716**
	Total liabilities	**6,717,325**	**6,471,393**
	Showing separately:		
	- SHORT-TERM LIABILITIES (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)	4,449,112	4,454,026
	- LONG-TERM LIABILITIES (1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)	807,010	684,911
	- EQUITY CAPITAL (8-9+10+11±12+13+14±15)	1,028,261	1,036,484

OTP BANK PLC.

PROFIT AND LOSS ACCOUNT

31 December 2012

Figures in million HUF

		Year ended 31 December 2011	Year ended 31 December 2012
1.	Interest received and similar income	618,704	716,972
	a) interest received and similar income from fixed-income securities	133,439	145,679
	Showing separately: - from affiliated companies	71,830	72,918
	- from other companies linked by virtue of participating interests	-	-
	b) other interest received and similar income	485,265	571,293
	Showing separately: - from affiliated companies	58,629	87,818
	- from other companies linked by virtue of participating interests	652	366
2.	Interest paid and similar charges	384,784	476,057
	Showing separately: - to affiliated companies	24,792	50,850
	- to other companies linked by virtue of participating interests	737	826
	BALANCE (1-2)	**233,920**	**240,915**
3.	Income from securities	78,831	43,098
	a) income held for trading from shares and participations in corporations (dividends and profit-sharing)	67	2,349
	b) income from participating interests in affiliated companies (dividends and profit-sharing)	78,444	40,396
	c) income from other securities (dividends and profit-sharing)	320	353
4.	Commissions and fees received or due	121,819	117,844
	a) in connection with other financial services	109,549	104,563
	Showing separately: - from affiliated companies	18,409	12,306
	- from other companies linked by virtue of participating interests	13	35
	b) in connection with investment services (not including trading operations)	12,270	13,281
	Showing separately: - from affiliated companies	7,321	6,798
	- from other companies linked by virtue of participating interests	-	-
5.	Commissions and fees paid or payable	25,005	26,411
	a) in connection with other financial services	24,389	25,892
	Showing separately: - to affiliated companies	2,062	1,214
	- to other companies linked by virtue of participating interests	1,032	2,435
	b) in connection with investment services (not including trading operations)	616	519
	Showing separately: - to affiliated companies	10	23
	- to other companies linked by virtue of participating interests	19	26
6.	Net profit or net loss on financial operations [6.a)-6.b)+6.c)-6.d)]	51,092	(44,488)
	a) in connection with other financial services	74,111	24,407
	Showing separately: - from affiliated companies	314,611	2,233
	- from other companies linked by virtue of participating interests	2,805	-
	- valuation difference	-	-
	b) in connection with other financial services	32,128	63,078
	Showing separately: - from affiliated companies	16,498	175,896
	- from other companies linked by virtue of participating interests	-	763
	- valuation difference	-	-
	c) in connection with investment services (income from trading operations)	61,167	38,008
	Showing separately: - from affiliated companies	921	1,137
	- from other companies linked by virtue of participating interests	25	1
	- value readjustments of transferable securities held for trading	-	-
	- valuation difference	-	-
	d) in connection with investment services (expenses on trading operations)	52,058	43,825
	Showing separately: - to affiliated companies	906	541
	- to other companies linked by virtue of participating interests	2	1
	- value adjustments in respect of securities held for trading	-	-
	- valuation difference	-	-
7.	Other operating income	54,325	45,260
	a) income from operations other than financial and investment services	10,899	10,548
	Showing separately: - from affiliated companies	3,047	3,590
	- from other companies linked by virtue of participating interests	4	1
	b) other income	43,426	34,712
	Showing separately: - from affiliated companies	29,656	16,339
	- from other companies linked by virtue of participating interests	-	-
	- value readjustments in respect of stocks	-	-

Figures in million HUF

		Year ended 31 December 2011	Year ended 31 December 2012
8.	General administrative expenses	133,037	127,323
	a) staff costs	76,086	77,048
	aa) wages and salaries	52,060	52,030
	ab) other employee benefits	7,188	7,516
	Showing separately: - social security costs	2,053	2,163
	= costs relating to pensions	1,358	1,498
	ac) contributions on wages and salaries	16,838	17,502
	Showing separately: - social security costs	15,549	16,285
	= costs relating to pensions	13,573	1
	b) other administrative expenses (materials and supplies)	56,951	50,275
9.	Depreciation	14,003	14,410
10.	Other operating charges	160,836	164,750
	a) charges on operations other than financial and investment services	8,219	7,227
	Showing separately: - to affiliated companies	107	160
	- to other companies linked by virtue of participating interests	1,541	59
	b) other charges	152,617	157,523
	Showing separately: - to affiliated companies	66,335	28,996
	- to other companies linked by virtue of participating interests	-	-
	- value adjustments in respect of stocks	-	32
11.	Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	102,201	63,342
	a) value adjustments in respect of loans and advances	64,606	58,318
	b) risk provisions for contingent liabilities and for (future) commitments	37,595	5,024
12.	Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	63,716	96,592
	a) value readjustments in respect of loans and advances	54,934	57,788
	b) risk provisions for contingent liabilities and for (future) commitments	8,782	38,804
12/A.	Difference between formation and utilization of general risk provisions	(1,082)	5,810
13	Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies	9,606	21,625
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	2,861	1,117
15.	**Profit or loss on ordinary activities**	**160,794**	**88,287**
	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]	158,114	84,966
	- PROFIT OR LOSS ON OPERATIONS OTHER THAN FINANCIAL AND INVESTMENT SERVICES [7.a)-10.a)]	2,680	3,321
16.	Extraordinary income	6,969	11,537
17.	Extraordinary charges	13,298	21,994
18.	Extraordinary profit or loss (16-17)	(6,329)	(10,457)
19.	**Profit or loss before tax (+15+18)**	**154,465**	**77,830**
20.	Taxes on income	17,858	25,257
21.	**Profit or loss after tax (+19-20)**	**136,607**	**52,573**
22.	General reserve (±)	(13,661)	(5,257)
23.	Profit reserves used for dividends and profit-sharing	-	-
24.	Dividend and profit-sharing payable	28,000	33,600
	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)**	**94,946**	**13,716**

CASH-FLOW STATEMENT

figures in HUF million

	Description	2011	2012
1.	Interest Income	618.704	716.972
2.	Income from other financial services (expect value adjustments in respect of securities and the positive valuation difference of receivables)	196.328	128.970
3.	Other income (except value readjustments in respect of provisions, value adjustments in respect of stocks and readjustments in respect of extraordinary depreciation)	34.733	24.835
4.	+Income from other investment financial services (except value adjustments in respect of securities and positive valuation difference)	73.437	51.289
5.	Income from operations other than financial and investment services	10.899	10.548
6.	Dividend income	78.831	43.098
7.	Extraordinary income	899	154
8.	Interest charges	-384.784	-476.057
9.	Charges on other financial services (except value adjustments in respect of securities and the negative valuation difference of receivables)	-56.518	-96.808
10.	Other charges (except provisions, value adjustments in respect of stocks, and extraordinary depreciation)	-116.506	-118.983
11.	Charges on investment services (except value adjustments in respect of securities and negative valuation difference)	-52.674	-44.344
12.	Charges on operations other than financial and investment services	-8.219	-7.227
13.	General administrative expenses	-133.037	-127.323
14.	Extraordinary charges (not including corporate tax payable for the financial year)	-6.086	-8.838
15.	Corporate tax payable for the financial year	-17.858	-25.257
16.	Dividends paid	-20.204	-28.140
17.	**OPERATING CASH-FLOW**	**217.945**	**42.889**
18.	± Variation in liabilities (increase (+), decrease (-))	303.895	-123.064
19.	± Variation in receivables (increase (-), decrease (+))	-190.179	618.324
20.	± Variation in stocks (increase (-), decrease (+))	45	-175
21.	± Variation in securities shown under current assets (increase (-), decrease (+))	-208.517	-212.951
	Description	**2011**	**2012**
22.	± Variation in securities shown under fixed assets (increase (-), decrease (+))	-108.339	-150.712
23.	± Variation in tangible assets in course of construction (including payments on account) (increase (-), decrease (+))	708	-412
24.	± Variation in intangible assets (increase (-), decrease (+))	-11.257	-9.138
25.	± Variation in tangible assets (except tangible assets in course of construction and payments on account) (increase (-), decrease (+))	-8.772	-8.834
26.	± Variation in prepayments and accrued income (increase (-), decrease (+))	5.024	-1.787
27.	± Variation in accruals and deferred income (increase (+), decrease (-))	69.232	-124.427
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*	-14.550	-11.104
31.	- Nominal value of shares and share certificates withdrawn	0	0
32.	**NET CASH-FLOW**	**55.235**	**18.609**
	Net cash-flow showing separately:		
33.	- variation in cash in hand (HUF and foreign currencies, checks)	-2.145	7.662
34.	- variation in account balances (HUF and foreign currency accounts placed with the NBH, deposit accounts with remaining maturity of less than one year, and current deposit accounts maintained in HUF at other credit institutions by virtue of specific other legislation)	57.380	10.947

* - Supplementary payments covering the losses of the subsidiaries

PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE COMPANY AND DIVIDEND PAYMENTS

PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE COMPANY AND DIVIDEND PAYMENTS

	HUF million
After-tax profit	52,573
General reserve provisioning	5,257
Use of profit reserves for dividends and participations	-
Dividends	33,600
Retained earnings	13,716

DRAFT RESOLUTION

The Annual General Meeting approves

> *the individual balance sheet of OTP Bank* for the financial year 2012 with a corresponding HUF 6,471,393 million balance-sheet total and HUF 52,573 million *after-tax profit*
> and the Annual General Meeting will distribute the HUF 52,573 million after-tax profit as follows:
> HUF 5,257 million will be set aside for *general reserves*,
> HUF 33,600 million will be paid out as *dividend*,
> thus the *retained earnings* will amount to HUF 13,716 million.

Dividends will be HUF 120 per share, representing 120% 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 10 June 2013, in accordance with the procedural order set forth in the By-Laws.

The Annual General Meeting approves the consolidated balance sheet of OTP Bank for the financial year 2012 with a corresponding HUF 10,113,466 million balance sheet total and HUF 122,586 million after-tax profit. The net profit attributable to equity holders amounted to HUF 121,690 million.

(The above text represents a part of the draft resolution for the Annual General Meeting.)

FINANCIAL STATEMENTS ON 2012

IFRS (CONSOLIDATED)

OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012
(in HUF mn)

	Note	2012	2011
Cash, amounts due from banks and balances with the National Banks	4.	602,521	595,986
Placements with other banks, net of allowance for placement losses	5.	356,866	422,777
Financial assets at fair value through profit or loss	6.	222,874	241,282
Securities available-for-sale	7.	1,411,177	1,125,855
Loans, net of allowance for loan losses	8.	6,464,191	7,047,179
Associates and other investments	9.	7,936	10,342
Securities held-to-maturity	10.	429,303	124,887
Property and equipment	11.	251,393	241,797
Intangible assets	11.	237,749	249,869
Other assets	12.	129,456	140,553
TOTAL ASSETS		10,113,466	10,200,527
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	13.	534,324	646,968
Deposits from customers	14.	6,550,708	6,398,853
Liabilities from issued securities	15.	643,123	812,863
Financial liabilities at fair value through profit or loss	16.	122,032	230,149
Other liabilities	17.	457,231	376,937
Subordinated bonds and loans	18.	291,495	316,447
TOTAL LIABILITIES		8,598,913	8,782,217
Share capital	19.	28,000	28,000
Retained earnings and reserves		1,534,572	1,439,095
Treasury shares	21.	(53,802)	(54,386)
Non-controlling interest	22.	5,783	5,601
TOTAL SHAREHOLDERS' EQUITY		1,514,553	1,418,310
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,113,466	10,200,527

Budapest, 29 March 2013

OTP BANK Nyrt.

Dr. Sándor Csányi elnök-vezérigazgató
Chairman and Chief Executive Officer

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(in HUF mn)

	Note	2012	2011
Interest Income:			
Loans		795,475	758,679
Placements with other banks		341,071	266,870
Securities available-for-sale		78,624	73,941
Securities held-to-maturity		20,204	7,719
Amounts due from banks and balances with the National Banks		6,749	6,504
Securities held for trading		1,827	1,725
Total Interest Income		***1,243,950***	***1,115,438***
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		294,631	209,289
Deposits from customers		237,898	212,439
Liabilities from issued securities		54,033	50,936
Subordinated bonds and loans		11,923	11,958
Total Interest Expense		***598,485***	***484,622***
NET INTEREST INCOME		**645,465**	**630,816**
Provision for impairment on loan and placement losses	*5.,8.,23.*	**229,470**	**249,364**
(Gains) / Losses on loans related to early repayment	*23.*	**(2,490)**	**67,309**
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**418,485**	**314,143**
Income from fees and commissions		203,499	184,089
Expense from fees and commissions		49,162	37,567
Net profit from fees and commissions	*24.*	**154,337**	**146,522**
Foreign exchange gains, net		3,171	50,031
Net (losses) / gains on securities		(235)	13,290
Gains on real estate transactions		1,131	1,002
Dividend income		2,803	947
Release of provision (provision for impairment) on securities available-for-sale and securities held-to-maturity	.	505	(945)
Other operating income	*25.*	23,987	27,252
Other operating expense	*25.*	(35,033)	(26,571)
Net operating result		**(3,671)**	**65,006**
Personnel expenses		188,952	169,098
Depreciation and amortization	*11.*	47,420	73,432
Other administrative expenses		187,105	160,145
Other administrative expenses	*25.*	**423,477**	**402,675**
PROFIT BEFORE INCOME TAX		**145,674**	**122,996**
Income tax	*26.*	(23,088)	(39,196)
NET PROFIT FOR THE YEAR		**122,586**	**83,800**
From this, attributable to:			
Non-controlling interest		**896**	**653**
Owners of the company		**121,690**	**83,147**
Consolidated earnings per share (in HUF)			
Basic	*37.*	**457**	**312**
Diluted	*37.*	**457**	**312**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(in HUF mn)

	2012	2011
NET PROFIT FOR THE YEAR	**122,586**	**83,800**
Fair value adjustment of securities available-for-sale	48,180	(22,732)
Derivative financial instruments designated as Cash-flow hedge	532	378
Net investment hedge in foreign operations	4,978	(7,993)
Foreign currency translation difference	(53,390)	78,968
NET COMPREHENSIVE INCOME	**122,886**	**132,421**
From this, attributable to:		
Non-controlling interest	**619**	**1,109**
Owners of the company	**122,267**	**131,312**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(in HUF mn)

OPERATING ACTIVITIES	**Note**	**2012**	**2011**
Profit before income tax		**145,674**	**122,996**
Goodwill impairment	*11.*	-	23,979
Depreciation and amortization	*11.*	47,420	49,453
(Release of provision) / Provision for impairment on securities	*7.,10.*	(505)	945
Provision for impairment on loan and placement losses	*5.,8.*	226,980	316,673
Provision for impairment on permanent diminution in value of investments	*9.*	1,335	3,304
Provision for impairment on other assets	*12.*	6,375	3,221
Provision for impairment / (Release of provision) on off-balance sheet commitments and contingent liabilities	*17.*	2,135	(1,863)
Share-based payment	*2.,29.*	4,584	6,188
Unrealized (losses) / gains on fair value adjustment of securities held for trading		(1,938)	1,655
Unrealized losses on fair value adjustment of derivative financial instruments		(8,829)	(105,272)
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		20,512	19,018
Net decrease / (increase) in loans, net of allowance for loan losses		278,246	(593,565)
Decrease / (increase) in other assets before provisions for impairment		1,585	(33,401)
Net increase in deposits from customers		151,855	577,364
Increase in other liabilities		42,657	121,493
Net decrease /(increase) in compulsory reserves at the National Banks		10,217	(22,816)
Dividend income		(2,803)	(947)
Income tax paid		(25,259)	(37,368)
Net Cash Provided by Operating Activities		**900,241**	**451,057**
INVESTING ACTIVITIES			
Net decrease in placement with other banks before allowance for placements losses		65,870	89,063
Net increase in securities available-for-sale		(216,170)	(147,517)
Net decrease / (increase) in investments in subsidiaries		1,071	(2,092)
Dividend income		2,803	947
Net (increase) / decrease in securities held-to-maturity		(304,401)	46,783
Additions to property, equipment and intangible assets		(63,127)	(110,417)
Disposals of property, equipment and intangible assets		18,430	26,346
Net decrease / (increase) in advances for investments included in other assets		1,434	(1,464)
Net Cash Used in Investing Activities		**(494,090)**	**(98,351)**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(in HUF mn)
[continued]

FINANCING ACTIVITIES	Note	2012	2011
Net decrease in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		(112,644)	(34,980)
Cash used for redemption of issued securities		(169,740)	(335,556)
(Decrease) / increase in subordinated bonds and loans		(24,952)	25,817
Increase / (decrease) in non-controlling interest		182	(287)
Foreign currency translation		(53,391)	78,969
Payments to ICES holders		(4,144)	(4,518)
Net change in Treasury shares		430	(1,815)
Dividend paid		(25,140)	(20,204)
Net Cash Used in Financing Activities		**(389,399)**	**(292,574)**
Net increase in cash and cash equivalents		**16,752**	**60,132**
Cash and cash equivalents at the beginning of the period		**315,177**	**255,045**
Cash and cash equivalents at the end of the period		**331,929**	**315,177**

Analysis of cash and cash equivalents

	Note	2012	2011
Cash, amounts due from banks and balances with the National Banks		595,986	513,038
Compulsory reserve established by the National Banks		(280,809)	(257,993)
Cash and cash equivalents at the beginning of the period		**315,177**	**255,045**
Cash, amounts due from banks and balances with the National Banks	4.	602,521	595,986
Compulsory reserve established by the National Banks	4.	(270,592)	(280,809)
Cash and cash equivalents at the end of the period		**331,929**	**315,177**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
(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 2011		**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**
Net profit for the year		-	-	-	121,690	-	-	-	121,690
Other comprehensive income		-	-	-	300	-	-	-	300
Share-based payment	*29.*	-	-	4,584	-	-	-	-	4,584
Dividend for the year 2011		-	-	-	(28,000)	-	-	-	(28,000)
Sale of Treasury shares		-	-	-	-	-	6,342	-	6,342
Treasury shares									
– loss on sale		-	-	-	(155)	-	-	-	(155)
– acquisition		-	-	-	-	-	(5,757)	-	(5,757)
Payments to ICES holders	*20.*	-	-	-	(2,943)	-	-	-	(2,943)
Non-controlling interest		-	-	-	-	-	-	182	182
Balance as at 31 December 2012		**28,000**	**52**	**10,800**	**1,579,188**	**(55,468)**	**(53,802)**	**5,783**	**1,514,553**

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 29 March 2013.

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

	2012	2011
Domestic and foreign private and institutional investors	97%	96%
Employees	2%	2%
Treasury shares	1%	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 1,398 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

The number of employees at the Group:

	2012	2011
The number of employees at the Group	36,366	33,826
The average number of employees at the Group	35,076	32,180

1.2. Base of 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 presentation 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 2012

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

- IFRS 7 (Amendment) "Financial Instruments: Disclosures" - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

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

1.2.1.1. Amendments and new Standards and Interpretations to IFRSs effective on or after 1 January 2013, which are adopted by the EU

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

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 1 (Amendment) "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 1 (Amendment) "First-time Adoption of IFRS" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 7 (Amendment) "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 1 (Amendment) "Presentation of Financial Statements" -Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- IAS 12 (Amendment) "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 19 (Amendment) "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 32 (Amendment) "Financial instruments: presentation"- Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (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.

1.2.1.2. Amendments and new Standards and Interpretations to IFRSs effective on or after 1 January 2013, which are not yet endorsed by EU, not yet adopted

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2015),
- IFRS 9 (Amendment) “Financial Instruments” and IFRS 7 (Amendment) “Financial Instruments: Disclosures” – Mandatory Effective Date and Transition Disclosures,
- IFRS 10 (Amendment) “Consolidated Financial Statements”, IFRS 11 (Amendment) “Joint Arrangements” and IFRS 12 (Amendment) “Disclosures of Interests in Other Entities” - Transition Guidance (effective for annual periods beginning on or after 1 January 2013),
- IFRS 10 (Amendment) “Consolidated Financial Statements”, IFRS 12 (Amendment) “Disclosures of Interests in Other Entities” and IAS 27 (Amendment) “Separate Financial Statements” - Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- Amendments to various standards “Improvements to IFRSs (2012)” resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied 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, except of the application of IFRS 9 and IFRS 10 which might have significant impact on the Group consolidated financial statements, the Group will analyse the impact after the adoption of the standards by EU.

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's presentation currency (HUF) are translated into HUF are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary (“NBH”), or if there is no official rate, at exchange rates quoted by OTP as at the date of the Consolidated Financial Statements. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.7 below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into HUF using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank exercises control. 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 2.11.).
As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

2.4. Accounting for acquisitions

Subsidiaries are accounted for using 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 over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.
Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets, 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 generating 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 and foreign 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 both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.
Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The Group adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as the Group has almost all of its open derivative transactions collateralised. There is no other credit value (CVA), debit value (DVA) or funding value (FVA) adjustment applied.
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.

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. 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.

2.8. 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 Other Comprehensive Income, unless such available-for-sale security is part of an effective 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 and foreign government bonds, bonds issued by NBH, corporate bonds, discounted Treasury bills and other securities. Other securities include shares in investment funds and shares in non-financing companies. The provision for impairment is calculated based on discounted cash flow methodology for debt instruments and calculated based on fair valuation on equity instruments, using the expected future cash flow and original effective interest rate if there is objective evidence of and impairment.

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.

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

Loans and placements with other banks are amortized cost, 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.

2.10. 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.

2.11. Associates and other investments

Companies where the Bank has the ability to exercise significant influence 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 according to IAS 39, 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.

2.12. 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	5-50%
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 impaired immediately to the estimated recoverable amount.

2.13. 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.

2.14. 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.

2.15. 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 cost as a deduction from Consolidated Shareholders' Equity.
Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

2.16. 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, 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.

2.17. Fees and Commissions

Fees and commissions are recognized using the effective interest method referring to provisions of IAS 39, when they relate and have to be included in amortized cost model. Certain fees and commissions that are not involved in the amortized cost model are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on IAS 18.

2.18. Dividend income

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

2.19. 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.

2.20. 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.

2.21. 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.

2.22. 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.

2.23. Segment reporting

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

2.24. Comparative figures

There were no changes in prior period data due to either prior period error or change in accounting policies. In some notes certain amounts in the Consolidated Financial Statements for the year ended 31 December 2011 have been restructured within the particular note to conform with the current year presentation and these amounts are not significant.

2.25. 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 could 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 was acted on 29 September 2011. Under the law the Bank was not allowed to charge any fees or other commissions for early repayment. Furthermore banks carried 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 had met the conditions determined by the law, the lender would not have been allowed to refuse the early repayment, and should have prepared the settlement of the contract in 60 days.
The final closing date of the opportunity of early repayment was 28 February 2012.

On 10 October 2011 the Bank and OTP Mortgage Bank Ltd. ("OTP Mortgage Bank") made a guarantee contract about a facility in the amount of HUF 200 billion. Based on this agreement the Bank compensated 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") made a guarantee contract about a facility in the amount of HUF 2 billion. Based on this agreement the Bank compensated 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 compensated the losses derived from the early repayment of OTP Mortgage Bank and OTP Flat Lease.

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.

In the year of 2012 – together at the Bank, OTP Mortgage Bank and OTP Flat Lease – additional 14,934 customers paid back their FX mortgage loans. Therefore provision for impairment on loan losses in the amount of HUF 32,901 million was recognized at the Group. Provision for impairment on loan losses in the amount of HUF 2,101 million was recognized at OTP relating to early repayment of OTP Bank's own customers.

OTP recognized as provision for impairment in financial statements for the year of 2011 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 was 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 the Bank recognized provision on expected loss of OTP Mortgage Bank and OTP Flat Lease.

In the period from 1 till 30 January 2012 – together at the Bank and above subsidiaries – 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 34,489 million (tax adjusted 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. This amount of provision was released in 2012 parallel to recognizing of realised loan loss.

	2012	2011
Provision for impairment on loan losses relating to early repayment at the Group	32,901	32,152
(Release of provision) / provision recognized at the Group relating to early repayment	(35,264)	35,264
(Release of provision) / provision for impairment on loan losses relating to early repayment at the Group	**(2,363)**	**67,416**

Investments in subsidiaries were raised with HUF 47,027 million – with the amount paid as compensation for OTP Mortgage Bank and OTP Flat Lease within the frames of guarantee contracts – as at 31 December 2011 and parallel with that provision for impairment was recognized on investments at the same amount. In 2012 correction occurred based on final realised loss related to early repayment as investments in subsidiaries were lowered with HUF 3,257 million and parallel with that provision for impairment was released at the same amount.

	2012	2011
(Release of provision) / provision for impairment on loan losses relating to early repayment at OTP Mortgage Bank and OTP Flat Lease	(1,534)	61,515
Loan losses recognized as provision are deducted at OTP Mortgage Bank as according to contract this loss is not refunded by OTP	(1,723)	(588)
Tax refund at OTP Mortgage Bank and OTP Flat Lease – loss is not refunded by OTP	-	(8,875)
Refundable (gain) / loss for OTP Mortgage Bank and OTP Flat Lease recognizing at OTP in connection with the guarantee	**(3,257)**	**52,052**
Fee for guarantee paid by OTP Mortgage Bank and OTP Flat Lease	-	(5,025)
Refundable (gain) / loss for OTP Mortgage Bank and OTP Flat Lease recognizing at OTP in connection with the guarantee – Recognizing as increasing of Investments in subsidiaries	**(3,257)**	**47,027**

In case of loans related to early repayment, interest was recognized at fixed exchange rate in interest income.
During calculating the loss arising from the early repayment, loss falling to share of interest was taken into account which was recognized on the line of Interest income from loans (See Note 23.).
Regarding to 2011 amendment of Act LIX of 2006 the financial institution reduced the 2011 amount of the payable bank tax as a tax refund with 30% of the loss from paid FX based mortgage loans. If the tax refund had exceeded the bank tax determined for the year 2011, the difference could have been claimed

at tax determination for 2011 by the related parties (one or more financial institution or insurance company) ("tax refund beneficiary") of the financial institution.

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 was asserted as tax refund by the other subsidiaries of the Group. The amount of the difference was rectified by HUF 1,090 million based on final realised loss related to early repayment.

	Total	2012	2011
Total expenditure at the Group affected by early repayment	65,053	(1,588)	66,641
During calculation of amount deductible from bank tax, provision for impairment owing to classification is taken into consideration	-	(2,047)	2,047
Consolidation effect	-	(775)	775
Total expenditure at the Group affected by early repayment considered at calculation of bank tax	**65,053**	**(4,410)**	**69,463**
30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011	19,516	(1,090)	20,606
Consolidation effect	-	(232)	232
30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011	**19,516**	**(1,322)**	**20,838**
Claim for bank tax refund at subsidiaries of the Group			
OTP Bank	9,377	(1,090)	10,467
OTP Mortgage Bank	8,759	-	8,759
OTP Flat Lease	116	-	116
Merkantil Bank	1,120	-	1,120
Merkantil Car	144	-	144
Bank tax effect of NBH tender	-	(232)	232
	19,516	**(1,322)**	**20,838**

The NBH invited tenders for selling euro from 3 October 2011 what was announced regularly till 29 February 2012, above all weekly if necessary more frequently. Credit institution was 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 were 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 Group's Consolidated Financial Statements, in connection with that foreign exchange losses in the amount of HUF 5,278 million and gains in the amount of HUF 9,313 million were realised in the Consolidated Financial Statements as at 31 December 2012 and 2011. This sum is reducing the loss incurred related to early repayment at the level of the Group.

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

1. Fixing of the exchange rate for calculating the monthly instalments, escrow account loan contract

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly installments of retail FX mortgage loans and on the foreclosure order of residential real estates was announced. Accordingly, in favour of performing FX mortgage debtors with up to 90 days of delinquency, 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 installments for 36 months or until 31 December 2014 the latest. The fixed exchange rates were 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 provided a special purpose HUF denominated mortgage loan ("escrow account loan"), granting of which is not regulated by the rules of prudent lending.
Escrow account loan is an appropriation established by the Hungarian Government to help FX mortgage debtors during the repayment of FX mortgage loans to finance the installment-proportion non-paid by debtors arising from the difference between the fixed and the exceeding actual spot exchange rate. During the time of fixing, the Bank was entitled to charge not more than the 3-months BUBOR interest rate on the HUF obligations on the escrow account which could be capitalized in every three months. Following the fixed exchange rate period debtors are obliged to pay installments of both the original mortgage and the escrow account loans. 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.

Based on the amendment of Act LXXV 2011 approved on 19 March 2012, escrow account loan with transformed terms could have been employed in 2012. Consequently terms and conditions of the new construction have become valid for all clients owning escrow account loan.

According to modified terms and conditions, contract of fixed exchange rate escrow account loan can be concluded for 60 months or until the last installment due before 30 June 2017 the latest. Closing date has been prolonged until 29 March 2013 in consequence of 22 December 2012 amendment of the Act. The fixed exchange rates were modified and set at 180 HUF/CHF, 250 HUF/EUR and 2.5 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. Escrow account loan is paid in HUF backing joint and several state guarantee during the fixed exchange rate period. During the fixed exchange rate period the Hungarian Government is refunding credit institutions the full proportion of monthly installments of retail FX mortgage loans above the fixed exchange rate, but not more than the highest exchange rate (270 HUF/CHF, 340 HUF/EUR, 3.3 HUF/JPY). Credit institutions are obliged to off-set 50% of the refunded amount – exempted receivable – for the year of 2012 by paying it back to the central budget as credit institutions' contribution.

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. In case of utilising of state guarantee credit institutions are obliged to pay contribution.
Regarding the fact that the expected number of debtors who concluded escrow account loan contract is low, the Bank decided not to employ the state guarantee.

An analysis of main figures related to escrow account loan construction:

	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Number of escrow account loans as at 31 December 2012 (number of loans)	3,060	23,817	380	27,257
Number of new contracts made after 1 April 2012 (number of contracts)	2,988	23,324	386	26,698
Gross value of escrow account loans as at 31 December 2012 (in HUF mn)	79	831	3	913
Gross amount of fixed FX loans as at 31 December 2012 (in HUF mn)	13,444	187,606	5,346	206,396

An analysis of the effect of escrow account loan on financial statement as at 31 December 2012 at Group level:

	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Loss on interest from fixed exchange rate refunded by the State	60	824	-	884
Contribution paid for the State (50%)	30	412	-	442

2. **Conversion of FX mortgage loan into HUF denominated one in case of FX mortgage debtors with more than 90 days of delinquency**

Financial institution qualified as provider of FX loan was obliged to convert whole receivable of uncancelled FX loan into HUF denominated loan at average middle FX rate published by NBH between 15 May and 15 June 2012 until 31 August 2012 if:

a) no conversion into HUF denominated loan occurred yet
b) the total market value of real estate serving as collateral did not exceed HUF 20 million at conclusion of FX loan contract
c) at least HUF 78 thousand is the amount from debt which is due and delinquency of debtor more than 90 days as at 30 September 2011 and since then it is continuous
d) right of legal enforcement is not recorded on real estate included in FX mortgage loan contract
e) debtor made a statement in writing until 15 May 2012 that its delinquency was caused by significant and justifiable deterioration of ability to pay.

Financial institutions were obliged to cancel 25% of their receivable at the date of conversion into HUF loan. Financial institutions were not allowed to charge any fees or other commissions in connection with the conversion and the 25% cancellation of receivable.

Main figures of conversion into HUF denominated loans:

	OTP	OTP Mortgage Bank	Group
Number of DPD[1] 90+ loans (number of loans)	11	90	101
Loan losses (in HUF mn)	10	155	165

[1] DPD: day past due

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 s tatements 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)

	2012	2011
Cash on hand		
In HUF	59,693	53,713
In foreign currency	127,126	124,737
	186,819	**178,450**
Amounts due from banks and balances with the National Banks		
Within one year:		
In HUF	134,828	138,915
In foreign currency	279,755	277,315
	414,583	**416,230**
Over one year:		
In HUF	-	-
In foreign currency	659	796
	659	**796**
Accrued interest	460	510
	415,702	**417,536**
Total	**602,521**	**595,986**
Compulsory reserve set by the National Banks	**270,592**	**280,809**

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

	2012	2011
Within one year		
In HUF	40,882	16,442
In foreign currency	294,509	403,346
	335,391	**419,788**
Over one year		
In HUF	15,000	-
In foreign currency	7,183	3,633
	22,183	**3,633**
Accrued interest	403	521
Provision for impairment on placement losses	(1,111)	(1,165)
Total	**356,866**	**422,777**

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

	2012	2011
Balance as at 1 January	**1,165**	**1,981**
Provision for the period	1,479	166
Release of provision for the period	(1,375)	(1,091)
Foreign currency translation difference	(158)	109
Closing balance	**1,111**	**1,165**

Interest conditions of placements with other banks:

	2012	2011
In HUF	0.1% - 9.4%	1.6% - 15.2%
In foreign currency	0.002% - 10.09%	0.01% - 18.5%

	2012	2011
Average interest rates on placements with other banks	2.28%	1.91%

NOTE 6: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in HUF mn)

	2012	2011
Securities held for trading		
Corporate shares	90,779	88,138
Government bonds	12,476	33,068
Hungarian government discounted treasury bills	2,098	4,146
Securities issued by the NBH	1,333	1,715
Other securities	7,741	3,388
Other non-interest bearing securities	6,913	7,938
	121,340	**138,393**
Accrued interest	480	937
Total	**121,820**	**139,330**

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

	2012	2011
Interest rate swaps classified as held for trading	73,183	39,370
CCIRS and mark-to-market CCIRS[1] classified as held for trading	10,298	27,448
Foreign exchange swaps classified as held for trading	7,173	18,596
Other transactions classified as held for trading	10,400	16,538
	101,054	**101,952**
Total	**222,874**	**241,282**

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

	2012	2011
Denominated in HUF (%)	80.2%	81.8%
Denominated in foreign currency (%)	19.8%	18.2%
Total	**100.0%**	**100.0%**

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

	2012	2011
Denominated in HUF (%)	9.9%	58.3%
Denominated in foreign currency (%)	90.1%	41.7%
Total	**100.0%**	**100.0%**

	2012	2011
Interest rates on securities held for trading	1.2% - 12.0%	1.2% - 12.0%
Average interest rates on securities held for trading	5.54%	3.70%

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

	2012	2011
Within five years		
With variable interest	2	1,042
With fixed interest	21,587	26,090
	21,589	**27,132**
Over five years		
With variable interest	-	919
With fixed interest	2,059	14,266
	2,059	**15,185**
Non-interest bearing securities	97,692	96,076
Total	**121,340**	**138,393**

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 28)

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

	2012	2011
Securities available-for-sale		
Bonds issued by NBH	860,081	509,667
Government bonds	370,329	477,917
Corporate bonds	51,527	33,828
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*45,966*	*26,643*
	45,966	*26,643*
Non-listed securities:		
In HUF	-	-
In foreign currency	*5,561*	*7,185*
	5,561	*7,185*
Other non-interest bearing securities	39,810	34,223
From this:		
Listed securities:		
In HUF	-	*273*
In foreign currency	*6,829*	*7,225*
	6,829	*7,498*
Non-listed securities:		
In HUF	*28,647*	*23,322*
In foreign currency	*4,334*	*3,403*
	32,981	*26,725*
Discounted treasury bills	34,853	35,388
Mortgage bonds	151	163
Other securities	44,022	17,902
	1,400,773	**1,109,088**
Accrued interest	11,630	18,697
Provision for impairment on securities available-for-sale	(1,226)	(1,930)
Total	**1,411,177**	**1,125,855**

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

	2012	2011
Denominated in HUF (%)	81.4%	81.7%
Denominated in foreign currency (%)	18.6%	18.3%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency (%):

	2012	2011
Denominated in HUF (%)	64.1%	75.8%
Denominated in foreign currency (%)	35.9%	24.2%
Total	**100.0%**	**100.0%**

	2012	2011
Interest rates on securities available-for-sale denominated in HUF	6.0% - 8.0%	5.3% - 8.0%
Interest rates on securities available-for-sale denominated in foreign currency	0.8% - 20.0%	0.4% - 20.0%

	2012	2011
Average interest rates on securities available-for-sale denominated in HUF	8.27%	9.75%
Average interest rates on securities available-for-sale denominated in foreign currency	3.39%	5.95%

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

	2012	2011
Within five years		
With variable interest	9,518	1,890
With fixed interest	1,282,459	909,946
	1,291,977	**911,836**
Over five years		
With variable interest	2,521	1,897
With fixed interest	66,465	161,132
	68,986	**163,029**
Non-interest bearing securities	39,810	34,223
Total	**1,400,773**	**1,109,088**

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

	2012	2011
Balance as at 1 January	**1,930**	**1,689**
Provision for the period	61	332
Release of provision	(551)	(19)
Use of provision	(83)	(291)
Foreign currency translation difference	(131)	219
Closing balance	**1,226**	**1,930**

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

NOTE 8: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES

(in HUF mn)

	2012	2011
Short-term loans and promissory notes (within one year)	2,573,893	2,394,200
Long-term loans and promissory notes (over one year)	4,973,154	5,653,270
	7,547,047	**8,047,470**
Accrued interest	71,320	61,161
Provision for impairment on loan losses	(1,154,176)	(1,061,452)
Total	**6,464,191**	**7,047,179**

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

	2012	2011
In HUF	26%	24%
In foreign currency	74%	76%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	2012	2011
Short-term loans denominated in HUF	4.5% - 43%	5% - 38.1%
Long-term loans denominated in HUF	2.7% - 43%	3% - 38.1%
Short-term loans denominated in foreign currency	1% - 66%	1% - 66%
Long-term loans denominated in foreign currency	0.1% - 58.6%	0.4% - 57.8%

	2012	2011
Average interest rates on loans denominated in HUF	5.27%	4.56%
Average interest rates on loans denominated in foreign currency	15.44%	14.41%

	2012	2011
Gross loan portfolio on which interest to customers is not being accrued	18.2%	15.2%

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

	2012		2011	
Retail loans	2,673,929	35%	2,677,482	33%
Corporate loans	2,319,618	31%	2,547,123	32%
Housing loans	2,248,435	30%	2,471,184	31%
Municipality loans	305,065	4%	351,681	4%
Total	**7,547,047**	**100%**	**8,047,470**	**100%**

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

	2012	2011
Balance as at 1 January	**1,061,452**	**761,272**
Provision for the period	602,194	596,734
Release of provision	(472,154)	(357,824)
Use of provision	2,111	2,793
Foreign currency translation difference	(39,427)	58,477
Closing balance	**1,154,176**	**1,061,452**

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

	2012	2011
Provision / (Release of provision) for impairment on placement losses	41	(596)
Provision for impairment on loan losses	226,939	317,269
Total	**226,980**	**316,673**

NOTE 9: A SSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	2012	2011
Investments		
Unconsolidated subsidiaries	7,159	8,278
Associated companies (non-listed)	337	383
Other investments (non-listed)	3,408	3,335
	10,904	**11,996**
Provision for impairment on investments	(2,968)	(1,654)
Total	**7,936**	**10,342**

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

	2012	2011
Balance as at 1 January	**1,654**	**1,320**
Provision for the period	1,335	3,304
Use of provision	(22)	(2,969)
Foreign currency translation difference	1	(1)
Closing balance	**2,968**	**1,654**

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

	2012	2011
Government bonds	407,853	117,242
Discounted Treasury bills	6,432	1,611
Mortgage bonds	2,142	2,300
Foreign bonds	1,236	1,754
	417,663	**122,907**
Accrued interest	12,410	2,869
Provision for impairment on securities held-to-maturity	(770)	(889)
Total	**429,303**	**124,887**

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

	2012	2011
Within five years		
With variable interest	32,619	46,900
With fixed interest	230,287	66,212
	262,906	**113,112**
Over five years		
With variable interest	252	372
With fixed interest	154,505	9,423
	154,757	**9,795**
Total	**417,663**	**122,907**

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

	2012	2011
Denominated in HUF (%)	85.7%	46.7%
Denominated in foreign currency (%)	14.3%	53.3%
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.

	2012	2011
Interest rates of securities held-to-maturity with fixed interest	3.5% - 30%	1.6% - 30%
Interest rates of securities held-to-maturity with variable interest	0.3% - 7.1%	0.2% - 5.9%

	2012	2011
Average interest rates on securities held-to-maturity	7.47%	5.28%

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

	2012	2011
Balance as at 1 January	**889**	**154**
Provision for the period	15	689
Release of provision	(30)	(57)
Use of provision	(34)	-
Foreign currency translation difference	(70)	103
Closing balance	**770**	**889**

NOTE 11: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(in HUF mn)

For the year ended 31 December 2012

Cost	**Intangible assets and goodwill**	**Property**	**Office equipments and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	**381,658**	**199,654**	**187,460**	**16,343**	**785,115**
Additions	30,937	16,753	24,635	27,309	99,634
Foreign currency translation differences	(12,047)	(7,311)	(6,465)	(571)	(26,394)
Disposals	(37,048)	(2,871)	(18,117)	(24,155)	(82,191)
Change in consolidation scope	24	8,511	105	2	8,642
Balance as at 31 December	**363,524**	**214,736**	**187,618**	**18,928**	**784,806**
Depreciation and Amortization					
Balance as at 1 January	**131,789**	**40,102**	**121,558**	**-**	**293,449**
Charge for the period	22,372	6,140	18,908	-	47,420
Foreign currency translation differences	(1,557)	(1,532)	(3,815)	-	(6,904)
Disposals	(26,838)	(1,076)	(11,692)	-	(39,606)
Change in consolidation scope	9	1,233	63	-	1,305
Balance as at 31 December	**125,775**	**44,867**	**125,022**	**-**	**295,664**
Net book value					
Balance as at 1 January	**249,869**	**159,552**	**65,902**	**16,343**	**491,666**
Balance as at 31 December	**237,749**	**169,869**	**62,596**	**18,928**	**489,142**

An analysis of the changes in the goodwill for the year ended 31 December 2012 is as follows:

Cost	Goodwill
Balance as at 1 January	**198,896**
Additions	-
Foreign currency translation difference	(9,277)
Current year impairment	-
Balance as at 31 December	**189,619**
Net book value	
Balance as at 1 January	**198,896**
Balance as at 31 December	**189,619**

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

List of units	HUF mn
OAO OTP Bank	68,205
OTP Bank JSC	64,003
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	16,910
OTP Bank Romania S.A.	5,788
Other[1]	6,172
Total	**189,619**

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 2013-2017 where for 2013 the actual, accepted annual financial plans are included and the actual financial strategic plans were used as forecasts for the period between 2014 and 2017.

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 the Group 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 2012.

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.

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

Summary of the 2012 year end impairment test

Based on the valuations of the subsidiaries there wasn't recorded any consolidated IFRS goodwill impairment.

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[1]	6,181
Total	**198,896**

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 komercijalna banka a.d. (Montenegrin subsidiary).

NOTE 12: OTHER ASSETS (in HUF mn)

	2012	2011
Inventories	50,752	42,788
Fair value of derivative financial instrument designated as fair value hedge	13,694	13,137
Current income tax receivable	13,313	38,409
Trade receivables	12,465	13,300
Prepayments and accrued income	10,100	9,609
Other receivables from Hungarian Government	8,752	2,362
Other advances	5,838	4,187
Receivables due from pension funds and investment funds	1,544	1,310
Receivables from investment services	1,431	1,539
Receivables from leasing activities	1,108	959
Advances for securities and investments	635	2,069
Deferred tax receivables	159	2,419
Other	30,930	25,023
	150,721	**157,111**
Provision for impairment on other assets[2]	(21,265)	(16,558)
Total	**129,456**	**140,553**

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

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

	2012	2011
CCIRS and mark-to-market CCIRS designated as fair value hedge	9,318	10,486
Interest rate swaps designated as fair value hedge	4,224	2,329
Foreign exchange swaps designated as fair value hedge	136	53
Forward security agreements designated as fair value hedge	6	126
Foreign exchange forward contracts designated as fair value hedge	-	50
Other transactions designated as fair value hedge	10	93
Total	**13,694**	**13,137**

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

	2012	2011
Balance as at 1 January	**16,558**	**13,111**
Provision for the period	6,375	3,221
Use of provision	(1,300)	(814)
Foreign currency translation difference	(368)	1,040
Closing balance	**21,265**	**16,558**

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

	2012	2011
Within one year		
In HUF	78,602	47,682
In foreign currency	200,599	255,537
	279,201	**303,219**
Over one year		
In HUF	110,267	124,882
In foreign currency	142,424	216,271
	252,691	**341,153**
Accrued interest	2,432	2,596
Total	**534,324**	**646,968**

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

	2012	2011
Within one year		
In HUF	0.2% - 7.6%	2.5% - 7.1%
In foreign currency	0.01% - 10.1%	0.1% - 9.9%
Over one year		
In HUF	0.2% - 8.1 %	2.5% - 7.6%
In foreign currency	0.1% - 9%	0.5% - 9.5%

	2012	2011
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks denominated in HUF	0.86%	3.06%
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks denominated in foreign	1.74%	2.99%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2012	2011
Within one year		
In HUF	2,864,536	2,781,780
In foreign currency	3,381,095	3,253,215
	6,245,631	**6,034,995**
Over one year		
In HUF	131,023	214,366
In foreign currency	133,045	115,089
	264,068	**329,455**
Accrued interest	41,009	34,403
Total	**6,550,708**	**6,398,853**

Interest rates on deposits from customers are as follows:

	2012	2011
Within one year		
In HUF	0.1% - 11%	0.1% - 11%
In foreign currency	0.01% - 25.5%	0.01% - 24%
Over one year		
In HUF	0.2% - 7.8%	0.2% - 9%
In foreign currency	0.01% - 20%	0.01% - 19.0%

	2012	2011
Average interest rates on deposits from customers denominated in HUF	2.57%	2.41%
Average interest rates on deposits from customers denominated in foreign currency	6.94%	6.11%

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

	2012		2011	
Retail deposits	4,286,153	66%	4,343,496	68%
Corporate deposits	1,961,543	30%	1,799,732	28%
Municipality deposits	262,003	4%	221,222	4%
Total	**6,509,699**	**100%**	**6,364,450**	**100%**

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

	2012	2011
With original maturity		
Within one year		
In HUF	207,826	374,200
In foreign currency	59,632	77,218
	267,458	**451,418**
Over one year		
In HUF	185,893	169,918
In foreign currency	169,564	168,662
	355,457	**338,580**
Accrued interest	20,208	22,865
Total	**643,123**	**812,863**

Interest rates on liabilities from issued securities are as follows:

	2012	2011
Issued securities denominated in HUF	0.25% - 12.0%	0.25% - 10.5%
Issued securities denominated in foreign currency	0.3% - 10.9%	1.5% - 10.9%

	2012	2011
Average interest rates on issued securities denominated in HUF	15.66%	12.09%
Average interest rates on issued securities denominated in foreign currency	3.87%	4.89%

Issued securities denominated in HUF as at 31 December 2012 (in HUF mn):

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP 2013/I	06/01/2012-13/01/2012	05/01/2013	8,716	6.5	fixed	
2	OTP 2013/II	20/01/2012-27/01/2012	19/01/2013	21,453	7	fixed	
3	OTP 2013/III	03/02/2012-10/02/2012	02/02/2013	12,535	7	fixed	
4	OTP 2013/IV	17/02/2012-24/02/2012	16/02/2013	17,134	7	fixed	
5	OTP 2013/V	02/03/2012-09/03/2012	02/03/2013	9,001	7	fixed	
6	OTP 2013/VI	23/03/2012-30/03/2012	23/03/2013	8,171	7	fixed	
7	OTP 2013/VII	06/04/2012-13/04/2012	06/04/2013	10,102	7	fixed	
8	OTP 2013/VIII	21/04/2012-27/04/2012	21/04/2013	10,605	7	fixed	
9	OTP 2013/IX	11/05/2012-18/05/2012	11/05/2013	10,651	7	fixed	
10	OTP 2013/X	25/05/2012-01/06/2012	25/05/2013	4,997	7	fixed	
11	OTP 2013/XI	08/06/2012-15/06/2012	08/06/2013	5,547	7	fixed	
12	OTP 2013/XII	22/06/2012-29/06/2012	22/06/2013	4,453	7	fixed	
13	OTP 2013/XIII	06/07/2012-13/07/2012	06/07/2013	5,747	7	fixed	
14	OTP 2013/XIV	20/07/2012-03/08/2012	20/07/2013	9,508	7	fixed	
15	OTP 2013/XV	10/08/2012-17/08/2012	10/08/2013	5,862	6.5	fixed	
16	OTP 2013/XVI	24/08/2012-31/08/2012	24/08/2013	3,635	6.5	fixed	
17	OTP 2013/XVII	07/09/2012-14/09/2012	07/09/2013	4,130	6.5	fixed	
18	OTP 2013/XVIII	21/09/2012-28/09/2012	21/09/2013	3,655	6.5	fixed	
19	OTP 2013/XIX	05/10/2012-12/10/2012	05/10/2013	2,439	6	fixed	
20	OTP 2013/XX	19/10/2012-31/10/2012	19/10/2013	2,304	6	fixed	
21	OTP 2013/XXI	12/11/2012-16/11/2012	12/11/2013	4,147	6	fixed	
22	OTP 2013/XXII	23/11/2012-03/12/2012	23/11/2013	3,022	5.5	fixed	
23	OTP 2013/XXIII	07/12/2012-17/12/2012	07/12/2013	1,860	5.5	fixed	
24	OTP 2013/XXIV	21/12/2012	21/12/2013	1,581	5.5	fixed	
25	TBSZ 2013/I	26/02/2010-28/12/2010	30/12/2013	6,018	5.5	fixed	
26	TBSZ 2014/I	14/01/2011-05/08/2011	15/12/2014	1,952	5.5	fixed	
27	TBSZ 2014/II	26/08/2011-29/12/2011	15/12/2014	735	5.5	fixed	
28	TBSZ 2015/I	26/02/2010-28/12/2010	30/12/2015	5,649	5.5	fixed	
29	TBSZ 2016/I	14/01/2011-05/08/2011	15/12/2016	1,221	5.5	fixed	
30	TBSZ 2016/II	26/08/2011-29/12/2011	15/12/2016	654	5.5	fixed	
31	TBSZ 4 2015/I	13/01/2012-22/06/2012	15/12/2015	483	6.5	fixed	
32	TBSZ 4 2015/II	21/12/2012	15/12/2015	49	6	fixed	
33	TBSZ 6 2017/I	13/01/2012-22/06/2012	15/12/2017	236	6.5	fixed	
34	2013/Ax	28/06/2010	08/07/2013	428	indexed	floating	hedged
35	2013/Bx	11/11/2010	06/11/2013	785	indexed	floating	hedged
36	2013/Cx	16/12/2010	19/12/2013	420	indexed	floating	hedged
37	2014/Ax	25/06/2009	30/06/2014	2,816	indexed	floating	hedged
38	2014/Bx	05/10/2009	13/10/2014	3,734	indexed	floating	hedged
39	2014/Cx	14/12/2009	19/12/2014	3,728	indexed	floating	hedged
40	2014/Dx	01/04/2011	03/04/2014	526	indexed	floating	hedged
41	2014/Ex	17/06/2011	20/06/2014	1,188	indexed	floating	hedged
42	2014/Fx	20/10/2011	21/10/2014	391	indexed	floating	hedged
43	2014/Gx	21/12/2011	30/12/2014	320	indexed	floating	hedged
44	2015/Ax	25/03/2010	30/03/2015	5,074	indexed	floating	hedged
45	2015/Bx	28/06/2010	09/07/2015	4,490	indexed	floating	hedged
46	2015/Dx	22/03/2012	23/03/2015	470	indexed	floating	hedged
47	2015/Ex	18/07/2012	20/07/2015	390	indexed	floating	hedged
48	2015/Gx	08/11/2012	16/11/2015	435	indexed	floating	hedged
49	2015/Hx	28/12/2012	27/12/2015	170	indexed	floating	hedged
50	2016/Ax	11/11/2010	03/11/2016	4,206	indexed	floating	hedged
51	2016/Bx	16/12/2010	19/12/2016	3,138	indexed	floating	hedged
52	2016/Ex	28/12/2012	27/12/2016	395	indexed	floating	hedged
53	2017/Ax	01/04/2011	31/03/2017	4,985	indexed	floating	hedged
54	2017/Bx	17/06/2011	20/06/2017	4,670	indexed	floating	hedged
55	2017/Cx	19/09/2011	25/09/2017	3,654	indexed	floating	hedged
56	2017/Dx	20/10/2011	19/10/2017	540	indexed	floating	hedged
57	2017/Ex	21/12/2011	28/12/2017	4,000	indexed	floating	hedged
58	2018/Ax	03/01/2012	09/01/2018	1,200	indexed	floating	hedged
59	2018/Bx	22/03/2012	22/03/2018	4,490	indexed	floating	hedged
60	2018/Cx	16/07/2012	18/07/2018	3,990	indexed	floating	hedged
	Subtotal issued securities in HUF			**248,885**			

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
61	2018/Dx	29/10/2012	26/10/2018	3,250	indexed	floating	hedged
62	2018/Ex	28/12/2012	28/12/2018	3,250	indexed	floating	hedged
63	2019/Ax	25/06/2009	01/07/2019	284	indexed	floating	hedged
64	2019/Bx	05/10/2009-05/02/2010	14/10/2019	442	indexed	floating	hedged
65	2019/Cx	14/12/2009	20/12/2019	379	indexed	floating	hedged
66	2020/Ax	25/03/2010	30/03/2020	380	indexed	floating	hedged
67	2020/Bx	28/06/2010	09/07/2020	415	indexed	floating	hedged
68	2020/Cx	11/11/2010	05/11/2020	259	indexed	floating	hedged
69	2020/Dx	16/12/2010	18/12/2020	235	indexed	floating	hedged
70	2021/Ax	01/04/2011	01/04/2021	335	indexed	floating	hedged
71	2021/Bx	17/06/2011	21/06/2021	370	indexed	floating	hedged
72	2021/Cx	19/09/2011	21/06/2021	320	indexed	floating	hedged
73	2021/Dx	21/12/2011	27/12/2021	425	indexed	floating	hedged
74	2022/Ax	22/03/2012	23/03/2022	280	indexed	floating	hedged
75	2022/Bx	18/07/2012	18/07/2022	295	indexed	floating	hedged
76	2022/Cx	29/10/2012	28/10/2022	325	indexed	floating	hedged
77	2022/Dx	28/12/2012	27/12/2022	350	indexed	floating	hedged
78	2013/RA/Bx	26/11/2010	03/12/2013	3,193	indexed	floating	hedged
79	2014/RA/Bx	16/09/2011-23/09/2011	15/09/2014	1,126	indexed	floating	hedged
80	RA 2014A	25/03/2011	24/03/2014	950	indexed	floating	hedged
81	2020/RF/A	12/07/2010	20/07/2020	1,211	indexed	floating	hedged
82	2020/RF/B	12/07/2010	20/07/2020	929	indexed	floating	hedged
83	2020/RF/C	11/11/2010	05/11/2020	1,272	indexed	floating	hedged
84	2021/RF/A	05/07/2011	13/07/2021	456	indexed	floating	hedged
85	2021/RF/B	20/10/2011	25/10/2021	490	indexed	floating	hedged
86	2021/RF/C	21/12/2011	30/12/2021	41	indexed	floating	hedged
87	2021/RF/D	21/12/2011	30/12/2021	35	indexed	floating	hedged
88	2021/RF/E	21/12/2011	30/12/2021	18	indexed	floating	hedged
89	2022/RF/A	22/03/2012	23/03/2022	135	indexed	floating	hedged
90	2022/RF/B	22/03/2012	23/03/2022	46	indexed	floating	hedged
91	2022/RF/C	28/06/2012	28/06/2022	73	indexed	floating	hedged
92	2022/RF/D	28/06/2012	28/06/2022	92	indexed	floating	hedged
93	2022/RF/E	29/10/2012	31/10/2022	17	indexed	floating	hedged
94	2022/RF/F	28/12/2012	28/12/2022	14	indexed	floating	hedged
95	3Y EURHUF	25/06/2010	25/06/2013	2,097	indexed	floating	hedged
96	DNT HUF 130508 9%	15/11/2012	08/05/2013	2,334	indexed	floating	hedged
97	DNT HUF 2013A	27/09/2012	25/03/2013	3,753	indexed	floating	hedged
98	OVK 2013/I	26/08/2011-28/12/2011	26/08/2013	1,254	5.75	fixed	
99	OVK 2014/I	31/01/2012-03/07/2012	27/01/2014	237	6.75	fixed	
100	OJK 2016/I	26/08/2011-21/12/2011	26/08/2016	211	6.14	fixed	
101	OJK 2017/I	27/01/2012-13/07/2012	27/01/2017	41	7	fixed	
102	OJB2013_II	20/12/2002	31/08/2013	13,433	8.25	fixed	
103	OJB2014_I	14/11/2003	12/02/2014	13,483	8	fixed	
104	OJB2014_J	17/09/2004	17/09/2014	233	8.69	fixed	
105	OJB2015_I	10/06/2005	10/06/2015	3,231	7.7	fixed	
106	OJB2015_J	28/01/2005	28/01/2015	140	8.69	fixed	
107	OJB2016_I	03/02/2006	03/02/2016	1,259	7.5	fixed	
108	OJB2016_II	31/08/2006	31/08/2016	4,663	10	fixed	
109	OJB2016_J	18/04/2006	28/09/2016	227	7.59	fixed	
110	OJB2019_I	17/03/2004	18/03/2019	31,503	9.48	fixed	
111	OJB2019_II	25/05/2011	18/03/2019	1,059	9.48	fixed	
112	OJB2020_I	19/11/2004	12/11/2020	5,503	9	fixed	
113	OJB2020_II	25/05/2011	12/11/2020	1,486	9	fixed	
114	Other[1]			35,342			
	Subtotal issued securities in HUF			**143,181**			
	Unamortized premium			**(40)**			
	Fair value adjustment			**1,693**			
	Total issued securities in HUF			**393,719**			

[1] From the total amount HUF 35,087 million is mobil deposits of Merkantil Bank.

Issued securities denominated in foreign currency as at 31 December 2012 (in HUF mn):

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
1	DC EUR 130108 4.5%	27/09/201	08/01/201	EUR	10.55	3,073	4.5	fixed	
2	DC USD 130207 5%	15/11/201	07/02/201	USD	13.75	3,038	5	fixed	
3	EUR 2013/I	05/08/201	05/08/201	EUR	0.45	131	3	fixed	
4	EUR 2013/II	12/08/201	12/08/201	EUR	0.44	127	3	fixed	
5	EUR 2013/III	26/08/201	26/08/201	EUR	0.91	265	3	fixed	
6	EUR 2013/IV	09/09/201	09/09/201	EUR	0.77	223	3	fixed	
7	EUR 2013/V	23/09/201	23/09/201	EUR	0.49	144	3	fixed	
8	EUR 2013/VI	07/10/201	07/10/201	EUR	0.55	161	3	fixed	
9	EUR 2013/VII	21/10/201	21/10/201	EUR	0.51	148	3	fixed	
10	EUR 2013/VIII	07/11/201	07/11/201	EUR	0.26	77	3	fixed	
11	EUR 2013/IX	18/11/201	18/11/201	EUR	0.42	122	3	fixed	
12	EUR 2013/X	25/11/201	25/11/201	EUR	0.14	41	3	fixed	
13	EUR 2013/XI	02/12/201	02/12/201	EUR	0.18	53	3.5	fixed	
14	EUR 2013/XII	16/12/201	16/12/201	EUR	0.08	25	3.5	fixed	
15	EUR 2013/XIII	29/12/201	29/12/201	EUR	0.15	44	4	fixed	
16	EUR 1 2013/I	13/01/201	12/01/201	EUR	1.11	322	3.5	fixed	
17	EUR 1 2013/II	27/01/201	26/01/201	EUR	1.82	529	3.75	fixed	
18	EUR 1 2013/III	10/02/201	09/02/201	EUR	1.02	297	3.75	fixed	
19	EUR 1 2013/IV	24/02/201	23/02/201	EUR	1.08	315	3.75	fixed	
20	EUR 1 2013/V	09/03/201	09/03/201	EUR	0.82	238	3.75	fixed	
21	EUR 1 2013/VI	23/03/201	23/03/201	EUR	0.76	220	3.75	fixed	
22	EUR 1 2013/VII	06/04/201	06/04/201	EUR	1.16	339	3.75	fixed	
23	EUR 1 2013/VIII	20/04/201	20/04/201	EUR	2.31	673	3.75	fixed	
24	EUR 1 2013/IX	04/05/201	04/05/201	EUR	2.84	827	3.75	fixed	
25	EUR 1 2013/X	11/05/201	11/05/201	EUR	0.52	151	3.5	fixed	
26	EUR 1 2013/XI	25/05/201	25/05/201	EUR	0.87	254	3.5	fixed	
27	EUR 1 2013/XII	08/06/201	08/06/201	EUR	1.07	311	3.5	fixed	
28	EUR 1 2013/XIII	22/06/201	22/06/201	EUR	2.30	671	3.5	fixed	
29	EUR 1 2013/XIV	13/07/201	13/07/201	EUR	4.90	1,426	3.5	fixed	
30	EUR 1 2013/XV	03/08/201	03/08/201	EUR	13.33	3,883	3.5	fixed	
31	EUR 1 2013/XVI	17/08/201	17/08/201	EUR	7.78	2,267	3.25	fixed	
32	EUR 1 2013/XVII	31/08/201	31/08/201	EUR	9.08	2,646	3.25	fixed	
33	EUR 1 2013/XVIII	14/09/201	14/09/201	EUR	8.54	2,489	3	fixed	
34	EUR 1 2013/XIX	28/09/201	28/09/201	EUR	4.67	1,361	3	fixed	
35	EUR 1 2013/XX	12/10/201	12/10/201	EUR	7.41	2,158	3	fixed	
36	EUR 1 2013/XXI	26/10/201	26/10/201	EUR	5.86	1,707	3	fixed	
37	EUR 1 2013/XXII	09/11/201	09/11/201	EUR	5.36	1,560	3	fixed	
38	EUR 1 2013/XXIII	23/11/201	23/11/201	EUR	9.29	2,706	3	fixed	
39	EUR 1 2013/XXIV	07/12/201	07/12/201	EUR	10.46	3,048	3	fixed	
40	EUR 1 2013/XXV	21/12/201	21/12/201	EUR	4.28	1,247	2.75	fixed	
41	EUR 2 2014/I	13/01/201	13/01/201	EUR	0.06	17	4	fixed	
42	EUR 2 2014/II	27/01/201	27/01/201	EUR	0.19	56	4	fixed	
43	EUR 2 2014/III	10/02/201	10/02/201	EUR	0.24	71	4	fixed	
44	EUR 2 2014/IV	24/02/201	24/02/201	EUR	0.44	129	4	fixed	
45	EUR 2 2014/V	09/03/201	09/03/201	EUR	0.10	28	4	fixed	
46	EUR 2 2014/VI	23/03/201	23/03/201	EUR	0.10	30	4	fixed	
47	EUR 2 2014/VII	06/04/201	06/04/201	EUR	0.15	43	4	fixed	
48	EUR 2 2014/VIII	20/04/201	20/04/201	EUR	0.25	73	4	fixed	
49	EUR 2 2014/IX	04/05/201	04/05/201	EUR	0.34	99	4	fixed	
50	EUR 2 2014/X	11/05/201	11/05/201	EUR	0.05	15	3.75	fixed	
51	EUR 2 2014/XI	25/05/201	25/05/201	EUR	0.10	30	3.75	fixed	
52	EUR 2 2014/XII	08/06/201	08/06/201	EUR	0.13	37	3.75	fixed	
53	EUR 2 2014/XIII	22/06/201	22/06/201	EUR	0.20	58	3.75	fixed	
54	EUR 2 2014/XIV	13/07/201	13/07/201	EUR	0.18	54	3.75	fixed	
	Subtotal issued securities in FX					**40,057**			

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
55	EUR 2 2014/XV	03/08/201	03/08/201	EUR	0.23	67	3.75	fixed	
56	EUR 2 2014/XVI	17/08/201	17/08/201	EUR	0.22	64	3.5	fixed	
57	EUR 2 2014/XVII	31/08/201	31/08/201	EUR	0.46	135	3.5	fixed	
58	EUR 2 2014/XVIII	14/09/201	14/09/201	EUR	0.31	90	3.25	fixed	
59	EUR 2 2014/XIX	28/09/201	28/09/201	EUR	0.29	83	3.25	fixed	
60	EUR 2 2014/XX	12/10/201	12/10/201	EUR	0.22	63	3.25	fixed	
61	EUR 2 2014/XXI	26/10/201	26/10/201	EUR	0.47	138	3.25	fixed	
62	EUR 2 2014/XXII	09/11/201	09/11/201	EUR	0.20	60	3.25	fixed	
63	EUR 2 2014/XXIII	23/11/201	23/11/201	EUR	0.37	109	3.25	fixed	
64	EUR 2 2014/XXIV	07/12/201	07/12/201	EUR	0.41	119	3.25	fixed	
65	EUR 2 2014/XXV	21/12/201	21/12/201	EUR	0.37	108	3	fixed	
66	2015/Cx	27/12/201	29/12/201	EUR	0.97	283	indexed	floating	hedged
67	2015/Fx	21/12/201	23/12/201	EUR	2.07	604	indexed	floating	hedged
68	2016/Cx	22/04/201	22/04/201	EUR	1.56	454	indexed	floating	hedged
69	2016/Dx	22/12/201	29/12/201	EUR	1.25	363	indexed	floating	hedged
70	2017/Fx	14/06/201	16/06/201	EUR	0.78	226	indexed	floating	hedged
71	OMB2013_I	11/11/201	18/11/201	EUR	3.5	1,020	5.44	floating	hedged
72	OMB2014_I	15/12/200	15/12/201	EUR	198.25	57,748	4	fixed	
73	OMB2014_II	02/08/201	10/08/201	EUR	15.5	4,515	3.19	floating	hedged
74	OMB2015_I	30/08/201	06/03/201	EUR	5	1,456	4.19	floating	hedged
75	Mortgage bonds OTP VII	21/12/200	21/12/201	EUR	22.47	6,546	0.33	floating	
76	Mortgage bonds OTP XIX	02/11/200	02/11/201	EUR	9.76	2,844	4.0	fixed	
77	Mortgage bonds OTP XXI	20/05/201	20/05/201	EUR	9.86	2,871	3.5	fixed	
78	Mortgage bonds OTP	23/11/201	23/11/201	EUR	7.88	2,294	3.3	fixed	
79	Mortgage bonds OTP	28/09/201	28/09/201	EUR	5.6	1,631	4.0	fixed	
80	OTPRU 14/03	29/03/201	25/03/201	RUR	2,500	18,150	8.55	fixed	
81	OTPRU 14/07	02/08/201	29/07/201	RUR	5,000	36,300	8.21	fixed	
82	OTPRU 14/10	03/11/201	30/10/201	RUR	4,000	29,040	10.88	fixed	
83	OTPRU 15/03	06/03/201	03/03/201	RUR	4,940	35,864	10.84	fixed	
84	Other[1]					16,923			
	Subtotal issued securities in FX					**220,168**			
	Unamortized premium					**(31,075)**			
	Fair value adjustment					**46**			
	Total issued securities in FX					**229,196**			
	Total accrued interest					**20,208**			
	Total issued securities					**643,123**			

2012 update of the Bank's EUR 5 billion EMTN Programme

On 13 November 2012 the Commission de Surveillance du Secteur Financier (CSSF) approved the Base Prospectus relating to EUR 5 billion Euro Medium Term Note Programme of the Bank.
On 11 December 2012 the Commission de Surveillance du Secteur Financier approved the 1st Supplement to the Base Prospectus relating to EUR 5 billion EMTN Programme.

Term Note Program in the value of HUF 500 billion for the year of 2012/2013

On 5 July 2012 the Bank initiated term note program in the value of HUF 500 billion with the intention of issuing registered dematerialized bonds in public. The Hungarian Financial Supervisory Authority ("HFSA") approved the prospectus of Term Note Program and the disclosure on 1 August 2012. On 31 August, 28 September, 23 November, 7 and 21 December 2012, the HFSA approved the 1st, 2nd, 3rd, 4th and 5th addition of the prospectus of the program. The 6th addition of the prospectus was approved on January 23 2013 by the HFSA. The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian 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 and amount of the structure if any 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.

[1] Other category includes promissory notes issued by OTP banka Slovensko a.s. in the amount of HUF 306 million and by OAO OTP Bank in the amount of HUF 16,617 million.

The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the HUF/EUR foreign exchange rate and the risk of change in the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF interest rate swap (“IRS”) transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR 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 classified as held for trading by type of contracts

	2012	2011
Interest rate swaps classified as held for trading	75,332	40,542
CCIRS and mark-to-market CCIRS classified as held for trading	31,594	125,014
Foreign exchange swaps classified as held for trading	6,388	50,204
Forward rate agreements classified as held for trading (FRA)	4,857	8,366
Option contracts classified as held for trading	1,954	2,401
Foreign exchange forward contracts classified as held for trading	1,350	3,585
Forward security agreements classified as held for	219	-
Other transactions classified as held for trading	338	37
Total	**122,032**	**230,149**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	2012	2011
Fair value of derivative financial instruments designated as fair value hedge	119,027	98,415
Financial liabilities from OTP-MOL share swap [1]	89,308	82,347
Salaries and social security payable	29,835	28,131
Subtotal	**238,170**	**208,893**

[1] 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. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. 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 2012 HUF 89,308 and as at 31 December 2011 HUF 82,347 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.

	2012	2011
Liabilities from investment services	26,264	12,065
Liabilities connected to Cafeteria benefits	23,696	2,268
Accrued expenses	20,048	17,601
Provision for impairment on off-balance sheet commitments and contingent liabilities	19,727	18,434
Deferred tax liabilities	17,454	4,559
Accounts payable	16,474	14,948
Current income tax payable	15,982	13,626
Clearing, settlement and pending accounts	14,595	10,635
Giro clearing accounts	11,725	31,048
Loans from government	3,008	4,152
Advances received from customers	2,904	2,277
Liabilities connected to leasing activities	1,212	1,013
Liabilities connected to loans for collection	1,006	1,117
Liabilities related to housing loans	177	470
Dividend payable	127	280
Liabilities from specific repo deals	-	321
Other	43,804	32,302
	456,373	**376,009**
Accrued interest	858	928
Total	**457,231**	**376,937**

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

	2012	2011
Provision for losses on other off-balance sheet commitments and contingent liabilities related to lending	9,080	11,443
Provision for other liabilities	5,421	2,022
Provision for litigation	4,089	3,697
Provision for expected pension commitments	1,137	1,272
Total	**19,727**	**18,434**

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

	2012	2011
Balance as at 1 January	**18,434**	**19,650**
Provision / (Release) for the period	2,135	(1,863)
Use of provision	(223)	(251)
Foreign currency translation differences	(619)	898
Closing balance	**19,727**	**18,434**

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

	2012	2011
CCIRS and mark-to-market CCIRS designated as fair value hedge	113,915	85,845
Interest rate swaps designated as fair value hedge	5,033	12,563
Forward security agreements designated as fair value hedge	78	-
Other transactions designated as fair value hedge	1	7
Total	**119,027**	**98,415**

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

	2012	2011
Within one year:		
In HUF	5,000	-
In foreign currency	8	325
	5,008	**325**
Over one year:		
In HUF	-	5,000
In foreign currency	283,397	307,617
	283,397	**312,617**
Accrued interest	3,090	3,505
Total	**291,495**	**316,447**

Interest rates on subordinated bonds and loans are as follows:

	2012	2011
Denominated in HUF	3.3%	3.0%
Denominated in foreign currency	0.7% - 8.0%	1.99% - 8.0%

	2012	2011
Average interest rates on subordinated bonds and loans	3.97%	3.98%

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 2012
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	6.0%
Subordinated bond	EUR 105.95 million	04/03/2005	04/03/2015	100%	Three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 473.2 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%	2.0%
Subordinated bond	RUB 16.7 million	30/12/2003	21/06/2015	100%	Variable, based on the Russian National Bank's interest rate	8.25%
Subordinated bond	EUR 5,113 million	23/12/1997	15/11/2014	100%	Variable, six-month EURIBOR + 1.3%	1.66%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	2012	2011
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 ("HAS) are as follows (the reserves under IFRS are detailed in consolidated statement of changes in equity):

	2012	2011
Capital reserve	52	52
General reserve	141,717	134,460
Retained earnings	845,614	760,785
Tied-up reserve	7,385	8,018
Total	**994,768**	**903,315**

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 HAS.

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in April 2013. In 2012 the Bank paid dividend of HUF 28,000 million from the profit of the year 2011. In 2013 dividend of HUF 33,600 million are expected to be proposed by the management from the profit of the year 2012, which means 120 HUF payable dividend by share to the shareholders.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 701,935 million and HUF 697,946 million) and reserves (HUF 832,637 million and HUF 741,149 million). The reserves include mainly net profit for the year attributable to the owners of the company, the fair value adjustment of securities available-for-sale, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous year at the subsidiaries, changes due to consolidation and exchange differences.
In the Consolidated Financial Statement the Group presents the difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, among the shareholders' equity as difference of translation. The accumulated amounts of exchange differences were HUF 17,889 million and HUF 71,280 million in year 2012 and 2011 respectively.

On 19 October 2006, the Bank sold 14.5 million Treasury shares owned by the Group through an issue of I 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)

	2012	2011
Nominal value (Ordinary shares)	1,876	1,921
Carrying value at acquisition cost	53,802	54,386

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:

	2012	2011
Number of shares as at 1 January	**19,218,344**	**18,731,231**
Additions	1,490,134	1,085,521
Disposals	(1,953,105)	(598,408)
Closing number of shares	**18,755,373**	**19,218,344**

Change in carrying value:

	2012	2011
Balance as at 1 January	**54,386**	**52,597**
Additions	5,758	4,753
Disposals	(6,342)	(2,964)
Closing balance	**53,802**	**54,386**

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

	2012	2011
Balance as at 1 January	**5,601**	**5,888**
Non-controlling interest included in net profit for the period	896	653
Foreign currency translation difference	70	1,147
Changes due to ownership structure	(784)	(2,087)
Closing balance	**5,783**	**5,601**

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

	2012	2011
Provision for impairment on loan losses		
Provision for the period	602,194	596,734
- *from this:(release of provision) / provision for impairment on loan losses related to early repayment*	*(35,264)*	*35,264*
Release of provision	(472,154)	(357,824)
Provision for impairment on loan losses	96,899	78,359
- *from this: provision on loan losses related to early*	*32,774*	*32,045*
	226,939	**317,269**
Provision for impairment on placement losses		
Provision for the period	1,479	166
Release of provision	(1,375)	(1,091)
(Release of provision) / Provision for impairment on placement losses	(63)	329
	41	**(596)**
Provision for impairment on loan and placement losses	**226,980**	**316,673**
(Gains) / Losses on loans related to early repayment	(2,490)	67,309
Losses from early repayment recognizing in interest income from loans	127	107
Total (gains) / losses related to early repayment	**(2,363)**	**67,416**

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

Income from fees and commissions	**2012**	**2011**
Deposit and account maintenance fees and commissions	76,622	72,707
Fees and commissions related to the issued bank cards	43,880	36,613
Fees related to cash withdrawal	24,488	24,200
Fees and commissions related to lending	19,056	16,629
Fees and commissions related to fund management	10,842	11,816
Fees and commissions related to security trading	7,412	5,636
Other	21,199	16,488
Total	**203,499**	**184,089**

Expense from fees and commissions	2012	2011
Fees and commissions paid on loans	12,104	4,798
Interchange fees	9,157	8,381
Fees and commissions related to issued bank cards	7,523	7,322
Fees and commissions related to lending	5,112	2,082
Fees and commissions related to deposits	2,618	2,524
Cash withdrawal transaction fees	2,552	2,263
Insurance fees	1,741	1,996
Money market transaction fees and commissions	1,293	1,300
Fees and commissions related to security trading	810	977
Postal fees	779	835
Other	5,473	5,089
Total	**49,162**	**37,567**
Net profit from fees and commissions	**154,337**	**146,522**

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

Other operating income	2012	2011
Other income from non-financial activities	23,987	27,252
Total	**23,987**	**27,252**

Other operating expenses	2012	2011
Provision for impairment on other assets	6,375	3,221
Provision / (Release of provision) for off-balance sheet commitments and contingent liabilities	2,135	(1,863)
Provision for impairment on investments[1]	1,335	3,304
Other expense from non-financial activities	17,912	16,235
Other operating costs	7,276	5,674
Total	**35,033**	**26,571**

Other administrative expenses	2012	2011
Personnel expenses		
Wages	139,386	124,996
Taxes related to personnel expenses	36,881	32,595
Other personnel expenses	12,685	11,507
Subtotal	**188,952**	**169,098**

[1] See details in Note 9.

Other administrative expenses	2012	2011
Depreciation and amortization	**47,420**	**73,432**
Other administrative expenses		
Taxes, other than income tax[1]	69,858	45,364
Administration expenses, including rental fees	48,245	45,069
Services	37,069	38,805
Professional fees	18,949	18,467
Advertising	12,984	12,440
Subtotal	**187,105**	**160,145**
Total	**423,477**	**402,675**

NOTE 26: INCOME TAX (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 24.5% 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 Hungary and Slovakia, 20% in Croatia and Russia, 21% in Ukraine and 24.5% in the United Kingdom.

The breakdown of the income tax expense is:

	2012	2011
Current tax expense	20,527	25,216
Deferred tax expense	2,561	13,980
Total	**23,088**	**39,196**

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

	2012	2011
Balance as at 1 January	**(2,140)**	**3,217**
Deferred tax expense	(2,561)	(13,980)
Deferred tax related to items recognized directly in equity and in Other Comprehensive Income	(12,894)	8,699
Difference arising on consolidation	-	10
Foreign currency translation difference	300	(86)
Closing balance	**(17,295)**	**(2,140)**

[1] 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 2012 and 2011 HUF 37.1 billion and HUF 14.6 billion was recognized as an expense thus decreased the corporate tax base. Based on the 2012 approved regulation financial institutions' obligation to pay this special tax was finalized.

A reconciliation of the income tax expense is as follows:

	2012	**2011**
Profit before income tax	145,674	122,996
Income tax at statutory tax rates	33,073	27,353
Income tax adjustments due to permanent differences are as follows:		
Differences in carrying value of subsidiaries	2,110	2,765
Reversal of statutory general provision	1,150	(206)
OTP-MOL share swap transaction	871	(871)
Share-based payment	871	1,176
Difference of accounting of equity instrument (ICES)	370	(711)
Tax effect of amortization of statutory goodwill	-	(5,327)
Effect of change of income tax rate	-	1,927
Treasury share transactions	(36)	-
Reclassification of direct charges to reserves (self-revision)	(96)	(1,639)
Revaluation of investments denominated in foreign currency to historical cost	(4,325)	11,443
Deferred use of tax allowance	(5,945)	-
Other	(4,955)	3,286
Income tax expense	**23,088**	**39,196**
Effective tax rate	**15.85%**	**31.9%**

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

	2012	**2011**
Fair value adjustment of securities held for trading and securities available-for-sale	6,285	8,970
Repurchase agreement and security lending	4,192	3,336
Tax loss carry forward	2,935	3,852
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	427	76
Difference in accounting for leases	423	483
Difference in depreciation and amortization	18	20
Provision for impairment on investments	-	4,407
Adjustment from effective interest rate method	-	2,401
Premium and discount amortization on bonds	-	472
Fair value adjustment of derivative financial instruments	-	18
Other	9,630	3,441
Deferred tax asset	**23,910**	**27,476**

	2012	2011
Fair value adjustment of securities held for trading and securities available-for-sale	(8,905)	(1,225)
Difference in depreciation and amortization	(6,223)	(5,052)
Fair value adjustment of derivative financial instruments	(6,071)	(8,155)
Net effect of treasury share transactions	(3,824)	(4,706)
Adjustment from effective interest rate method	(2,869)	(2,444)
Accounting of equity instrument (ICES)	(2,775)	(3,977)
Temporary differences arising on consolidation	(1,636)	(1,129)
Premium and discount amortization on bonds	(1,161)	(243)
Difference in accounting for leases	(67)	(72)
Repurchase agreement and security lending	(2)	-
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	-	(19)
Other	(7,672)	(2,594)
Deferred tax liabilities	**(41,205)**	**(29,616)**
Net deferred tax liability	**(17,295)**	**(2,140)**

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 2012

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount / allowance
Retail loans	2,972,929	853,100	226,310	222,402	647,623	**4,922,364**
Corporate loans	1,152,177	469,093	130,965	154,969	412,414	**2,319,618**
Placement with other banks	341,171	15,610	-	6	787	**357,574**
Municipal loans	212,504	73,026	8,782	9,738	1,015	**305,065**
Total gross portfolio	**4,678,781**	**1,410,829**	**366,057**	**387,115**	**1,061,839**	**7,904,621**
Allowance for loans	(24,597)	(55,395)	(97,934)	(213,653)	(762,597)	**(1,154,176)**
Allowance for placements	-	(324)	-	-	(787)	**(1,111)**
Total allowance	**(24,597)**	**(55,719)**	**(97,934)**	**(213,653)**	**(763,384)**	**(1,155,287)**
Total net portfolio	**4,654,184**	**1,355,110**	**268,123**	**173,462**	**298,455**	**6,749,334**
Accrued interest						
for loans						**71,320**
for placements						**403**
Total accrued interest						**71,723**
Total net loans						**6,464,191**
Total net placements						**356,866**
Total net exposures						**6,821,057**

As at 31 December 2011

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount / allowance
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**

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

Qualification categories	2012	2011
Performing	1,426,968	1,039,188
To-be monitored	41,450	47,996
Below average	4,203	194,370
Doubtful	1,395	4,774
Bad	1,294	1,513
Total	**1,475,310**	**1,287,841**

The Group's loan portfolio decreased by 6.7% in the year 2012. Analysing the contribution of loan types to the loan portfolio, the share of the retail loan type slightly increased while the other types of loan portfolios 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 15.7% to 17.4%. Among the qualified loan portfolio, the loans classified to the risk class of "below average" 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 67.4% and 64.9% as at 31 December 2012 and 31 December 2011 respectively.

The off-balance sheet liabilities connected to the lending activity increased by 14.6% and 16.9% as at 31 December 2012 and 31 December 2011 respectively.
The qualified loan portfolio decreased by 8.4% in the year ended 31 December 2012.

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:

	2012		2011	
Country	**Carrying amount of the qualified gross loan portfolio**	**Allowance**	**Carrying amount of the qualified gross loan portfolio**	**Allowance**
Hungary	1,348,023	434,216	1,652,321	421,616
Ukraine	636,576	197,099	771,398	196,537
Romania	312,453	48,861	160,413	44,162
Bulgaria	304,997	165,177	318,961	148,292
Russia	264,877	128,911	204,577	68,904
Montenegro	141,855	82,135	143,986	70,640
Serbia	51,759	26,318	69,811	26,082
Croatia	50,578	21,824	53,119	22,004
Slovakia	47,234	20,323	59,008	17,626
Cyprus	45,985	1,854	65,331	13,931
United States of America	12,724	131	1,097	6
Seychelles	4,912	1,473	5,268	806
United Kingdom	2,346	1,801	2,275	1,125
Egypt	664	332	640	327
Germany	217	75	15	4
Ireland	111	52	81	72
Kazakhstan	82	34	2,209	150
Latvia	38	26	37	31
Netherlands	2	1	-	-
Macedonia	-	-	116	76
Other[1]	407	47	196	97
Total	**3,225,840**	**1,130,690**	**3,510,859**	**1,032,488**

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

[1] Other category in year 2012 includes e.g.: Island, Greece, Sweden, Moldova, United Arab Emirates, Switzerland, Austria, Spain, Georgia, South Korea, Turkey, Israel, Luxembourg, China, Canada, Libya, France, Vietnam.

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

	2012		2011	
Country	**Carrying amount of the non-qualified gross loan portfolio**	**Allowance**	**Carrying amount of the non-qualified gross loan portfolio**	**Allowance**
Hungary	2,009,007	24	1,930,312	2,711
Bulgaria	890,478	14,367	979,000	12,742
Russia	624,285	3,331	589,273	4,121
Croatia	334,942	3,468	360,747	3,817
Slovakia	244,647	1,325	246,160	736
Romania	137,390	463	308,304	307
United Kingdom	87,509	-	96,790	28
Serbia	65,358	117	43,807	32
Germany	63,387	-	61,913	1
Montenegro	63,102	1,502	149,789	5,629
Ukraine	60,345	-	49,382	-
France	29,485	-	60,355	-
United States of America	19,852	-	14,536	2
Luxembourg	11,361	-	-	-
Switzerland	11,210	-	8,867	-
Austria	10,264	-	3,982	-
Belgium	4,154	-	16,547	-
Czech Republic	4,062	-	540	-
Norway	2,204	-	6,617	-
Turkey	1,708	-	403	-
Japan	1,417	-	128	-
Cyprus	470	-	9,048	-
Canada	429	-	273	-
Poland	290	-	2,813	-
Denmark	276	-	133	-
Sweden	212	-	1,747	-
Netherlands	147	-	13,972	-
Kazakhstan	142	-	271	-
Italy	118	-	3,235	1
Ireland	105	-	261	-
Spain	25	-	19	-
Azerbaijan	-	-	602	-
Other[1]	400	-	206	2
Total	**4,678,781**	**24,597**	**4,960,032**	**30,129**

The non-qualified loan portfolio decreased mostly in Netherlands, Cyprus, Montenegro and Romania. 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.

[1] Other category in 2012 includes e.g.: Australia, Hong-Kong, Island, United Arab Emirates, Greece, Slovenia, Macedonia, Brasilia, Latvia, Finland, Bosnia and Herzegovina, Israel, Estonia, Grenada .

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	2012	2011
Mortgages	6,790,472	6,957,343
Assignments (revenue or other receivables)	247,449	209,013
Guarantees and warranties	191,789	297,856
Guarantees of state or organizations owned by state	171,547	162,516
Cash deposits	154,956	158,457
Securities	132,965	105,950
Other	1,186,995	970,760
Total	**8,876,173**	**8,861,895**

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	2012	2011
Mortgages	3,045,238	3,625,631
Assignments (revenue or other receivables)	312,839	325,310
Guarantees and warranties	165,399	273,286
Cash deposits	117,778	103,771
Guarantees of state or organizations owned by state	117,308	135,969
Securities	65,864	31,848
Other	585,852	598,993
Total	**4,410,278**	**5,094,808**

The coverage level of the loan portfolio (total collaterals) increased by 4.2%, as well as the coverage level to the extent of the exposures decreased by 9.9% as at 31 December 2012.

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	2012	2011
Retail loans	1,854,274	2,224,077
Corporate loans	917,619	997,115
Placement with other banks	319,095	396,298
Municipal loans	149,558	175,452
Total	**3,240,546**	**3,792,942**

Qualification categories	2012	2011
Performing	3,061,957	3,723,990
To-be monitored	149,670	40,569
Below average	19,840	13,538
Doubtful	4,481	3,187
Bad	4,598	11,658
Total	**3,240,546**	**3,792,942**

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 44.8% to 41% as at 31 December 2012 compared to the end of the prior year. The ratio of the corporate and interbank placements compared to the portfolio of loans neither past due nor impaired increased during the year ended 31 December 2012 while the ratio of the retail and municipal loans decreased.

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 2012 and 31 December 2011 is as follows:

Loan type	2012	2011
Retail loans	232,305	421,898
Corporate loans	203,295	404,796
Municipal loans	9,452	11,197
Placement with other banks	-	-
Total	**445,052**	**837,891**

The gross amount of renegotiated loans decreased considerably by 31 December 2012, which is connected mainly to the retail and corporate loans. There were no renegotiated loans neither in the year 2012 nor in 2011 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 2012 and 31 December 2011 is as follows:

As at 31 December 2012

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	283,443	7,061	4,321	13,975	**308,800**
Corporate loans	72,271	940	1,369	7,373	**81,953**
Municipality loans	56,358	-	-	54	**56,412**
Total	**412,072**	**8,001**	**5,690**	**21,402**	**447,165**

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**

The loans that are past due but not impaired are concentrated mainly in the retail loan type. 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 2012 and 31 December 2011 is as follows:

Fair value of the collaterals (total collaterals)	2012	2011
Retail loans	491,038	530,063
Corporate loans	293,976	284,137
Municipality loans	8,243	6,491
Total	**793,257**	**820,691**

Fair value of the collaterals (to the extent of the exposures)	2012	2011
Retail loans	213,113	256,388
Corporate loans	42,458	51,059
Municipality loans	68	807
Total	**255,639**	**308,254**

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 2012 and 31 December 2011 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 2012

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	251,530	146,552	154,392	22	1
Regularity of payment	530	246	39	-	-
Renegotiation	39,884	6,908	25,924	38	19
Legal proceedings	114,549	75,976	56,381	52	47
Decrease of client classification	173,809	56,133	41,440	6,090	475
Loan characteristics	52,392	3,138	-	-	-
Business lines risks	6,836	2,929	339	3,489	142
Cross default	24,462	9,145	4,357	878	120
Other	29,251	4,152	1,978	3,838	458
Corporate total	**693,243**	**305,179**	**284,850**	**14,407**	**1,262**
Delay of payment	6,657	474	4,049	-	-
Renegotiation	7,310	193	-	4	-
Legal proceedings	1,082	709	-	-	-
Decrease of client classification	18,288	1,381	-	433	68
Cross default	300	27	-	-	-
Other	24,445	2,714	-	6,283	402
Municipal total	**58,082**	**5,498**	**4,049**	**6,720**	**470**
Placements with other banks	**761**	**761**	**-**	**-**	**-**
Total	**752,086**	**311,438**	**288,899**	**21,127**	**1,732**

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**

By 31 December 2012 the volume of the individually rated portfolio slightly increased in the corporate loan type. Among the rating factors of the corporate loan type, the increase is mostly based on the legal proceedings and loan characteristics.

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).

Forborne loans

Forbearance measures occur in situations in which the contract – receivable is originated from – is modified on the debtor's or the Group's initiative, basically based on the fact that the borrower is considered to be unable to service the debt or refinance the contract according to the original terms and conditions because of the debtor's financial difficulties and significant deterioration of ability to pay. Furthermore escrow account loans granted based on law of FX loans are qualified as forborne loans as well as ones concerning to the escrow account loan has been paid.

In comparison with the original terms and conditions, essentially more favourable conditions are arising for clients by modification of the contract. Modification of the terms and conditions of the contract may affect:

- temporary payment holidays (interest and/or principal payments)
- payment by instalments
- modifying the level of interest (e.g. reductions on interest),
- capitalisation of interests
- modification of foreign exchange

- extension of the loan term
- rescheduling the payments
- reducing the level of required collaterals, guarantees and replacing them with other ones
- forbearing from collaterals
- amendment or lack of enforcement of covenants, establishment of new contractual terms

Rating of forborne loans

Forborne loan (applying the individual or collective evaluation method) is forbidden to be classified during rating period following forbearance as better than its previous rating category was before forbearance.

1. Individual evaluation method

Individually evaluated, forborne loan (receivable) is allowed to be classified as "to-be-monitored" (in retail business line "B") if:

- as a result of forbearance, debts in default have been paid off or outstanding debts are 100% collateral loans (value of collateral equals or exceeds one of outstanding debts at the rating date),
- following the forbearance, default in paying with more than 15 days of delinquency did not arise during 180 days without a break and
- borrower's prospective ability to service the debt with new terms and conditions is adequate.

Individually evaluated, forborne loan (receivable) is allowed to be classified as "performing" (in retail business line "A") if:

- as a result of forbearance, debts in default have been paid off or outstanding debts are 100% collateral loans (value of collateral equals or exceeds one of outstanding debts at the rating date),
- following the forbearance, default in paying with more than 15 days of delinquency did not arise during 365 days without a break and
- borrower's prospective ability to service the debt with new terms and conditions is adequate.

2. Collective evaluation method

Collective evaluated, forborne loan (receivable) is allowed to be classified as "to-be-monitored" (in retail business line "B") if:

- following the forbearance, default in paying with more than 15, in case of retail loan 30 days of delinquency did not arise during 180 days without a break.

Collective evaluated, forborne loan (receivable) is allowed to be classified as "performing" (in retail business line "A") if:

- following the forbearance, default in paying with more than 15, in case of retail loan 30 days of delinquency did not arise during 365 days without a break.

These loans are recorded classified as forborne until they are recognized in the financial statements.

An analysis of forborne gross loan portfolio by loan types as at 31 December 2012 and 2011 is as follows:

Loan type	**2012**	**2011**
Retail loans	621,824	539,954
Corporate loans	393,058	514,309
Municipal loans	14,314	11,197
Total	**1,029,196**	**1,065,460**

Gross value of the forborne loans that would otherwise be past due or impaired by loans types as at 31 December 2012 and 2011 is as follows:

Loan type	**2012**	**2011**
Retail loans	367,620	295,845
Corporate loans	161,580	168,433
Municipal loans	13,783	9,659
Total	**542,983**	**473,937**

An analysis of gross value of forborne loans for the year ended 31 December 2012:

Loan type	Balance as at 1 January 2012	Additions	Sale	Decrease (expiring, repayment)	FX difference	Balance as at 31 December 2012
Retail loans	539,954	206,253	39,712	68,024	(16,647)	621,824
Allowance	*126,874*	*52,647*	*10,636*	*2,222*	*(3,536)*	*163,127*
Corporate loans	514,309	96,786	2,330	185,140	(30,567)	393,058
Allowance	*106,884*	*29,122*	*774*	*14,566*	*(6,566)*	*114,100*
Municipal loans	11,197	6,893	-	3,539	(237)	14,314
Allowance	*708*	*221*	-	*501*	*(9)*	*419*
Gross loan portfolio total	**1,065,460**	**309,932**	**42,042**	**256,703**	**(47,451)**	**1,029,196**
Allowance Total	**234,466**	**81,990**	**11,410**	**17,289**	**(10,111)**	**277,646**
Net loan portfolio total	**830,994**	**227,942**	**30,632**	**239,414**	**(37,340)**	**751,550**

An analysis of forborne gross loan by loan types and risk classes as at 31 December 2012 is as follows:

Loan type	Not past due	1-30 DPD	31-60 DPD	61-90 DPD	91-360 DPD	360+ DPD	Total carrying amount /allowance
Retail loans	269,838	81,874	28,636	18,645	54,210	168,621	**621,824**
Allowance	*11,707*	*6,641*	*3,701*	*3,543*	*21,768*	*115,767*	***163,127***
Corporate loans	220,804	39,598	10,219	6,529	38,870	77,038	**393,058**
Allowance	*23,703*	*9,167*	*1,277*	*1,873*	*20,655*	*57,425*	***114,100***
Municipal loans	13,786	309	-	11	105	103	**14,314**
Allowance	*266*	*11*	-	*1*	*104*	*37*	***419***
Gross loan portfolio total	**504,428**	**121,781**	**38,855**	**25,185**	**93,185**	**245,762**	**1,029,196**
Allowance Total	***35,676***	***15,819***	***4,978***	***5,417***	***42,527***	***173,229***	***277,646***
Net loan portfolio total	**468,752**	**105,962**	**33,877**	**19,768**	**50,658**	**72,533**	**751,550**

An analysis of forborne gross loan by loan types and risk classes as at 31 December 2011 is as follows:

Loan type	Not past due	1-30 DPD	31-60 DPD	61-90 DPD	91-360 DPD	360+ DPD	Total carrying amount /allowance
Retail loans	211,762	92,341	30,026	22,806	67,969	115,050	**539,954**
Allowance	*8,802*	*5,754*	*2,744*	*3,252*	*29,507*	*76,815*	***126,874***
Corporate loans	362,489	37,787	9,961	8,338	44,489	51,245	**514,309**
Allowance	*37,739*	*9,901*	*1,980*	*3,421*	*22,935*	*30,908*	***106,884***
Municipal loans	10,404	570	-	-	32	191	**11,197**
Allowance	*563*	*1*	-	-	*12*	*132*	***708***
Gross loan portfolio total	**584,655**	**130,698**	**39,987**	**31,144**	**112,490**	**166,486**	**1,065,460**
Allowance Total	***47,104***	***15,656***	***4,724***	***6,673***	***52,454***	***107,855***	***234,466***
Net loan portfolio total	**537,551**	**115,042**	**35,263**	**24,471**	**60,036**	**58,631**	**830,994**

An analysis of forborne gross loan portfolio impaired and not impaired by loan types as at 31 December 2012 is as follows:

	Not past due			Past due		
Loan type	**Not impaired**	**Impaired**	**Total**	**Not impaired**	**Impaired**	**Total**
Retail loans	112,009	157,829	269,838	43,755	308,231	351,986
Allowance	-	*11,707*	*11,707*	-	*151,420*	*151,420*
Collateral	*125,681*	*155,918*	*281,599*	*34,090*	*138,627*	*172,717*
Corporate loans	46,446	174,358	220,804	10,990	161,264	172,254
Allowance	-	*23,703*	*23,703*	-	*90,397*	*90,397*
Collateral	*112,060*	*147,234*	*259,294*	*29,755*	*94,120*	*123,875*
Municipal loans	15	13,771	13,786	-	528	528
Allowance	-	*266*	*266*	-	*153*	*153*
Collateral	-	*2,670*	*2,670*	-	*329*	*329*
Gross loan portfolio total	**158,470**	**345,958**	**504,428**	**54,745**	**470,023**	**524,768**
Allowance Total	**-**	***35,676***	***35,676***	**-**	***241,970***	***241,970***
Net loan portfolio total	**158,470**	**310,282**	**468,752**	**54,745**	**228,053**	**282,798**
Collateral Total	***237,741***	***305,822***	***543,563***	***63,845***	***233,076***	***296,921***

An analysis of forborne gross loan portfolio impaired and not impaired by loan types as at 31 December 2011 is as follows:

	Not past due			Past due		
Loan type	**Not impaired**	**Impaired**	**Total**	**Not impaired**	**Impaired**	**Total**
Retail loans	48,353	163,409	211,762	41,418	286,774	328,192
Allowance	-	*8,802*	*8,802*	-	*118,072*	*118,072*
Collateral	*48,877*	*147,915*	*196,792*	*29,072*	*135,898*	*164,970*
Corporate loans	71,239	291,250	362,489	12,189	139,631	151,820
Allowance	-	*37,739*	*37,739*	-	*69,145*	*69,145*
Collateral	*117,118*	*199,340*	*316,458*	*21,634*	*86,385*	*108,019*
Municipal loans	-	10,404	10,404	-	793	793
Allowance	-	*563*	*563*	-	*145*	*145*
Collateral	-	*3,208*	*3,208*	-	*544*	*544*
Gross loan portfolio total	**119,592**	**465,063**	**584,655**	**53,607**	**427,198**	**480,805**
Allowance Total	**-**	***47,104***	***47,104***	**-**	***187,362***	***187,362***
Net loan portfolio total	**119,592**	**417,959**	**537,551**	**53,607**	**239,836**	**293,443**
Collateral Total	***165,995***	***350,463***	***516,458***	***50,706***	***222,827***	***273,533***

An analysis of forborne retail loans by type of forbearance as at 31 December 2012 and 2011 is as follows:

Type of forbearance	**Retail loans 2012**	**Retail loans 2011**
Suspension of repayment	234,827	280,342
Combined	35,714	35,528
Debt re-arrangement	30,064	28,908
Prolongation	20,223	20,850
Other	300,996	174,326
Total	**621,824**	**539,954**

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. (Analysis of liquidity risk is detailed in Note 34.)

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**	
	2012	**2011**
Foreign exchange	335	1,474
Interest rate	217	524
Equity instruments	26	18
Diversification	(171)	(440)
Total VaR exposure	**407**	**1,576**

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 short, amounted to EUR 310 million as at 31 December 2012. High portion of strategic positions is considered as effective hedge of future profit inflows of investment of foreign subsidiaries, and 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 2012 In HUF billion	2011 In HUF billion
1%	(12.7)	(11.4)
5%	(8.8)	(7.8)
25%	(3.6)	(3.1)
50%	(0.3)	(0.1)
25%	2.8	2.7
5%	7.2	6.6
1%	10.2	9.3

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 HUF/EUR volatility decreased slightly in 2012 but the FX rate was stronger than the theoretic middle-rate, so the probability of losses increased and the probability of further gains decreased.
(3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2012.

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 2012 would be decreased by HUF 2,076 million (probable scenario) and HUF 9,847 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,512 million (probable scenario) and HUF 7,132 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2011.
This effect is counterbalanced by capital gains (HUF 3,867 million for probable scenario, HUF 5,284 million for alternative scenario) as at 31 December 2012 and (HUF 7,710 million for probable scenario, HUF 10,303 million for alternative scenario) as at 31 December 2011 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):

	2012		2011	
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	(638)	592	(476)	1,008
EUR (0.1%) parallel shift	(576)	-	(795)	-
USD 0.1% parallel shift	-	-	(33)	-
USD (0.1%) parallel shift	(42)	-	-	-
Total	**(1,256)**	**592**	**(1,304)**	**1,008**

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	**2012**	**2011**
VaR (99%, one day, HUF million)	26	18
Stress test (HUF million)	(14)	(5)

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 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 advanced method (AMA) in case of the operational risk. The consolidated Capital adequacy ratio of the Group was 18.9% and 17.8% as at 31 December 2012 and 31 December 2011 respectively. The Regulatory capital was HUF 1,416,291 million and HUF 1,476,777 million, the Total eligible regulatory capital was HUF 598,823 million and HUF 663,804 million as at 31 December 2012 and 31 December 2011 respectively.

Calculation on HAS basis

	2012	**2011**
Core capital	1,180,389	1,182,822
Supplementary capital	236,245	294,332
Deductions	(343)	(377)
due to investments	*(343)*	*(377)*
Regulatory capital	**1,416,291**	**1,476,777**
Credit risk capital requirement	480,331	511,775
Market risk capital requirement	38,090	43,911
Operational risk capital requirement	80,402	108,118
Total requirement regulatory capital	**598,823**	**663,804**
Surplus capital	**817,468**	**812,973**
Tier 1 ratio	15.8%	14.3%
Capital adequacy ratio	**18.9%**	**17.8%**

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**	**2012**	**2011**
OAO OTP Bank	Russia	11%	16.3%	16.2%
OTP Bank JSC	Ukraine	10%	13.8%	20.2%
DSK Bank EAD	Bulgaria	12%	18.9%	20.6%
OTP Bank Romania S.A.	Romania	10%	15.6%	13.4%
OTP banka Srbija a.d.	Serbia	12%	16.5%	18.1%
OTP banka Hrvatska d.d.	Croatia	12%	14.9%	14.8%
OTP Banka Slovensko a. s.	Slovakia	8%	12.8%	13.1%
Crnogorska komercijalna banka a.d.	Montenegro	10%	12.4%	13.4%

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 19.7% as at 31 December 2012 and 17.3 % as at 31 December 2011. The Regulatory capital was HUF 1,473,525 million and HUF 1,433,086 million, the Total regulatory capital requirement was HUF 598,823 million and HUF 663,804 million as at 31 December 2012 and 31 December 2011 respectively.

Calculation on IFRS basis

	2012	2011
Core capital (Tier 1)	***1,203,019***	***1,105,876***
Positive components	*1,494,427*	*1,410,131*
Issued capital	28,000	28,000
Reserves	1,362,290	1,273,838
Other issued capital components	104,137	108,293
Negative components	*(291,408)*	*(304,255)*
Treasury shares	(53,802)	(54,386)
Goodwill and other intangible assets	(237,606)	(249,869)
Supplementary capital (Tier 2)	***270,849***	***327,587***
Fair value corrections	13,688	(35,190)
Subordinated bonds and loans	257,161	362,777
Deductions	***(343)***	***(377)***
Regulatory capital	**1,473,525**	**1,433,086**
Credit risk capital requirement	480,331	511,775
Market risk capital requirement	38,090	43,911
Operational risk capital requirement	80,402	108,118
Total requirement regulatory capital	**598,823**	**663,804**
Surplus capital	**874,702**	**769,282**
Tier 1 ratio	16.1%	13.3%
Capital adequacy ratio	**19.7%**	**17.3%**

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

	2012	2011
Commitments to extend credit	1,159,026	1,000,043
Guarantees arising from banking activities	316,159	287,513
Legal disputes (disputed value)	49,916	11,067,643
Confirmed letters of credit	13,721	5,483
Other	115,166	139,500
Total	**1,653,988**	**12,500,182**

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 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 4,089 million and HUF 3,697 million as at 31 December 2012 and 31 December 2011, respectively. (See Note 17.)
On 23 August the Bank announced that the United States Court of Appeals granted the petition for writs of mandamus submitted by OTP and ordered the district court to dismiss the plaintiffs' claims against the Bank for lack of personal jurisdiction in the class action. OTP maintains that plaintiffs' claim against it has been unfounded in its entirety.

On 19 November 2012 the Bank announced that the court of first instance (the United States District Court Northern District of Illinois) has, by virtue of the order of the United States Court of Appeals, dismissed the suit in respect of OTP on the ground of lack of jurisdiction and competence concerning the litigation "Holocaust Victims of Bank Theft" initiated by the plaintiffs against the Bank. This order for dismissal of the suit of the court of first instance is final and binding.

The civil lawsuit filed at the Municipal Court of Budapest in 2009 by Nitrogénművek Chemicals Private Company Limited by Shares Nitrogénművek Co., Ltd. for damages in the amount of HUF 25,247,527,000 against the Bank has ended. In its final judgment the Municipal Court of Budapest has dismissed the claim of Nitrogénművek Chemicals Private Company Limited by Shares Nitrogénművek Co., Ltd.

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.

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right but not the obligation to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. The option does not obligate the buyer to deliver a currency on the settlement date unless the buyer chooses to. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

NOTE 29: SHARE-BASED PAYMENT

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in 9/2011 resolution of Annual General Meeting regarding to the amendment of CRD III. directives and Act on Credit Institutions and Financial Enterprises.
Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.
The Bank ensures the share-based payment part for the management personnel of the Group members.
The value of the discounted share-based payment at the performance assessment is determined by Board of Directors 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 Board of Directors, maximum HUF 4,000.

Board of Directors determined the parameters for the share-based payment relating to the year 2010 as follows:

Year	Exercise price per share	Maximum earnings per
2011	3,946	2,500
2012	3,946	3,000
2013	4,446	3,500
2014	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.

Based on parameters accepted by Board of Directors cancellation, risk evaluation and personal changes effective pieces are follows as at 31 December 2012:

2012	735,722
2013	421,734
2014	512,095

Maturity of exercise period was settled in 31 December 2013 by the Board of Directors.

Board of Directors determined the parameters for the share-based payment relating to the year 2011 as follows:

Year	Exercise price per share	Maximum earnings per
2012	1,370	3,000
2013	1,870	3,000
2014	1,870	4,000
2015	1,870	4,000

Based on cancellation, effective performance assessment and exercise during the year effective pieces are follows in exercise periods of each year as at 31 December 2012:

2012	10,370[1]
2013	1,284,731
2014	654,064
2015	724,886

In connection with programs accounted as equity-settled share based transactions, HUF 4,584 million was recognized as an expense during the year ended 31 December 2012.

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	**2012**	**2011**
Short-term employee benefits	8,720	8,484
Share-based payment	2,711	2,343
Other long-term employee benefits	1,050	886
Termination benefits	218	37
Redundancy payments	10	-
Total	**12,709**	**11,750**

	2012	**2011**
Loans provided to companies owned by the management (normal course of business)	35,792	42,806
Commitments to extend credit and guarantees	518	6
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	112	117

	2012	**2011**
Loans provided to unconsolidated subsidiaries	1,526	17,523

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned credit line "A" in the amount of HUF 131.8 million as at 31 December 2012 and 2011.

[1] The approved pieces of shares are 471,240 from which 460,870 have been exercised until 31 December 2012.

An analysis of credit limit related to MasterCard Gold is as follows:

	2012	2011
Members of Board of Directors and their close family members	15	19
Members of Supervisory Board	4	2

One member of the Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million and HUF 1.2 million as at 31 December 2012 and 2011, respectively.

Chief executive owned AMEX Gold loading card loan in the amount of HUF 1 million as at 31 December 2012 and 2011.

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

	2012	2011
Members of Board of Directors	1,363	791
Members of Supervisory Board	377	286
Total	**1,740**	**1,077**

NOTE 31: SIGNIFICANT 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.

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	2012	**2011**	
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)	97.78%	97.75%	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)	96.79%	92.60%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	98.94%	98.94%	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

Name	Ownership (Direct and Indirect) 2012	2011	Activity
Crnogorska komercijalna 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

Significant associates

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

As at 31 December 2012

	Company for Cash Services Ltd.	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Agóra-Kapos Ltd.*	*Total*
Total assets	1,924	629	73	**2,626**
Total liabilities	82	12	53	**147**
Shareholders' equity	1,842	617	20	**2,479**
Reserves	(59)	552	18	**511**
Total revenues	869	46	4	**919**
Profit before income tax	44	27	1	**72**
Profit after income tax	39	25	1	**65**

Significant associates

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**

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.

	2012	2011
The amount of loans managed by the Group as a trustee	43,260	43,196

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

	2012	2011
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	15.9%	11.2%

There were no other significant concentrations of the assets or liabilities of the Group as at 31 December 2012 or as at 31 December 2011.

The Group continuously provides the HFSA 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 HFSA, 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 2012	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	584,085	17,777	350	309	-	602,521
Placements with other banks, net of allowance for placements losses	258,165	76,563	21,947	191	-	356,866
Financial assets at fair value through profit or loss	21,155	24,252	63,820	22,550	91,097	222,874
Securities available-for-sale	930,583	111,229	260,593	68,986	39,786	1,411,177
Loans, net of allowance for loan losses	957,743	1,111,844	1,905,677	2,488,927	-	6,464,191
Associates and other investments	-	-	-	-	7,936	7,936
Securities held-to-maturity	39,366	122,784	112,622	154,531	-	429,303
Property and equipment, Intangible assets	-	-	-	-	489,142	489,142
Other assets	54,231	55,819	16,761	2,645	-	129,456
TOTAL ASSETS	**2,845,328**	**1,520,268**	**2,381,770**	**2,738,139**	**627,961**	**10,113,466**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	131,509	150,124	126,352	126,339	-	534,324
Deposits from customers	5,167,850	1,110,672	249,774	22,412	-	6,550,708
Liabilities from issued securities	118,337	167,445	285,279	72,062	-	643,123
Financial liabilities at fair value through profit or loss	26,415	22,657	54,166	18,794	-	122,032
Other liabilities	341,264	28,250	77,979	9,738	-	457,231
Subordinated bonds and loans	3,421	4,677	161,870	-	121,527	291,495
TOTAL LIABILITIES	**5,788,796**	**1,483,825**	**955,420**	**249,345**	**121,527**	**8,598,913**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,534,572	1,534,572
Treasury shares	-	-	-	-	(53,802)	(53,802)
Non-controlling interest	-	-	-	-	5,783	5,783
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,514,553**	**1,514,553**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,788,796**	**1,483,825**	**955,420**	**249,345**	**1,636,080**	**10,113,466**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,943,468)**	**36,443**	**1,426,350**	**2,488,794**	**(1,008,119)**	**-**

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)**	**-**

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

As at 31 December 2012

	USD	EUR	CHF	Others	Total
Assets	570,169	1,603,605	1,060,445	2,591,153	5,825,372
Liabilities	(429,247)	(1,732,041)	(124,747)	(2,160,224)	(4,446,259)
Off-balance sheet assets and liabilities, net	(49,684)	206,904	(971,435)	(152,508)	(966,723)
Net position	**91,238**	**78,468**	**(35,737)**	**278,421**	**412,390**

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**

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.

As at 31 December 2012

	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	**133,502**	**81,269**	**1,461**	**310**	**2**	**90**	**-**	**58**	**-**	**-**	**60,026**	**325,803**	**194,991**	**407,530**	**602,521**
fixed rate	*128,672*	*45,128*	*1,460*	*96*	*2*	*90*	*-*	*58*	*-*	*-*	*-*	*-*	*130,134*	*45,372*	*175,506*
variable rate	*4,830*	*36,141*	*1*	*214*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*4,831*	*36,355*	*41,186*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*60,026*	*325,803*	*60,026*	*325,803*	*385,829*
Placements with other banks, net of allowance for placements losses	**55,842**	**87,510**	**-**	**165,347**	**-**	**12,810**	**-**	**12,631**	**-**	**8,319**	**319**	**14,088**	**56,161**	**300,705**	**356,866**
fixed rate	*38,564*	*76,734*	*-*	*108*	*-*	*12,652*	*-*	*12,631*	*-*	*7,507*	*-*	*-*	*38,564*	*109,632*	*148,196*
variable rate	*17,278*	*10,776*	*-*	*165,239*	*-*	*158*	*-*	*-*	*-*	*812*	*-*	*-*	*17,278*	*176,985*	*194,263*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*319*	*14,088*	*319*	*14,088*	*14,407*
Securities held for trading	**1,635**	**208**	**1,731**	**10**	**2,839**	**68**	**458**	**5,542**	**288**	**10,863**	**90,473**	**7,705**	**97,424**	**24,396**	**121,820**
fixed rate	*1,635*	*208*	*1,731*	*10*	*2,838*	*67*	*458*	*5,542*	*288*	*10,863*	*-*	*-*	*6,950*	*16,690*	*23,640*
variable rate	*-*	*-*	*-*	*-*	*1*	*1*	*-*	*-*	*-*	*-*	*-*	*-*	*1*	*1*	*2*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*90,473*	*7,705*	*90,473*	*7,705*	*98,178*
Securities available-for-sale	**861,854**	**16,876**	**17,746**	**32,433**	**25,402**	**85,054**	**23,502**	**48,912**	**180,843**	**65,667**	**35,426**	**17,462**	**1,144,773**	**266,404**	**1,411,177**
fixed rate	*861,854*	*14,316*	*17,746*	*25,850*	*25,402*	*84,506*	*23,502*	*48,912*	*180,843*	*65,667*	*-*	*-*	*1,109,347*	*239,251*	*1,348,598*
variable rate	*-*	*2,560*	*-*	*6,583*	*-*	*548*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*9,691*	*9,691*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*35,426*	*17,462*	*35,426*	*17,462*	*52,888*
Loans, net of allowance for loan losses	**992,970**	**2,763,790**	**230,159**	**807,943**	**85,808**	**364,470**	**97,393**	**263,170**	**174,702**	**389,931**	**34,193**	**259,661**	**1,615,225**	**4,848,965**	**6,464,191**
fixed rate	*10,735*	*317,510*	*2,122*	*120,045*	*1,104*	*339,519*	*3,266*	*241,134*	*5,058*	*276,050*	*-*	*-*	*22,285*	*1,294,258*	*1,316,543*
variable rate	*982,235*	*2,446,281*	*228,037*	*687,898*	*84,704*	*24,951*	*94,127*	*22,036*	*169,644*	*113,881*	*-*	*-*	*1,558,747*	*3,295,046*	*4,853,794*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*34,193*	*259,661*	*34,193*	*259,661*	*293,854*
Securities held-to-maturity	**19,297**	**1,231**	**9,888**	**15,916**	**54,888**	**7,890**	**675**	**22,786**	**278,539**	**5,783**	**10,966**	**1,444**	**374,253**	**55,050**	**429,303**
fixed rate	*5,947*	*967*	*2,677*	*15,433*	*44,764*	*7,854*	*675*	*22,786*	*278,539*	*5,783*	*-*	*-*	*332,602*	*52,823*	*385,425*
variable rate	*13,350*	*264*	*7,211*	*483*	*10,124*	*36*	*-*	*-*	*-*	*-*	*-*	*-*	*30,685*	*783*	*31,468*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*10,966*	*1,444*	*10,966*	*1,444*	*12,410*
Derivative financial instruments	**919,552**	**1,047,446**	**768,810**	**1,407,927**	**31,161**	**188,345**	**27,230**	**15,442**	**29,813**	**33,488**	**80**	**1,819**	**1,776,646**	**2,694,467**	**4,471,113**
fixed rate	*390,418*	*339,102*	*72,075*	*173,000*	*31,133*	*180,283*	*27,230*	*15,442*	*29,813*	*33,488*	*-*	*-*	*550,669*	*741,315*	*1,291,984*
variable rate	*529,134*	*708,344*	*696,735*	*1,234,927*	*28*	*8,062*	*-*	*-*	*-*	*-*	*-*	*-*	*1,225,897*	*1,951,333*	*3,177,230*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*80*	*1,819*	*80*	*1,819*	*1,899*

As at 31 December 2012

	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	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**59,636**	**127,333**	**10,609**	**83,053**	**118,696**	**22,358**	**73**	**103,082**	**478**	**3,331**	**96**	**5,579**	**189,588**	**344,736**	**534,324**
fixed rate	*51,596*	*102,663*	*2,730*	*5,732*	*542*	*15,258*	*23*	*101,444*	*397*	*3,331*	-	-	*55,288*	*228,428*	*283,716*
variable rate	*8,040*	*24,670*	*7,879*	*77,321*	*118,154*	*7,100*	*50*	*1,638*	*81*	-	-	-	*134,204*	*110,729*	*244,933*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*96*	*5,579*	*96*	*5,579*	*5,675*
Deposits from customers	**1,435,223**	**1,930,614**	**649,539**	**478,089**	**172,472**	**711,795**	**102,808**	**87,577**	**633,666**	**146,083**	**13,412**	**189,430**	**3,007,120**	**3,543,588**	**6,550,708**
fixed rate	*1,042,679*	*825,021*	*633,649*	*478,089*	*172,472*	*604,827*	*102,808*	*87,577*	*14,392*	*26,670*	-	-	*1,966,000*	*2,022,184*	*3,988,184*
variable rate	*392,544*	*1,105,593*	*15,890*	-	-	*106,968*	-	-	*619,274*	*119,413*	-	-	*1,027,708*	*1,331,974*	*2,359,682*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*13,412*	*189,430*	*13,412*	*189,430*	*202,842*
Liabilities from issued securities	**30,498**	**7,229**	**52,031**	**17,900**	**85,478**	**36,609**	**52,604**	**160,111**	**175,857**	**3,857**	**17,077**	**3,872**	**413,545**	**229,578**	**643,123**
fixed rate	*30,169*	*7,229*	*50,595*	*6,524*	*84,653*	*36,609*	*30,779*	*160,111*	*164,395*	*3,857*	-	-	*360,591*	*214,330*	*574,921*
variable rate	*329*	-	*1,436*	*11,376*	*825*	-	*21,825*	-	*11,462*	-	-	-	*35,877*	*11,376*	*47,253*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*17,077*	*3,872*	*17,077*	*3,872*	*20,949*
Derivative financial instruments	**103,114**	**1,924,409**	**43,868**	**2,099,382**	**33,570**	**152,268**	**14,961**	**18,715**	**125,471**	**35,659**	**1,679**	**1,408**	**322,663**	**4,231,841**	**4,554,504**
fixed rate	*102,630*	*640,675*	*42,109*	*202,255*	*33,565*	*144,147*	*14,961*	*18,470*	*125,471*	*34,688*	-	-	*318,736*	*1,040,235*	*1,358,971*
variable rate	*484*	*1,283,734*	*1,759*	*1,897,127*	*5*	*8,121*	-	*245*	-	*971*	-	-	*2,248*	*3,190,198*	*3,192,446*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*1,679*	*1,408*	*1,679*	*1,408*	*3,087*
Subordinated bonds and loans	**-**	**-**	**5,000**	**26,009**	**-**	**15,706**	**-**	**80**	**-**	**241,673**	**-**	**3,027**	**5,000**	**286,495**	**291,495**
fixed rate	-	-	-	-	-	-	-	-	-	*241,632*	-	-	-	*241,632*	*241,632*
variable rate	-	-	*5,000*	*26,009*	-	*15,706*	-	*80*	-	*41*	-	-	*5,000*	*41,836*	*46,836*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*3,027*	-	*3,027*	*3,027*
Net position	**1,356,181**	**8,746**	**268,748**	**(274,547)**	**(210,116)**	**(280,009)**	**(21,188)**	**(1,024)**	**(271,287)**	**83,448**	**199,219**	**424,666**	**1,321,557**	**(38,721)**	**1,282,837**

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*

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	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposit 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 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.

	2012	2011
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	121,690	83,147
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	266,239,227	266,373,139
Basic Earnings per share (in HUF)	**457**	**312**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	121,690	83,147
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	266,307,792	266,438,959
Diluted Earnings per share (in HUF)	**457**	**312**

	2012	2011
	Number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	13,760,783	13,626,871
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	266,239,227	266,373,139
Dilutive effects of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares	68,565	65,820
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	266,307,792	266,438,959

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

NOTE 38: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS

(in HUF mn)

As at 31 December 2012

	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	6,749	-	-	-
Placements with other banks, net of allowance for placements losses	9,457	-	(40)	-
Securities held for trading	1,827	(3,546)	-	-
Securities available-for-sale	78,624	2,798	490	59,481
Loans, net of allowance for loan losses	787,646	6,952	(226,940)	-
From this: Consumer loans	*372,603*			
Housing loans	*178,050*			
Corporate loans	*153,448*			
Mortgage backed loans	*65,687*			
Municipality loans	*17,858*			
Securities held-to-maturity	20,204	(87)	15	-
Derivative financial instruments	56,302	(7,376)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(18,814)	-	-	-
Deposits from customers	(230,574)	123,141	-	-
Liabilities from issued securities	(54,033)	-	-	-
Subordinated bonds and loans	(11,923)	-	-	-
	645,465	**121,882**	**(226,475)**	**59,481**

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)**

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

	2012		2011	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Banks	602,521	602,521	595,986	595,986
Placements with other banks, net of allowance for placements losses	356,866	359,463	422,777	427,427
Financial assets at fair value through profit or loss	222,874	222,874	241,282	241,282
Securities held for trading	*121,820*	*121,820*	*139,330*	*139,330*
Fair value of derivative financial instruments classified as held for trading	*101,054*	*101,054*	*101,952*	*101,952*
Securities available-for-sale	1,411,177	1,411,177	1,125,855	1,125,855
Loans, net of allowance for loan losses	6,464,191	7,490,502	7,047,179	8,250,983
Securities held-to-maturity	429,303	154,517	124,887	151,604
Fair value of derivative financial instruments designated as fair value hedge	13,694	13,694	13,137	13,137
Financial assets total	**9,500,626**	**10,254,748**	**9,571,103**	**10,806,274**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	534,324	495,497	646,968	758,719
Deposits from customers	6,550,708	6,548,734	6,398,853	6,510,444
Liabilities from issued securities	643,123	614,156	812,863	664,422
Fair value of derivative financial instruments designated as fair value hedge	119,027	119,027	98,415	98,415
Fair value of derivative financial instruments classified as held for trading	122,032	122,032	230,149	230,149
Subordinated bonds and loans	291,495	241,268	316,447	225,511
Financial liabilities total	**8,260,709**	**8,140,714**	**8,503,695**	**8,487,660**

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	2012	**2011**	**2012**	**2011**
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	73,183	39,370	49,524	33,995
Negative fair value of interest rate swaps classified as held for trading	(75,332)	(40,542)	(56,534)	(37,495)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	7,173	18,596	7,147	22,832
Negative fair value of foreign exchange swaps classified as held for trading	(6,388)	(50,204)	(6,025)	(45,725)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated as fair value hedge	4,224	2,329	(4,488)	3,526
Negative fair value of interest rate swaps designated as fair value hedge	(5,033)	(12,563)	140	(10,980)
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	9,674	25,149	9,808	23,641
Negative fair value of CCIRS classified as held for trading	(30,948)	(119,933)	(31,625)	(129,254)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	624	2,299	376	(1,187)
Negative fair value of mark-to-market CCIRS classified as held for trading	(646)	(5,081)	(320)	(9,531)
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated as fair value hedge	9,035	2,816	9,099	2,496
Negative fair value of CCIRS designated as fair value hedge	(103,845)	(85,349)	(106,792)	(104,207)
Mark-to-market CCIRS designated as fair value hedge				
Positive fair value of mark-to-market CCIRS designated as fair value hedge	283	7,670	(577)	(6,738)
Negative fair value of mark-to-market CCIRS designated as fair value hedge	(10,070)	(496)	(12,275)	(1,419)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated as fair value hedge	152	322	41,073	3,062
Negative fair value of other derivative contracts designated as fair value hedge	(79)	(7)	(1)	(7)

	Fair value		Notional value, net	
	2012	2011	2012	2011
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	10,400	16,538	7,205	14,694
Negative fair value of other derivative contracts classified as held for trading	(8,718)	(14,389)	(5,810)	(14,027)
Derivative financial assets total	**114,748**	**115,089**	**119,167**	**96,321**
Derivative financial liabilities total	**(241,059)**	**(328,564)**	**(219,242)**	**(352,645)**
Derivative financial instruments total	**(126,311)**	**(213,475)**	**(100,075)**	**(256,324)**

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 2012

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 /Index option	HUF (284) million	Interest rate
3) Net investment hedge in foreign operations	CCIRS and issued securities	HUF 3,737 million	Foreign exchange

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
3) Net investment hedge in foreign operations	CCIRS	HUF (6,362) 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.

	2012	2011
Fair value of the hedging instruments	298	70

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in foreign 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.

	2012	**2011**
Fair value of the hedging instruments	(1,267)	(715)

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.

	2012	**2011**
Fair value of the hedging instruments	(1,058)	(21)

4. Issued securities

The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the EUR/HUF foreign exchange rate and the risk of change in the risk-free interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS and index option transactions. In the case of IRS transactions the fixed cash-flows were swapped to payments linked to 3 month EURIBOR or BUBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

	2012	**2011**
Fair value of the hedging IRS instruments	1,739	(9,568)
Fair value of the hedging index option	4	-

As at 31 December 2012

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 19,662 million	HUF (1,267) million	HUF 552 million	HUF (552) million
Loans to customers	IRS	HUF 14,861 million	HUF (1,058) million	HUF 1,037 million	HUF (1,037) million
Deposits from customers	IRS	HUF 17,490 million	HUF 298 million	HUF (228) million	HUF 228 million
Liabilities from issued securities	IRS	HUF 134,992 million	HUF 1,739 million	HUF (11,307) million	HUF 11,307 million
Liabilities from issued securities	Index option	HUF 604 million	HUF 4 million	HUF (1) million	HUF 1 million

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

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 2012

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	222,394	107,840	114,554	-
from this: securities held for trading	121,340	107,450	13,890	-
from this: positive fair value of derivative financial instruments classified as held for trading	101,054	390	100,664	-
Securities available-for-sale	1,399,547	1,319,425	80,094	28
Positive fair value of derivative financial instruments designated as fair value hedge	13,694	11	13,683	-
Financial assets measured at fair value total	**1,635,635**	**1,427,276**	**208,331**	**28**
Negative fair value of derivative financial instruments classified as held for trading	122,032	1,110	120,922	-
Negative fair value of derivative financial instruments designated as fair value hedge	119,027	83	118,944	-
Financial liabilities measured at fair value total	**241,059**	**1,193**	**239,866**	**-**

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 fair value of derivative financial instruments classified 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 fair value 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 fair value of derivative financial instruments classified as held for trading	230,149	99	207,967	22,083
Negative fair value 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**

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 totaling CHF 3,698 million (HUF 946,435 million equivalent as at 31 December 2011) classified as held for trading and CHF 807 million (HUF 206,556 million equivalent as at 31 December 2011) 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 CCIRS portfolio.

For the above mentioned reasons, the Bank has classified these deals to Level 3 in the valuation of financial instruments in IFRS and applied non-market observable inputs, which resulted a more reliable valuation compared to valuation based on market observable inputs.

The CCIRS deals have been reclassified from Level 3 to Level 2 as at 31 March 2012 because the above described unexpected volatility of CCIRS spreads have not obtained in the market as at the transfer date.

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 2012	Opening balance as at 31 December 2011	Transfer out as at 31 March 2012	Other disposal[1]	Closing balance as at 31 December 2012	Total (loss) / gain as at 31 December 2012
Positive fair value of derivative financial instruments classified as held for trading	4,555	165	-	-	4,390
Positive fair value of derivative financial instruments designated as hedge accounting relationship	2,816	3,659	-	-	(843)
Securities available-for-sale	1,082	1,054	-	28	-
Financial assets measured at fair value total	**8,453**	**4,878**	**-**	**28**	**3,547**
Negative fair value of derivative financial instruments classified as held for trading	(22,083)	(6,983)	(2,005)	-	(13,095)
Negative fair value of derivative financial instruments designated as hedge accounting relationship	(5,930)	(22,581)	-	-	16,651
Financial liabilities measured at fair value total	**(28,013)**	**(29,564)**	**(2,005)**	**-**	**3,556**

[1] Other disposal consists of early liquidation of several CCIRS deals.

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 Centre: 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 2011 is HUF 17,701 million.
There wasn't any effect of goodwill impairment after tax in the year 2012, only tax saving effect of investment impairment in the amount of HUF 3,977 million, in relation with investment impairment of OTP banka Hrvatska d.d. and OTP banka Srbija a.d.

Information regarding the Group's reportable segments is presented below.

As at 31 December 2012

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 komercijalna 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	**122,586**		**122,586**																
Adjustments (total)		**(27,363)**	**(27,363)**																
Dividends and net cash transfers (after income tax)		(391)	(391)																
Goodwill /investment impairment (after income tax)		3,977	3,977																
Bank tax on financial institutions (after income tax)		(29,174)	(29,174)																
Total impact of early repayment (after income tax)		(1,775)	(1,775)																
Consolidated adjusted net profit for the year	**122,586**	**27,362**	**149,948**	**94,587**	**60,119**	**47,156**	**527**	**24,216**	**(5,531)**	**(4,932)**	**3,715**	**(1,160)**	**(3,872)**	**2,401**	**2,050**	**2,042**	**(1,691)**	**(7,089)**	**(70)**
Profit before income tax	**145,674**	**46,517**	**192,191**	**117,520**	**79,965**	**60,847**	**2,707**	**27,545**	**(6,110)**	**(4,935)**	**4,754**	**(978)**	**(3,865)**	**3,028**	**2,189**	**2,299**	**(1,460)**	**(8,752)**	**430**
Adjusted operating profit	**372,654**	**77,008**	**449,662**	**211,355**	**233,534**	**121,540**	**33,511**	**58,928**	**6,494**	**(1,707)**	**8,498**	**3,441**	**2,829**	**13,841**	**9,619**	**2,267**	**1,955**	**(8,752)**	**(316)**
Adjusted total income	796,131	48,421	844,552	394,243	426,175	193,272	64,509	95,732	19,811	6,323	22,550	13,932	10,046	43,841	20,049	4,913	18,879	(8,610)	(11,097)
Adjusted net interest income	645,465	4,854	650,319	292,570	348,722	170,001	49,586	74,671	15,916	3,071	16,220	12,019	7,238	19,500	16,900	101	2,499	(8,610)	(1,863)
Adjusted net profit from fees and commissions	154,337	(2,768)	151,569	85,820	63,867	20,998	12,634	16,875	1,677	1,604	4,660	2,930	2,489	1,974	(2,616)	4,728	(138)	0	(92)
Adjusted other net non-interest income	(3,671)	46,335	42,664	15,853	13,586	2,273	2,289	4,186	2,218	1,648	1,670	(1,017)	319	22,367	5,765	84	16,518	0	(9,142)
Adjusted other administrative expenses	(423,477)	28,587	(394,890)	(182,888)	(192,641)	(71,732)	(30,998)	(36,804)	(13,317)	(8,030)	(14,052)	(10,491)	(7,217)	(30,000)	(10,430)	(2,646)	(16,924)	(142)	10,781
Total risk costs	**(226,980)**	**(26,712)**	**(253,692)**	**(90,056)**	**(153,569)**	**(60,693)**	**(30,804)**	**(31,383)**	**(12,604)**	**(3,228)**	**(3,744)**	**(4,419)**	**(6,694)**	**(10,813)**	**(7,430)**	**32**	**(3,415)**	**0**	**746**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(226,980)	(15,715)	(242,695)	(86,986)	(146,979)	(59,567)	(30,597)	(31,153)	(12,440)	(3,159)	(2,988)	(4,420)	(2,655)	(8,449)	(7,194)	0	(1,255)	0	(281)
Other provision (adjustment)	0	(10,997)	(10,997)	(3,070)	(6,590)	(1,126)	(207)	(230)	(164)	(69)	(756)	1	(4,039)	(2,364)	(236)	32	(2,160)	0	1,027
Total other adjustments (one-off items)[1]	0	(3,779)	(3,779)	(3,779)	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	0	0
Income tax	**(23,088)**	**(19,155)**	**(42,243)**	**(22,933)**	**(19,846)**	**(13,691)**	**(2,180)**	**(3,329)**	**579**	**3**	**(1,039)**	**(182)**	**(7)**	**(627)**	**(139)**	**(257)**	**(231)**	**1,663**	**(500)**
Total Assets	**10,113,466**	**0**	**10,113,466**	**6,229,359**	**4,660,276**	**1,027,763**	**653,603**	**1,292,031**	**461,458**	**122,994**	**519,570**	**374,224**	**208,633**	**481,262**	**287,527**	**7,245**	**186,490**	**1,636,529**	**(2,893,960)**
Total Liabilities	**8,598,913**	**0**	**8,598,913**	**4,833,227**	**3,985,137**	**835,880**	**541,139**	**1,082,845**	**428,877**	**97,823**	**459,757**	**347,231**	**191,585**	**394,960**	**258,229**	**1,585**	**135,146**	**980,395**	**(1,594,806)**

( ) used at: provisions, impairment and expenses

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 komercijalna 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.

NOTE 41: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2012

1) Term Note Program and EMTN Programme

See details in Note 15.

2) Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

NOTE 42: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn)

In 2012 the operating environment remained weak, although the risk assessment of the CEE region and especially that of Hungary improved.

In 2012 the Hungarian economy contracted by 1.7% comparing to the previous year. On the production side, the manufacturing industry that used to be a significant positive contributor to the economic growth showed signs of exhaustion, despite the Mercedes plant that started production last year. On the consumption side, both households' consumption and investments declined, and dynamics of export moderated significantly. Although export growth decelerated, the net export's growth contribution increased, since the weak internal demand exerted a negative impact on import dynamics. Owing to the measures improving budget balance in 2012, the budget was kept below 3%, and the public debt to GDP ratio showed a decline in yearly comparison. The deteriorating economic performance was a widespread phenomenon in the second half of 2012 among countries in the CEE region where OTP is present, even in case of those countries that could reach strong growth rates in 2011 (Russia, Slovakia, Ukraine).

The Hungarian forint strengthened both against the euro and the Swiss franc by 6%. The forint showed a strengthening against currencies of the foreign subsidiaries, too (against the Russian rouble by 3%, the Bulgarian lev 6%, the Ukrainian hryvnia 8%, the Romanian leu 9%). Compared to the end of year 2011 Hungarian government securities benchmark yields came down significantly: in case of short maturities yields declined by 220-260 bps, in case of maturities beyond 1 year by 350-380 bps. The sovereign CDS spread narrowed noticeably during 2012 and declined to around 280 bps. The CDS spreads of countries of foreign subsidiaries narrowed, too. Taking a look at the foreign exchange rate changes, the Ukrainian hryvnia remained stable against USD, but the Romanian ley depreciated by 3% against CHF.

In 2012 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 member banks could exploit the business opportunities and post loan and deposit volume growth during 2012.

Countries	Gross loans and interbank placements with other banks	Securities	Total
Hungary	3,357,030	1,765,243	5,122,273
Bulgaria	1,195,475	17,189	1,212,664
Russia	889,162	35,624	924,786
Ukraine	696,921	50,517	747,438
Romania	449,843	12,894	462,737
Croatia	385,520	21,886	407,406
Slovakia	291,881	21,545	313,426
Montenegro	204,957	5,680	210,637
Serbia	117,117	-	117,117
United Kingdom	89,855	-	89,855
Germany	63,604	107	63,711
Cyprus	46,455	-	46,455
United States of America	32,576	726	33,302
France	29,486	-	29,486
Luxembourg	11,362	291	11,653
Switzerland	11,223	-	11,223
Austria	10,272	6,223	16,495
Other[27]	21,882	1,851	23,733
Total	**7,904,621**	**1,939,776**	**9,844,397**

- One of the direct consequences of the crisis started late 2008 was the generally weak **loan demand** in most of the relevant markets except for the consumer lending business.

  The consolidated loan book declined by 2% in 2012 (adjusted for FX rate movements). Only the consumer segment could grow during 2012 by 14%. As for the consumer lending, those were the Russian and Ukrainian portfolios remaining the engines of growth. The Russian consumer book grew by 31%, however the yearly dynamism lagged behind that of the previous year (61%). The Ukrainian consumer lending remained vibrant, due to the relatively low base the annual growth was high at 282%. In the Ukraine the selling network expanded rapidly, the bank used almost 2,600 agents by the end of 2012 and increased the network of partner retail chains. POS loan volumes stood at HUF 25 billion in December. In order to capitalize on cross sale potentials the Bank entered the market with new credit card products late 2011 and cash loan sale was intensified, too. By the end of the year credit card loan volumes represented HUF 9 billion with cash loans standing at HUF 7 billion.

  Regarding other consolidated loan book segments, all categories suffered a decline: mortgages, car loans and corporate exposures shrank further (by 6%, 16% and 5% respectively). The 6% decline in the consolidated mortgage loan portfolio was chiefly the result of the Hungarian early repayment program for FX mortgage borrowers. On the positive side the Slovakian, Romanian and Croatian mortgage volumes could increase by 8%, 2% and 1%, respectively.

- Based on the Country Protection Action Plan of the Hungarian Government announced on 12 September 2011, FX mortgage loans of Hungarian households could get repaid at off-market rates in the period between 29 September 2011 and 28 February 2012, provided that certain eligibility criteria were met. The **early repayment program** had a total negative impact on consolidated net earnings of HUF 33.4 billion. In accordance with accounting standards, out of the total impact HUF 31.6 billion was recognised in 2011 and HUF 1.8 billon in the first quarter of 2012.

[27] Other category includes: Belgium, Czech Republic, Norway, Turkey etc.

The total prepayment-related HUF 33.4 billion loss consisted of four items. On one hand HUF 65.1 billion credit loss was stemming from the difference between the book value and the fixed exchange rate implied value of prepaid loans. The corporate income tax effect of that loss was a saving of HUF 12.4 billion. Furthermore, a HUF 3.3 billion after tax revaluation gain was realised on the FX position purchased from the National Bank of Hungary for hedging purposes. Finally, the bank realised a prepayment related 30% banking tax refund of HUF 16.0 billion (after corporate income tax).

By the end of February 2012 deadline around 36 thousands clients of OTP Core[28] and OTP Flat Lease made use of the early repayment 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 (in 2011 by HUF 110 billion, in the first quarter of 2012 by HUF 107 billion) representing 19.9% of the FX mortgage books of the two companies (at FX rates of 30 September 2011). The volume decline of FX mortgages was counterbalanced to some extent by newly sold forint refinancing loans. By 28 February 2012, their total amount reached HUF 64 billion, out of which HUF 41 billion was disbursed to own clients; the remaining part was sold to clients of other banks.

- As for the **deposit collection**, the FX-adjusted consolidated deposit base expanded by 6% in 2012. Regarding the net loan to deposit ratios, subsidiaries with the highest ratios in Romania, the Ukraine and Serbia demonstrated the most remarkable adjustment on a yearly base. Retail deposits of OTP Core dropped by 4% in 2012. The volume development was determined by the fact that clients used their savings for early repayment of FX mortgage loans. Furthermore, since the beginning of 2012 the Hungarian State has offered attractive interest rates on government bonds and conducts intensive promotional campaigns. As a result, the structure of retail savings realigned at the expense of term deposits and bank bonds in favour of government bonds.
- The strong **liquidity positions** of the Group did not require foreign currency denominated wholesale funding, on the contrary, through the excess liquidity generated by on-going FX loan repayments the Bank managed to reduce its outstanding net swap position. By the end of 2012 the gross liquidity reserves of the group reached almost EUR 6 billion equivalent and by the end of the year OTP had already managed to renew all its 2013 swap roll-over needs.
- 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 witnessed before 2008. In 2012 the ratio of consolidated loans in more than 90 days of delinquency ("DPD90+ ratio") increased further to 19.1% from 16.6% at the end of 2011. The pace of deterioration decelerated remarkably in the second half of 2012. This positive development reflects the delayed effect of stronger and less volatile HUF after the peak at the beginning of 2012, the benefit of the fixed instalment scheme in Hungary and the slowdown of loan quality deterioration in Bulgaria. At the same time the Russian new DPD90+ volume formation remained at relatively high levels. Thanks to the prudent provisioning, the provision coverage of the DPD90+ loan book improved gradually in 2012 to 80.0% and significantly exceeded the level as at the end of 2011 (+3.3 ppts).
- The further enhancement of the strong **capital position** still remained a top priority for the Group in 2012. The Basel 2 capital adequacy ratio of the Group reached 19.7% at the end of 2012 (+2.4 ppts comparing to the previous year), which is significantly higher than the ratios at its regional competitors. The Tier1 ratio (after deducting goodwill and intangible assets from the capital base) stood at 16.1% and the Core Tier1 ratio (further deducting hybrid capital) at 14.7%. The capital adequacy ratio of the Bank (under local accounting standards) stood at 20.5%, compared to 17.9% at the end of 2011.

[28] 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.

During the period dividend income from subsidiaries contributed to the capital of the Bank in the amount of HUF 43 billion. In 2012 OTP Bank Romania received two capital injections from the mother company in the amount of altogether HUF 12 billion equivalent. The capital of the Serbian subsidiary was increased by HUF 6 billion through converting subordinated debt provided by OTP into ordinary shares. On the top of that OTP banka Srbija received a capital injection of HUF 12 billion equivalent in 2012. The capital of CKB Bank, the Montenegrin subsidiary was increased twice: by HUF 3 billion and HUF 2 billion, both through converting subordinated debt provided by OTP into ordinary shares. The capital adequacy ratios of the foreign subsidiaries are comfortably above the local regulatory minimums.

On 3 October 2012 the European Banking Authority (EBA) and the HFSA disclosed the final assessment of the capital exercise and fulfilment of the EBA December 2011 Recommendation, which shows that OTP Bank Plc. meets the 9% Core Tier1 ratio including the sovereign buffer as stated in the EBA December 2011 Recommendation.

- The Hungarian and Slovakian members of OTP Group paid **special bank tax** in the gross amount of HUF 37.1 billion in 2012. Taking into account the corporate tax shield effect, the net negative impact reached HUF 30.2 billion.

  The conversion of non-performing FX mortgage loans and the subsequent 25% debt forgiveness (in accordance with the agreement between the Government and Banking Association in December 2011) did not have a material P&L impact in 2012, since the effect of the debt forgiveness was mainly off-set by release of previously accumulated provisions. At OTP Core, altogether loans in the amount of HUF 2.2 billion were forgiven (together with exposures of OTP Flat Lease Ltd) resulting banking tax re-fund in the amount of HUF 0.6 billion.

  As part of the second budget balance improving package in autumn 2012, on 17 October the Ministry for National Economy unveiled that the bank tax won't be halved in 2013, but paid in full amount. On 16 November 2012 the Ministry for National Economy announced that the special tax on financial institutions will be kept indefinitely at its 2013 level, even after 2014.

- The **fixed instalment scheme** was launched in 2012 based on the agreement between the Government and Banking Association in December 2011, in order to provide relief to performing Hungarian FX mortgage debtors. The fixing is provided for 5 years. Originally the scheme was available from April until 31 December 2012, but the government extended the application period to 29 March 2013. By 31 December 32 thousand clients, representing 26.5% of the eligible 120 thousand FX borrowers filed their applications at OTP.

  The 2012 annual estimated after tax profit effect of the fixed exchange rate scheme was recognised in OTP Core's P&L as other risk cost in the second quarter of 2012. From the second quarter of 2012 credit institutions' contribution tax started to be recognised in the P&L of OTP Core as OTP Core's burden share in the fixed exchange rate scheme. In the last quarter the fixed exchange rate scheme for FX mortgage borrowers resulted a HUF 0.4 billion contribution tax payment, while in previous quarters the impact of the tax was insignificant. In parallel with the tax payment of the fourth quarter the formerly set aside other provisions were released.

- On 27 October 2012 the Prime Minister announced that the central government will **consolidate the debt of local governments** in Hungary. As for municipalities with less than 5,000 inhabitants the State provided a non-refundable subsidy for the repayment of outstanding debts (including loans, bonds and bills of exchange) as at 12 December 2012. At OTP Bank a total debt of HUF 28.7 billion was repaid (calculated with FX rates as of 27 December 2012), out of this forint denominated debt reached HUF 24.2 billion. The debt assumption from bigger municipalities is expected to take place in the first half of 2013. At the Bank the total exposure to municipalities with more than 5 thousands inhabitants represented HUF 245 billion at the end of December 2012 (including loans and bonds as well). After the expected debt-consolidation in the second quarter of 2013 part of this loan amount becomes loans to the central government in the balance sheet of the Bank.

- In 2012 a one-off positive tax shield impact emerged in relation to the impairment of the investments into the Serbian and Montenegrin subsidiaries recognised on the balance sheet of OTP. The impairments under local accounting standards amounted to HUF 15 billion and HUF 5.9 billion, respectively. Though on the consolidated level these impairments had no direct effect either on the balance sheet or on the P&L, there was a positive tax shield of HUF 4.0 billion that added to the Group's IFRS accounting profit.
- Concerning OTP Group members, the following **rating actions** were taken by international rating agencies in 2012:
  - On 12 January 2012 OTP's Support Rating '3' was affirmed by Fitch Ratings.
  - On 13 January 2012 Fitch Ratings affirmed long term foreign currency Issuer Default Rating ('IDR') of OTP Bank Russia at 'BB', the rating outlook has been changed from 'stable' to 'negative'.
  - On 17 May 2012 Moody's Investors Service placed on review for possible downgrade DSK Bank's ratings. On 31 July 2012, however, Moody's confirmed DSK Bank's long- and short term local currency deposit rating at Baa3/Prime-3. This rating action concluded the review initiated in May 2012.
  - On 30 July 2012 Moody's Investors Service confirmed DSK Bank's long and short-term local and foreign currency deposit ratings at Baa3/Prime-3 and lowered by one notch its standalone bank financial strength rating (BFSR) to D from D+. All ratings carry a negative outlook.
  - On 27 November 2012 S&P lowered the long term counterparty credit ratings of the Bank and OTP Mortgage Bank to 'BB' from 'BB+'. The short term counterparty credit rating has been confirmed at level 'B'. The outlooks on both banks are stable.
  - On 7 December 2012 following the downgrade of the Ukrainian sovereign, Moody's downgraded OTP Bank Ukraine long-term foreign currency deposit rating to ,Caa1' from 'B3', outlook is negative.
  - On 12 December 2012 Moody's Investors Service placed on review for downgrade the standalone bank financial strength ratings (BFSR) and the debt and deposit ratings of seven Hungarian banks, including the Bank and OTP Mortgage Bank.
  - On 13 December 2012 following the placement on review for downgrade of the mother bank's ratings, Moody's placed on review for downgrade the long-term deposit ratings of OTP Bank Russia and the short- and long-term deposit ratings of DSK Bank.
  - On 14 December 2012 Moody's Investors Service placed on review for downgrade the ratings of covered bonds issued by OTP Mortgage Bank.

REPORT OF THE SUPERVISORY BOARD ON 2012 FINANCIAL REPORTS AND PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE COMPANY

The Supervisory Board conducted its activities and performed its tasks in 2012 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 on several occasions.

The Supervisory Board continued to perform its **controlling function** in 2012, 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 seven occasions last year – in accordance with its approved work schedule – and was also 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 content of the Bank's interim reports, as approved by the auditor,
- 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 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:

- OTP Bank Plc.'s 2011 business results, the Company's business activity,
- OTP Bank Plc.'s Lending Policy for 2012,
- the amendment of OTP Bank Plc.'s Bylaws,
- OTP Bank Plc.'s declaration on remuneration,
- the activity of the Remuneration Committee in 2011, and the monitoring of the execution of the remuneration policy of OTP Bank and the Bank Group in 2011,
- the briefings on the security situation of OTP Bank Plc. and the foreign subsidiary banks,
- the Board of Directors' authorisation to acquire shares in the Company,
- the practice of corporate governance in 2011,
- OTP Bank Plc.'s compliance activities in 2011, and the proposed program of compliance activities for 2012,
- 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 Committee debated and approved the internal audit report on the monitoring of the performance of tasks stipulated in the Resolution closing the **audit** conducted by the **Hungarian Financial Supervisory Committee** in 2011.

The Supervisory Board approved, in its capacity determined in its rules of procedure, the content of the annual report on **risk management, internal control mechanisms and the operation of corporate governance functions**.

The Supervisory Authority, in accordance with its rules of procedure, carried out the **monitoring of the execution of the remuneration policy of OTP Bank and the Bank Group in 2011**. It established that the Bank Group's Remuneration Policy had been elaborated in accordance with the relevant EU directives and the statutory requirements, giving preference to the fulfilment of long-term objectives and reflecting the Bank's capacity to assume risk. The personal and institutional scope of the Remuneration Policy was determined taking into account the objectives and prescribed principles of proportionality and neutralisation. The statutory provisions relating to the form of benefits granted on the basis of a performance appraisal were enforced as general rules.

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 commented on and approved the **Corporate Governance Report** prior to its proposal to the General Meeting.

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 at 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 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 Internal Audit Directorate and 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 themed audits conducted jointly at group level, and the results of earlier audits and risk analyses, as well as other risks resulting from changes.

Based on its annual audit schedule for the year 2012 and other extraordinary assignments, internal audit completed **166 audits** and launched **28** new audits in the course of the year, drew up **1,194 accepted proposals** in connection with audits, and initiated proceedings in which **9 managers** and **48** subordinate employees were **held personally accountable**. The Internal Audit Directorate commented on **856 drafts of internal regulations** in 2012, with special regard to the presence of control points.

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 at the members of the group that are subject to consolidated supervision, a **Standard Internal Auditing System** is in place. This is a framework system founded on compliance with the statutory regulations, the expectations of the Bank's management and the strategic objectives of the Bank Group, with the purpose of ensuring that the members of the Bank Group provide a high quality internal auditing service based on a standardised approach and using an identical methodology, in keeping with the shareholders' expectations and management's requirements. The system makes it possible to monitor and oversee the members of the Bank Group, and to apply international best practices.

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 2012, with the coordination of the parent bank's Internal Audit Directorate, group-level themed audits were **conducted in respect of Complaints Handing, IT Service Management and support for business processes**. **In connection with the use of the Advanced Measurement Approach (AMA) for calculating the capital requirement** audits were concluded at the Russian and Ukrainian banks, while at the other foreign group members the **audits of the compliance of the gathering, recording and reporting of loss data relating to operational risks** are under way. At the beginning of the year the Supervisory Board debated the report on the audit aimed at assessing the **compliance of risk management controls built into the appraisal process and decision preparation procedure for retail unsecured loans**.

At the designated group members, **2012** saw a continuation of the series of audits, commenced in previous years, regarding

- the determination and implementation of IT security requirements in the development phase of IT systems (at the Serbian, Bulgarian and Ukrainian banks), the
- settlement of employee costs (at the Romanian, Croatian and Slovakian banks), and the
- controlling of activities performed under contract (continued from the previous year at the Croatian bank, and starting from 2012 at the Slovakian, Montenegrin and Serbian banks).

The Internal Audit Directorate, in keeping with its quality assurance program for internal auditing activities, continued its quality assurance audit of the internal audit units of the OTP Group in 2012.
In 2012 the Internal Audit Directorate conducted **on-site audits of internal auditing activity** at three foreign banks (Croatia, Romania and Russia) and at two domestic subsidiaries (OTP Fund Services and OTP Building Society). <u>With these audits, quality assurance at the foreign subsidiaries has now been comprehensively audited.</u> The audits yielded important information about the standard of auditing at the members of the Bank Group, as well as the auditing risks of the given company, the quality of work performed by the auditors, and the strengths and weaknesses of the internal audits. Recommendations were made with respect to improving the operating effectiveness and raising quality standards at the internal audit units.

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 – as well as for the Executive Bodies of the Bank – the internal audit activities performed within the group, the findings of group-level themed audits of key importance, the completion of the tasks undertaken in action plans drawn up by the audited departments, as well as extraordinary events and findings that have come to light in the course of the 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, to the Bank's Supervisory Board:

- their annual report prepared in respect of their annual activities and their operating conditions related to 2011, and
- their audit plan for 2012.

The Supervisory Board of OTP Bank Plc. **discussed and evaluated** the proposals regarding **themed 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.

In 2012 the **Hungarian Financial Supervisory Authority** conducted several supervisory audits at the Bank in connection with individual complaints made by customers. Beyond the various recommendations and compulsory measures these culminated in the imposition of supervisory fines. Thus in eighteen cases related to complaints it imposed fines totalling three million seven 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 (IFRS) 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 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 non-consolidated report on the 2012 business year, prepared in accordance with Hungarian Accounting Standards (HAS),
  with ***a balance sheet total of HUF 6,471 billion 393 million,*** *and*

- the consolidated annual report on the 2012 business year, prepared in accordance with International Financial Reporting Standards
  with **a balance sheet total of HUF 10,113 billion 466 million,** and

- the proposal in respect of the distribution of the **after-tax profit** under HAS **of HUF 52 billion 573 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 120** per share be paid from the 2012 after-tax profit, in accordance with the Company's Bylaws.

REPORTS OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE 2012 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 2012, which comprise the balance sheet as at December 31, 2012 - which shows total assets of 6,471,393 million HUF and a retained profit for the year of 13,716 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 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of OTP Bank Plc. as at December 31, 2012, and its financial performance for the year then ended in accordance with the Accounting Act.

Other Reporting Obligation: Report on the Business Report

We have examined the accompanying business report of OTP Bank Plc., for the year 2012.

Management is responsible for the preparation of this business report in accordance with the Accounting Act.

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 2012. corresponds to the figures included in the financial statements of OTP Bank Plc., for the year 2012.

Budapest, March 29, 2013

The original Hungarian version has been signed.

Gion Gábor

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") and its subsidiaries for the year 2012, which financial statements comprise the consolidated statement of financial position as at December 31, 2012 - which shows total assets of 10,113,466 million HUF, - and the related consolidated statement of recognized and consolidated statement of comprehensive income – which shows a net profit for the year of 122,586 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of OTP Bank Plc. and its subsidiaries as at December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Reporting Obligation: Report on the Consolidated Business Report

We have examined the accompanying consolidated business report of OTP Bank Plc. for the year 2012.

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 2012. corresponds to the figures included in the consolidated financial statements of OTP Bank Plc. for the year 2012.

Budapest, March 29, 2013

Gion Gábor

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.

000083

Nagyváradiné Szépfalvi Zsuzsanna

registered statutory auditor
005313

DRAFT RESOLUTION

The Annual General Meeting accepts the Board of Directors' Business Report on 2012 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 2012, together with the proposal for distribution of profit after tax, based on the reports of the Supervisory Board and the Auditor.

The Annual General Meeting approves

the individual balance sheet of OTP Bank for the financial year 2012 with a corresponding HUF 6,471,393 million balance-sheet total and HUF 52,573 million after-tax profit
and the Annual General Meeting will distribute the HUF 52,573 million after-tax profit as follows:
HUF 5,257 million will be set aside for general reserves,
HUF 33,600 million will be paid out as dividend,
thus the retained earnings will amount to HUF 13,716 million.

***Dividends** will be HUF 120 per share, representing 120% 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 10 June 2013, in accordance with the procedural order set forth in the By-Laws.*

The Annual General Meeting approves the consolidated balance sheet of OTP Bank for the financial year 2012 with a corresponding HUF 10,113,466 million balance sheet total and HUF 122,586 million after-tax profit. The net profit attributable to equity holders amounted to HUF 121,690 million.

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.
The Board of Directors has an executive role in the governance of the Bank, so it is appropriate and conducive to successful operation if the board members have a personal stake in ensuring the Company's profitable operation. However, the remuneration of the members of the Board of Directiors is not tied to whether or not the Company was profitable, thus enabling them to comply fully with the statutory criteria for independence. Moreover, since the Board of Directors also has an important role in overseeing the work of the 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 goes beyond 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 (60) 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 2012 he held 243,500 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 2,743,500).

Dr. Antal Pongrácz
Deputy Chairman, Deputy CEO
Staff Division

Dr. Antal Pongrácz (67) 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 Plc.'s Board of Directors since 2002, and its Chairman since 9 June 2009.
As of 31 December 2012 he held 203,600 ordinary OTP shares.

Dr. István Gresa
Deputy CEO
Credit Approval and Risk Management Division

Dr. István Gresa (60) 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, as well as the head of the Credit Approval and Risk Management Division and chairman of the Board of Directors at OTP Factoring Ltd.
As of 31 December 2012 he held 64,564 ordinary OTP shares.

Non-executive members:

Mihály Baumstark
Agricultural engineer, economist

Mr. Mihály Baumstark (64) 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 2012 he held 6,400 ordinary OTP shares.

Dr. Tibor Bíró
Head of Department
Budapest Business School

Dr. Tibor Bíró (61) 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 2012 he held 37,240 ordinary OTP shares.

Péter Braun
Electrical Engineer
Former Deputy CEO, OTP Bank Plc.

Péter Braun (77) 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 2012 he held 534,305 ordinary OTP shares.

Tamás Erdei

Tamás Erdei (59) graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.
Since 1983 he has been employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed deputy CEO, then in 1994 he was made CEO, and from 1997 until the end of March 2012 he was chairman and CEO.
Between 1997 and 2008 he was the elected president of the Hungarian Banking Association.
He is the chairman of the Supervisory Board of the International Children's Safety Service.
He has been a member of OTP Bank's Board of Directors since 27 April 2012.
As of 31 December 2012 he held no ordinary OTP shares.

Zsolt Hernádi
Chairman & CEO
MOL Plc.

Zsolt Hernádi (53) graduated in 1986 from the department of industrial planning 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 2012 he held 6,400 ordinary OTP shares.

Dr. István Kocsis
Managing Director
Merkantil Bank Zrt.

Dr. István Kocsis (61) 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 2012 he held 6,400 ordinary OTP shares.

Dr. László Utassy
Chairman & CEO
Merkantil Bank Zrt.

Dr. László Utassy (61) 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 2012 he held 271,400 ordinary OTP shares.

Dr. József Vörös
Professor, Head of Institute
University of Pécs

Dr. József Vörös (62) earned a degree in economics from the Budapest University of Economic Science 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 Pécs. In 1993 he attended a course in management for senior executives at Harvard University. From 1994 he was 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 from 2009 he has been Head of Institute. He has been a non-executive member of OTP Bank's Board of Directors since 1992.
As of 31 December 2012 he held 123,600 ordinary OTP shares.

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 2012, and of the attendance at these meetings:

Board of Directors meetings
2012

Date	*Present*	*Absent*
13 Feb.	*8*	*1*
19 Mar.	*9*	*-*
30 Mar.	*8*	*1*
*4 Apr.**	*11*	*-*
17 Aug.	*11*	*-*
*12 Nov.***	*10*	*-*
12 Dec.	*10*	*-*

Note:
In 2012 the Board of Directors met on a total of 7 occasions. In addition, resolutions were passed on 100 occasions by written vote.
**On 27 April 2012 the General Meeting elected two new members of the Board of Directors: Tamás Erdei and Dr István Gresa. Thus, from this day on the Board of Directors continued its work with 11 members.*
***With effect from 3 October 2012 the board membership of Dr. István Kocsis was suspended, and thus the Board of Directors continued its work with 10 full members.*

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 (3 persons) to the total number of Supervisory Board members (5 persons) is 60%.
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 the Supervisory Board of OTP Bank Plc.:

Tibor Tolnay
Chairman of the Supervisory Board
Chairman & CEO
Magyar Építő Zrt.

Tibor Tolnay (62) 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 2012 he held 54 ordinary OTP shares.

Dr. Gábor Horváth
Deputy Chairman of the Supervisory Board
Lawyer

Dr. Gábor Horváth (57) 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 2012 he held 10,000 ordinary OTP shares.

Antal Kovács
Deputy CEO, Retail Division
OTP Bank Plc.

Mr. Antal Kovács (60) 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 2012 he held 23,000 ordinary OTP shares.

András Michnai
Executive Director, Compliance Directorate
OTP Bank Plc.

András Michnai (58), 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.
As of 31 December 2012 he held 16,000 ordinary OTP shares.

Pierre Lefévre
CEO
Groupama International SA

Pierre Lefèvre (56) 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.[29]
As of 26 September 2012 he held no ordinary OTP shares.

[29] On 26 September 2012 he resigned his seat on the Supervisory Board.

Márton Gellért Vági
General Secretary
Hungarian Football Association

Dr. Márton Gellért Vági (51) graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science (today the Corvinus University of Budapest), where he also earned his doctorate in 1994.
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 2012 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 2012, and of the attendance at these meetings:

Supervisory Board Meetings
2012

Date	*Present*	*Absent*
17 Feb.	*4*	*2*
23 Mar.	*4*	*2*
30 Mar.	*6*	*-*
15 Jun.	*5*	*1*
21 Sept.	*5*	*1*
16 Nov.	*5*	*-*
12 Dec.	*5*	*-*

Note:
In 2012 the Supervisory Board met on a total of 7 occasions.
**On 26 September 2012 Pierre Lefévre resigned his seat on the Supervisory Board, and thus from that time on the Supervisory Board continued its work with five persons (three non-executive and two executive members).*

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.

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 and once every quarter (or as many times as necessary), respectively. 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 Asset-Liability Committee, the Credit-Limit, Group-Level Operational Risk Management Committee and the Work-Out Committee, operate on the principle 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 (with CV):

Dr. Sándor Csányi
Chairman & CEO

Dr. Antal Pongrácz
Deputy Chairman Deputy CEO
Staff Division

Dr. István Gresa
Member of the Board of Directors, Deputy CEO
Credit Approval and Risk Management Division

Antal Kovács
Member of the Supervisory Board
Deputy CEO
Retail Division

(For their CVs, see the section entitled 'Management bodies')

László Bencsik
Chief Financial and Strategic Officer, Deputy CEO
Strategy and Finance Division

Mr. László Bencsik (43) 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 to 2003 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 2012 he held 2,800 ordinary OTP shares.

Dániel Gyuris
Deputy CEO
Real Estate, Small Enterprises and Agriculture Division

Mr. Dániel Gyuris (54) 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 2012 he held no ordinary OTP shares.

Ákos Takáts
Deputy CEO
IT and Bank Operations Division

Ákos Takáts (53) 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 2012 he held 153,347 ordinary OTP shares.

László Wolf
Deputy CEO
Commercial Banking Division

László Wolf (53) 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 2012 he held 638,800 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 2012, and found them to be satisfactory.

1.6. Overview of the exercising of shareholders' rights

<u>Participation in the General Meeting and voting rights</u>

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

- the shareholding as at the time of the shareholder matching procedure is corroborated by the result of the shareholder matching procedure;
- the holder of the shares has been effectively entered into the Company's Share Register;
- 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 Institutions Act, the members of the Supervisory Board, the auditor, shareholders with voting terminals, 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

In compliance with the applicable European Union directive (CRD III) and the provisions of the Act on Credit Institutions and Financial Enterprises, the Bank's General Meeting of 2011 and its Board of Directors have provided for the elaboration of a new Remuneration Policy for OTP Bank Plc. and the Bank Group, resulting in a significant modification 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 the deputies thereof), 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 that of the managers who are subject to the Remuneration Policy because of their function; and, among the managers employed by member of the the Bank Group that are subject to consolidated supervision, the chief executives of the subsidiaries and, in the case of 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.).

2.) CG Report on compliance with the Corporate Governance Recommendations

As part of the Corporate Governance (CG) 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

A 2.5.1. The Company's Board of Directors / Supervisory Board has a sufficient number of independent members to ensure impartiality.
Yes

A 2.5.4 The Board of Directors / 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

A 2.5.6 The Company has published on its website its guidelines concerning the independence of the Board of Directors / 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

A 2.7.2 The Board of Directors must evaluate 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.

A 2.7.2.1 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 the deputies thereof), 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 that of the managers who are subject to the Remuneration Policy because of their function; and, among the managers employed by member of the the Bank Group that are subject to consolidated supervision, the chief executives of the subsidiaries and, in the case of 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.
<u>No</u>
See the 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.
<u>Yes</u>

The Board of Directors verifies the efficiency of risk management procedures at specific intervals.
<u>Yes</u>

The Board of Directors took the necessary steps to identify key risk areas.
<u>Yes</u>

2.8.3 The Board of Directors formulated the principles pertaining to the internal control system.
<u>Yes</u>

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.
<u>Yes</u>

2.8.4 When formulating the internal control system, the Board of Directors took into account the criteria specified in point 2.8.4.
<u>Yes</u>

2.8.5 The management is responsible for establishing and maintaining the internal control system.
<u>Yes</u>

A 2.8.6 The company created an independent internal audit function, which is under obligation to report to the Audit Committee / Supervisory Board.
Yes

The internal audit group reported, at least once, to the Audit Committee / Supervisory Board about the operation of risk management, the internal control mechanisms, and the corporate governance functions.
Yes

A 2.8.7 The internal audit activity is performed by internal audit on the basis of a mandate given by the Audit Committee / Supervisory Board.
Yes

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

A 3.1.6 The company published on its website the tasks delegated to the Audit Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
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.

A 3.1.6.1 The company published on its website the tasks delegated to the Nomination Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
No
A Nomination Committee has not been established at the Bank.
See also: point 3.3.1.

A 3.1.6.2 The company published on its website the tasks delegated to the Remuneration Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
Yes

A 3.2.1 The Audit Committee / Supervisory Board oversaw the effectiveness of risk management, the operation of the internal control system and the internal audit activity.
Yes

A 3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information about the work schedule of the internal auditor and the independent auditor, and received a copy of the report by the auditor on the problems identified during the audit.
Yes

A 3.2.4 The Audit Committee / Supervisory Board asked the new nominee for auditor 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

A 3.4.4 The Remuneration Committee formulated proposals with regard to the principles of remuneration.
Yes

A 3.4.4.1 The Remuneration Committee formulated proposals with regard to the remuneration of individual persons.
Yes

A 3.4.4.2 The Remuneration Committee 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.

A 3.4.4.3 The Remuneration Committee 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.

A 3.5.2 The Board of Directors performed the tasks of the Nomination Committee and 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.

A 3.5.2.1 The Board of Directors performed the tasks of the Remuneration Committee and issued a statement on its reasons for doing so.
No
The Remuneration Committee performed its own tasks.

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

A 4.1.10 The Company provided information about the internal organisation and operation of the Board of Directors and the Supervisory Board.
No
The Company's website provides information about the operation of its management bodies in the Bylaws.
See also: point 2.7.2.

A 4.1.10.1 The Company provided information about the work of the Board of Directors and the Management Committee, and the criteria applied when evaluating the individual members.
No
See above.

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 2.5.5 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 / Supervisory Board.
Yes

J 2.9.1 The rules of procedure of the Board of Directors include the procedure to be followed when the services of an external consultant are used.
Yes

J 2.9.1.1 The rules of procedure of the Supervisory Board include the procedure to be followed when the services of an external consultant are used.
Yes

J 2.9.1.2 The rules of procedure of the Audit Committee include the procedure to be followed when the services of an external consultant are used.
No

J 2.9.1.3 The rules of procedure of the Nomination Committee include the procedure to be followed when the services of an external consultant are used.
No

J 2.9.1.4 The rules of procedure of the Remuneration Committee include the procedure to be followed when the services of an external consultant are used.
No

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 regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
No

J 3.1.2.1 The chairman of the Nomination Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
No

J 3.1.2.2 The chairman of the Remuneration Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
Yes

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 / Supervisory Committee received comprehensive information on 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.
Yes

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 2012 Report on Corporate Governance.

EVALUATION OF THE ACTIVITIES OF THE MANAGEMENT IN THE PREVIOUS BUSINESS YEAR, DECISION ON GRANTING DISCHARGE OF LIABILITY

Based on Act IV of 2006 on Companies, and in accordance with the provisions of the Bylaws 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 2012 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 passed resolutions, and subsequently monitored their implementation.
At the Annual General Meeting of 2012 it presented a report on the Bank's activities and results in 2011, and gave a briefing on the bank group's business policy plans for 2012.
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,
- current issues concerning the operation of the Bank.

The Board of Directors discussed proposals relating to the following:

- OTP Bank Plc.'s 2011 business results, the Company's business activity in 2011,
- the monitoring of the performance of tasks specified in the resolution on the 2011 audit by the Hungarian Financial Supervisory Authority (HFSA),
- the Bank's financial statements and auditor's reports for 2011,
- the reports presented to the Annual General Meeting,
- the Corporate Governance Report (2011),
- the amendment of OTP Bank Plc.'s Bylaws,
- the monitoring of the execution of the Remuneration Policy of OTP Bank and the Bank Group in 2011,
- the annual review of the group-level implementation and operation of the Remuneration Policy of OTP Bank Plc. and the Bank Group,
- the Bank Group's 2011 annual audit report on the fulfilment of the set objectives,
- the 2012 business and financial plan of OTP Bank Plc. and the Bank Group,

- determination of the RORAC target for 2012,
- the Remuneration Guidelines of OTP Bank Plc.,
- decisions related to the amendment and implementation of the regulations relating to the Remuneration Policy,
- the Board of Directors' authorisation to buy back shares,
- the OTP Group's medium-term strategy,
- OTP Bank Plc.'s lending policy for 2012,
- the determination of the sector limits for 2012,
- the OTP Group's operational risk management activities in 2011 and the 1st half of 2012,
- OTP Bank Plc.'s compliance activities in 2011, the annual program of compliance activities in 2012,
- the Bank Group's internal audit schedule for 2012,
- the Bank Group's quarterly internal audit reports, and
- the audit, conducted at Bank Group level, into the compliance of the risk management procedures built into the appraisal process and the practices related to the preparation of decisions in the case of unsecured retail loans,
- the group-level investigation into complaints handling,
- 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 IT service management and support for business processes, and
- the the security situation of OTP Bank Plc. and the foreign subsidiary banks, and
- the findings of customer complaints management operations, the briefings on the HFSA's consumer protection auditing practice,
- every quarter, the consolidated and group-member controlling reports, and
- the 2013 business and financial plan of OTP Bank Plc. and the Bank Group
- the Defensive Online Strategy in Hungary – Smile Project, and
- 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 regulations and related limits prescribed in the statutory provisions and existing regulations, determination of the sector limits for 2012.*(Organisational and Operational Regulations; Operational Risk Management Regulations, Regulations on valuation procedures; CEO's directive on insider status and on certain obligations and prohibitions related thereto; approval of OTP Bank Plc.'s Investment, Service and Divisional Terms of Business; amendment of the Risk Assumption, Customer Rating, Collateral Evaluation and Bank Group Risk Assumption Regulations, and the Liquidity Risk Management Regulations; OTP Bank's group-level regulations on trading-related market risks; OTP Bank Plc.'s Banking Book Interest Risk Management Regulations, OTP Bank Plc.'s Group-level Banking Book Interest Risk Management Regulations and OTP Bank's Currency Risk Management, Trading-related interest Risk and Liquidity Risk Management Regulations; the Share Price Risk Management Regulations and OTP Bank Plc.'s Currency Option Risk Management Regulations; the regulations on the keeping of the trading book and on determination of the capital requirement; the rules on measurement, for the purpose of treasury controlling, of financial instruments traded by OTP Bank Plc.; and the CEO's directive on the company signing procedures of OTP Bank Plc. and the regulations on the Remuneration Policy of OTP Bank Plc. and the Bank Group)*

The Board of Directors regularly made decisions regarding

- the capital positions of the individual subsidiaries and companies within its scope of interest, and
- the acquisition and sale 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.

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. Our corporate governance practice is an important means of enabling the Company to fulfil its strategic objectives. Accordingly, within the effective statutory frameworks, a corporate governance system has been developed that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and our socially responsible corporate conduct. 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; besides which it also aims to comply with the related Budapest Stock Exchange (BSE) guidelines.
OTP Bank Plc. continuously monitors its corporate governance practices, identifying any deficiencies arising as the result of external and internal changes, and effects those modifications that best serve the fulfilment of our objectives.
The Supervisory Board ascertained that OTP Bank Plc.'s operation is in full compliance with the applicable laws and supervisory provisions, and with the regulations of the Budapest Stock Exchange (BSE).

In keeping with the Corporate Governance Recommendations of the Budapest Stock Exchange, the Board of Directors of OTP Bank Plc. held a review of the effectiveness of its public disclosure processes. The Board of Directors found the effectiveness of information disclosure processes in 2011 to be satisfactory, and ensured the publication of information intended 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 and the Supervisory Board, and until its dissolution, the Audit Committee, in their capacity as such, broken down by member and by the legal grounds for the benefits, in respect of the year 2011.

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. István Gresa as the Board Member responsible for 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 the said statutory provisions, drafted, and prepared for submission to the General Meeting, the Bank's annual report and consolidated annual report.

The Bank and the Bank Group, despite the protracted impacts of the crisis, closed a successful year in 2012, as evidenced by the data of the annual report and the Company's profit indicators.

In Hungary, OTP Bank made considerable efforts in the interests of ensuring profitable operation.

As the year progressed, profits were affected by the loss of net interest income resulting from the decline in interest-bearing portfolios due to loan redemptions, and in the fourth quarter by the reduction in interest income caused by the exchange rate cap scheme that was available to foreign currency borrowers. The decline in the gross mortgage loan portfolio, however, was mitigated to a certain extent by mortgage loans disbursed in forint to our own customers and those of other banks, for the redemption of foreign currency loans.

Demand for credit was restrained in 2012. The loan portfolio shrank over the year as a whole, with mortgage loans and loans to large corporations declining while the consumer loan portfolio effectively stagnated. The fall in municipality loans was a consequence of the takeover of municipalities' debts by the state. Growth was observed in lending to micro and small enterprises. In a banking sector that was typified by restrained lending across the board, OTP's market share continued to grow in terms of newly disbursed mortgage loans and personal loans.

The volume of deposits at OTP Bank Plc. continued to grow, primarily due to an increase in corporate deposits. Retail deposits and bonds declined, however, chiefly owing to the intense competition from government bonds. These negative figures were offset by the substantial growth in the deposits of large corporations and municipalities.

Owing to the slowing rate of deterioration in the portfolio, the decrease in the costs of risk, the contribution of subsidiary banks to profit and the strict cost controls, and also taking into account the declining operating profit, the effectively unchanged amount of bank tax and the contributory factors highlighted above, the Company closed the year 2012 with a positive result. The Bank's liquidity and capital position is strong.

In the assessment of the Supervisory Board, the Board of Directors has conducted its activities with a view to preserving shareholder value and by keeping the Company's interests at the fore.

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) 2012 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 THE PERSON BEING OFFICIALLY RESPONSIBLE FOR AUDITING, SETTING THE REMUNERATION

ELECTION OF THE COMPANY'S AUDITOR, APPROVAL OF THE APPOINTMENT OF THE PERSON BEING OFFICIALLY RESPONSIBLE FOR AUDITING, SETTING THE REMUNERATION

Based on Section 3 Para 66 Act CXII of 1996 (Act on Credit Institutions and Financial Enterprises) it is proposed on behalf of the Supervisory Board proposed – concerning the audit of the OTP Bank Plc.'s unconsolidated and consolidated 2013 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 **dr. Attila Hruby** (007118) 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-three million Hungarian Forint **(HUF 63,000,000) + VAT** as the auditor's remuneration for the audit of the annual accounts of 2013, 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 50,000,000 + VAT** shall be paid in consideration of the audit of the unconsolidated annual accounts, and **HUF 13,000,000 + 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 2013 financial statements – the AGM is electing Deloitte Auditing and Consulting Ltd. as the Bank's auditor from 1 May 2013 until 30 April 2014. The Annual General Meeting approves the nomination of dr. Attila Hruby (No. 007118 chartered auditor) as the person responsible for auditing. In case any circumstance should arise which ultimately precludes the activities of dr. Attila Hruby 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 63,000,000 + VAT as the Auditor's remuneration for the audit of the 2013 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 50,000,000 + VAT shall be paid in consideration of the audit of the unconsolidated annual accounts, and HUF 13,000,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.

MODIFICATION OF THE RULES OF PROCEDURE OF THE SUPERVISORY BOARD

The new text is marked with double underlining, while deleted sections are indicated with ~~strikethrough~~.

Rules of Procedure of the Supervisory Board of OTP Bank Plc

1. Legal status of the Supervisory Board

The Supervisory Board, as a body that has been elected by the General Meeting, supervises the Company's management and business activities and the lawfulness of its operation. It does not make management and business decisions.
It may request reports or information from the members of the Board of Directors and the executives of the Company, which request the relevant persons must comply with by the deadline specified by the Supervisory Board. The Supervisory Board may examine, or have an expert examine, the Company's books and documents.

Every quarter, the Board of Directors prepares a report for the Supervisory Board regarding the net-worth position, profitability, provisions, and liquidity of OTP Bank Plc and the liquidity risks inherent in the business policy.

The General Meeting may make a decision regarding the financial statements prepared in accordance with the Act on Accounting and the utilisation of the after-tax profit only after it has familiarised itself with the written report of the Supervisory Board. In addition, all proposals regarding the amendment of the Bylaws, the auditor, the business policy, the share, bond, dividend or capital policy, or the major commitments of OTP Bank Plc., or the transformation, termination, or form of operation of OTP Bank Plc., or the rules of procedure of the Supervisory Board that are on the agenda of the General Meeting of OTP Bank Plc., must be submitted to the Supervisory Board.

In addition to the Board of Directors, individual members of the Supervisory Board and the management may also submit proposals to the Supervisory Board.

The members of the Supervisory Board participate in the General Meeting and may propose items to be placed on its agenda.

If the opinion of the members of the Supervisory Board who represent employees unanimously departs from the majority opinion of the Supervisory Board, the minority opinion of the representatives of the employees must be presented at the General Meeting.

The chairman or a designated member of the Supervisory Board may participate with advisory rights at the meetings of the Board of Directors. The chairman or the designated member provides information about the content of the meeting at the meeting of the Supervisory Board.

The Supervisory Board may exercise its rights as a body or through its members. The members of the Supervisory Board are required to proceed in person; delegation of the Supervisory Board's activities is not permitted. The Supervisory Board may also divide control among its members on a permanent basis.
The division of control does not affect the responsibilities of the member of the Supervisory Board or his/her right to extend the control to another activity that falls within the scope of control of the Supervisory Board.

The tasks of the Supervisory Board are especially:

a) to ensure that OTP Bank Plc has a comprehensive and fully functioning audit system,

b) to propose to the General Meeting – with the prior approval of the Board of Directors – an auditor and his/her remuneration,

c) to check OTP Bank Plc's annual and interim financial statements,

d) to direct the internal audit unit in accordance with the following tasks:
- approving the annual audit schedule of the internal audit unit,~~after it has been discussed with the Board of Directors,~~
- ~~accepting the annual report of the internal audit unit on the operation of risk management, internal control mechanisms and enterprise control functions~~,
- discussing at least every six months the reports prepared by internal audit and checking the implementation of the necessary measures,
- proposing changes in the headcount of the internal audit unit.

e) to prepare recommendations and proposals based on the findings of internal audit and on its own experiences,

f) to ensure compliance with Article 92 (4) of the Credit Institutions Act, including ensuring the adequate operation of the internal audit functions of the credit institutions, financial enterprises and investment firms controlled by OTP Bank Plc. as follows:
- reviewing the annual internal audit plan of the subsidiaries and proposing its approval or, if necessary, its supplementation or modification,
- evaluating the annual internal audit reports of the subsidiaries and adding a clause either approving them or containing comments,
- discussing the quarterly summary report ~~concerning~~ on the findings of the audits ~~that were completed~~, concluded by the ~~internal~~ Bank Group's audit units in the given quarter, on recommendations that have not been approved, on the status of measures to be taken, on tasks that were not completed by deadline and on cases where people have been held personally to account, and making a recommendation regarding such measures as may become necessary,
- discussing in detail the reports on group-level themed audits, and where necessary making proposals in respect of the action to be taken,
- gathering information from the regular reports on the results of the audits conducted by the Internal Audit Directorate ~~regarding the theme audit of~~ into the operation and degree of regulation of the internal audit units of the subsidiaries, and calling on the competent executive bodies of the subsidiaries to implement the necessary measures,

g) to maintain regular contact with the selected auditor,

h) to perform any other task that is assigned to its competence by the statutory regulations or the Bylaws,

i) to accept the annual report of the internal audit unit on the operation of risk management, internal control mechanisms and enterprise control functions,

j) to comment on the principles of the remuneration policy drafted by the Board of Directors, to monitor it regularly and to check the implementation of the remuneration policy (and to require an annual internal theme audit in this respect),

k) prior to the annual ordinary General Meeting, to comment on and approve the Bank's Corporate Governance Report.

The prior agreement of the Supervisory Board is required for the making of decisions ~~regarding~~ related to the establishment and termination of the employment of the managers and employees of the internal audit department, and for determining their remuneration. The decisions of the Supervisory Board within this scope of competence are made by the chairman of the Supervisory Board.

2. Legal status of the members of the Supervisory Board

All members of the Supervisory Board are elected by the General Meeting. According to the law, the Work Council has the right to nominate persons for one third of the members of the Supervisory Board. The General Meeting may only refuse to elect the nominees of the Work Council as members of the Supervisory Board if the nominees are disqualified from holding such position for some legal reason.

Members of the Supervisory Board must notify the chairman of the Supervisory Board if they are nominated as members at a company that is not a member of the Company Group, prior to accepting the nomination. The Company must notify market players of the acceptance of the nomination.

The Supervisory Board consists of 5-9 members.

The members of the Supervisory Board must act with the due care that is expected from an elected official. Members are held responsible, in accordance with the general rules of Civil Law, for any damage sustained by the Company that is caused by the violation of their obligations even if the members are employed by OTP Bank Plc. Members of the Supervisory Board may not accept instructions from their employers in their capacity as such members.

The members of the Supervisory Board must keep as a business, bank or securities secret all the information that they obtain about the affairs of the Company.

The members of the Supervisory Board must issue a declaration each year regarding their fulfilment of the criteria of independence – or shall report any changes immediately to the chairman of the Supervisory Board. (The criteria of independence are set forth in Annex 1 of these rules of procedure.)

3. The chairman and deputy chairman of the Supervisory Board

The chairman and deputy chairman of the Supervisory Board are elected by the members of the Supervisory Board from their own ranks. The term of the mandate of the chairman and deputy chairman of the Supervisory Board coincides with the term of the Supervisory Board’s mandate.

The meetings of the Supervisory Board are chaired by the chairman.

The deputy chairman substitutes for the chairman of the Supervisory Board if the latter is unable to fulfil his/her duties.

4. The operation of the Supervisory Board

The Supervisory Board meets at least six times a year and performs its activities on the basis of a work plan. The working language of the Supervisory Board is Hungarian.

The meetings of the Supervisory Board are convened by the chairman. Any member of the Supervisory Board may request in writing that a meeting be convened – by designating the purpose and the reason for the meeting – from the chairman of the Supervisory Board.

The chairman of the Supervisory Board must notify the members of the Supervisory Board of the place, time and agenda of the meeting at least 8 days before the scheduled meeting.

The chairman of the Board of Directors and the head of the Staff Division must be invited to the meeting of the Supervisory Board in every case.

The chairman of the Supervisory Board may invite – with advisory right – all the persons whose participation he/she believes to be necessary, including the employees of OTP Bank Plc, the members of the Board of Directors as well as the auditor.

The Supervisory Board has a quorum if two thirds of its members are present. The Supervisory Board passes resolutions by open vote. Each member of the Supervisory Board has 1 vote. The Supervisory Board passes its resolutions by way of a simple majority of votes, and in the case of a tie vote, the motion is regarded as having been rejected.

The result of the vote must be recorded in minutes.

Resolutions can also be passed in writing (by fax or registered letter) if the chairman requests this type of vote in special cases and none of the members of the Supervisory Board object in writing within three days of receipt of such request.

The resolutions of the Supervisory Board must be numbered continuously with Arabic numerals together with the date.

Summary minutes must be taken of the meetings of the Supervisory Board which contains comments and the main substance of the responses, the names of the persons commenting, the draft resolution, the outcome of the vote and the decisions together with the deadlines and responsible persons, if applicable.

With respect to decisions that are made when exercising the authority prescribed for the Audit Committee in Article 311 (2) of the Companies Act and Article 62 (3) of the Capital Markets Act, the votes of independent Supervisory Board members must be indicated separately in the minutes, and, in respect of matter that are on the agenda of the General Meeting, must also be presented to the shareholders.

If requested by a member of the Supervisory Board, opinions that depart from the passed resolution must also be recorded in the minutes of the meeting. The dissenting member of the Supervisory Board must sign below the description of the dissenting opinion upon the request of the chairman.

The minutes must be prepared within 8 days after the meeting, signed by the chairman and the keeper of the minutes and be sent – within 2 weeks – to the members of the Supervisory Board, the chairman of the Board of Directors, the head of the Staff Division, and to the Hungarian Financial Supervisory Authority.

If there are errors in the minutes, they must be corrected upon the request of any member of the Supervisory Board at the next meeting.

The Chairman of the Supervisory Board – within 10 days after the meeting of the Supervisory Board – must send any such minutes, proposals and reports to the Hungarian Financial Supervisory Authority as concern agenda items discussed by the Supervisory Board that pertain to a serious violation of the Company's internal regulations or any serious breach of the regulations in respect of governance or management.

The secretarial tasks of the Supervisory Board – in cooperation with the Internal Audit Directorate – are preformed by the Company's Secretariat. Such tasks include drawing up work plans, preparing and organising meetings, sending out invitations and proposals, preparing and sending out minutes, and documenting resolutions and their implementation.

5. Using the services of an external expert

For the purpose of controlling the management, in justified cases the Supervisory Board may directly commission an external expert in order to assist it in arriving at an opinion. The management must ensure the funds required to pay for such a mandate, if necessary by modifying the budget plan. In other matters the general regulations pertaining to commitments apply.

6. Closing provisions

These Rules of Procedure, in a consolidated format, have been approved by the General Meeting in its resolution no. 5/2013.

ANNEX 1

Independence criteria in respect of board members

A member of a board is considered to be independent if he/she has no relationship with OTP Bank Plc other than his/her membership in the board.

A member of the Supervisory Board is not considered independent especially if

a) he/she is an employee or ex-employee of OTP Bank Plc, for five years after the termination of such employment;

b) he/she performs tasks on behalf and in favour of OTP Bank Plc or its senior officers for compensation in the capacity of an expert or in any other contract capacity;

c) he/she is a shareholder of OTP Bank Plc who possesses, either directly or indirectly, at least thirty percent of the eligible votes, or he/she is a close relative or the domestic partner of such person [Article 685 b) of the Civil Code];

d) he/she is a close relative of a non-independent senior officer or executive of OTP Bank Plc;

e) he/she is entitled to a pecuniary benefit in the event of the profitable operation of OTP Bank Plc on the basis of his/her membership in the Supervisory Board, or receives any other compensation from OTP Bank Plc or an affiliated company thereof in addition to his/her fee received for the membership;

f) he/she has a legal relationship with a non-independent member of the Supervisory Board in another company on the basis of which the non-independent member has the right to govern and control;

g)he/she is OTP Bank Plc’s independent auditor or an employee or partner of the auditor for three years after the termination of such legal relationship;

h) he/she is a senior officer or executive in a company whose independent member of the board of directors is simultaneously a senior officer of OTP Bank Plc.

DRAFT RESOLUTION

The Annual General Meeting accepts the proposal for modification of the rules of procedure of the Supervisory Board pursuant to the proposal, in keeping with the annex of the General Meeting’s minutes.

ELECTION OF THE MEMBER OF THE SUPERVISORY BOARD

Election of the member of the Supervisory Board:

Mr. Dominique Uzel

DRAFT RESOLUTION

The Annual General Meeting elects Mr. Dominique Uzel to the member of the Bank's Supervisory Board until the closing AGM of the fiscal year 2013 but latest until April 30, 2014.

APPROVING THE REMUNERATION GUIDELINES OF THE COMPANY

REMUNERATION GUIDELINES OF OTP BANK PLC.

The Bank Group's Remuneration Policy is an integral part of the corporate governance system, which must be implemented throughout the entire Bank Group. The Bank Group's Remuneration Policy, in accordance with the relevant directive of the European Union, is conducive to effective and successful risk management, is not intended to encourage the Bank and Bank Group subsidiaries to take on risks that exceed their risk assumption limits, and is consistent with the business strategy, objectives, values and long-term interests of the Bank and the Bank Group subsidiaries, and promotes the realisation of these.

1. 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 Bank Group subsidiaries, in contributing to the achievement of bank and group-level results, and to provide incentives in support of such 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

of the employees of OTP Bank Plc.

- the Bank's Chairman & CEO
- the Bank's deputy CEOs
- managers who materially influence the Bank Group's risk profile and profit
- managers who are responsible for individual governance functions
- managers who perform control functions
- all managers who in terms of the size 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 at the Treasury Trading department

as well as,

of the managers employed by the Bank Group subsidiaries that are subject to consolidated supervision, in the absence of any provision of a national law to the contrary:

- the top-level managers of the subsidiaries
- in the case of certain subsidiaries, the level 2 (deputy) managers of the subsidiary
- managers with special governance and decision-making authority as determined on the basis of the provisions of the national laws, at certain foreign subsidiary banks

Decisions as to which persons fall under the effect of the Bank Group's Remuneration Policy are made by the Bank's Board of Directors.

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 compliance with the local statutory regulations and obligations.

- In the case of the **credit institutions headquartered in Hungary**, the Remuneration Policy shall be comprehensively applied in respect of level 1 and level 2 managers.
- In the case of the **foreign subsidiaries**, the performance-based compensation elements specified in the Remuneration Policy shall be applied subject to any restrictions imposed under the local national laws, with the proviso that at the subsidiaries outside the EU, the principle of proportionality shall be applied with respect to the means of performance-based remuneration and the process of paying such 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 the EU member states the payment of performance-based remuneration will be deferred.
- In the case of the **auxiliary enterprises** – in view of the nature of their activity – the remuneration is determined in the form of a basic salary plus a premium.

4. The relative proportions 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 falling under the effect of the Remuneration Policy, the remuneration shall consist of fixed and variable elements. The main elements of fixed remuneration are the basic salary and the ordinary shares issued by OTP Bank. The fixed remuneration provided in the form of OTP Bank ordinary shares is settled once a year, within 30 days after the General Meeting that closes the given business year, with the proviso that in respect of 50% of such shares the beneficiaries shall be subject to a one-year holding obligation (prohibition on sale) up to the end of their mandates.

The relative proportions of the fixed and performance-based remuneration elements shall be determined by the Bank's Board of Directors, according to the function, size and complexity of the organisation governed.

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	
	proportion of fixed remuneration	proportion of performance-based remuneration
members of the Board of Directors of OTP Bank Plc.*	100%	
members of the Supervisory Board of OTP Bank Plc.*	100%	
of those employed by OTP Bank Plc.		
positions with a material influence on risk profile and profit	35%	65%
positions responsible for individual governance functions	50%	50%
positions involving the performance of control functions	50 - 65%	35 - 50%
managers classed as eligible based on the size of their income	50%	50%
dealers employed at Treasury Trading	35%	65%
managers employed at the Bank Group subsidiaries subject to consolidated supervision		
top-level managers of the subsidiaries	35 - 80%	20 - 65%
in the case of key subsidiaries, level 2 (deputy) managers	35 - 50%	50 - 65%

* fixed honorarium

5. The methods of performance assessment in relation 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 indicators, as well as indicators measuring the quality of work).

In the case of the **managers of the Bank Group subsidiaries**, performance is assessed differently from one company to the next, based on the nature of the companies' respective activities.

The target values of the indicators are determined by the Bank's Board of Directors on the basis of the prevailing annual financial budget. The Board of Directors may modify the target values based on legislative changes implemented after the determination thereof and/or changes in market circumstances that have a significant objective impact on the Bank's profit or the achievement of the target values set.

[1] This indicator is calculated based on the figures of the Hungarian and foreign companies operating as group members that belonged to the circle of consolidated subsidiaries throughout the entire assessed financial year.

6. Determining entitlement to variable remuneration

In respect of the year assessed, the entitlement to variable remuneration and the extent of such remuneration shall be determined within 30 days following the ordinary annual General Meeting closing the year concerned.

- For the **senior executives of OTP Bank Plc.** (Chairman & CEO and deputy CEOs) the entitlement to variable remuneration and the extent of such award shall be determined by the Board of Directors, in proportion to the fulfilment of the annual objectives.
- The entitlement of **managers employed by the Bank** to variable remuneration and the extent of such award shall be determined by the Chairman & CEO, with the proviso that in respect of the heads of Risk Management, Internal Audit and Compliance the Remuneration Committee shall have the right of joint decision-making.
- The entitlement of the **Bank Group subsidiaries' managers** to variable remuneration and the extent of such award 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 applicable to the payment of variable remuneration

- When performance in the assessed year (T year) is evaluated, the amount of the performance-related remuneration, and the extent thereof broken down to the individual, is determined. The amount of the performance-related remuneration is determined on the basis of an evaluation of individual performance, and on the relative proportions of the applicable fixed and variable pay elements.
- As a general rule, the performance-based variable remuneration shall be paid in the form of a cash bonus and a share award granted at a discounted price, in a 50-50 ratio.
- The number of shares available for the awarding of shares at a discounted price for each individual shall be determined on the basis of the quotient of the amount of share-based performance-related remuneration and the discounted value of the awarded shares, as valid at the time of the performance assessment.
- The value of the share award granted at a discounted price valid at the time of performance assessment shall be determined on the basis of the average of the daily mid-price of the ordinary shares issued by OTP Bank, as registered by the Budapest Stock Exchange, on the three stock-exchange trading days preceding the date of performance assessment.
- The share award 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 be a maximum of HUF 4,000 at the time of the claiming (drawing down) of the share award. With respect to the year assessed, the specific content of the share award granted at a discounted price shall be determined by the Bank's Board of Directors within 30 days following the General Meeting closing the assessed financial year.
- As a general rule, 60% of the variable remuneration shall be deferred, with the period of such deferment being 3 years, within which period the extent of the deferred payment shall be determined in equal amounts each year.

- The entitlement to deferred payment shall be determined on the basis of a subsequent assessment of risks. The assessment of the risks is based partly on whether the criteria for prudent operation have been met – that is, whether the regulatory capital remained above the minimum level required by law and whether operations were maintained without having to make a claim from the deposit insurance fund – and partly on an assessment of the activities of the persons concerned. Based on the assessment of risks related to the activities of the persons concerned, the deferred instalment shall be reduced or withheld if there has been a significant breach of the internal regulations, and in particular, of the provisions relating to risk management.

  Entitlement to the deferred instalment shall be contingent on such subsequent assessment of risks and on the person still being employed at the time of payment of the deferred instalment. Exceptions to the above may only be validly authorised in respect of the executive directors (Chairman & CEO, deputy CEOs) by OTP Bank's Board of Directors, and, in the case of exceptional performance, in respect of managers employed at the Bank and managers of the subsidiaries, exceptions are permitted based on a decision of the Chairman & CEO of OTP Bank Plc.
- 50% of the first (non-deferred) share award granted at a discounted price shall be withheld for a period of 1 year (i.e. the entitlement will be granted, but the share award may actually be drawn in the period between 1 June and 31 December of the year following the year in which the award was granted).
- The Board of Directors of OTP Bank Plc. shall be entitled to specify the period within which preferentially priced share awards may be claimed, within a maximum 2-year time-span; the specified period may be extended once, with the proviso that the total length of the draw-down period may not exceed 2 years.

For dealers employed at Treasury Trading, the performance-based remuneration shall not contain any share-linked element, and the settlement of the performance-based remuneration shall take place in three instalments, by the end of the year following the period assessed.

The Board of Directors shall be entitled to make a decision on the settlement of the share award by way of an agreement qualifying as a special share-based legal transaction, which must be in line with the market price of the share award.

At all the members of the Bank Group – in the absence of a compulsorily applicable provision of a national law to the contrary – the share-based portion of the variable remuneration is provided to the beneficiaries 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 AND THE SUPERVISORY BOARD

ESTABLISHING THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

The remuneration of the members of OTP Bank's Board of Directors and Supervisory Board is determined by the General Meeting. The current remuneration of the members of the boards was determined by the General Meeting in its resolution no. 10/2011.

The honorarium of the members of **the Board of Directors** consists of a fixed monthly fee and the number of ordinary shares in OTP Bank Plc. determined by the General Meeting, the settlement of which takes place once a year within 30 days following the General Meeting that closes the given business year. In respect of 50% of the shares, the beneficiaries are subject to an extended holding obligation (prohibition on sale) up to the end of their mandates.

The honorarium of the members of **the Supervisory Board** consists of a fixed monthly fee, settled in forint.

In view of the fact that the remuneration of the board members was not changed during the past year, when increasing the remuneration – in accordance with the practice of previous years – it is recommended that the extent of the planned wage increase for the Bank's employees with respect to the given business year **based on the expected 4% annual inflation rate** be taken into account.

On the basis of the above, **it is recommended that the cash portion of the honorarium** of the members of the Board of Directors and Supervisory Board, determined in resolution no. 10/2012 of the General Meeting, **be modified**. We do not recommend changing the part of the Board of Directors' honorarium that consists of ordinary shares of OTP Bank Plc.

The Remuneration Committee supports the recommendation on remuneration as follows:

Payment to the members of the Board of Directors:

	Current honorarium		Proposed honorarium	
	Monthly, gross	Monthly share allowance	Monthly, gross	Monthly share allowance
	(HUF)	(no. of shares)*	(HUF)	(no. of shares)*
Chairman of the Board of Directors	780,000	1,000	810,000	1,000
Deputy Chairman of the Board of Directors	755,000	900	785,000	900
Members of the Board of Directors	670,000	800	695,000	800

* The share allowance is settled once a year, within 30 days after the General Meeting that closes the given business year and in respect of 50% of the shares, the beneficiaries are subject to an extended holding obligation (prohibition on sale) up to the end of their mandates.

Payment to the members of the Supervisory Board:

	Current honorarium	Proposed honorarium
	Monthly, gross	Monthly, gross
	(HUF)	(HUF)
Chairman of the Supervisory Board	1,500,000	1,560,000
Deputy Chairman of the Supervisory Board	1,300,000	1,350,000
Members of the Supervisory Board	1,000,000	1,040,000

DRAFT RESOLUTION

The General Meeting provides that starting from 1 May 2013, the members of the Board of Directors and the Supervisory Board shall receive the following monthly honorarium:

Chairman of the Board of Directors	*HUF 810,000 and 1,000 ordinary shares of OTP Bank Plc per month*
Deputy Chairman of the Board of Directors	*HUF 785,000 and 900 ordinary shares of OTP Bank Plc per month*
Members of the Board of Directors	*HUF 695,000 and 800 ordinary shares of OTP Bank Plc per month*

The share allowance is settled once a year, within 30 days after the General Meeting that closes the given business year and in respect of 50% of the shares, the beneficiaries are subject to an extended holding obligation (prohibition on sale) up to the end of their mandates.

Chairman of the Supervisory Board	*HUF 1,560,000*
Deputy Chairman of the Supervisory Board	*HUF 1,350,000*
Members of the Supervisory Board	*HUF 1,040,000*

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 Act IV of 2006 on Business Associations (hereinafter Companies Act) the authorization of the Board of Directors to the acquisition of treasury shares pertains to the exclusive authority of the General Meeting.

Pursuant to the Company's long-standing practice the Annual General Meeting of the year 2012 has also authorized the Board of Directors to the acquisition of treasury shares stated in the Resolution No. 9/2012. This authorization expires on 31 October 2013; however this mandate can be renewed according to the Companies Act.

This authorization is provided by the present proposal. The authorization with reference to the Companies Act 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 purchase treasury shares in order to ensure the possibility of rapid intervention into share-price fluctuations; to develop and maintain services provided to the Company's customers; to execute transactions aimed at optimizing the Company's equity position and to provide the necessary shares according to the Remuneration policy of the Company.

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. 9/2012 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 hereby authorizes the Board of Directors to acquire treasury shares in order to ensure the possibility of rapid intervention to restrain share-price fluctuations, to develop and maintain services provided to the Company's customers, to execute transactions aimed at optimizing the Company's equity position and to provide the necessary shares for the Remuneration policy of OTP Bank Plc.

The Board of Directors is entitled to acquire HUF 100 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 2014. Authorization granted to the Board of Directors by Resolution No. 9/2012 of the Annual General Meeting is hereby repealed.