management's analysis

Management's analysis of the 2011 results of the OTP Group*

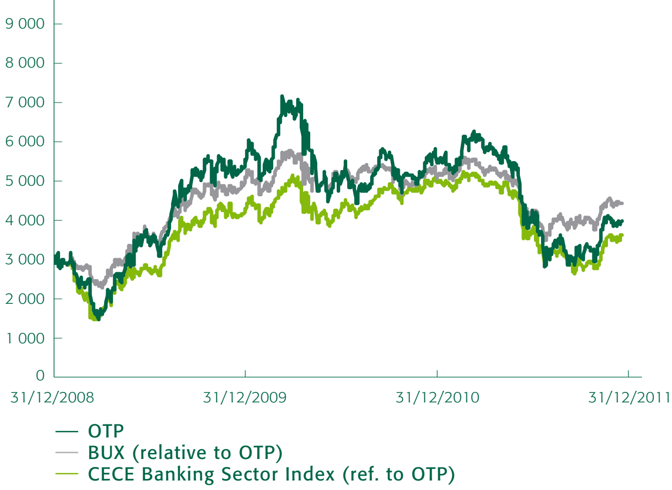
CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA[1]

Main components of the Statement of recognized income	2010 HUF million	2011 HUF million	Change %
Consolidated net profit	118,126	83,800	(29)
Adjustments (total)	(43,984)	(77,605)	76
Consolidated adjusted net profit without the effect of adjustments	162,110	161,405	0
Profit before income tax	194,313	221,086	14
Operating profit without one-offs	429,831	435,579	1
Total income without one-offs	783,895	811,588	4
Net interest income without one-offs	601,622	630,891	5
Net profit from fees and commissions	136,702	143,278	5
Other net non-interest income (adj.) without one-offs	63,390	64,067	(1)
Operating expenses (adj.)	(354,065)	(376,012)	6
Total risk costs	(263,138)	(234,037)	(11)
One off items	27,621	19,546	(29)
Income tax	(32,203)	(59,682)	85
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	9,780,946	10,200,527	4
Total customer loans (net, FX adjusted)	7,409,710	7,047,178	9
Total customer loans (gross, FX adjusted)	8,251,623	8,108,631	(2)
Allowances for loan losses (FX adjusted)	(841,913)	(1,061,452)	26
Total customer deposits (FX adjusted)	6,310,310	6,398,852	1
Liabilities from issued securities	1,035,153	812,863	(21)
Subordinated loans	290,630	316,447	9
Total shareholders' equity	1,308,929	1,418,310	8
Indicators based on one-off adjusted earnings %	**2010**	**2011**	**ppts**
ROE	13.0%	11.8%	(1.2)
ROA	1.7%	1.6%	(0.1)
Operating profit margin without one-offs	4.40%	4.36%	(0.04)
Total income margin without one-offs	8.03%	8.12%	0.09
Net interest margin without one-offs	6.16%	6.31%	0.15
Cost-to-asset ratio (adj.)	3.62%	3.76%	0.14
Cost/income ratio (adj.) without one-offs	45.2%	46.3%	1.1
Provision for impairment on loan losses to average gross loans (adj.)	3.69%	2.95%	(0.74)
Total risk cost-to-asset ratio	2.69%	2.34%	(0.35)
Effective tax rate	16.6%	27.0%	10.4
Net loan/(deposit+retail bond) ratio (FX adjusted)	112%	104%	(8)
Capital adequacy ratio (consolidated, IFRS) – Basel2	17.5%	17.2%	(0.3)
Core Tier1 ratio – Basel2	12.5%	12.0%	(0.5)
Common Equity Tier1 ('CET1') ratio – Basel3	12.1%	12.3%	0.2
Share Data	**2010**	**2011**	**%**
EPS diluted (HUF) (from unadjusted net earnings)	437	312	(29)
EPS diluted (HUF) (from adjusted net earnings)	601	606	1
Closing price (HUF)	5.020	3.218	(36)
Highest closing price (HUF)	7.400	6.450	(13)
Lowest closing price (HUF)	4.500	2.798	(38)
Market Capitalization (EUR billion)	5.0	2.9	(42)
Book Value Per Share (HUF)	4.675	5.065	8
Tangible Book Value Per Share (HUF)	3.735	4.173	12
Price/Book Value	1.1	0.6	(45)
Price/Tangible Book Value	1.3	0.8	(38)
P/E (trailing, from accounting net earnings)	11.9	10.8	(9)
P/E (trailing, from adjusted net earnings)	8.7	5.6	(36)
Average daily turnover (EUR million)	53	34	(36)
Average daily turnover (million share)	2.6	2.1	(19)

* Figures presented in the statements are not consistent with the xxxxxx data because they were originated according to controlling reports.

[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.

OTP SHARE PRICE PERFORMANCE



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

MANAGEMENT'S ANALYSIS OF THE 2011 RESULTS OF OTP GROUP

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

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

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

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

The annual accounting profit was HUF 83.8 billion showing a 29% y-o-y decline. The key items making the HUF 77.6 billion difference between accounting and adjusted profits were as follows: goodwill write offs related to the Croatian, Montenegrin and Serbian operations (after tax HUF 17.7 billion), the banking levy (after tax HUF 29 billion) and the loss from early repayment of FX mortgage loans in Hungary booked for 2011 (after tax HUF 31.6 billion). According to preliminary fact figures the early repayment of FX mortgage loans in Hungary resulted in a total loss of HUF 33.6 billion, of which 31.6 billion has been booked for 2011 in line with accounting standards. The remaining HUF 2.0 billion difference will be booked within the 1Q 2012 results. The total prepayment related loss of HUF 33.6 billion consist of four items: on one hand there was a credit loss of HUF 65.4 billion. The corporate tax effect of that loss was HUF 12.4 billion tax savings. Furthermore, there was a revaluation gain on the FX position purchased from the National Bank of Hungary for hedging purposes, amounting to HUF 3.2 billion after tax gain. Finally, the bank realized a prepayment related banking tax refund of HUF 16.1 billion (after tax).

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

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

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

Key elements of adjusted net profit were as follows: total revenues advanced by 4% y-o-y; within that, net interest income and net profit from fees and commissions grew by 5% each. Since operating expenses increased by 6% y-o-y, the annual operating profit without one-off items improved by 1%. Total risk costs dropped by 11% y-o-y. There was a significant increase in the adjusted corporate tax burden: against HUF 32.2 billion in 2010, the Group paid almost HUF 60 billion in 2011. Total operating margin (8.12%) improved by 9 basis points and net interest margin (6.31%) by 15 basis points respectively. High margin levels were mainly supported by booming Russian net interest income.

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

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

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

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

The loan portfolio deterioration generated HUF 234 billion risk cost in 2011, by 11% falling short of 2010 provisioning. At the same time The DPD90+ coverage level improved by 2.3% y-o-y and reached 76.7% (without risk cost related to FX early repayment). The DPD90+ ratio kept growing throughout

2011 from 13.7% to 16.6%. After a more significant increase in 1Q, for the rest of the year the loan quality worsening was quite even: up by 0.6% in each quarter. The FX-adjusted DPD90+ loan formation showed a declining trend (in HUF billions 1Q: 72, 2Q: 54, 3Q:49, 4Q: 44).

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

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

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

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

Total risk costs adjusted by the impact of FX mortgage repayment moderated by 11%.

FX-adjusted new non-performing loan formation showed a declining trend y-o-y (in HUF billions: 2010: 118, 2011: 82).

The ratio of DPD90+ grew to 13.6%, by 3.0% y-o-y, whereas the coverage improved to 79.1%. The biggest scale deterioration occurred at the mortgage loan portfolio where DPD90+ ratio grew from 8.1% to 12.6% y-o-y. In 4Q 2011 the portfolio deterioration (+1.7 ppts q-o-q) was accelerated by the early repayment, the gross loan volume decreased by HUF 110 billion. Other loan categories deteriorated less so, whereas the municipality portfolio's DPD90+ ratio came close to 0% again by the end of 2011, since some of the exposure related to county level municipalities were assumed by the state.

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

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

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

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

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

Against the net earnings of HUF 17 billion in 2010, foreign subsidiaries posted HUF 51 billion in 2011. The key contributor was Russia with its HUF 41 billion net results, though smaller losses in Montenegro, Serbia, as well as the Romanian operation making profit again had positive impacts, too. **OTP Bank Russia** continued its superior performance, the whole year net profit jumped to HUF 41 billion. The excellent result was mainly due to strong underlying core banking performance: net interest income advanced by 39% y-o-y, net profit from fees and commissions grew by a remarkable 83% respectively. Parallel with the increase of risk costs, the non-performing loan coverage (89.6%) also advanced by 2.2 ppts. The net interest margin level exceeded 16% with 4Q 2011 being as high as 18.63%.
The retail consumer lending remained robust, FX-adjusted volumes grew by 61% y-o-y. Such a strong performance easily offset the 43% decline in corporate volumes and an 18% drop of mortgages. The overall loan portfolio grew by 30% y-o-y. While the increase in retail deposits (+13% y-o-y) served as the basic source of funding for such a strong lending activity, in 2011 the bank successfully introduced its name to local bond investors issuing in total RUB 11.5 billion (2.5 billion in March, 5 billion in July and 4 billion in November). The portfolio quality improved, the DPD90+ ratio dropped to 11.1%.

In Bulgaria **DSK Group** posted an annual net result of HUF 12.7 billion. The y-o-y HUF 5.4 billion profit decline reflected a 30% increase in risk costs. The operating income advanced by 7% y-o-y supported by improving net interest income and strong cost efficiency. The yearly net interest margin slightly improved (5.8%) and the bank's cost efficiency excelled; its cost to income ratio remained the best within the Group (2011: 35.7%).
FX-adjusted loan portfolio grew by 2% y-o-y, within that the corporate and SME book advanced by 9% and mortgages grew by 2%. Total deposits increased even faster; as a result the net loan-to-deposit ratio improved to 105% (down by –10 ppts y-o-y). Portfolio quality deterioration was meaningful in all segments; the DPD90+ ratio reached 16.4% by the end of the year. The coverage ratio stood at 79.2%.

OTP Bank Ukraine posted HUF 5.1 billion net profit in 2011 that falls short of 2010 profit by 43%. The main reason behind the decline was the significantly increasing tax burden induced by legislative changes. The profit before income tax, however, doubled. From longer term perspectives it was encouraging that the POS-lending grew steadily boosting a lot the bank's net interest income (+35% q-o-q) and fee income (+13% y-o-y). The robust POS-lending required a bigger network of selling agents, their number reached 1,410 people by the end of 2011. Simultaneously, operating expenses grew, too (+7% y-o-y) and the yearly cost-to-income ratio increased by 8.9 ppts.
FX-adjusted loan volumes stagnated y-o-y. The significant drop of mortgage and car loan volumes was offset by growing corporate (+12% y-o-y) and POS-volumes. The DPD90+ ratio moderated to 30% by the end of the year, from 2H the loan quality already improved. FX-adjusted deposit volumes grew the fastest across the Group (+16% y-o-y), as a result the net loan to deposit ratio further improved (2011: 241%, 44 ppts FX-adjusted y-o-y decline).

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

OTP banka Hrvatska (Croatia) posted a mere HUF 112 million adjusted profit in 2011. In 2011 the bank had a significant HUF 3.4 billion after tax result from a maturing government securities portfolio treated as one-off. The significant y-o-y profit decline is due to the deliberate increase of non-performing loan coverage through higher risk costs (+130% y-o-y). The operating income improved by 19% and the DPD90+ ratio further declined (2010: 12.8%, 2011: 10.1%).

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

The **Serbian subsidiary** stubbornly remained in red; the Bank failed to achieve a turning point in its operation and posted HUF 6.3 billion net loss in 2011. Since the FX-adjusted loan book shrank by 9%, the y-o-y 33% decline in risk cost could only mitigate the losses. Loan quality remained the worst within the Group; the DPD90+ ratio pierced 60%.

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

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

Credit ratings, shareholder structure

OTP Bank's credit rating changed in line with the sovereign downgrade. On 25 November Moody's cut the Bank's rating from 'Baa3' to 'Ba1', whereas on 23 December Standard & Poor's downgraded OTP from 'BBB-' to 'BB+'. Both ratings carry negative outlook. As for the ownership structure, no major change took place in 2011, as a result, currently four investors hold more than 5% stake in the Company: the Rahimkulov family (9.13%), MOL (Hungarian Oil and Gas Company) (8.72%), Groupama (8.45%) and Lazard Group (5.88%).

KEY POST BALANCE SHEET EVENTS

Hungary

- On 06 January 2012 Fitch Ratings has downgraded Hungary's Long-term foreign and local currency Issuer Default Ratings (IDR) by one notch to 'BB+' and 'BBB-', from 'BBB-' and 'BBB' respectively. The Outlook on the long-term IDRs is Negative.
- On 15 February 2012 the National Bank of Hungary ('NBH') announced the introduction of new facilities to offset the recent weakening in banks' lending capacity. From March 2012, two-year variable-rate refinancing will be provided to credit institutions at the prevailing policy rate against securities delivered as collateral. The conditions for the provision of such refinancing have been designed to facilitate an expansion in bank lending to the corporate sector. Again from March, in order to increase banks' liquidity buffers, NBH will expand the range of eligible collateral, which may alleviate liquidity constraints potentially impeding lending to the corporate and household sectors. Furthermore, to promote lending to the household sector, a universal mortgage bond purchase scheme will be introduced within one month of the date on which the required amendment to the regulation is passed.
- On 24 February 2012 OTP Bank Plc. redeemed its CHF 100 million, 2 years maturity senior unsecured note.
- OTP Bank announced that from 24 February 2012 a product was introduced for the Bank's municipality clients that issued CHF bonds earlier to provide a fixed exchange rate scheme for them. The new product allows clients to service the part of their monthly principal payment falling above the fixed exchange rate from a HUF loan granted by OTP Bank. During the fixing period the difference between the market and fixed rate – the latter set at 200 HUF/CHF – is financed from the newly originated loan, servicing of which is to start after the fixing period. The fixing period will come to an end on 31 December 2014 at the latest. The fixed HUF/CHF rate can be modified upwards upon the request of the client. The newly granted loan carries an interest rate of 3M BUBOR + margin. After the fixing period clients shall start paying back the bridge loan in equal tranches, together with the principal repayments of the original CHF bond.
- OTP Bank Plc. announced on 7 March 2012 that the civil lawsuit filed at the Municipal Court of Budapest in 2009 by Nitrogénművek Vegyipari Zrt. for damages in the amount of HUF 25,247,527,000 against OTP Bank Plc has ended. In its final judgment the Municipal Court of Budapest has dismissed the claim of Nitrogénművek Vegyipari Zrt.

Russia

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

Romania

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

Slovakia

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

Serbia

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

Montenegro

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

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

	2010 HUF million	2011 HUF million	Change %/ppts
Consolidated net profit	**118,126**	**83,800**	**(29)**
Adjustments (total)	**(43,984)**	**(77,605)**	**76**
Dividend and total net cash transfers (out of the Group)	488	663	36
Goodwill impairment charges (after tax)	(15,001)	(17,701)	18
Special tax on financial institutions (after corporate income tax)	(29,471)	(28,965)	(2)
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax) accounting profit, 31.12.2011 – estimate	0	(31,601)	
Difference between the estimate and the preliminary fact (Total impact of early repayment of FX mortgage loans), registered within the 1Q 2012 P&L		(1.985)	
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax), preliminary fact		(33.587)	
o/w Loss from early repayment of FX mortgage loans in Hungary (before corporate income tax)		(65.374)	
Corporate income taxes due to losses from early repayments		12,421	
Special banking tax refund (after corporate income tax)		16,126	
Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments (after corporate income tax)		3.240	
Consolidated adjusted net profit without the effect of adjustments	**162,110**	**161,405**	**0**
Banks total without one-off items[1]	159,081	155,864	(2)
OTP CORE (Hungary)[2]	146,920	114,056	(22)
Corporate Centre (after tax)[3]	(6,709)	(6,727)	0
OTP Bank Russia	20,545	41,042	100
CJSC OTP Bank (Ukraine)[4]	8,928	5,091	(43)
DSK Bank (Bulgaria)[5]	18,190	12,744	(30)
OBR adj. (Romania)	(6,406)	763	112
OTP Banka Srbija (Serbia)[6]	(7,312)	(6,283)	(15)
OBH (Croatia)	2,721	3,552	31
OBH, adj.	2,721	112	(96)
OBH one-off items[7]	–	3,440	–
OBS (Slovakia)	(952)	(409)	(57)
CKB (Montenegro)	(16,844)	(4,525)	(73)
Leasing	(6,337)	1,890	130
Merkantil Bank + Car, adj. (Hungary)[8]	(4,123)	2,206	154
Foreign leasing companies (Slovakia, Croatia, Bulgaria, Romania)[9]	(2,214)	(316)	(86)
Asset Management	7,448	3,265	(56)
OTP Asset Management (Hungary)	7,456	3,321	(55)
Foreign Asset Management Companies (Ukraine, Romania)[10]	(8)	(56)	600
Other Hungarian Subsidiaries	(994)	(4,268)	329
Other Foreign Subsidiaries (Slovakia, United Kingdom, Cyprus, Romania, Belize)[11]	(6)	(305)	4.983
Eliminations	2,919	1,520	(48)
Total net profit of HUNGARIAN subsidiaries[12] (without dividends and net cash tranfers)	145,469	110,107	(24)
Total net profit of FOREIGN subsidiaries[13] (without dividends and net cash tranfers)	16,642	51,298	208
Share of foreign profit contribution, %	10%	32%	22

[2] Belonging footnotes are in the Supplementary data section of the Management's analysis.

THE OTP GROUP'S CONSOLIDATED STATEMENT OF RECOGNIZED INCOME[3]

Main components of the Statement of recognized profit and loss	2010 HUF million	2011 millió Ft	Change %
Consolidated net profit	118,126	83,800	(29)
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Special tax on financial institutions (after corporate income tax)	(29,471)	(28,965)	(2)
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax) accounting profit, 31.12.2011 - estimate	0	(31.601)	
Difference between the estimate and the preliminary fact (Total impact of early repayment of FX mortgage loans), registered within the 1Q 2012 P&L		(1.985)	
Total impact of early repayment of FX mortgage loans in Hungary (after corporate income tax), preliminary fact		(33.587)	
o/w Loss from early repayment of FX mortgage loans in Hungary (before corporate income tax)		(65.374)	
Corporate income taxes due to losses from early repayments		12,421	
Special banking tax refund (after corporate income tax)		16,126	
Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments (after corporate income tax)		3.240	
Consolidated adjusted net profit without the effect of adjustments	162,110	161,405	0
Profit before income tax	194,313	221,086	14
Operating profit without one-offs	429,831	435,579	1
Total income without one-offs	783,895	811,588	4
Net interest income without one-offs	601,622	630,891	5
Net profit from fees and commissions	136,702	143,278	5
Other net non-interest income (adj.) without one-offs	45,571	37,419	(18)
Foreign exchange result, net (adj.) without one-offs	13,315	19,042	43
Net gains on securities, net (adj.) without one-offs	14,829	3,418	(77)
Net other non-interest result (adj.) without one-offs	17,426	14,958	(14)
Operating expenses	(354,065)	(376,012)	6
Personnel expenses	(160,725)	(169,098)	5
Depreciation and amortization (adj.)	(48,805)	(49,453)	1
Other administrative expenses (adj.)	(144,535)	(157,461)	9
Total risk costs	(263,138)	(234,037)	(11)
Provision for impairment on loan losses (adj.)	(263,252)	(228,430)	(13)
Other provision	113	(5,607)	(4.962)
Total one-off items	27,621	19,546	(29)
Revaluation result of FX swaps at OTP Core (booked within net interest income)	18,731	3,169	(83)
Non-recurring FX-gains and losses (booked within Foreign exchange result, net at OTP Core)	8.889	3.926	(56)
Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core)	0	2.580	
Gain on Croatian government bonds (booked as Net gains on securities, net (adj.) at OBH Croatia)	0	4.300	
Revaluation result of the treasury share swap agreement (booked as Net gains on securities, net (adj.) at OTP Core)	0	5.572	
Income tax	(32,203)	(59,682)	85
Performance indicators	**2010**	**2011**	**%/ppts**
ROE (adjusted)	13.0%	11.8%	(1.2)
ROA (adjusted)	1.7%	1.6%	(0.1)
Operating profit margin without one-offs	4.40%	4.36%	(0.04)
Total income margin without one-offs	8.03%	8.12%	0.09
Net interest margin without one-offs	6.16%	6.31%	0.15
Net fee and commission margin	1.40%	1.43%	0.03
Net other non-interest income margin without one-offs	0.47%	0.37%	(0.1)
Cost-to-asset ratio (adj.)	3.62%	3.76%	0.14
Cost/income ratio (adj.) without one-offs	45.2%	46.3%	1.1
Provision for impairment on loan losses-to-average gross loans (adj.)	3.69%	2.95%	(0.74)
Total risk cost-to-asset ratio	2.69%	2.34%	(0.35)
Effective tax rate	16.6%	27.0%	10.4
Non-interest income/total income without one-offs	23%	22%	(1)
EPS base (HUF) (from unadjusted net earnings)	443	312	(30)
EPS diluted (HUF) (from unadjusted net earnings)	437	312	(29)
EPS base (HUF) (from adjusted net earnings)	608	606	0
EPS diluted (HUF) (from adjusted net earnings)	601	606	1

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

Comprehensive Income Statement	2010	2011	ppts
Net comprehensive income	135,936	131,768	(3)
Net profit attributable to equity holders	117,930	83,147	(29)
Consolidated net profit	118,126	83,800	(29)
(–) Net profit attributable to non-controlling interest	196	653	233
Other net comprehensive income elements	18,006	48,621	170
Fair value adjustment of securities available-for-sale (recognised directly through equity)	(10.771)	(22.732)	111
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	335	378	13
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	(2.232)	(7.993)	258
Foreign currency translation difference	30.674	78.968	157

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

In 2011 **OTP Group** posted HUF 161,4 billion adjusted net profit (excluding the special banking levy, the loss from FX mortgage loan repayments and goodwill write down) which is similar to the adjusted profit for 2010. The HUF 83.8 billion accounting net profit, including the special banking tax, the loss from early repayment of FX mortgage loans and the goodwill write down was by 29% lower than that in the base period. The set back of accounting profit is practically entirely the result of the loss on FX-mortgage loan prepayment in 2011, other non-prepayment related adjustments – the banking tax and the goodwill write down – were at the same level as in 2010.

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

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

According to preliminary figures the FX mortgage loan prepayment in Hungary resulted in a total loss of HUF 33.6 billion, of which 31.6 billion was booked for 2011 in line with accounting standards.

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

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

The remaining HUF 2.0 billion difference will be booked within the 1Q 2012 results.
The total prepayment related loss HUF 33.6 billion consist of four items: on one hand there was a credit loss of HUF 65.4 billion stemming from the difference between the book value and the fixed exchange rate implied value of prepaid loans. The corporate tax effect of that loss was a tax savings of HUF 12.4 billion. Furthermore, there was a revaluation gain amounting to HUF 3.2 billion after tax on the FX position purchased from the National Bank of Hungary for hedging purposes. Finally, the bank realized a prepayment related banking tax refund of HUF 16.1 billion (after tax).
By the end-February 2012 deadline around 36 thousands clients of OTP Core and OTP Flat Lease made use of the prepayment option which represents 19.7% of the total 184 thousand FX loan contracts outstanding at the beginning of the programme. The total prepaid loan book amounted to HUF 217 billion representing 19.9% of the FX mortgage books of the two companies (at FX rates of 30 September 2011).
To cover the FX need of prepayments, altogether EUR 739 million, i.e. 19.9% of the outstanding FX loan portfolio, was purchased by OTP Bank from the National Bank of Hungary on the spot foreign exchange rate.
The HUF 17.7 billion goodwill write down – also as an adjustment item – covers the result of three items. In relation to the Croatian subsidiary from the HUF 45.7 billion goodwill amount HUF 27.6 billion was written off under IFRS (HUF 21.6 billion against the P&L and HUF 5.9 billion against equity), resulting a HUF 18.1 billion after tax loss in the IFRS income statement. In addition, the total amount of goodwill related to the Montenegrin CKB was written down on the IFRS balance sheet (altogether HUF 2.9 billion, out of that HUF 2.3 billion against profit and HUF 0.6 billion against equity), causing a HUF 1.8 billion after tax loss. On the top of that, under the Hungarian Accounting Standards, the goodwill related to the Serbian subsidiary was impaired too, the tax effect of which was registered under IFRS (HUF 2.2 billion tax saving).
The adjusted profit before income tax was supported by several one-off items in 2011, four of these related to OTP Core and one to OTP Bank Croatia. On one hand OTP Core realised HUF 2.6 billion profit on repurchase transactions of own Upper and Lower Tier 2 capital elements. Furthermore HUF 3.2 billion revaluation gain was realised on the Swiss franc-euro FX-swap portfolio. HUF 3.9 billion revaluation gain was also posted as a one-off item on other FX-positions opened by the Bank, due to significant volatility in the FX markets. Additionally HUF 5.6 billion revaluation gain was realised on the MOL-OTP treasury share swap transaction (for more details please see section OTP Bank's Hungarian Core Business).
An additional HUF 4.3 billion gain was booked on the maturing government bonds of the Croatian subsidiary. The effect of maturing bonds on the equity of the Croatian bank and OTP Group was almost neutral in 2011. Previously the revaluation result, which was driven by the performance of the Croatian industrial price index, had been accounted against equity, and was transferred to the statement of recognized income in a lump sum at maturity.
Within the main revenue categories net interest income grew by 5% y-o-y. Net interest margin improved (2011: 6.31%, +15 basis points y-o-y). The improvement of net interest margin was highly supported by the gradual increase of deposit margins: deposit rates have been decreased y-o-y almost in all markets, except Serbia and Slovakia in parallel with the increasing liquidity reserves. The Russian interest income grew at a spectacular pace (up by HUF 35 billion or 39% y-o-y), due to outstanding dynamics of consumer lending. Out of larger subsidiaries both DSK (Bulgaria) and OTP Core managed to increase their interest income (+7% and +1% y-o-y), in addition the Croatian interest income grew remarkably (+10% y-o-y). These factors offset the y-o-y declining net interest income in Ukraine, Montenegro, Serbia and at the Hungarian car financing business (Merkantil Group) due to declining business activity and increasing share of non-performing loans (–18%, –22%, –43% and –10% y-o-y, respectively).
Net profit from fees and commissions improved by 5% on a yearly base (by HUF 6.6 billion) which was also mostly related to the growth of the Russian contribution (a growth of HUF 8.0 billion y-o-y), where card and deposit commissions grew primarily (by +75% and +38% y-o-y). Yearly commission dynamics was

negatively influenced by the HUF 4.5 billion lower commissions of OTP Fund Management (as a consequence of amended regulation, asset- and fund management fees payable by pension funds decreased since January 2011: in case of private pension funds from 0.8% to 0.2%, in case of voluntary pension funds from 0.8% to 0.7% respectively). It was also negative that in June 2011 the state took over the assets of returning private pension fund members and following that started to redeem investment fund tickets.
The one-off adjusted other net non-interest income of 2011 decreased by 18% y-o-y primarily due to the following: in the base period a HUF 7.1 billion security gain was realised on Hungarian government bonds, while in 2011 no meaningful gain arose on government securities.
Operating costs for 2011 grew by 6% y-o-y, which mainly comes in from the increasing Russian operation, which was the only subsidiary where significant y-o-y growth of cost was registered. In case of the Russian bank the dynamics (+23% or +HUF 11.3 billion y-o-y) is justified on one hand by the significant pick up in business activity and beyond this, higher social security contribution had to be paid after the employees from January 2011. In the Ukraine growth of costs was the second highest following the Russian subsidiary (+7% y-o-y) as a result of paid advisory fees on projects for rationalisation of operation and related one-off personnel costs. Furthermore the set-up costs of consumer lending business line were also meaningful. Expenses of OTP Core – generating almost half of total costs – increased by only 3% y-o-y, mainly due to 10% y-o-y increase of other administrative expenses.
Deterioration of the consolidated loan portfolio decelerated y-o-y, still DPD90+ ratio at Group level grew from 13.7% to 16.6% in 2011. However it is a favourable development that in 4Q 2011 the growth of the FX-adjusted non-performing portfolio was the lowest over the last three years.
Group provisioning decreased by 11% y-o-y (2011: HUF 234 billion, without the loss on the prepayment of Hungarian FX mortgage loans). In spite of decreasing risk costs on the Group level, in Bulgaria, Croatia and Russia growing risk costs were booked. In case of the Bulgarian subsidiary this is mainly due to further, relatively strong deterioration of portfolio quality, while in case of the Croatian subsidiary the higher cost level was justified by the doubling level of the DPD90+ coverage ratio (up to 57.5%). Increasing provisioning in Russia on one hand is due to outstanding expansion of lending activity, on the other hand it is the result of higher coverage ratio on the non-performing credit card portfolio, raised in the course of 2011.

ASSET-LIABILITY MANAGEMENT

In 2011 the focus was an secure liquidity levels…

The primary objective of OTP Group in terms of asset-liability management has been to ensure that the Group's liquidity reserves are maintained at a suitably safe level. The refinancing sources of European Central Bank were continuously available for the Bank, easing the renewal risk of maturing mortgage bonds. Thanks to the high level of the Bank's liquidity reserves, no significant need of capital market funding emerged. The total issued amount at a Group-level was about EUR 600 million in 2011. On one hand the consumer lending activity of the Russian subsidiary has been partially financed by Rubel-denominated bond issuances (in 2011 3 tranches of bonds were issued with a face value of almost EUR 280 million equivalent). On the other hand an EUR 300 million syndicated loan, with 2 year maturity, was arranged for OTP Bank Hungary on 19 May 2011, primarily to strengthen its capital market position.
Despite the significant repayment of maturing debts (an EUR 500 million senior unsecured note in May, additionally an EUR 750 million mortgage bond in July) in 2011, the liquidity reserves of OTP Group

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

…*and keeping interest-rate risk exposures low.*

Interest-rate risk exposure of the Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank treats the reduction and closing of this exposure as a strategic matter and reduced its interest-rate risk exposure through the purchase of long-term fixed-rate government securities in order to offset the negative impact of falling yields on net interest income. The Bank maintained a closed interest-rate position in euro and swiss franc, consequently the yield volatility of the previous period did not cause significant changes in the FX interest income.

Market risk exposure of OTP Group

At the end of 2011 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 55.0 billion, primarily due to the capital requirement of the FX risk exposure (HUF 39.9 billion).
OTP Group is an active participant of the international FX and derivative markets. Exposure of the various Group members' FX positions is restricted by individual and global net open position limits (overnight and intraday), and by stop-loss limits. The open positions of the Group members outside Hungary were negligible measured against either their balance sheet total or regulatory capital, and because of that the consolidated FX exposure was concentrated at OTP Bank (Hungary).
The main part of the FX exposure booked at OTP Bank derived from the strategic open FX position kept to hedge the currency risk of FX-denominated net earnings of the main foreign subsidiaries. The size of the strategic open short EUR position amounted to EUR 310 million and was equal to 2 years' expected net profits of the subsidiaries. Apart from this strategic short position, in 4Q 2011 a temporary exchange rate risk emerged in relation to the credit loss on early repayment of Hungarian mortgage loans. At the end of 2011 a position of EUR 389 million was hold by the Bank to hedge the forint-specific risks of these losses. The euro position has been purchased form the National Bank of Hungary at market rates. In parallel with the closing of the early repayment process, this position was terminated by the Bank by 29 February 2012.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE OTP GROUP

Main components of balance sheet	2010 HUF million	2011 HUF million	Change %
TOTAL ASSETS	**9,780,946**	**10,200,527**	**4**
Cash, amounts due from banks and balances with National Banks	513,038	595,986	16
Placements with other banks, net of allowance for placement losses	511,244	422,777	(17)
Financial assets at fair value through profit or loss	233,667	241,282	3
Securities available-for-sale	1,008,097	1,125,855	12
Loans, net of allowance for loan losses	6,741,059	7,047,179	5
Loans, net of allowance for loan losses (FX adjusted)	7,409,710	7,047,179	(5)
Gross customer loans	7,502,331	8,108,631	8
Gross customer loans (FX adjusted)	8,251,623	8,108,631	(2)
o/w Retail loans	5,239,792	5,264,414	0
Retail mortgage loans (incl. home equity)	3,293,461	3,129,678	(5)
Retail consumer loans	1,448,025	1,664,919	15
SME loans	498,306	469,817	(6)
Corporate loans	2,517,663	2,416,702	(4)
Loans to medium and large corporates	2,131,242	2,064,470	(3)
Municipality loans	386,423	352,232	(9)
Car financing loans	433,632	364,650	(16)
Bills and accrued interest receivables related to loans	60,535	62,865	4
Allowance on loan losses	(761,272)	(1,061,452)	39
Allowance on loan losses (FX adjusted)	(841,913)	(1,061,452)	26
Equity investments	11,554	10,342	(10)
Securities held-to-maturity	172,302	124,887	(28)
Premises, equipment and intangible assets, net	480,828	491,666	2
o/w Goodwill, net	209,320	198,896	(5)
Premises, equipment and other intangible assets, net	271,508	292,770	8
Other assets	109,157	140,553	29
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,780,946**	**10,200,527**	**4**
Amounts due to banks, the Hungarian Goverment, deposits from the National Banks and other banks	681,949	646,968	(5)
Customer deposits	5,821,489	6,398,853	10
Customer deposits (FX adjusted)	6,310,310	6,398,853	1
o/w Retail deposits	4,641,918	4,800,233	3
Household deposits	4,176,991	4,216,053	1
SME deposits	464,926	584,180	26
Corporate deposits	1,639,557	1,564,216	(5)
Deposits to medium and large corporates	1,398,319	1,308,383	(6)
Municipality deposits	241,197	255,833	6
Accrued interest payable related to customer deposits	28,836	34,403	19
Liabilities from issued securities	1,035,153	812,863	(21)
o/w Retail bonds	283,646	344,510	21
Other liabilities	642,796	607,086	(6)
Subordinated bonds and loans	290,630	316,447	9
Total shareholders' equity	1,308,929	1,418,310	8

Indicators	2010	2011	%/ppts
Loan/deposit ratio (FX adjusted)	130%	126%	(4)
Net loan/(deposit + retail bond) ratio (FX adjusted)	112%	104%	(8)
90+ days past due loan volume	1,022,944	1,335,917	31
90+ days past due loans/gross customer loans	13.7%	16.6%	2.9
Allowances for loan losses/90+ days past due loans*	74.4%	76.7%	2.3

* Excluding provisions related to the early repayment of FX mortgage loans.

Consolidated capital adequacy - Basel2	2010	2011	%/ppts
Capital adequacy ratio (consolidated, IFRS)	17.5%	17.2%	(0.3)
Tier1 ratio	14.0%	13.3%	(0.7)
Core Tier1 ratio	12.5%	12.0%	(0.5)
Leverage (Total Assets/Shareholder's Equity)	7.5x	7.2x	
Regulatory capital (consolidated)	1,304,476	1,433,100	10
o/w Tier1 Capital	1,046,308	1,106,006	6
o/w Core Tier1 Capital	933,496	997,713	7
Hybrid Tier1 Capital	112,812	108,293	(4)
Tier2 Capital	258,632	327,471	27
Deductions from the regulatory capital	(464)	(377)	(19)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	7,464,481	8,334,351	12
o/w RWA (Credit risk)	6,010,646	6,433,699	7
RWA (Market & Operational risk)	1,453,835	1,900,652	31
Consolidated capital adequacy – in Basel3 compliant structure	**2010**	**2011**	**%/ppts**
Capital adequacy ratio (consolidated, IFRS)	17.5%	17.2%	(0.3)
Tier1 ratio	13.7%	13.6%	(0.1)
Common Equity Tier1 ('CET1') capital ratio	12.1%	12.3%	0.2
Regulatory capital (consolidated)	1,304,476	1,433,100	10
o/w Tier1 Capital	1,019,822	1,134,970	11
o/w Common Equity Tier1 capital	907,010	1,026,677	13
(Hybrid) Tier1 Capital	112,812	108,293	(4)
Tier2 Capital	285,118	298,507	5
Deductions from the regulatory capital	(464)	(377)	(19)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	7,464,481	8,334,351	12
o/w RWA (Credit risk)	6,010,646	6,433,699	7
RWA (Market & Operational risk)	1,453,835	1,900,652	31
Closing exchange rates (in HUF)	**2010**	**2011**	**%**
EUR/HUF	279	311	11
CHF/HUF	223	256	15
USD/HUF	209	241	15
JPY/HUF	2.57	3.11	21

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

Methodological notes:

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

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

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

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

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

FX-adjusted deposit volumes grew by 1% y-o-y. The volume of issued securities y-o-y decreased by 21%. The significant y-o-y drop was related to maturities: on 16 May EUR 500 million senior bonds issued by OTP Bank, Hungary became due. Also, in July OTP Mortgage Bank paid back EUR 750 million covered bonds. At the same time Hungarian retail bond volumes increased by HUF 61 billion y-o-y. Also, the Russian subsidiary issued three bond series (in March RUB 2.5 billion, in July RUB 5 billion and in November RUB 4 billion) with a HUF equivalent of 85.1 billion. The subordinated bonds and loan volumes (including Lower- and Upper Tier2 capital elements ('LT2', 'UT2')) shrank a bit as a result of buyback resuming in June 2011. Their nominal volume increase was the result of the weaker HUF only. Out of the UT2 OTP bought back EUR 22.4 million of face value in 2011. While from the LT2 with maturity in 2015 the bank repurchased EUR 5.1 million of face value.

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

Such levels are significantly higher than would be required under a possible liquidity shock scenario. The major source of the strong liquidity position is the gradual increase of deposits. Also, as FX-lending was stopped in Hungary and Ukraine, ongoing redemption

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

generated significant additional liquidity. This comfortable position helps the Group to redeem its maturing obligations mainly from its own sources and relying on wholesale funding only to a limited extent. In 2009 the Group paid back EUR 1.5 billion, in 2010 EUR 2.3 billion, in 2011 EUR 1.4 billion external obligations (bonds, loans and covered bonds). The new issuance was at EUR 420 million equivalent in 2010 (EUR 170 million bonds and EUR 250 million syndicated loan), while in 2011 such activity included EUR 600 million equivalent through the aforementioned RUB bond issues and an EUR 300 million syndicated loan raised by OTP Bank Hungary in May 2011 with two years of maturity. On top of these, out of which EUR 19 million was sold to third parties. The remaining stock was bought by OTP Bank and this tranche is used for repo transactions with the central bank.

CONSOLIDATED CAPITAL ADEQUACY RATIO (IN ACCORDANCE WITH BASEL II)

At the end of December 2011 the regulatory capital of OTP Group represented HUF 1.433 billion, while the risk-weighted-assets, taking into account the capital needs for credit-, market- and operational risks too, stood at HUF 8.334 billion. The capital adequacy ratio stood at 17.2% with Tier1 ratio (after deducting goodwill and intangible assets) at 13.3% and Core Tier1 ratio (further deducting hybrid instruments) at 12.0%. The y-o-y decline in Core Tier1 ratio –0.5 ppt was due to FX-effect (increasing the volume of risk weighted assets).

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

OTP BANK'S HUNGARIAN CORE BUSINESS[7]

OTP Core Statement of recognized income (segmented):

Main components of the Statement of recognized profit and loss	2010 HUF million	2011 HUF million	Change %
OTP CORE net profit without the banking levy, dividends and net cash transfer	146,921	114,056	(22)
OTP CORE profit before income tax	174,048	154,738	(11)
Operating profit without one-offs	254,222	235,000	(8)
Total income without one-offs	432,796	419,401	(3)
Net interest income without one-offs	324,777	327,081	1
Net profit from fees and commissions	84,807	84,687	0
Other net non-interest income without one-offs	23,212	7,633	(67)
Operating expenses	(178,574)	(184,401)	3
Total risk costs	(107,795)	(95,508)	(11)
Provision for impairment on loan losses	(108,507)	(99,209)	9
Other provisions	712	3,701	420
Total one-off items	27,621	15,246	(45)
Revaluation result of FX swaps at OTP Core (booked within Net interest income)	18,731	3,169	(83)
Non-recurring FX-gains and losses (booked within Other net non-interest income)	8,889	3,926	(56)
Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Other net non-interest income)	0	2,580	
Revaluation result of the treasury share swap agreement (booked as Other net non-interest income)	0	5,572	
Income tax	(27,127)	(40,682)	50
Revenues by Business Lines	**2010**	**2011**	**%**
RETAIL			
Total income	323,137	320,229	(1)
Net interest income	243,875	242,576	(1)
Net profit from fees and commissions	74,827	73,427	(2)
Other net non-interest income	4,435	4,225	(5)
CORPORATE			
Total income	40,363	37,466	(7)
Net interest income	26,693	25,794	(3)
Net profit from fees and commissions	12,374	10,437	(16)
Other net non-interest income	1,296	1,235	(5)
Treasury ALM			
Total income without one-offs	72,044	58,984	(18)
Net interest income without one-offs	54,208	58,710	8
Net profit from fees and commissions	1,438	714	(50)
Other net non-interest income without one-offs and revaluation affect of impairment	16,397	(440)	(103)
Performance indicators	**2010**	**2011**	**ppts**
ROE	13.8%	9.5%	(4.3)
ROA	2.3%	1.7%	(0.6)
Operating profit margin (operating profit/avg. total assets) without one-offs	3.9%	3.6%	(0.3)
Total income margin without one-offs	6.64%	6.43%	(0.21)
Net interest margin without one-offs	4.98%	5.01%	0.03
Net profit from fees and commissions	1.3%	1.3%	0.0
Net other non-interest income margin without one-offs	0.4%	0.1%	(0.3)
Operating costs to total assets ratio	2.7%	2.8%	0.1
Cost/income ratio without one-offs	41.3%	44.0%	2.7
Provision for impairment on loan losses/average gross loans	3.19%	2.77%	(0.42)
Effective tax rate	15.6%	26.3%	10.7

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

- Net profit declined by 22% y-o-y mainly due to significant base effects of one-off income accounted in 2010 and y-o-y soaring corporate tax burden

  Stable yearly net interest and fee income; 8% y-o-y decline in operating income is due to higher operating costs (+3%) and declining gain on securities

  Slightly moderating portfolio deterioration with the mortgage segment weakening the most

  Accelerating decline in the loan portfolio (–4% q-o-q, –7% y-o-y) in 4Q 2011 is the result of mortgage prepayments and the takeover of county government debts by the State
- Stable deposit base both q-o-q and y-o-y

P&L developments

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

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

HUF 15.2 billion one-off income in 2011 is coming from the following items. On the repurchase[11] of Lower and Upper Tier2 ('LT2', 'UT2') capital elements the Bank realized HUF 2.6 billion gain. Furthermore, HUF 3.2 billion revaluation gain was realised on the Swiss franc-euro swap portfolio due to widening swap-spreads. In 2010 the Bank entered into hedge transactions only with respect to its forint-FX swap positions, thus the revaluation

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

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

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

[11] In 2Q EUR 5 million, in 3Q EUR 12 million whereas in 4Q 2011 EUR 5.4 million tranche has been repurchased from the perpetual (UT2) bond (original face amount of the serie was EUR 500 million, the remaining outstanding amount is cca. EUR 325 million. Further on in 3Q 2011 EUR 3.2 million and in 4Q 2011 a further EUR 1.9 million tranche has been repurchased from the lower tier 2 (LT2) bond serie with maturity 4 March 2015 (original face amount of the serie was EUR 125 million, the remaining outstanding amount is: EUR 120 million).

result on FX cross-currency swaps – mainly euro-Swiss franc – is still part of the statement of recognised income. The swap-spread widening in the second half of 2011[12] resulted a HUF 3.2 billion revaluation gain.

Further one-off income was the HUF 3.9 million revaluation gain on open FX positions due to significant exchange rate movements. HUF 5.6 billion revaluation gain on the MOL-OTP share-swap transaction was also booked as a one-off item, due to the depreciation of the share price of OTP against that of the MOL.[13] Since in January 2012 OTP shares appreciated both in absolute and in relative terms against MOL shares – about HUF 3.9 billion revaluation loss was realised on the same position.

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

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

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

The DPD90+ ratio increased from 10.6% to 13.6% y-o-y. Regarding the composition of portfolio deterioration: in 2011 retail mortgage loans worsened the most (DPD90+ ratio 2010: 8.1%, 2011: 3Q: 11.0%, 4Q: 12.6%). The 1.6% deterioration in 4Q was mainly due to FX-mortgage loan prepayment, because the denominator of the ratio, i.e. the gross amount of mortgage loans, decreased by about HUF 110 billion in 4Q 2011 (calculated with 30 September 2011 exchange rates). Within the same period the consumer and corporate loan portfolio reflected a significantly slower deterioration (consumer loans DPD90+: 2010: 20.4%, 2011: 22.7%, corporate loans: 2010: 13.7%, 2011: 15.4%). The DPD90+ ratio of the municipal loan portfolio in 3Q 2011 increased due to the debts of county level municipalities. However the takeover of their debts by the central

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

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

government resulted a significant improvement in 4Q (municipal loans: DPD90+ 2010: 0.1%, 2011 3Q: 2.2%, 4Q: 0.4%). Coverage ratio of DPD90+ loan portfolio decreased in 1Q 2011 (from 78.2% to 75.5%). But this was mainly due to technical effects (older than 5 years exposures at OTP Factoring with 100% provision coverage were written off, and there was a corporate loan default, for which provisioning had been made previously). Since 2Q 2011 the coverage ratio started growing again (2011 4Q: 79.3%, +1.1 ppts y-o-y).

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

Main components of the balance sheet	2010 HUF million	2011 HUF million	Change %
Total Assets	6,495,965	6,548,167	1
Loans, net of allowance for loan losses	3,285,981	3,194,835	(3)
Loans, net of allowance for loan losses (FX adjusted)	3,538,111	3,194,836	(10)
Gross customer loans	3,584,077	3,581,382	0
Gross customer loans (FX adjusted)	3,861,730	3,581,382	(7)
Retail loans	2,557,402	2,391,531	(6)
Retail mortgage loans	2,000,538	1,835,538	(8)
Retail consumer loans	461,100	443,213	(4)
SME loans	95,765	112,781	18
Corporate loans	1,304,328	1,189,851	(9)
Loans to medium and large corporates	956,537	876,067	(8)
Municipality loans	347,791	313,784	(10)
Allowances for loan losses1	(298,096)	(386,547)	30
Allowances for loan losses (FX adjusted)[1]	(323,619)	(386,546)	19
Deposits from customers + retail bonds	3,711,491	3,913,977	5
Deposits from customers + retail bonds (FX adjusted)	3,924,733	3,913,977	0
Retail deposits + retail bonds	2,826,634	2,794,875	(1)
Household deposits + retail bonds	2,537,825	2,491,128	(2)
o/w: Retail bonds	283,646	344,510	21
SME deposits	288,810	303,748	5
Corporate deposits	1,098,098	1,119,102	2
Deposits of medium and large corporates	898,275	919,963	2
Municipality deposits	199,823	199,139	0
Amounts due to banks, governments, deposits from the National Banks and other banks	559,506	572,721	2
Liabilities from issued securities without retail bonds	514,103	284,194	(45)
Total shareholders' equity	1,131,311	1,278,409	13
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume	381,262	488,668	28
90+ days past due loans/gross customer loans	10.6%	13.6%	3.0
Total allowances for loan losses/90+ days past due loans*	78.2%	79.1%	0.9
Market Share	**2010**	**2011**	**ppts**
Loans	18.4%	18.2%	(0.2)
Deposits	24.0%	22.7%	(1.3)
Total Assets	24.8%	25.4%	0.6
Performance indicators	**2010**	**2011**	**ppts**
Net loans to (deposits + retail bonds) (FX adjusted)	90%	82%	(9)
Leverage (Shareholder's Equity/Total Assets)	17.4%	19.5%	2.1
Leverage (Total Assets/Shareholder's Equity)	5.7x	5.1x	
Capital adequacy ratio (OTP Bank, non-consolidated, HAS)	18.1%	17.9%	(0.2)
Tier1 ratio (OTP Bank, non-consolidated, HAS)	15.4%	15.8%	0.4

* Excluding provisions related to the early repayment of FX mortgage loans.

Balance sheet trends

In 2011 FX-adjusted loan portfolio of OTP Core decreased by 7% as a result of a 6% drop in the retail and 9% in the corporate loan book. The deposit book together with retail bond portfolio remained stable. Consequently the FX-adjusted 'net loan/(deposit+retail bond)' ratio dropped significantly (4Q 2011: 82%) by 9 ppts y-o-y.
Recovery of loan demand in the retail sector is still to come. Though the market share of OTP Core in mortgage loan disbursement is still outstandingly high (similar to the 29% reached in 2010), the newly originated volumes in 2011 were lower by 10% on a yearly base and substantially fell short of the before crisis levels (in HUF billion: 2008: 366, 2009: 64, 2010: 103, 2011: 92).
Annual origination contracted despite the higher dynamics of disbursements in 4Q 2011 (+40% q-o-q), which was also affected by the significantly increasing refinancing demand related to mortgage loan prepayments. As a result of prepayments the decline of the FX-adjusted mortgage loan portfolio accelerated significantly in 4Q 2011 (in 4Q 2011 the gross FX-adjusted loan portfolio change is: –6% q-o-q, thus –7% y-o-y). The effect of prepayments on the gross loan portfolio was HUF –110 billion in 2011 (in 3Q: -0.5, in 4Q a further HUF –108 billion, calculated with the exchange rate as of 30 September 2011). However these figures reflect only the effect of transactions completed by 31 December 2011. For the prepayments in January-February 2012 the Bank made provisioning according to available information at 30 January 2012. By the closing of the program (28 February 2012) an FX-denominated mortgage loan portfolio of HUF 215 billion equivalent was prepaid (calculated at exchange rates of end-September 2011), thus 20,3% of OTP Core's portfolio on the starting date of the programme got prepaid.
Negative effects of the declining FX loan portfolio was partially off-set by the HUF 64 billion HUF denominated loan amount disbursed by OTP Core for the prepayment of own and other banks' clients (in HUF billion: 4Q 2011: 17, 1Q 2012: 47 billion). Within that HUF 41 billion was disbursed to conversion of own loan portfolio (4Q 2011: 13, 1Q 2012: HUF 28 billion).

Recovery of consumer lending is also in delay. Notwithstanding that the Bank's market share in cash loan sales is at record high levels (2011: 50% versus 2010: 49%), because of weak demand the annual amount disbursed by OTP somewhat declined in this segment, too (disbursement in HUF billion 2010: 52, 2011: 48). The outstanding FX-adjusted consumer loan portfolio diminished by 4% y-o-y.
In 2011 the corporate volumes declined by 9% y-o-y. The change was influenced by a significant repayment of one corporate client in 2Q 2011. Furthermore, the local government exposure decreased, too (–10% y-o-y). In 4Q 2011 the portfolio was reduced by the takeover of loans to county governments by the State. Bulk (cca. HUF 23 billion) of the total debt (cca. HUF 35 billion) was paid back by the State at face value to the Bank in December. Part of the outstanding bond exposure (cca. HUF 12 billion) has been converted into long-term debt and remained on the balance sheet of OTP Core as a municipal loan.
In 2011 the SME segment was the only part of the loan book which was able to expand (+18% y-o-y), however in the first half of the year the dynamics were helped by technical effects.
The deposit base of OTP Core (together with retail bonds) remained stable y-o-y. The slight decline of retail deposits was off-set by the increase of corporate deposits.
During 2011, the portfolio of issued securities (without retail bonds) decreased by HUF 230 billion (2011 closing amount: HUF 284 billion, -45% y-o-y). The significant drop is related to a disbursement by OTP Mortgage Bank: on 11 July the bank repaid EUR 750 million covered bonds (cca. HUF 199 billion), issued in 2006. Furthermore on 5 December 2011 an EUR 1,350 million mortgage bond matured, out of which only EUR 84 billion was at non-OTP Group member investors, thus its effect on the consolidated portfolio was only about HUF 24 billion at maturity. The portfolio was also decreased by the maturing amount (about HUF 33 billion) of smaller HUF-denominated mortgage bond series. In 2011 there were no major international covered bond issuances[14].
Thus the set back of the portfolio was balanced by smaller size HUF denominated mortgage bond

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

issuances (altogether around HUF 6 billion in 2011) and forint denominated senior notes issued for Hungarian institutional investors (2011 closing amount: HUF 102 billion, HUF +40 billion y-o-y). By the end of 2011 the stand alone capital adequacy ratio of OTP Bank Hungary was at 17.9% (–0.2 ppt y-o-y). The decline was mainly related to the forint weakening during the year requiring more regulatory capital for credit and market risk and also increasing the deductions after subsidiary investments. Besides, capital requirement of operating risk grew, too y-o-y, mainly as a result of increasing profit of the Bank. These negative effects were balanced only partially by increasing amount of Upper Lower Tier2 elements – due to revaluation – and the profit generation of banking operation. The capital adequacy still remained almost flat y-o-y. Such a position to a great extent is related to strong 2011 results of the bank under Hungarian Accounting Standards, supported by the dividends collected from subsidiaries (all-in their amount in 2011 reached HUF 79 billion, of which HUF 42.1 billion came from DSK Bulgaria and the HUF 11.6 billion from the Ukraine).

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

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

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

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates has been announced. Accordingly, natural persons (FX mortgage debtors) can initiate between 12 August and 31 December 2011 the fixing of the exchange rate used to specify the monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates are set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the actual spot exchange rate, banks will provide a special purpose HUF denominated mortgage loan (so called „special account loan'), granting of which is not regulated by the rules of prudent lending.
During the time of fixing, the Bank is entitled to charge the 3-months BUBOR interest rate on the forint obligations on the special account.
Accumulating interest on the account could be capitalised in every three months. From January 2015, instalments of both the original mortgage and the special account loans have to be paid. From that time the interest rate charged on the special account should not surpass the market rate applicable for forint denominated mortgages provided for the same purpose as the original FX mortgage loan.
As regulated by Government Decree no. 163/2011. (VIII.22.) being in force from 25 August 2011., the monthly instalment of the special account loan shall not be higher than 15% of the last instalment paid within the fixed exchange rate period, unless the client asks the credit institution for a higher amount or the fulfilment of other conditions implies a higher instalment. These conditions are as follows: the tenor of the special account loan may exceed that of the original mortgage loan by max. 30 years, whereas the servicing of both the original mortgage loan and the special account loan should come to an end before the debtor reaches 75 years of age.
The Government backs the special account in full through a State Guarantee during the fixed exchange rate period, the guarantee applies to 25% of the special account after 1 January 2015.

2. Implementation of a quota system for foreclosures

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

3. Interest subsidy scheme

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

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

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

5. Resuming euro denominated mortgage lending

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

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

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

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

Full early repayment of FX mortgage loans is to be allowed for debtors at off-market exchange rates of HUF/CHF 180, HUF/EUR 250 or HUF/JPY 2.0. The law, effectuating the early repayment option (Act CXXI 2011 on Amendments of the laws related to home protection) came into force on 29 September 2011. Accordingly, all costs of early repayment transactions should be absorbed by banks, including the loss, stemming from the mismatch between the book value of the loans registered at market rates and the lower amount of the repayment implied by the fixed rates. If the FX borrower meets the eligibility criteria stipulated by the law, banks can not reject the application, and should prepare the closure of the loan contract(s) within 60 days.
The main eligibility conditions in respect of the early repayment opportunity are as follows:

- The early repayment option is available for FX mortgage borrowers in case the exchange rate of the forint at origination was weaker than the fixed rates.

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

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

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

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

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

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

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

As for earlier originated loans with a remaining maturity of more than 1 year that do not meet the above mentioned pricing criteria, clients are once allowed to either amend the loan contract or enter into a new contract or refinance the loan until 31 May 2012. In respect of these transactions, banks are prohibited to charge any fees for contract modification or early repayment.

The regulation will come into effect from 1 April 2012.

5. Complete credit registry

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

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

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

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

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

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

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

1. Members of the Hungarian Banking Association convert the FX mortgage loans of DPD90+ clients to HUF mortgage loans and cancel 25% of such debts by 15 May 2012. Eligible clients are who on 30 September 2011 had been delinquent for more than 90 days with an arrear that reached the sum of the minimum wage, provided that the total market value of real estate serving as collateral did not exceeded HUF 20 million, when the FX-mortgage loan contract was concluded.
   The conversion is to take place at the average of the mid rates of the respective currencies for the period between 15 March 2012 and 15 April 2012. Furthermore Banks are entitled to deduct 30% of their cancelled claims from their special tax due in 2012. (Governing Act: CCIX Act of 2011 on water supply utilities, paragraph 92.)
2. In order to help the payment of the reduced debt after the preferential conversion, the Government provides a gradually decreasing interest rate subsidy to eligible clients. Interest rate subsidy is available for 5 years, in the first year it amounts to 50% of the yield on reference government bond, in the second, third, fourth and fifth year the ratio is 45%, 40%, 35% and 30%, respectively. Creditors may reschedule the loans of debtors entering the interest rate subsidy scheme so that within 5 years from the start of the scheme debtors shall only pay interest rates.
3. The Government provides the required facilities to increase the purchase quota of the National Asset Management Company ('NAMC') from 5,000 apartments to 25,000 up to the end 2014. The range of eligible debtors would be increased by widening the social criteria, i.e. one dependant underage child would already make the debtor eligible.

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

1. The fixed exchange rate scheme for FX mortgage loans and the schedule of foreclosure of residential real estates (established by Act LXXV 2011) is to be amended as follows. The application period is to remain open by the end of 2012 (originally it would close by end-2011), whereas the fixing and the crediting of debts deriving from the exchange difference on the special account is to be provided up to the end of 2016 (previously by end-2014).
   Under the programme within the exchange ranges 180–270 HUF/CHF, 250–340 HUF/EUR

and 2.5-3.3 JPY/HUF the debtor should pay the monthly instalments of the mortgage loan. The difference between the market and the fixed rate on the principal part of the monthly instalments accrues in a special account over the fixed exchange rate period. This amount is to be fully borne by the client in compliance with the effective special account regulations. Whereas the Government and the banks share the loss on the interest repayments due to the off-market fixed exchange rate on a 50%–50% basis. The settlement of interest rate parts is on a monthly base, both in case of the Government and the Bank.
In the event of exchange rate levels exceeding HUF/CHF 270, HUF/EUR 340 and HUF/JPY 3.3, exchange rate risks are entirely borne by the Government.
2. Banks need not accrue provisions for performing clients entering the fixed exchange rate scheme.
3. To ease the operational burden weighing on the banks, the Government postpones from 1 January to 1 April 2012 the date at which the following financial regulation shall come into effect: the law limiting interest rates of loans and the annual percentage rate, as well as to ensure transparent pricing (Act CXLVIII 2011).

D) Growth Pact

1. The basis and the rate of the special bank tax will remain unchanged in 2012 compared to the regulation in effect, while the rate will be reduced by 50% in 2013. In 2014 there will be no bank tax levied on banks higher than the bank tax defined by the legal framework of the European Union, or the average of the bases and the rates of bank taxes in effect in Member States. Furthermore, the Government undertakes neither to submit any regulation concerning outstanding FX-loan portfolios to the Parliament, nor to support any such action without preliminary consultation with the Banking Association.
2. In 1Q 2012, consultations among the banks and the Government is to be started on their co-operation going forward. Quarterly consultations on the situation of the economy and the role played by the financial intermediary system in fostering of economic growth is to be hold from 1Q 2012. Owners of the member banks of the extended Board of the HBA are to be invited to these events. Furthermore the Commission of the EU as well as the IMF are to be informed on the outcome of the consultations. The HBA undertakes to elaborate a concrete proposal on the role to be played by the financial intermediary system from the aspect of economic growth, underpinned by an impact assessment by the end of January 2012. The Parties shall come to an agreement on the proposal by the end of February 2012.
3. The basis for the bank tax for 2012 shall be decreased by the following amounts:
   a) HUF equivalent of the growth of the loan portfolio to micro-, small- and medium size enterprises between 30 September 2011 and 30 September 2012 The basis of the calculation of the growth should be the 95% of the outstanding amount on 30 September 2011;
   b) the amount of new mortgage loan originated by the financial institution to natural persons, as well as the amount of the loans above the part granted to finance the own funds and the part granted to pre-finance the subsidy part in case of EU-subsidized projects.
   The total deduction from the bank tax shall not exceed 30% of the special tax.
4. The Government reiterates its commitment to place the Hungarian economy on a growth path, at the same time underlines the indispensible role of the banking sector in fostering and sustaining growth.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends, net cash transfer and banking tax	7,456	3,321	(55)
Profit before income tax	8,913	4,066	(54)
Total income	9,815	5,913	(40)
Net interest income	199	65	(67)
Net profit from fees and commissions	9,533	5,047	(47)
Other net non-interest income	83	801	865
Operating expenses	(1,763)	(1,744)	(1)
Personnel expenses	(686)	(745)	9
Other administrative expenses	(1,058)	(982)	(7)
Depreciation and amortization	(19)	(17)	(11)
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	12,963	8,595	(34)
Total shareholders' equity	11,389	7,095	(38)
Asset under management (in HUF million)	**2010**	**2011**	**%**
Assets under management, total (w/o duplicates)	1,676	993	(41)
Retail investment funds (closing, w/o duplicates)	589	593	1
Volume of managed assets (closing, w/o duplicates)	1,087	400	(63)
Volume of investment funds (with duplicates)	1,111	796	(28)
money market	334	375	12
bond	158	112	(29)
mixed	15	11	(27)
security	484	196	(60)
guaranteed	93	81	(13)
other	27	21	(22)

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

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

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

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

The market share of OTP Fund Management stood at 28.4% as at the end of December 2011 (adjusted for estimated duplication), the y-o-y 4.3 ppts decrease was mainly driven by the shrinking institutional portfolio. The client base of the Company increased further in 2011 increased over 215,000 due to the favourable market reception of guaranteed and money market funds.

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

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends, net cash transfers and one-offs	(4,123)	2,206	154
Profit before income tax	(4,125)	2,206	153
Operating profit	7,686	9,956	30
Total income	12,695	15,497	22
Net interest income	17,329	15,527	(10)
Net profit from fees and commissions	(4,077)	(3,369)	(17)
Other net non-interest income	(557)	3,338	699
Operating expenses	(5,009)	(5,542)	11
Total risk costs	(11,812)	(7,749)	(34)
Provision for impairment on loan losses	(11,576)	(7,497)	(35)
Other provision	-236	-253	7
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	285,360	270,894	(5)
Gross customer loans	308,200	305,445	(1)
Gross customer loans (FX-adjusted)	343,592	305,445	(11)
Retail loans	413	2,313	460
Corporate loans	30,583	31,139	2
Car financing loans	312,597	271,994	(13)
Allowances for loan losses	(47,550)	(54,563)	15
Allowances for loan losses (FX-adjusted)	(49,333)	(54,563)	11
Deposits from customers	4,784	4,673	(2)
Deposits from customers (FX-adjusted)	4,784	4,673	(2)
Retail deposits	2,017	1,673	(17)
Corporate deposits	2,767	3,013	9
Amounts due to banks, governments, deposits from the National Banks and other banks	228,908	211,429	(8)
Total shareholders' equity	22,180	25,332	14
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	**54.161**	**58.509**	**8,0**
90+ days past due loans/gross customer loans (%)	17.6%	19.2%	1.6
Provision for impairment on loan losses/average gross loans (%)	3.75%	2.44%	(1.31)
Total allowances for loan losses/90+ days past due loans (%)	87.8%	93.3%	5.5
Performance Indicators	**2010**	**2011**	**ppts**
ROA	(1.4)%	0.8%	2.2
ROE	(15.4)%	9.3%	24.7
Net interest margin	5.87%	5.58%	(0.29)
Cost/income ratio	39.5%	35.8%	(3.7)

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

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

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

The FX-adjusted shrinkage of the car financing loan book continued in 2011 (–13% y-o-y).

The lending activity strengthened: the newly disbursed car financing loan volume was 55% higher in 2011 than in the previous year.

Performance of OTP Bank's foreign subsidiaries*

OTP BANK RUSSIA

Key indicators of the performance of OTP Bank Russia:

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends, net cash transfers and one-offs	20,545	41,042	100
Profit before income tax	26,916	53,107	97
Operating profit	50,769	82,007	62
Total income	100,297	142,796	42
Net interest income	88,991	123,990	39
Net profit from fees and commissions	9,638	17,610	83
Other net non-interest income	1,668	1,196	(28)
Operating expenses	(49,529)	(60,789)	23
Total risk costs	(23,853)	(28,900)	21
Provision for impairment on loan losses	(24,135)	(28,714)	19
Other provision	282	(186)	(166)
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	664,403	868,231	31
Gross customer loans	508,139	729,910	44
Gross customer loans (FX-adjusted)	560,914	729,910	30
Retail loans	446,299	661,566	48
Corporate loans	96,899	55,262	(43)
Car financing loans	17,716	13,082	(26)
Allowances for loan losses	(54,718)	(72,332)	32
Allowances for loan losses (FX-adjusted)	(60,625)	(72,332)	19
Deposits from customers	396,788	488,582	23
Deposits from customer (FX-adjusted)	437,659	488,582	12
Retail and SME deposits	290,750	401,412	38
Corporate deposits	146,908	87,170	(41)
Amounts due to banks, governments, deposits from the National Banks and other banks	117,474	91,738	(22)
Liabilities from issued securities	22,814	105,490	362
Subordinated bonds and loans	15,421	17,567	14
Total shareholders' equity	97,778	144,838	48
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	62,573	80,705	29.0
90+ days past due loans/gross customer loans (%)	12.3%	11.1%	(1.2)
Provision for impairment on loan losses/average gross loans (%)	5.50%	4.64%	(0.86)
Allowances for loan losses/90+ days past due loans (%)	87.4%	89.6%	2.2
Performance indicators	**2010**	**2011**	**ppts**
ROA	3.3%	5.4%	2.1
ROE	24.3%	33.8%	9.5
Total income margin	16.12%	18.63%	2.51
Net interest margin	14.30%	16.18%	1.88
Cost/income ratio	49.3%	42.6%	(6.7)
Net loans to deposits	114%	135%	21
Net loans to deposits (FX-adjusted)	114%	135%	21

- HUF 41 billion net profit for 2011 is twice as much as in the base period
- Operating profit surged by 62% y-o-y supported by robust net interest and fee income
- Strong consumer loan disbursement, extremely successful cross-selling of credit card products, further increasing cash loan disbursement
- Cost efficiency is still improving (2011 CIR at 42.6%, –6.7 ppts y-o-y)
- Stable funding, successful RUB bond issuances

* Figures presented in the statements are not consistent with the audited data because they were originated according to controlling methodology.

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

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

Total income in 2011 showed dynamic increase, net interest income grew by 39%, net profit from fees and commissions surged by 83% y-o-y. Besides swelling loan volumes higher interest margin (2011: 18.63%, +2.51 ppts y-o-y) also fuelled the increase of net interest income. The growth of net profit from fees and commissions was mainly driven by the still outstandingly strong dynamics of consumer lending. Net profit from fees and commissions grew by 83% y-o-y, which is due to the expanding credit card sales and improving fees and commissions income margin. In 2011 other net non-interest income contribution to total income was less on the yearly basis (–28%). This is due to the practically zero other net non-interest income in 4Q as a result of swap revaluations and forward trading losses. In line with the stronger business activity operating costs increased (+23% y-o-y), however due to the strong income dynamics operating profit grew even faster, by 62% compared 2010. Cost/income ratio dropped below 43%, showing an improvement of about 7 ppts y-o-y.

Risk cost increased by 21% y-o-y in 2011, most significantly in the third quarter. 36% of the yearly risk cost was made in this period, primarily due to a more conservative approach of provisioning on overdue credit card loans in order to enhance provision coverage. By end of 2011 DPD90+ ratio decreased to 11.1% (–1.2 ppts y-o-y). The improvement of the indicator was supported in 4Q by the write-off of a RUB 1.7 billion POS loan portfolio (with 93% provision coverage) and its sale together with a previously written-off POS portfolio in the amount of RUB 1.4 billion. The provision coverage of problem loans is steadily high (2011: 89.6%).

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

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

The other success story of the Bank, the credit card business continued its massive expansion; in 2011 the portfolio grew by 59% y-o-y. Despite the intensifying competition, market share of the bank hardly eroded (2011: 5.2%, -40 basis points y-o-y). It is also favourable that cash loans sold through the branch network started to thrive in the course of 2010; in 2011 the portfolio grew from a relatively low base by +172% y-o-y. After changing some conditions of the product, the average loan size has been growing since 2Q 2011, but in 4Q the portfolio growth was moderated as result of a management decision that provisionally put higher yielding loan products in focus.

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

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

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

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

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

DSK CSOPORT (BULGARIA)[17]

Key indicators of the performance of DSK Group:

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends, net cash transfers and one-offs	18,190	12,744	(30)
Profit before income tax	20,230	14,331	(29)
Operating profit	56,031	59,878	7
Total income	87,709	93,104	6
Net interest income	69,972	74,731	7
Net profit from fees and commissions	15,478	15,867	3
Other net non-interest income	2,260	2,505	11
Operating expenses	(31,678)	(33,226)	5
Total risk costs	(35,801)	(45,547)	27
Provision for impairment on loan losses	(35,232)	(45,713)	30
Other provision	(569)	166	(129)
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	1,218,627	1,360,510	12
Gross customer loans	1,072,128	1,221,517	14
Gross customer loans (FX-adjusted)	1,196,526	1,221,517	2
Retail loans	961,175	964,952	0
Corporate loans	235,351	256,565	9
Allowances for loan losses	(96,706)	(158,490)	64
Allowances for loan losses (FX-adjusted)	(107,922)	(158,490)	47
Deposits from customers	847,807	1,013,310	20
Deposits from customer (FX-adjusted)	947,254	1,013,310	7
Retail deposits	819,478	892,163	9
Corporate deposits	127,776	121,148	(5)
Amounts due to banks, governments, deposits from the National Banks and other banks	37,541	12,223	(67)
Subordinated bonds and loans	97,866	109,262	12
Total shareholders' equity	217,992	209,484	(4)
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	118,446	200,154	69.0
90+ days past due loans/gross customer loans (%)	11.0%	16.4%	5.4
Provision for impairment on loan losses/average gross loans (%)	3.36%	3.99%	0.63
Allowances for loan losses/90+ days past due loans (%)	81.6%	79.2%	(2.4)
Performance Indicators	**2010**	**2011**	**ppts**
ROA	1.5%	1.0%	(0.5)
ROE	8.8%	6.0%	(2.9)
Total income margin	7.23%	7.22%	(0.01)
Net interest margin	5.77%	5.80%	0.03
Cost/income ratio	36.1%	35.7%	(0.4)
Net loan to deposit ratio (FX-adjusted)	115%	105%	(10)

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

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

The **DSK Group** reached HUF 12.7 billion net profit in 2011. It was by 30% less compared to the level of the previous year. The performance of the Bulgarian bank in 2011 proved its henceforward robust income generating capability and efficient cost control. The Bank's operating profit increased by 7% y-o-y in 2011. Total income advanced by 6% y-o-y, basically due to 7% y-o-y increase of net interest income. Net profit from fees and commissions reflects stable performance both on annual and quarterly base (in HUF +3% y-o-y). The y-o-y +11% growth of other net non-interest income is basically due to securities and foreign currency trading results.
It was a favourable improvement that in 2011 net interest margin remained stable at 5.8%, thanks to pricing and liquidity management measures on the liability side. As a result of stringent cost control the low cost/income ratio improved further by another 40 basis points (2011: 35.7%). Due to the aforementioned, the higher risk costs were the main reason for the decrease in net profit for the period: HUF 45.7 billion risk cost volume of 2011 represents a yearly growth of 30%.
The deterioration of loan portfolio during the year was still significant, DPD90+ ratio rose gradually from 11% to 16.4% (+5.4 ppts y-o-y). With regards to the components: the DPD90+ ratio of SME and mortgage loans grew the highest fastest: from 27.5% to 37.5% (+10 ppts) and from 11% to 17.9% (+6.9ppts), however during the yearly pace of deterioration moderated in both segments. The DPD90+ ratio of corporate loans increased to 11% (+4.8% y-o-y). However at the same time moderating deterioration of consumer loan portfolio was experienced, by the end of the year DPD90+ ratio reached 14% (+3.5 ppts y-o-y).
At the end of 2011 the coverage of non-performing loans stood at 79.2% (–2.5 ppts y-o-y).
As for the loan portfolio the y-o-y FX-adjusted growth was +2% owing to 2% and 9% increase of mortgage and corporate loan portfolio, respectively. DSK's market share of customer loans remained stable (both in 2010 and in 2011 it was 14.2%).
Due to its outstanding liquidity position the Bank managed to keep its deposit rates below the market level during the year. In spite of that the FX-adjusted deposit book of the Bank grew, the +7% y-o-y growth was a result of a 9% growth of retail deposit book and a 5% decline of corporate deposits. However, as a consequence of pricing measures, DSK's market share in the retail deposit segment dropped by 1 ppt y-o-y to 17.4%, while in the corporate segment diminished by 0.9 ppt to 5.1%. As a result of stagnating loan and increasing deposit base together with increasing provisioning, net loan-to-deposit rate declined further (2011: 105%, –10 ppts y-o-y).
Capital position of DSK is still very strong, the capital adequacy ratio is almost 1.5 times higher the regulatory minimum (2011: 20.6% vs. 12%; Tier1 ratio: 16.5% vs. 6%). Y-o-y 4% decrease of shareholders equity is caused by dividend payment to the mother bank. DSK paid out in two instalments, in June and in September, altogether HUF 42.1 billion dividend of the retained earnings for 2009 and 2010. However this dividend payment had no negative impact neither on the size of the regulatory capital, nor on capital adequacy ratio.
As part of its Private Banking Project launched in this year, DSK opened three new branches (thus number of branches is 386), number of employees increased by 150 employees to 4,477 y-o-y.
In spite of downgrading the mother bank, in 2011 Moody's Investors Service did not change the 'Baa3' local and foreign currency deposit rating of DSK Bank (outlook is negative).

OTP BANK JSC (UKRAINE)[18]

Key indicators of the performance of OTP Bank JSC:

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends, net cash transfers and one-offs	8,928	5,091	(43)
Profit before income tax	5,719	11,211	96
Operating profit	36,121	26,829	(26)
Total income	61,171	53,585	(12)
Net interest income	50,690	41,784	(18)
Net profit from fees and commissions	7,999	9,063	13
Other net non-interest income	2,482	2,738	10
Operating expenses	(25,050)	(26,756)	7
Total risk costs	(30,402)	(15,618)	(49)
Provision for impairment on loan losses	(30,281)	(15,209)	(50)
Other provision	(121)	(409)	238
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	715,760	778,198	9
Gross customer loans	692,878	799,117	15
Gross customer loans (FX-adjusted)	796,969	799,117	0
Retail and SME loans	372,713	344,870	(7)
Corporate loans	363,979	405,920	12
Car financing loans	60,277	48,327	(20)
Allowances for loan losses	(154,126)	(193,587)	26
Allowances for loan losses (FX-adjusted)	(177,400)	(193,587)	9
Deposits from customers	190,061	251,176	32
Deposits from customer (FX-adjusted)	217,106	251,176	16
Retail and SME deposits	129,068	150,469	17
Corporate deposits	88,038	100,707	14
Amounts due to banks, governments, deposits from the National Banks and other banks	366,979	350,556	(4)
Subordinated bonds and loans	43,895	47,971	9
Total shareholders' equity	109,469	120,149	10
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	202,859	239,893	18
90+ days past due loans/gross customer loans (%)	29.3%	30.0%	0.7
Provision for impairment on loan losses/average gross loans (%)	4.44%	2.04%	(2.40)
Allowances for loan losses/90+ days past due loans (%)	76.0%	80.7%	4.7
Performance indicators	**2010**	**2011**	**ppts**
ROA	1.3%	0.7%	(0.6)
ROE	8.9%	4.4%	(4.5)
Total income margin	8.57%	7.17%	(1.40)
Net interest margin	7.10%	5.59%	(1.51)
Cost/income ratio	41.0%	49.9%	8.9
Net loan to deposit ratio (FX-adjusted)	285%	241%	(44)

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

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

In 2011 **OTP Bank Ukraine** realized HUF 5.1 billion net profit; the profit before income tax amounted to HUF 11.2 billion, almost twice as high as a year earlier. The periodic result was primarily driven by the higher tax burden in the last quarter, due to the changes of tax legislation higher

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

tax burden had a one-off impact on the quarterly result. With the intention of moderating the effects of financial crisis, the Ukrainian parliament accepted the so-called Anti-crisis Law, accordingly accrued but still unpaid interest income became deductible from the tax base in 2009 and 2010. In 2011, however there was a change in the legislation and the tax base was retrospectively adjusted upwards by the accrued but unpaid interest income.

The operating profit of the Bank (without risk cost) decreased by 26% y-o-y; the decline in total income continued (–12% y-o-y), whereas operating costs were by 7% higher y-o-y.

Regarding the income generation, net interest income dropped by 18% y-o-y since the interest bearing portfolio diminished further as a consequence of portfolio deterioration as well as the decrease of gross loan portfolio. On the other hand, the transfer of the delinquent portfolio to OTP Factoring (Ukraine) had unfavourable impact on interest income generation too, since the Bank does not book any interest income on the transferred portfolio. In addition, higher interest rates were imposed on retail term deposits and the current deposit base had been repriced (the ratio of lower interest-bearing saving deposits decreased in the overall deposit base) in accordance with the UAH liquidity management efforts. On the whole, the expanding deposit base resulted a diminishing net interest margin (2011: 5.59%, –151 basis points y-o-y).

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

During 2011 operating expenses surged by 7% y-o-y in; of which both personnel and other administrative expenses increased further. Accordingly, the recruitment of selling agents came into focus, the number of agents increased to 1.410 people. As a consequence of network rationalization, some of the branches were closed (–37 branches y-o-y) and the staff level of the Bank decreased (4Q 2011: 3,003 people, without agents) as well. Periodic costs, associated with these above mentioned processes also put a downward pressure on profit generation.

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

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

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

OTP BANK ROMANIA (ROMANIA)

Key indicators of the performance of OTP Bank Romania:

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends, net cash transfers and one-offs*	(6,406)	763	112
Profit before income tax	(6,404)	757	112
Operating profit	8,878	8,961	1
Total income	21,763	22,207	2
Net interest income	18,419	18,658	1
Net profit from fees and commissions	2,402	2,428	1
Other net non-interest income	943	1,121	19
Operating expenses	(12,886)	(13,246)	3
Total risk costs	(15,281)	(8,204)	(46)
Provision for impairment on loan losses	(15,046)	(8,187)	(46)
Other provision	(235)	(17)	(93)
Main components of balance sheet closing balances**	**2010**	**2011**	**%**
Total assets	424,464	460,623	9
Gross customer loans	329,005	394,188	20
Gross customer loans (FX-adjusted)	373,238	394,188	6
Retail loans	273,372	293,573	7
Corporate loans	99,866	100,615	1
Allowances for loan losses	(24,702)	(33,266)	35
Allowances for loan losses (FX-adjusted)	(27,780)	(33,266)	20
Deposits from customers	112,619	120,822	7
Deposits from customers (FX-adjusted)	125,630	120,822	(4)
Retail deposits	82,298	96,721	18
Corporate deposits	43,331	24,101	(44)
Amounts due to banks, governments, deposits from the National Banks and other banks	266,155	280,966	6
Total shareholders' equity	25,144	28,353	13
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	34,852	47,584	37
90+ days past due loans/gross customer loans (%)	10.6%	12.1%	1.5
Provision for impairment on loan losses/average gross loans (%)	4.84%	2.26%	(2.58)
Allowances for loan losses/90+ days past due loans (%)	70.9%	69.9%	(1.0)
Performance indicators	**2010**	**2011**	**ppts**
ROA	(1.6%)	0.2%	1.8
ROE	(25.3%)	2.9%	28.2
Total income margin	5.51%	5.02%	(0.49)
Net interest margin	4.66%	4.22%	(0.44)
Cost/income ratio	59.2%	59.6%	0.4
Net loans to deposits (FX-adjusted)	275%	299%	24

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

The operating result remained stable in 2011. The yearly net interest income advanced by 1% y-o-y. Taking into account the expanding volumes, the net interest margin slightly narrowed.

The other net non-interest income showed an increase of 19%, mainly driven by the better foreign exchange result – the latter was pretty volatile in the course of 2011.

The moderate operating cost increase of 3% reflects solid cost control, bearing in mind the inflationary environment.

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

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

*Adjusted with result of CIRS swap transactions executed with OTP Bank in relation to interbank financing.
**Before transfer balance sheet numbers are displayed.

Key indicators of the performance of OTP banka Hrvatska:

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends and net cash transfer	2,721	3,552	31
One-off items, after-tax	0	3,440	
Net profit w/o dividends, net cash transfers and one-offs	2,721	112	(96)
Profit before income tax	3,441	162	(95)
Operating profit	6,938	8,222	19
Total income	20,155	21,784	8
Net interest income	13,964	15,383	10
Net profit from fees and commissions	3,986	4,094	3
Other net non-interest income	2,204	2,307	5
Operating expenses	(13,216)	(13,563)	3
Total risk costs	(3,497)	(8,059)	130
Provision for impairment on loan losses	(3,042)	(6,694)	120
Other provision	(455)	(1,365)	200
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	484,923	529,853	9
Gross customer loans	335,828	377,592	12
Gross customer loans (FX-adjusted)	374,034	377,592	1
Retail loans	232,466	236,778	2
Corporate loans	139,421	139,399	0
Car financing loans	2,147	1,415	(34)
Allowances for loan losses	(13,083)	(22,013)	68
Allowances for loan losses (FX-adjusted)	(14,388)	(22,013)	53
Deposits from customers	373,813	421,618	13
Deposits from customer (FX-adjusted)	416,590	421,618	1
Retail deposits	369,564	376,059	2
Corporate deposits	47,026	45,559	(3)
Amounts due to banks, governments, deposits from the National Banks and other banks	40,271	36,041	(11)
Subordinated bonds and loans	1,425	1,589	11
Total shareholders' equity	57,262	58,485	2
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	42,991	38,260	(11.0)
90+ days past due loans/gross customer loans (%)	12.8%	10.1%	(2.7)
Provision for impairment on loan losses/average gross loans	0.93%	1.88%	0.95
Allowances for loan losses/90+ days past due loans (%)	30.4%	57.5%	27.1
Performance indicators	**2010**	**2011**	**ppts**
ROA	0.6%	0.0%	(0.6)
ROE	4.6%	0.2%	(4.4)
Total income margin	4.22%	4.29%	0.07
Net interest margin	2.93%	3.03%	0.1
Cost/income ratio	65.6%	62.3%	(3.3)
Net loans to deposits (FX-adjusted)	86%	84%	(2)

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

Further positive development is the 19% y-o-y growth of operating profit supported by higher one-off adjusted total income (+8% y-o-y) and a steady growth of net interest income (+10% y-o-y). At the same time it was a favourable improvement that net interest margin grew by 10 basis points y-o-y basically due to more significant decline of interest rates on deposits than that of on loans. The realised net profit from fees and commissions is practically similar to that of the previous year (+3% y-o-y). With regards to operating expenses stringent cost control prevailed, in 2011 operating expenses almost matched that of the previous year. Cost/income ratio of the Bank denotes a further improvement (62.3% –3.3 ppts y-o-y).

As a result of methodology change introduced

in June, the portfolio quality improved in every segment, except car loan portfolio. In 2011 DPD90+ ratio was down to 10.1% (–2.7 ppts y-o-y. Due to stagnating economy and high level of unemployment the loan demand remained flat. Beside of the stagnating corporate loan portfolio the 1% FX-adjusted growth of loan portfolio is due to the expansion of mortgage and consumer loans (+2 and 3% respectively).
In spite of continuous cut back of deposit rates in 2011 OBH managed to increase its FX-adjusted deposit book by 1%. As a result of stagnating loan and slightly growing deposit portfolio coupled with increasing provisioning, in 2011 the FX-adjusted net loan-to-deposit rate diminished by 2 ppts to 84%. Following the HRK 100 million dividend payment in December, capital adequacy ratio of the Bank shrank to 13.6% from 15%, still above the 12% regulatory minimum level.
The number of employees at OBH Group stood at 971 (+14 people y-o-y) as at the end of 2011. Regarding the sales capacity and branch network, the primary goal is the maintenance and modernization of the existing branch network (103 branches; –2 branches y-o-y).

OTP BANKA SLOVENSKO (SLOVAKIA)[19]

Key indicators of the performance OTP Banka Slovensko:

Main components of P&L account	**2010 HUF million**	**2011 HUF million**	**Change %**
Net profit w/o dividends, net cash transfers and one-offs	(952)	(409)	(57)
Profit before income tax	(833)	(336)	(60)
Operating profit	3,727	3,328	(11)
Total income	13,885	13,640	(2)
Net interest income	11,207	10,968	(2)
Net profit from fees and commissions	2,380	2,499	5
Other net non-interest income	298	172	(42)
Operating expenses	(10,157)	(10,311)	2
Total risk costs	(4,560)	(3,665)	(20)
Provision for impairment on loan losses	(4,715)	(3,624)	(23)
Other provision	154	(40)	(126)
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	349,448	386,313	11
Gross customer loans	273,641	300,970	10
Gross customer loans (FX-adjusted)	305,549	300,970	(1)
Retail loans	200,297	219,482	10
Corporate loans	105,251	80,909	(23)
Allowances for loan losses	(15,677)	(18,992)	21
Allowances for loan losses (FX-adjusted)	(17,545)	(18,992)	8
Deposits from customers	256,751	290,157	13
Deposits from customer (FX-adjusted)	286,814	290,157	1
Retail and SME deposits	261,980	267,286	2
Corporate deposits	24,835	22,871	(8)
Amounts due to banks, governments, deposits from the National Banks and other banks	11,825	7,596	(36)
Liabilities from issued securities	43,655	42,250	(3)
Subordinated bonds and loans	8,109	9,057	12
Total shareholders' equity	24,551	30,421	24
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	27,965	34,650	23.9
90+ days past due loans/gross customer loans (%)	10.2%	11.5%	1.3
Provision for impairment on loan losses/average gross loans (%)	1.72%	1.26%	(0.46)
Allowances for loan losses/90+ days past due loans (%)	56.1%	54.8%	(1.3)
Performance indicators	**2010**	**2011**	**ppts**
ROA	(0.3%)	(0.1%)	0.2
ROE	(3.9%)	(1.5%)	2.4
Total income margin	3.83%	3.71%	(0.12)
Net interest margin	3.09%	2.98%	(0.11)
Cost/income ratio	73.2%	75.6%	2.4
Net loans to deposits (FX-adjusted)	100%	97%	(3)

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

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

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

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

In 2011 OBS set aside HUF 3.6 billion provision for impairment on loan losses (–23% y-o-y), out of which 4Q risk cost totalled to HUF 1.2 billion. By the end of 2011 the DPD90+ ratio worsened by 1.3 ppts to 11.5% y-o-y, mainly due to the growth of DPD90+ portfolio (+23.9% y-o-y), but FX-adjusted volume of total loans also shrank throughout the year. In 4Q the bank wrote off and sold corporate loans in the total amount of EUR 16 million in the course of a portfolio cleaning activity. Provision coverage of DPD90+ loans also increased due to the one-offs by in 4Q, however on the yearly basis it shrank by 1.3 ppts (2011: 54.8%).

The development of loan and deposit volumes was in line with the intention to strengthen the retail focus of the Bank. The FX-adjusted loan portfolio shrank by 1% y-o-y. There was a significant drop in the corporate portfolio volumes (–23% y-o-y), at the same time retail lending gained momentum (+14% y-o-y). New mortgages grew even faster than the market average supported also by promotion campaign launched in spring 2011. FX-adjusted deposits advanced by 1% y-o-y, which is a composition of the 2% growth of retail and SME deposits (within that retail term deposits surged by 25%) and 8% drop of corporate deposits. Net loans-to-deposits ratio remained quite stable, in 2011 it stood at 97% (–3 ppts y-o-y). In 2011 the number of branches hardly changed, only dropped in 4Q from 76 to 74 due to branch close. The number of employees has grown by 36 to 609 in 2011.

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

OTP BANKA SRBIJA (SERBIA)

Key indicators of the performance of OTP banka Srbija:

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends, net cash transfers and one-offs*	(7,312)	(6,283)	(14)
Profit before income tax	(7,325)	(6,149)	(16)
Operating profit	(125)	(1,316)	953
Total income	6,344	5,220	(18)
Net interest income	2,568	1,460	(43)
Net profit from fees and commissions	1,689	1,872	11
Other net non-interest income	2,087	1,888	(10)
Operating expenses	(6,469)	(6,536)	1
Total risk costs	(7,200)	(4,833)	(33)
Provision for impairment on loan losses	(6,698)	(4,960)	(26)
Other provision	(502)	127	(125)
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	114,796	121,475	6
Gross customer loans	88,754	90,523	2
Gross customer loans (FX-adjusted)	99,657	90,523	(9)
Retail loans	40,412	38,723	(4)
Corporate loans	59,244	51,800	(13)
Allowances for loan losses	(18,560)	(26,078)	41
Allowances for loan losses (FX-adjusted)	(20,823)	(26,078)	25
Deposits from customers	37,180	36,476	(2)
Deposits from customers (FX-adjusted)	41,645	36,476	(12)
Retail deposits	30,573	29,542	(3)
Corporate deposits	11,072	6,934	(37)
Amounts due to banks, governments, deposits from the National Banks and other banks	15,922	6,602	(59)
Subordinated bonds and loans	40,846	45,967	13
Total shareholders' equity	17,987	27,706	54
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	42,443	54,836	29.2
90+ days past due loans/gross customer loans (%)	47.8%	60.6%	12.8
Provision for impairment on loan losses/average gross loans (%)	7.50%	5.53%	(1.97)
Allowances for loan losses/90+ days past due loans (%)	43.7%	47.6%	3.9
Performance indicators	**2010**	**2011**	**ppts**
ROA	(6.0%)	(5.3%)	0.7
ROE	(32.0%)	(27.5%)	4.5
Total income margin	5.25%	4.42%	(0.83)
Net interest margin	2.12%	1.24%	(0.88)
Cost/income ratio	102.0%	125.2%	23.2
Net loans to deposits (FX-adjusted)	189%	177%	(12)

The 2011 net loss of **OTP banka Srbija** reached HUF 6.3 billion, 14% lower than a year ago. The development of the net result was determined by the weak revenues and the risk costs. With regard to the portfolio quality developments, the unfavourable tendencies continued: the ratio of DPD90+ loans hit 60.6% (+12.8 ppts y-o-y). From the second half of the year, the stabilization of the DPD90+ ratio could be observed. The coverage ratio reached 47.6% at the end of December (+3.9 ppts y-o-y).
Total risk costs dropped by 33% y-o-y.
In 2011 total revenues came out 18% lower than in the base period. The net interest income decreased by 43%; the primary reason is that the loan portfolio on which interest income is booked is gradually declining as the loan quality keeps deteriorating and the loan portfolio keeps shrinking. The full-year net profit from fees and commissions performed well with an 11% y-o-y growth.
Due to the lower revenues and the stable operating costs in 2011, the Bank remained a loss maker on the operating result line.
The total gross loan portfolio shrank by 9% y-o-y, adjusted for the FX-effect. The Bank concentrated its lending activity on the RSD personal loans, which resulted in remarkable FX-adjusted volume growth in this segment (+28% y-o-y). Corporate

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

loans that account for 57% of the total loan book dropped by 13% y-o-y.

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

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

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

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Key indicators of the performance of CKB:

Main components of P&L account	2010 HUF million	2011 HUF million	Change %
Net profit w/o dividends and net cash transfer	(16,844)	(4,525)	(73)
Profit before income tax	(16,844)	(4,525)	(73)
Operating profit	3,825	1,998	(48)
Total income	9,793	8,339	(15)
Net interest income	7,131	5,587	(22)
Net profit from fees and commissions	2,981	2,692	(10)
Other net non-interest income	(319)	60	119
Operating expenses	(5,968)	(6,341)	6
Total risk costs	(20,669)	(6,523)	(68)
Provision for impairment on loan losses	(20,316)	(4,020)	(80)
Other provision	(353)	(2,503)	609
Main components of balance sheet closing balances	**2010**	**2011**	**%**
Total assets	212,228	232,750	10%
Gross customer loans	158,321	165,708	5%
Gross customer loans (FX-adjusted)	176,711	165,708	(6)%
Retail and SME loans	111,693	72,676	(35)%
Corporate loans	65,018	93,032	43%
Allowances for loan losses	(31,149)	(46,536)	49
Allowances for loan losses (FX-adjusted)	(34,768)	(46,491)	34
Deposits from customers	158,021	171,982	9
Deposits from customers (FX-adjusted)	176,599	171,982	(3)
Retail and SME deposits	113,201	134,543	19
Corporate deposits	63,398	37,439	(41)
Amounts due to banks, governments, deposits from the National Banks and other banks	21,860	22,287	2
Subordinated bonds and loans	7,532	8,408	12
Total shareholders' equity	16,222	16,231	0
Loan Quality	**2010**	**2011**	**%/ppts**
90+ days past due loan volume (in HUF million)	42,166	60,296	43.0
90+ days past due loans/gross customer loans (%)	26.6%	36.4%	9.8
Provision for impairment on loan losses/average gross loans (%)	11.97%	2.48%	(9.49)
Allowances for loan losses/90+ days past due loans (%)	73.9%	77.2%	3.3
Performance indicator	**2010**	**2011**	**ppts**
ROA	(7.5%)	(2.0%)	5.5
ROE	(85.8%)	(27.9%)	57.9
Total income margin	4.38%	3.75%	(0.63)
Net interest margin	3.19%	2.51%	(0.68)
Cost/income ratio	60.9%	76.0%	15.1
Net loans to deposits (FX-adjusted)	80%	69%	(11)

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

Methodological note: in 2Q 2011 loan portfolio in the volume of HUF 30.4 billion was reclassified from the SME segment into corporate loans. Furthermore, a certain part of the corporate deposits – HUF 20 billion – was reclassified into the SME deposits. Those changes had a significant impact on the y-o-y development of product volumes.

In 2011 **Crnogorska komercijalna banka** (CKB) posted a net loss of HUF 4.5 billion, compared to the loss of HUF 17 billion in 2010. The considerable improvement on a yearly basis was primarily due to the diminishing risk cost.

The operating income was lower by 48% y-o-y reflecting an adverse development. On a yearly basis, net interest income decreased by 22%, net profit from fees and commissions dropped by 10%, while operating expenses increased slightly (+6%) y-o-y.

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

The net interest margin gradually improved over the last year due to the positive impact of lower interest rates on deposit base (1Q: 2.40%, 2Q: 2.52%, 3Q: 2.75%, 4Q: 2.80%).

The unfavourable development of net profit from fees and commissions (–10% y-o-y) is partially the consequence of the modest lending activity. On the other hand, the Bank did not play an active role in deposit campaigns due to its favourable liquidity position, due to this the total balance of deposite decreased 3% y-o-y.

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

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

During 2011 demand for loans remained moderate; the FX-adjusted loan portfolio declined by 6% y-o-y. With respect to the retail segment, consumer lending had high priority. Promotional campaigns focused on personal loans – the FX-adjusted personal loan growth was 7% y-o-y – and a new credit card product was also launched in autumn 2011. The volume of mortgage portfolio decreased gradually over the year (–9% y-o-y FX-adjusted).

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

STAFF LEVEL AND OTHER INFORMATION

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

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

	31 December 2011						31 December 2010					
	Bank branches	ATM	POS	Bank cards (th)	Number of banking clients (th)	Staff (closing)	Bank branches	ATM	POS	Bank cards (th)	Number of banking clients (th)	Staff (closing)
OTP Core*	377	2,028	42,122	3,866	4,529	8,470	380	1,995	39,231	3,841	4,592	8,034
OTP Bank Russia	148	215	2,697	1,946****	3,782	5,108	155	249	2,218	1,516****	3,715	4,768
DSK Group	386	890	4,178	1,228	2,986	4,477	387	880	5,049	1,196	2,978	4,321
OTP Bank Ukraine	152	165	406	177	275	3,003	189	216	400	124	337	3,075
OTP Bank Romania	100	136	1,302	204	229	957	106	138	1,106	171	219	1,104
OTP banka Hrvatska	103	218	1,139	363	379	971	105	217	1,102	385	382	1,016
OTP Banka Slovensko	74	115	202	134	240	609	76	117	671	119	193	573
OTP banka Srbija	52	162	3,557	100	372	649	55	190	4,054	100	349	708
CKB	32	84	4,010	153	296	450	33	105	3,819	167	290	451
Foreign banks, total	1,047	1,985	17,491	4,305	8,559	16,224	1,106	2,112	18,419	3,778	8,463	16,016
Other Hungarian and foreign subsidiaries						782						959
OTP Group total (w/o agents)**						25,476						25,009
OTP Group total***	1,424	4,013	59,613	8,171	13,088	33,826	1,486	4,107	57,650	7,619	13,055	30,367

OTP Bank Russia	31 December 2011	31 December 2010
Total number of agents	22,503	13,845
employed agents	6,940	5,358
contractual agents	15,563	8,487
Other employees	5,108	4,768
OTP Bank Ukrajna		
Total number of agents (OTP Credit)	1,410	
Other employees	3,003	

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

Footnotes to the table' consolidated net profit breakdown by subsidiaries (IFRS)'

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Calculation of adjusted lines of IFRS profit and loss statements presented in the Management's Analysis section of the Annual Report

In order ot ensure a presentation of the performance of the OTP Group that reflects genuine trends, we have performed the following adjustments on the consolidated income statement contained in the 'Management's analysis' section of the Annual Report, relative to the Company's audited financial statements (published under the title of 'Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2011', which is available on the website of OTP Bank (www.otpbank.hu) under Investor Relations/Reports/IFRS reports). We also made the following layout adjustments in respect of the stated stand-alone and part-consolidated data of the subsidiaries.

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, special tax on financial institutions, the loss from early repayment of FX mortgage loans in Hungary, the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments and the special banking tax refund related to the early repayments.
- Other non-interest income elements stemming from provisioning release in connection with loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other administrative expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising material cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations, which are quasi marketing expenses but kept as paid cash transfer on the P&L –, Other non-interest expenses and Special tax on financial institutions.
- In 1Q 2010, parallel losses on sale of securities and release of other provisions for these securities were netted and are shown together on line 'Gain/loss on securities, net' both at OTP Group consolidated and at OTP Core stand alone level. The negative P&L effect stemming from the deteriorated value of these securities was suffered in previous quarters – at the time of emerging of the above mentioned other provisions.
- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense on the accounting income statement. Earlier this item had been booked as fee expense. In order to create a comparable time series, since 4Q 2010 dealer fees have been reclassified from net interest income to net profit from fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.

- Cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, the after tax effect of the goodwill write-downs, the effect of special banking tax, the loss from early repayment of FX mortgage loans in Hungary and the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments. Cost/income ratio is calculated from operating costs, excluding other risk costs.
- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line 'Provision for impairment on loan losses'), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line 'Foreign exchange result, net'). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L, by modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- Within the report, fx adjusted statistics for business volumes are disclosed. For FX adjustment, the closing cross currency rates for the period of 4Q 2011 were used to calculate the HUF equivalent of the loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier and calculated with cross currency rates of previous periods.

ADJUSTMENTS TO THE CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (IFRS)

The table below contains the adjustments to items of the audited, consolidated Statement of recognized income (published under the title of 'Consolidated Financial Statements in accordance with international financial reporting standards as adopted by the European Union for the year ended 31 December 2011', which is available on the website of OTP Bank (www.otpbank.hu) under Investor Relations/Reports/IFRS report) after the 2011 Annual General Meeting of the Company).

HUF million	2010	2011
Net interest income	**616,425**	**630,816**
(–) Agent fees paid to car dealers by Merkantil Group	(3,929)	(3,244)
Net interest income (adj.) with one-offs	**620,354**	**634,060**
(–) Revaluation result of FX swaps at OTP Core (booked within net interest income)	18,731	3,169
Net interest income (adj.) without one-offs	**601,622**	**630,891**
Net profit from fees and commissions	**140,631**	**146,522**
(+) Agent fees paid to car dealers by Merkantil Group	(3,929)	(3,244)
Net profit from fees and commissions (adj.)	**136,702**	**143,278**
Foreign exchange result, net	**31,811**	**50,031**
(–) Revaluation result of FX positions hedging the revaluation of FX provisions	9,607	27,063
Foreign exchange result (adj.) with one-offs	**22,204**	**22,968**
(–) Non–recurring FX–gains and losses (booked within Foreign exchange gains, net at OTP Core)	8,889	3,926
Foreign exchange result (adj.) without one-offs	**13,315**	**19,042**
Net gains on securities	**5,445**	**13,290**
(+) Release of other provisions for securities	9,384	0
Net gains on securities, net (adj.) with one-offs	**14,829**	**13,290**
(–) Gain on Croatian government bonds (booked as Net gains on securities (adj) at OBH Croatia)	0	4,300
(–) Revaluation result of the treasury share swap agreement between OTP and MOL (Hungarian Oil and Gas Company) (booked as Net gains on securities (adj.) at OTP Core)	0	5,572
Net gains on securities, net (adj.) without one-offs	**14,829**	**3,418**
Gains and losses on real estate transactions	**845**	**1,002**
(+) Other operating income	**20,890**	**27,252**
(–) Received cash transfers	32	36
(–) Non-interest income from the release of pre-acquisition provisions	165	1,030
(+) Other non–interest expenses	(4,112)	(9,648)
Net other non–interest result (adj.) with one-offs	**17,426**	**17,538**
(–) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non–interest result (adj) at OTP Core)	0	2,580
Net other non–interest result (adj.) without one-offs	**17,426**	**14,958**
Provision for impairment on loan and placement losses	**(273,024)**	**(316,673)**
(+) Non-interest income from the release of pre-acquisition provisions	165	1,030
(–) Revaluation result of FX provisions	(9,607)	(27,063)
(–) Loss from early repayment of FX mortgage loans in Hungary		(69,463)
(–) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments		9,313
Provision for impairment on loan losses (adj.)	**(263,252)**	**(228,430)**
After tax dividends and net cash transfers	**(1,215)**	**(5,603)**
(–) Film subsidies and cash transfers to public benefit organisations	(1,704)	(6,266)
After tax dividends and net cash transfers	**488**	**663**
Depreciation and amortization	**(67,324)**	**(73,432)**
(–) Goodwill impairment charges (OTP banka Srbija (Serbia), OTP Bank JSC (Ukraine), OTP banka Hrvatska (Croatia), CKB (Montenegro))	(18,519)	(23,979)
Depreciation and amortization (adj.)	**(48,805)**	**(49,453)**
Other operating expense, net	**(14,435)**	**(26,571)**
(+) Provision on securities available-for-sale and securities held-to-maturity	**9,924**	**(945)**
(–) Release of other provisions for securities	9,384	0
(–) Other costs and expenses	(7,698)	(5,674)
(–) Other non–interest expenses	(6,310)	(16,235)
Other provisions	**113**	**(5,607)**
Other administrative expenses	**(171,231)**	**(160,145)**
(+) Other costs and expenses	(7,698)	(5,674)
(+) Other non-interest expenses	(6,310)	(16,235)
(–) Paid cash transfers	(2,199)	(6,587)
(+) Film subsidies and cash transfers to public benefit organisations	(1,704)	(6,266)
(–) Other non-interest expenses	(4,112)	(9,648)
(–) Special tax on financial institutions	(36,098)	(35,463)
(–) Special banking tax refund		20,839
Other administrative expenses (adj.)	**(144,535)**	**(157,461)**

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

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

OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line 'Provision for impairment on loan losses'), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line 'Foreign exchange result, net'). The two items have the same absolute amount but an opposite sign.

As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.

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

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

Fx result from the revaluation of open FX position hegding the revaluation of FX provisions (this item is compensated by the revaluation of FX provisions through the risk cost line of the accounting income statement)

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

Statement of recognized income of OTP Bank Plc., according to Hungarian Accounting Standards (unconolidated, audited)

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

Balance sheet of OTP Bank Plc., according to Hungarian Accounting Standards (unconsolidated, audited)

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