OTP BANK PLC.

UNCONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

CONTENTS

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011
(in HUF mn)

	Note	30 June 2011	31 December 2010	30 June 2010
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	171,999	171,677	326,698
Placements with other banks, net of allowance for placement losses	*5.*	690,376	794,686	903,270
Financial assets at fair value through profit or loss	*6.*	296,033	248,790	252,986
Securities available-for-sale	*7.*	1,889,995	1,477,930	1,581,813
Loans, net of allowance for loan losses	*8.*	2,498,907	2,723,784	2,825,641
Investments in subsidiaries	*9.*	640,213	637,819	647,179
Securities held-to-maturity	*10.*	134,912	154,003	170,051
Property and equipment	*11.*	71,518	70,004	67,987
Intangible assets	*11.*	31,578	35,145	35,393
Other assets	*12.*	70,604	44,512	54,165
TOTAL ASSETS		**6,496,135**	**6,358,350**	**6,865,183**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	*13.*	789,805	741,845	814,514
Deposits from customers	*14.*	3,439,855	3,279,573	3,407,263
Liabilities from issued securities	*15.*	427,383	512,466	696,760
Financial liabilities at fair value through profit or loss	*16.*	142,462	257,328	332,708
Other liabilities	*17.*	245,139	231,288	294,816
Subordinated bonds and loans	*18.*	290,949	297,638	308,759
TOTAL LIABILITIES		**5,335,593**	**5,320,138**	**5,854,820**
Share capital	*19.*	28,000	28,000	28,000
Retained earnings and reserves	*20.*	1,136,199	1,013,941	986,144
Treasury shares	*21.*	(3,657)	(3,729)	(3,781)
TOTAL SHAREHOLDERS' EQUITY		**1,160,542**	**1,038,212**	**1,010,363**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,496,135**	**6,358,350**	**6,865,183**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF RECOGNISED INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011 (in HUF mn)

	Note	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
Interest Income:				
Loans		108,483	112,586	228,847
Placements with other banks, net of allowance for placement losses		124,994	197,110	297,539
Securities available-for-sale		55,623	52,941	107,113
Securities held-to-maturity		5,083	7,976	13,752
Amounts due from banks and balances with National Bank of Hungary		3,256	2,488	4,807
Securities held for trading		1,023	1,624	2,399
Total Interest Income		**298,462**	**374,725**	**654,457**
Interest Expense:				
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government		97,727	149,694	232,605
Deposits from customers		65,233	64,735	128,885
Liabilities from issued securities		15,245	17,745	33,892
Subordinated bonds and loans		7,830	8,066	16,243
Total Interest Expense		**186,035**	**240,240**	**411,625**
NET INTEREST INCOME		**112,427**	**134,485**	**242,832**
Provision for impairment on loan and placement losses	*5.,8.*	24,768	69,697	97,540
NET INTEREST INCOME AFTER PROVISON FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**87,659**	**64,788**	**145,292**
Income from fees and commissions	*22.*	62,888	73,361	145,832
Expenses from fees and commissions	*22.*	10,265	9,747	20,444
Net profit from fees and commissions		**52,623**	**63,614**	**125,388**
Foreign exchange gains and (losses)		(1,672)	13,754	12,233
Gains and (losses) on securities, net		1,600	3,021	2,209
Dividend income		72,912	49,416	57,651
Other operating income	*23.*	1,316	706	1,671
Net other operating expenses	*23.*	(8,144)	(21,444)	(19,542)
-from this: provision for impairment on investments in subsidiaries		(10,190)	(20,303)	(20,683)
Net operating income		**66,012**	**45,453**	**54,222**
Personnel expenses	*24.*	32,303	36,034	75,637
Depreciation and amortization	*24.*	12,040	11,651	24,141
Other administrative expenses	*24.*	43,903	31,821	90,490
Other administrative expenses		**88,246**	**79,506**	**190,268**
PROFIT BEFORE INCOME TAX		**118,048**	**94,349**	**134,634**
Income tax	*25.*	7,454	10,303	9,970
NET PROFIT FOR THE YEAR		**110,594**	**84,046**	**124,664**
Earnings per share (in HUF)				
Basic	*35.*	398	303	449
Diluted	*35.*	398	299	444

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011
(in HUF mn)

	Note	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
NET PROFIT FOR THE YEAR		**110,594**	**84,046**	**124,664**
Fair value adjustment of securities available-for-sale		28,577	(22,570)	(19,667)
NET COMPREHENSIVE INCOME		**139,171**	**61,476**	**104,997**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011 (in HUF mn)

	Note	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
OPERATING ACTIVITIES				
Profit before income tax		118,048	94,349	134,634
Depreciation and amortization		12,040	11,651	24,141
Release of provision for impairment on securities available-for-sale	*7.*	-	(5,220)	(5,220)
Provision for impairment on loan and placement losses	*5.,8.*	24,768	69,697	97,540
Provision for impairment on investments in subsidiaries	*9.*	10,190	20,303	20,683
Release of provision for impairment on securities held-to-maturity	*10.*	-	(4,164)	(4,164)
Provision for impairment on other assets	*12.*	234	450	567
Release of provision on off-balance sheet commitments and contingent liabilities	*17.*	(3,118)	(6,752)	(10,272)
Share-based payment	*28.*	4,666	3,144	(11,821)
Unrealised gains on fair value adjustment of securities available-for-sale and held for trading		1,552	8,093	9,031
Unrealised gains on fair value adjustment of derivative financial instruments		6,367	9,979	1,737
Net changes in assets and liabilities in operating activities				
Changes in financial assets at fair value through profit or loss		(28,729)	34,475	28,791
Changes in financial liabilities at fair value through profit or loss		42	(1,174)	(528)
Net decrease/ (increase) in loans, net of allowance for loan losses		58,384	(94,019)	(79,755)
(Increase)/ decrease in other assets, excluding advances for investments and before provisions for losses		(37,528)	4,061	18,799
Net increase/ (decrease) in deposits from customers		159,971	40,896	(85,658)
Increase/ (decrease) in other liabilities		14,057	35,780	(5,030)
Net decrease/ (increase) in the compulsory reserve established by the National Bank of Hungary		690	(8,127)	(10,942)
Dividend income		(72,912)	(49,416)	(57,651)
Income tax paid		(2,029)	(2,302)	(7,404)
Net cash provided by operating activities		**266,693**	**161,704**	**57,478**
INVESTING ACTIVITIES				
Net decrease in placements with other banks before allowance for placement losses		107,855	93,216	201,037
Net (increase)/ decrease in securities available-for-sale		(380,548)	42,992	151,572
Net increase in investments in subsidiaries before provision for impairment		(12,584)	(14,185)	(19,760)
Dividend income		72,912	49,416	57,651
Net decrease in securities held-to-maturity		19,321	51,006	65,912
Additions to property, equipment and intangible assets		(13,166)	(11,302)	(34,441)
Disposals to property, equipment and intangible assets		-	2,266	9,155
Net decrease/ (increase) in advances for investments included in other assets		26	(31)	(15)
Net cash (used in)/ provided by investing activities		**(206,184)**	**213,378**	**431,111**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011 (in HUF mn) [continued]

	Note	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
FINANCING ACTIVITIES				
Net increase/ (decrease) in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		47,960	(337,617)	(410,286)
Cash received from issuance of securities		213,160	157,118	355,776
Cash used for redemption of issued securities		(291,950)	(72,831)	(456,270)
(Decrease)/ increase in subordinated bonds and loans		(6,689)	21,438	10,317
Payments to ICES holders		(1,878)	(2,824)	(5,626)
Net change in Treasury shares		56	(11)	20
Dividends paid		(20,156)	(1)	(2)
Net cash used in financing activities		**(59,497)**	**(234,728)**	**(506,071)**
Net increase/ (decrease) in cash and cash equivalents		**1,012**	**140,354**	**(17,482)**
Cash and cash equivalents at the beginning of the period		88,197	105,679	105,679
Cash and cash equivalents at the end of the period		**89,209**	**246,033**	**88,197**
Analysis of cash and cash equivalents:				
Cash, amounts due from banks and balances with the National Bank of Hungary		171,677	178,217	178,217
Compulsory reserve established by the National Bank of Hungary		(83,480)	(72,538)	(72,538)
Cash and cash equivalents at the beginning of the period		**88,197**	**105,679**	**105,679**
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	171,999	326,698	171,677
Compulsory reserve established by the National Bank of Hungary	*4.*	(82,790)	(80,665)	(83,480)
Cash and cash equivalents at the end of the period		**89,209**	**246,033**	**88,197**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011 (in HUF mn)

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury Shares	Total
Balance as at 1 January 2010		**28,000**	**52**	**6,830**	**976,204**	**(55,468)**	**(3,774)**	**951,844**
Net comprehensive income for the year		-	-	-	61,476	-	-	61,476
Share-based payment	*28.*	-	-	3,144	-	-	-	3,144
Closed share-based payment		-	-	-	-	-	-	-
Payments to ICES holders		-	-	-	(6,090)	-	-	(6,090)
Sale of treasury shares		-	-	-	-	-	-	-
Written put option on ordinary shares		-	-	-	-	-	-	-
Loss on sale of treasury shares		-	-	-	(4)	-	-	(4)
Acquisition of treasury shares		-	-	-	-	-	(7)	(7)
Balance as at 30 June 2010		**28,000**	**52**	**9,974**	**1,031,586**	**(55,468)**	**(3,781)**	**1,010,363**
Balance as at 1 January 2011		**28,000**	**52**	**28**	**1,069,329**	**(55,468)**	**(3,729)**	**1,038,212**
Net comprehensive income for the year		-	-	-	139,171	-	-	139,171
Share-based payment	*28.*	-	-	4,666	-	-	-	4,666
Payments to ICES holders		-	-	-	(1,403)	-	-	(1,403)
Sale of treasury shares		-	-	-	-	-	2,651	2,651
Loss on sale of treasury shares		-	-	-	(16)	-	-	(16)
Acquisition of treasury shares		-	-	-	-	-	(2,579)	(2,579)
Dividend of 2010		-	-	-	(20,160)	-	-	(20,160)
Balance as at 30 June 2011		**28,000**	**52**	**4,694**	**1,186,921**	**(55,468)**	**(3,657)**	**1,160,542**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

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

	30 June 2011	**31 December 2010**
Domestic and foreign private and institutional investors	96%	96%
Employees	2%	2%
Treasury shares	2%	2%
Total	**100%**	**100%**

The Bank provides a full range of commercial banking services through a nationwide network of 379 branches in Hungary.

Number of the employees of the Bank:

	30 June 2011	**31 December 2010**
Number of employees	7,850	7,800
Average number of employees	7,793	7,777

1.2. Accounting

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

The functional currency of the Bank is the Hungarian Forint ("HUF").

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with the International Financial Reporting Standards ("IFRS"). Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts (see Note 38), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as IFRS.

The unconsolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union (the "EU") except for the matters discussed in Note 2.3. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") which has not been approved by the EU. As the Bank does not apply portfolio hedge accounting under IAS 39, there would be no impact on these unconsolidated financial statements, had it been approved by the EU at the balance sheet date.

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2010

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- IAS 27 (Amendment) "Consolidated and Separate Financial Statements" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" - Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRS 1 (Revised) "First-time Adoption of IFRS" adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRS 3 (Revised) "Business Combinations" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRS 1 (Amendment) "First-time Adoption of IFRS"- Additional Exemptions for First-time Adopters, adopted by the EU on 23 June 2010 (effective for annual periods beginning on or after 1 January 2010),
- IFRS 2 (Amendment) "Share-based Payment" - Group cash-settled share-based payment transactions adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- "Improvements to IFRSs (2009)" (Amendment) resulting from the annual improvement project of IFRS published on 16 April 2009, adopted by the EU on 23 March 2010 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 12 "Service Concession Arrangements" adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- IFRIC 15 "Agreements for the Construction of Real Estate" adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 17 "Distributions of Non-Cash Assets to Owners" adopted by the EU on 26 November 2009,
- IFRIC 18 "Transfers of Assets from Customers" adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

The adoption of the above presented Amendments and new Standards and Interpretations had no significant impact on the unconsolidated financial statements of the Bank.

1.2.2. Amendments to IFRSs effective on or after 1 January 2011, not yet adopted

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

- IAS 12 "Income Taxes" (Amendment) - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),[1]
- IAS 24 (Amendment) "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IAS 32 (Amendment) "Financial Instruments: Presentation" – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- IFRS 1 (Amendment) "First-time Adoption of IFRS"- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),

[1] Not yet endorsed by the EU

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

1.2.2. Amendments to IFRSs effective on or after 1 January 2011, not yet adopted [continued]

- IFRS 1 "First-time Adoption of IFRS" (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),[1]
- IFRS 7 "Financial Instruments: Disclosures" (Amendment) - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),[1]
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013),[1]
- "Improvements to IFRSs (2010)" (Amendment) resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2011).
- IFRIC 14 "IAS 19 (Amendment) — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The adoption of the above presented Amendments and new Standards and Interpretations will have no significant impact on the unconsolidated financial statements of the Bank. The Bank is still analysing the impact of adopting IFRS 9 "Financial instruments" which will replace IAS 39 "Financial instruments: Recognition and measurement". IFRS 9 is not published in its entirety by IASB.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

The presentation of unconsolidated financial statements in conformity with IFRS requires the management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary ("NBH") as at the date of the financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded to the unconsolidated statement of recognised income.

[1] Not yet endorsed by the EU

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.3. Consolidated financial statements

These financial statements present the unconsolidated financial position and results of operations of the Bank. Consolidated financial statements are currently being prepared by the Bank and consolidated net profit for the year and shareholders' equity differs significantly from that presented in these unconsolidated financial statements. See Note 2.4 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements. The consolidated financial statements and the unconsolitated financial statements will be published on the same date. As the ultimate parent, OTP is preparing consolidated financial statement of OTP Group.

2.4. Investments in subsidiaries

Investments in subsidiaries comprise those investments where the Bank, through direct and indirect ownership interest, controls the financial and operating policies of the investee.

Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.
Impairment is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

OTP calculates the value in use a discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash-generating units.
OTP in its strategic plan, has taken into consideration the cautious recovery of global economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

2.5. Securities held-to-maturity

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the Bank has the expressed intention and ability to hold to maturity (securities held-to-maturity) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognised in each period represents a constant yield on the investment.
Such securities comprise mainly securities issued by the Hungarian Government, mortgage bonds and Hungarian Government discounted Treasury Bills.

2.6. Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognised in profit or loss and are included in the unconsolidated statement of recognised income for the period. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, securities issued by NBH, shares in non-financial commercial companies and shares in investment funds.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.2. Derivative financial instruments

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

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

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the unconsolidated statement of recognised income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the unconsolidated statement of recognised income.

The conditions of hedge accounting applied by the Bank are the following formally designed as hedge, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.

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

Certain derivative transactions, while providing effective economic hedges under risk management positions of the Bank, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the unconsolidated statement of recognised income.

2.7. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Available-for-sale securities are measured at subsequent reporting dates at fair value. Unrealised gains and

losses on available-for-sale financial instruments are recognised directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when realised in profit and loss for the applicable period. Securities available-for-sale consist of Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, bonds issued by NBH and other securities.
The provision for impairment is calculated based on discounted cash flow methodology, using the expected future cash flow and original effective interest rate.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

Loans and placements with other banks are stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amounts outstanding. When a borrower is unable to meet payments as they fall due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired.

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

Allowance for losses on loans and placements with other banks represent management assessment for potential losses in relation to these activities.

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

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

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

2.9. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognised in the statement of financial position and the consideration paid is recorded in Placement with other Banks. Interest is accrued evenly over the life of the repurchase agreement.
In the case of security lending transactions the Bank do not recognise or derecognise the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognised for the consideration amount.

2.10. Property, equipment and intangible assets

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

Intangible assets	
Software	20-33.3%
Property rights	16.7%
Property	1-2%
Office equipments and vehicles	8-33.3%

Depreciation and amortization on properties, equipments and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortized costs. In connection to the financial liabilities at fair value through profit or loss, the Bank presents the amount of change in their fair value originated from the changes of market conditions and business environment.

2.12. Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the unconsolidated statement of recognised income over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Payments made under operating leases are charged to the unconsolidated statement of recognised income on a straight-line basis over the life of the lease terms. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.13. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the unconsolidated statement of financial position at acquisition cost as a deduction from shareholders' equity.

Gains and losses on the sale of Treasury shares are credited or charged directly to shareholder's equity in the treasury shares. Derecognition of Treasury shares is based on the FIFO method.

2.14 Interest income and interest expense

The interest income and expense are recognised on the accrual basis and based on the IAS 18 Revenue Standard, referring to provisions of IAS 39. The Bank recognises interest income when assumes that the interest associated with the transaction will flow to the Bank and the amount of the revenue can reasonably be measured. All interest income and expense arising from loans, placements with other banks, securities held for trading, securities available-for-sale, securities held to maturity and amounts due to banks, deposits from customers, liabilities from issued securities, subordinated bond and loans are presented under these lines of financial statement.

2.15. Fees and Commissions

Fees and commissions are recognised in the unconsolidated statement of recognised income on an accrual basis based on IAS 18 Revenue Standard, fees and commissions are recognised using the effective interest method referring to provisions IAS 39.

2.16. Dividend income

The Bank recognises dividend income in the unconsolidated financial statements when its right to receive the payment is established.

2.17. Income tax

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognized by the Bank for the amounts of income tax that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit and transactions with financial instruments. The provision on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

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

2.19. Share-based payment

The Bank has applied the requirements of IFRS 2 Share-based Payment.
The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.20. Unconsolidated statement of cash flows

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

2.21. Segment reporting

The Bank has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Group are the geographical segments.
At unconsolidated level, the Management does not separate and makes decisions based on different segments, the segments are identified by the Bank only at consolidated level in line with IFRS 8 paragraph 4. At Group level the segments identified by the Bank are the geographical segments.
The OTP Group's reportable segments under IFRS 8 are therefore as follows: Hungary, Slovakia, Montenegro, Bulgaria, Romania, Croatia, Serbia, Russia, Ukraine.

2.22. Comparative figures

Certain amounts in the unconsolidated financial statements for the year ended 31 December 2010 have been reclassified to conform with the current year presentation.

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

The presentation of financial statements in conformity with IFRS requires the management of the Group to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Significant areas of subjective judgement include:

3.1. Impairment on loans and placements

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

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

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

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

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

	30 June 2011	31 December 2010
Cash on hand:		
In HUF	64,707	57,246
In foreign currency	4,655	4,995
	69,362	**62,241**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	78,600	100,524
In foreign currency	23,623	8,510
	102,223	**109,034**
Accrued interest	414	402
Total	**171,999**	**171,677**
Compulsory reserve	82,790	83,480
Rate of the compulsory reserve	2%	2%

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

	30 June 2011	31 December 2010
Within one year:		
In HUF	85,346	52,953
In foreign currency	439,298	540,194
	524,644	**593,147**
Over one year		
In HUF	300	300
In foreign currency	164,767	200,707
	165,067	**201,007**
Total placements	**689,711**	**794,154**
Accrued interest	1,068	1,482
Provision for impairment on placement losses	(403)	(950)
Total	**690,376**	**794,686**

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

	30 June 2011	31 December 2010
Opening balance	**950**	**1,697**
Provision for the period	167	33
Use of provision	(714)	(780)
Closing balance	**403**	**950**

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

Interest conditions of placements with other banks:

	30 June 2011	31 December 2010
Placements with other banks in HUF	6.18%-10.9%	6.04%-10.9%
Placements with other banks in foreign currency	0.7%-12.6%	0.5%-12.6%

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

	30 June 2011	31 December 2010
Securities held for trading:		
Corporate shares	106,279	105,832
Securities issued by the NBH	36,363	19,984
Government bonds	17,769	13,784
Mortgage bonds	12,764	4,201
Hungarian government discounted Treasury Bills	1,209	3,635
Hungarian government interest bearing Treasury Bills	22	26
Other securities	554	153
	174,960	**147,615**
Accrued interest	724	244
Subtotal	**175,684**	**147,859**
Derivative financial instruments designated as held for trading:		
CCIRS[1] and mark-to-market CCIRS swaps designated as held for trading	64,115	42,807
Interest rate swaps designated as held for trading	32,075	18,084
Foreign currency swaps designated as held for trading	19,048	34,414
Other derivative transactions	5,111	5,626
Subtotal	**120,349**	**100,931**
Total	**296,033**	**248,790**

Interest conditions and the remaining maturities of securities held for trading are as follows:

	30 June 2011	31 December 2010
Within five years:		
variable interest	85	19
fixed interest	62,415	36,191
	62,500	**36,210**
Over five years:		
variable interest	-	-
fixed interest	6,166	5,559
	6,166	**5,559**
Non-interest bearing securities	106,294	105,846
Total	**174,960**	**147,615**

[1] CCIRS: Cross Currency Interest Rate Swap

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

	30 June 2011	31 December 2010
Held for trading securities denominated in HUF (%)	89%	95%
Held for trading securities denominated in Foreign currency (%)	11%	5%
Held for trading securities total	**100%**	**100%**
Government securities denominated in HUF (%)	63%	80%
Government securities denominated in foreign currency (%)	37%	20%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading (%)	3.5%-11.9%	3.6%-10%

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

	30 June 2011	31 December 2010
Mortgage bonds	781,315	778,553
Government bonds	701,913	318,637
Bonds issued by NBH	318,206	300,648
Other securities	48,232	40,639
- *listed securities*	*24,595*	*19,851*
in HUF	-	-
in foreign currency	*24,595*	*19,851*
- *non-listed securities*	*23,637*	*20,788*
in HUF	*20,463*	*18,398*
in foreign currency	*3,174*	*2,390*
	1,849,666	**1,438,477**
Accrued interest	40,329	39,453
Securities available-for-sale total	**1,889,995**	**1,477,930**

An analysis of the changes in the provision for impairment is as follows:

	30 June 2011	31 December 2010
Opening balance	**-**	**5,220**
Provision for the period	-	-
Release of provision	-	(523)
Use of provision	-	(4,697)
Closing balance	**-**	**-**

Release of provision was related to foreign currency denominated bonds issued in Kazakhstan which were included in other securities.

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

	30 June 2011	31 December 2010
Securities available-for-sale denominated in HUF	79%	72%
Securities available-for-sale denominated in foreign currency	21%	28%
Securities available-for-sale total	**100%**	**100%**
Interest rates on securities available-for-sale denominated in HUF	5,5%-17,95%	5.5%-12%
Interest rates on securities available-for-sale denominated in foreign currency	3,9%-6,8%	3.6%-6.8%

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

	30 June 2011	31 December 2010
Within five years:		
variable interest	13,553	14,110
fixed interest	1,486,029	961,968
	1,499,582	**976,078**
Over five years:		
variable interest	-	-
fixed interest	324,172	444,001
	324,172	**444,001**
Non-interest bearing securities	25,912	18,398
Total	**1,849,666**	**1,438,477**

Certain fixed-rate mortgage bonds and other securities are hedged. See Note 37.

	30 June 2011	31 December 2010
Net loss reclassified from equity to statement of recognised income	131	491
Fair value of the hedged securities (Corporate bonds)	15,571	16,342

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

	30 June 2011	31 December 2010
Short-term loans and trade bills (within one year)	638,621	664,197
Long-term loans and trade bills (over one year)	1,973,734	2,177,421
Loans gross total	**2,612,355**	**2,841,618**
Accrued interest	17,229	16,787
Provision of impairment on loan losses	(130,677)	(134,621)
Total	**2,498,907**	**2,723,784**

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

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

	30 June 2011	31 December 2010
In HUF	36%	34%
In foreign currency	64%	66%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	30 June 2011	31 December 2010
Loans denominated in HUF, with a maturity within one year	7.8%-29%	7.8%-29%
Loans denominated in HUF, with a maturity over one year	3%-24.8%	3%-24.8%
Loans denominated in Foreign currency	2%-25%	1.8%-24.9%

	30 June 2011	31 December 2010
Gross loan portfolio on which interest to customers is not being accrued	9.7%	8.4%

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

	30 June 2011		31 December 2010	
Corporate loans	1,741,315	66%	1,944,825	68%
Consumer loans	356,288	14%	365,648	13%
Municipality loans	324,280	12%	322,120	11%
Housing loans	121,149	5%	131,609	5%
Mortgage backed loans	69,323	3%	77,416	3%
Total	**2,612,355**	**100%**	**2,841,618**	**100%**

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

	30 June 2011	31 December 2010
Opening balance	**134,621**	**89,587**
Provision for the period	25,482	98,320
Write offs	(29,426)	(53,286)
Closing balance	**130,677**	**134,621**

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

	30 June 2011	31 December 2010
(Release of provision)/ provision for impairment on placement losses (see Note 5)	(714)	(780)
Provision for impairment on loan losses	25,482	98,320
Total	**24,768**	**97,540**

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd. See Note 29.

NOTE 9: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	30 June 2011	31 December 2010
Investments in subsidiaries:		
Controlling interest	794,514	784,041
Other	1,806	1,006
	796,320	**785,047**
Provision for impairment	(156,107)	(147,228)
Total	**640,213**	**637,819**

Investments in companies in which the Bank has a controlling interest are detailed below. All companies are incorporated in Hungary unless indicated otherwise:

	30 June 2011		31 December 2010	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
OTP Bank JSC (Ukraine)	100.00%	266,513	100.00%	266,512
DSK Bank EAD (Bulgaria)	100.00%	86,832	100.00%	86,832
OAO OTP Bank (Russia)	95.89%	73,455	95.86%	73,445
OTP banka Hrvatska d.d. (Croatia)	100.00%	72,940	100.00%	72,940
OTP banka Srbija a.d. (Serbia)	91.43%	55,997	91.43%	55,997
OOO AlyansReserv (Russia)	100.00%	50,074	100.00%	50,074
Crnogorska komerčijalna banka a.d. (Montenegro)	100.00%	49,657	100.00%	46,998
OTP Bank Romania S.A. (Romania)	100.00%	45,204	100.00%	45,204
OTP Mortgage Bank Ltd.	100.00%	27,000	100.00%	27,000
OTP Banka Slovensko a.s. (Slovakia)	98.82%	10,516	98.82%	10,516
OTP Factoring Ltd.	100.00%	10,225	100.00%	225
Monicomp Ltd.	100.00%	9,234	100.00%	9,234
Air-Invest Ltd.	100.00%	8,298	100.00%	8,298
Bank Center No. 1. Ltd.	100.00%	7,330	100.00%	7,330
Inga Two Ltd.	100.00%	5,892	100.00%	5,892
OTP Funds Servicing and Consulting Ltd.	100.00%	2,469	100.00%	2,469
OTP Holding Ltd. (Cyprus)	100.00%	2,000	100.00%	2,000
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
Merkantil Bank Ltd.	100.00%	1,600	100.00%	1,600
OTP Life Annuity Ltd.	100.00%	1,600	100.00%	1,600
OTP Real Estate Investment Fund Management Ltd.	100.00%	1,352	100.00%	1,353
CIL Babér Ltd.	100.00%	1,025	100.00%	1,025
OTP Financing Netherlands B.V. (Netherlands)	100.00%	481	100.00%	481
OTP Card Factory Ltd.	100.00%	450	100.00%	450
OTP Reals Estate Leasing Ltd.	100.00%	410	100.00%	410
Portfolion Ltd.	100.00%	150	100.00%	150
HIF Ltd.	100.00%	81	100.00%	81
OTP Hungaro-Projekt Ltd.	100.00%	81	100.00%	81
Sinvest Ltd. "v.a."	-	-	100.00%	1,311
Omega Interconsult SRL (previously S.C. OTP Fond de Pensii)	-	-	100.00%	885
Other		45		45
Total		**794,514**		**784,041**

NOTE 9: INVESTMENTS IN SUBSIDIARIES (in HUF mn) [continued]

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

	30 June 2011	31 December 2010
Opening balance	**147,228**	**126,545**
Provision for the period	10,190	20,683
Release of provision	(1,311)	-
Closing balance	**156,107**	**147,228**

The provision for impairment on OTP Bank JSC (Ukraine) was HUF 97,526 million, for OTP banka Srbija a.d. was HUF 25,284 million as at 30 June 2011. During the six month period ended 30 June 2011, HUF 18,519 million was impaired. This impairment was related to Crnogorska komerčijalna banka a.d.

The main figures of the Bank's indirectly owned associates, that are not consolidated using equity-method:

As at 30 June 2011

	Moneta a.d.	Company for Cash Services LLC	Agóra-Kapos Ltd.	Suzuki Pénzügyi Szolgáltató Ltd.	Total
Assets	523	1,865	331	603	3,322
Liabilities	369	256	232	1	858
Shareholders' equity	155	1,609	99	602	2,465
Retained earnings and reserves	(29)	-	-	544	515
Total income	140	356	718	19	1,233
Profit before tax	45	(3)	82	9	133
Net (loss)/ profit	41	(3)	82	8	128

As at 31 December 2010

	Moneta a.d.	Company for Cash Services LLC	Agóra-Kapos Ltd.	Suzuki Pénzügyi Szolgáltató Ltd.	Total
Assets	694	1,936	343	598	3,571
Liabilities	485	233	326	3	1,049
Shareholders' equity	209	1,703	17	595	2,522
Retained earnings and reserves	(260)	-	-	541	281
Total income	319	765	501	46	1,631
Profit before tax	(133)	12	20	4	(97)
Net (loss)/ profit	(133)	11	17	2	(103)

Based on sale agreement made on 2 February 2011 relating to customer investment services econet.hu shares held by the Bank in amount of 7,310,000 pieces decreased to 60,000 pieces. Therefore the Bank's influence on econet.hu decreased to 0.1%.

On 10 August 2011 Metropolitan Court as the Court of Registry registered the capital raise of OTP Life Annuity Ltd. owned by OTP. Hereby subscribed capital of OTP Life Annuity Ltd. Increased to HUF 2 billion.

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

	30 June 2011	31 December 2010
Government bonds	72,296	87,878
Mortgage bonds	60,014	60,140
Hungarian government discounted Treasury bills	336	395
	132,646	**148,413**
Accrued interest	2,266	5,590
Total	**134,912**	**154,003**

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

	30 June 2011	31 December 2010
Opening balance	**-**	**4,164**
Provision for impairment	-	-
Release of provision	-	(1,566)
Use of provision	-	(2,598)
Closing balance	**-**	**-**

Release and use of provision was related to foreign currency denominated bonds issued in Kazakhstan which were included in other bonds. Due to certain unexpected events (a significant deterioration of the issuer's creditworthiness) that were beyond the Bank's control the securities were sold in 2010 and the related provisions were released and used.

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

	30 June 2011	31 December 2010
Within five years:		
variable interest	34,091	34,090
fixed interest	85,009	87,060
	119,100	**121,150**
Over five years:		
variable interest	1,667	3,334
fixed interest	11,879	23,929
	13,546	**27,263**
Total	**132,646**	**148,413**

The distribution of the held-to-maturity securities by currency:

	30 June 2011	31 December 2010
Securities held-to-maturity denominated in HUF (%)	100%	100%
Securities held-to-maturity denominated in foreign currency (%)	0%	0%
Securities held-to-maturity total	**100%**	**100%**
Interest rates on securities held-to-maturity (%)	5.5% - 11.9%	5.5% - 10%

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

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

As at 30 June 2011

Cost	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Opening balance	**98,415**	**62,011**	**73,266**	**4,968**	**238,660**
Additions	10,621	913	2,139	5,436	19,109
Disposals	(5,819)	(147)	(1,569)	(3,115)	(10,650)
Closing balance	**103,217**	**62,777**	**73,836**	**7,289**	**247,119**
Depreciation and Amortization					
Opening balance	**63,270**	**12,834**	**57,407**	**-**	**133,511**
Charge for the year	8,371	787	2,882	-	12,040
Disposals	(2)	(26)	(1,500)	-	(1,528)
Closing balance	**71,639**	**13,595**	**58,789**	**-**	**144,023**
Net book value					
Opening balance	**35,145**	**49,177**	**15,859**	**4,968**	**105,149**
Closing balance	**31,578**	**49,182**	**15,047**	**7,289**	**103,096**

As at 31 December 2010

Cost	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Opening balance	**87,735**	**59,964**	**71,121**	**3,832**	**222,652**
Additions	20,572	2,658	5,516	9,472	38,218
Disposals	(9,892)	(611)	(3,371)	(8,336)	(22,210)
Closing balance	**98,415**	**62,011**	**73,266**	**4,968**	**238,660**
Depreciation and Amortization					
Opening balance	**48,826**	**11,492**	**53,771**	**-**	**114,089**
Charge for the year	15,802	1,535	6,804	-	24,141
Disposals	(1,358)	(193)	(3,168)	-	(4,719)
Closing balance	**63,270**	**12,834**	**57,407**	**-**	**133,511**
Net book value					
Opening balance	**38,909**	**48,472**	**17,350**	**3,832**	**108,563**
Closing balance	**35,145**	**49,177**	**15,859**	**4,968**	**105,149**

NOTE 12: OTHER ASSETS (in HUF mn)

	30 June 2011	31 December 2010
Prepayments and accrued income	34,206	4,334
Credits sold under deferred payment scheme	9,923	4,665
Receivables from investment services	8,133	415
Trade receivables	5,757	4,354
Due from Hungarian Government from interest subsidies	2,021	1,992
Receivables from decreasing share capital of OTP Holding Ltd.	1,800	4,800
Fair value of derivative financial instruments designated as hedge accounting relationships	1,649	8,477
Current income tax receivable	1,280	2,224
Inventories	1,193	952
Receivables from OTP Mortgage Bank Ltd. [1]	1,040	6,921
Other advances	691	308
Advances for securities and investments	535	561
Deferred tax assets	-	1,887
Other	4,973	5,029
	73,201	**46,919**
Provision for impairment on other assets[2]	(2,597	(2,407)
Total	**70,604**	**44,512**

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

	30 June 2011	31 December 2010
Interest rate swaps designated as fair value hedge	1,649	8,477

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

	30 June 2011	31 December 2010
Opening balance	**2,407**	**1,979**
Charge for the period	308	1,500
Release of provision	(82)	(933)
Use of provision	(36)	(139)
Closing balance	**2,597**	**2,407**

[1] The Bank, under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd.
[2] Provision for impairment on other assets mainly consists of provision for trade receivables and inventories.

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

	30 June 2011	31 December 2010
Within one year:		
In HUF	89,425	149,032
In foreign currency	331,720	325,207
	421,145	**474,239**
Over one year:		
In HUF	116,543	116,271
In foreign currency[1]	250,074	149,681
	366,617	**265,952**
Subtotal	**787,762**	**740,191**
Accrued interest	2,043	1,654
Total	**789,805**	**741,845**

The Bank has used mortgage bonds as collateral in relation to collateralised borrowing (EUR 650 million).

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

	30 June 2011	31 December 2010
Within one year:		
In HUF	1.67%-7.1%	1.89%-6.37%
In foreign currency	0.05%-11%	0.22%-15.9%
Over one year:		
In HUF	1.43%-7.6%	0.89%-6.37%
In foreign currency	0.13%-7.05%	0.12%-4.73%

[1] On 19 May 2011 the Bank signed a EUR 300,000,000 Term Loan Facility. The originally planned amount was EUR 200 million, but the transaction was very well received and heavily oversubscribed, all together 21 banks took part in the deal. The facility has a 2 years tenor, carries a margin of 1.50% above Euribor and the proceeds will be used for general funding purposes.

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2011	31 December 2010
Within one year:		
In HUF	2,746,682	2,595,048
In foreign currency	651,372	646,053
	3,398,054	**3,241,101**
Over one year:		
In HUF	24,638	26,185
In foreign currency	2,988	2,421
	27,626	**28,606**
Subtotal	**3,425,680**	**3,269,707**
Accrued interest	14,175	9,866
Total	**3,439,855**	**3,279,573**

Interest rates on deposits from customers are as follows:

	30 June 2011	31 December 2010
Within one year in HUF	0.1%-11%	0.1%-10.3%
Over one year in HUF	0.2%-8%	0.2%-5.3%
In foreign currency	0.01%-6.3%	0.02%-6.1%

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

	30 June 2011		31 December 2010	
Retail deposits	1,948,344	57%	2,043,644	63%
Corporate deposits	1,306,592	38%	1,056,183	32%
Municipality deposits	170,744	5%	169,880	5%
Total	**3,425,680**	**100%**	**3,269,707**	**100%**

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

	30 June 2011	31 December 2010
Within one year:		
In HUF	331,263	282,049
In foreign currency	11,993	140,094
	343,256	**422,143**
Over one year:		
In HUF	50,938	45,964
In foreign currency	23,705	36,196
	74,643	**82,160**
Subtotal	**417,899**	**504,303**
Accrued interest	9,484	8,163
Total	**427,383**	**512,466**

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

Interest rates on liabilities from issued securities are as follows:

	30 June 2011	31 December 2010
Issued securities denominated in HUF	0.25%-8%	0.25%-9.5%
Issued securities denominated in foreign currency	4%	4%-5.75%

Issued securities denominated in foreign currency as at 30 June 2011

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
1	OTPHB402/12	24/02/2010	24/02/2012	CHF	89.17	19,609	4	fix	hedged
2	DNT_EUR_2011_C	27/06/2011	21/12/2011	EUR	16.79	4,460	indexed	floating	
3	DNT_EUR_2011_B	25/03/2011	21/09/2011	EUR	12.20	3,239	indexed	floating	
4	DC_EUR_2011A	27/06/2011	03/10/2011	EUR	7.13	1,894	4	fix	
5	DNT_USD_2011_C	27/06/2011	21/12/2011	USD	5.66	1,038	indexed	floating	
6	DNT_USD_2011_B	25/03/2011	21/09/2011	USD	3.53	648	indexed	floating	
7	DNT_CHF_2011A	25/03/2011	21/09/2011	CHF	2.07	455	indexed	floating	
8	OTPX 2016C	22/04/2011	22/04/2016	EUR	1.56	414	indexed	floating	hedged
9	OTPX 2015C	22/12/2010	29/12/2015	EUR	0.97	258	indexed	floating	hedged
10	DNT_CHF_2011B	27/06/2011	21/12/2011	CHF	1.17	258	indexed	floating	
	Total issued securities in FX					**32,273**			
	Unamortized premium					3,222			
	Fair value hedge adjustment					203			
	Total issued securities in FX					**35,698**			

Certain structured bonds are hedged by interest rate swaps which may transfer to a transferee a fixed rate financial asset and enter into an interest rate swap with the transferee to receive a fixed interest rate and pay a variable interest rate based on a notional amount which is equal to the notional amount of the hedged bond. The hedge is highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are within a range of 80-125 per cent.

The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the HUF/CHF and HUF/EUR foreign exchange rate and the risk of change in the risk-free interest rates of EUR and CHF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and CHF CCIRS transactions, where the fixed EUR cash-flows were swapped to payments linked to 3 or 6 month HUF BUBOR or CHF LIBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

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

Issued securities denominated in HUF as at 30 June 2011

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions		Hedged
1	OTP 2012/IV	18/02/2011	25/02/2011	18/02/2012	23,668	5	fix	
2	OTP 2011/XXII	29/10/2010	05/11/2010	29/10/2011	19,327	5	fix	
3	OTP 2012/VII	08/04/2011	15/04/2011	07/04/2012	18,885	5	fix	
4	OTP 2012/IX	06/05/2011	13/05/2011	05/05/2012	16,244	5	fix	
5	OTP 2011/XXV	13/12/2010	30/12/2010	13/12/2011	15,566	5	fix	
6	OTP 2012/II	21/01/2011	28/01/2011	07/01/2012	15,426	5	fix	
7	OTP 2012/V	04/03/2011	11/03/2011	03/03/2012	15,258	5	fix	
8	OTP 2012/VI	25/03/2011	01/04/2011	24/03/2012	15,132	5	fix	
9	OTP 2011/XVIII	03/09/2010	10/09/2010	03/09/2011	14,456	5	fix	
10	OTP 2012/VIII	22/04/2011	29/04/2011	21/04/2012	14,449	5	fix	
11	OTP 2011/XVI	06/08/2010	13/08/2010	06/08/2011	13,037	5	fix	
12	OTP 2011/XXIII	12/11/2010	19/11/2010	12/11/2011	12,357	5	fix	
13	OTP 2011/XV	23/07/2010	30/07/2010	23/07/2011	10,959	5	fix	
14	OTP 2011/XIX	17/09/2010	24/09/2010	17/09/2011	10,933	5	fix	
15	OTP 2012/X	20/05/2011	27/05/2011	19/05/2012	10,743	5	fix	
16	OTP 2011/XIV	09/07/2010	16/07/2010	09/07/2011	10,189	5	fix	
17	DNT_HUF_2011_C	27/06/2011		21/12/2011	10,131	indexed	floating	hedged
18	OTP 2012/III	04/02/2011	11/02/2011	04/02/2012	9,575	5	fix	
19	OTP 2012/XI	03/06/2011	10/06/2011	02/06/2012	8,774	5	fix	
20	OTP 2012/I	07/01/2011	14/01/2011	07/01/2012	8,598	5	fix	
21	OTP 2011/XVII	19/08/2010	27/08/2010	19/08/2011	7,084	5	fix	
22	DNT_HUF_2011_B	25/03/2011		21/09/2011	7,070	indexed	floating	hedged
23	OTP 2011/XXIV	26/11/2010	03/12/2010	26/11/2012	6,395	5	fix	
24	OTP 2011/XXI	15/10/2010	22/10/2010	15/11/2011	6,362	5	fix	
25	TBSZ2013_I	26/02/2010	28/12/2010	30/12/2013	6,229	5.5	fix	
26	OTP 2012/XII	17/06/2011	24/06/2011	16/06/2012	5,776	5	fix	
27	TBSZ2015_I	26/02/2010	17/12/2010	30/12/2015	5,706	5.5	fix	
28	OTPX 2015A	25/03/2010		30/03/2015	5,494	indexed	floating	hedged
29	OTPX 2017A	01/04/2011		31/03/2017	5,450	indexed	floating	hedged
30	OTPX 2017B	17/06/2011		20/06/2017	5,100	indexed	floating	hedged
31	OTPX 2015B	28/06/2010		09/07/2015	4,840	indexed	floating	hedged
32	OTP 2011/XX	01/10/2010	08/10/2010	01/10/2011	4,766	5	fix	
33	OTPX 2016A	11/11/2010		03/11/2016	4,600	indexed	floating	hedged
34	OTPX 2014B	05/10/2009		13/10/2014	4,085	indexed	floating	hedged
35	OTPX 2014C	14/12/2009		19/12/2014	4,050	indexed	floating	hedged
36	OTPRA_2013_B	26/11/2010		03/12/2013	3,757	indexed	floating	hedged
37	OTPX 2016B	16/12/2010		19/12/2016	3,480	indexed	floating	hedged
38	OTPX 2014A	25/06/2009		30/06/2014	3,188	indexed	floating	hedged
39	DC_HUF_2011A	27/06/2011		03/10/2011	2,632	8	fix	
40	3Y_EUR_HUF	25/06/2010		25/06/2013	2,338	indexed	floating	hedged
41	OTP 2011C	09/11/2009		09/11/2011	2,000	7.5	fix	
42	TBSZ2014_I	14/01/2011	24/06/2011	15/12/2014	1,807	5.5	fix	
43	OTPX 2012A	11/09/2009	25/09/2009	11/09/2012	1,683	indexed	floating	hedged
44	OTPX 2014E	17/06/2011		20/06/2014	1,350	indexed	floating	hedged
45	TBSZ2016_I	14/01/2011	24/06/2011	15/12/2016	1,124	5.5	fix	
46	OTPRA_2014_A	25/03/2011		24/03/2014	1,096	indexed	floating	hedged
47	OTPX 2013B	26/11/2010		06/11/2013	940	indexed	floating	hedged
48	OTPX 2012C	25/03/2010		30/03/2012	651	indexed	floating	hedged
49	OTPX 2014D	01/04/2011		03/04/2014	620	indexed	floating	hedged
50	OTPX 2011C	14/12/2009	05/02/2010	20/12/2011	527	indexed	floating	hedged
51	OTPX 2019B	05/10/2009	05/02/2010	14/10/2019	481	indexed	floating	hedged

52	OTPX 2013A	28/06/2010	08/07/2013	480	indexed	floating	hedged
53	OTPX 2013C	16/12/2010	19/12/2013	450	indexed	floating	hedged
	Subtotal			**385,318**			

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

Issued securities denominated in HUF as at 30 June 2011 [continued]

	Name	Date of issuance	Maturity	Nominal value in HUF million	Interest conditions		Hedged
54	OTPX 2020B	28/06/2010	09/07/2020	450	indexed	floating	hedged
55	OTPX 2020A	25/03/2010	30/03/2020	415	indexed	floating	hedged
56	OTPX 2019C	14/12/2009	20/12/2019	394	indexed	floating	hedged
57	OTPX 2021B	17/06/2011	17/06/2021	390	indexed	floating	hedged
58	OTPX 2021A	01/04/2011	01/04/2021	350	indexed	floating	hedged
59	OTPX 2019A	25/06/2009	01/07/2019	319	indexed	floating	hedged
60	OTPX 2020C	11/11/2010	05/11/2020	290	indexed	floating	hedged
61	OTPX 2020D	16/12/2010	18/12/2020	245	indexed	floating	hedged
62	2020_RF_A	12/07/2010	20/07/2020	233	indexed	floating	hedged
63	2020_RF_C	11/11/2010	05/11/2020	191	indexed	floating	hedged
64	2020_RF_B	12/07/2010	20/07/2020	46	indexed	floating	hedged
	Subtotal			**3,323**			
	Total issued securities in HUF			**388,641**			
	Unamortized premium			(2,704			
	Fair value hedge adjustment			(3,736)			
	Total issued securities in HUF			**382,201**			
	Accrued interest			**9,484**			
	Total			**427,383**			

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

Negative fair value of financial liabilities at fair value through profit or loss designated as held for trading by deal types:

	30 June 2011	31 December 2010
CCIRS and mark-to-market CCIRS	82,975	206,887
Interest rate swaps	42,560	40,064
Foreign currency swaps	11,187	5,426
Other derivative contracts	5,740	4,951
Total	**142,462**	**257,328**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	30 June 2011	31 December 2010
Financial liabilities from OTP-MOL share swap transaction[1]	105,404	105,766
Accrued expenses	33,406	33,219
Giro clearing accounts	30,460	10,682
Salaries and social security payable	15,247	21,022
Liabilities from investment services	9,634	17,528
Current income tax payable	8,233	4,066
Short term liabilities due to repurchase agreement	6,975	3,461
Fair value of derivative financial instruments designated as hedge accounting relationships	5,729	7,143
Provision on off-balance sheet commitments, contingent liabilities	5,343	8,461
Accounts payable	1,825	6,642
Liabilities connected to loans for collection	1,086	1,147
Deferred tax liabilities	630	-
Liabilities related to housing loans	283	351
Dividends payable	197	193
Other	20,687	11,607
Total	**245,139**	**231,288**

Negative fair value of derivative financial instruments designated as fair value hedge:

	30 June 2011	31 December 2010
Interest-rate swap transactions designated as fair value hedge	5,729	7,143

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

	30 June 2011	31 December 2010
Provision for losses on off-balance sheet commitments and contingent liabilities related to lending	4,540	6,325
- From this: provision for the repurchase guarantee to OTP Mortgage Bank Ltd.	*217*	*177*
Provision for litigation	417	1,476
Provision on other liabilities	386	660
Total	**5,343**	**8,461**

Movements in the provision for losses on commitments and contingent liabilities can be summarized as follows:

	30 June 2011	31 December 2010
Opening balance	**8,461**	**18,733**
Provision for the period	5,765	23,213
Release of provision for the period	(8,883)	(33,485)
Closing balance	**5,343**	**8,461**

[1] On 16 April 2009, OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an american style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the lost of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 30 June 2011 and as at 31 December 2010 HUF 105,404 and HUF 105,766 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

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

	30 June 2011	**31 December 2010**
Over one year:		
In HUF	5,000	5,000
In foreign currency	275,477	289,184
	280,477	**294,184**
Accrued interest	10,472	3,454
Total	**290,949**	**297,638**

Interest rates on subordinates bonds and loans are as follows:

	30 June 2011	**31 December 2010**
Subordinated bonds and loans denominated in HUF	3%	2.7%
Subordinated bonds and loans denominated in foreign currency	2%-5.9%	1.6%-5.9%

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

Subordinated loans and bonds are detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as at 30 June 2011
Subordinated bond	HUF 5 billion	20/12/1993	20/12/2013	100%	frequency of payment is based on the condition of interest of 2013/C credit consolidation government bonds	3.0%
Subordinated bond	EUR 125 million	04/03/2005	04/03/2015	100%	three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 493 million	07/11/2006	Perpetual bond callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	5.875%
Subordinated bond (under EMTN[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	30 June 2011	31 December 2010
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

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

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

The reserves of the Bank under Hungarian Accounting Standards:

	30 June 2011	31 December 2010
Capital reserve	52	52
General reserve	134,079	122,863
Retained earnings	767,756	692,754
Tied-up reserve	5,658	5,729
Total	**907,545**	**821,398**

The legal reserves (general reserve and tied-up reserve) are not available for distribution. Dividend was calculated on the bases of the unconsolidated annual net profit according to the Hungarian Accounting Standards.

According to the decision made at the Annual General Meeting on 29 April 2011 the Bank paid HUF 20.160 million dividend from the profit of 2010.

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	30 June 2011	31 December 2010
Nominal value (ordinary shares)	211	216
Carrying value at aquisition cost	3,657	3,729

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

NOTE 21: TREASURY SHARES (in HUF mn) [continued]

Change in number of shares:

	30 June 2011	31 December 2010
Opening number of shares	**2,157,671**	**2,187,444**
Additions	447,378	73,232
Disposals	(496,055)	(103,005)
Closing number of shares	**2,108,994**	**2,157,671**

Change in carrying value:

	30 June 2011	31 December 2010
Opening balance	**3,729**	**3,774**
Additions	2,579	415
Disposals	(2,651)	(460)
Closing balance	**3,657**	**3,729**

NOTE 22: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

	30 June 2011	31 December 2010
Income from fees and commissions:		
Deposit and account maintenance fees and commissions	20,897	41,173
Fees and commission related to the issued bank cards	10,776	21,565
Fees and commissions paid by OTP Mortgage Bank Ltd.	10,755	38,603
Fees related to the cash withdrawal	9,282	20,361
Fees and commissions related to security trading	6,035	13,184
Fees and commissions related to lending	1,555	3,734
Net insurance fee income	890	1,884
Other	2,698	5,328
Total	**62,888**	**145,832**

	30 June 2011	31 December 2010
Expenses from fees and commissions:		
Interchange fee	2,807	5,932
Fees and commissions related to issued bank cards	2,187	4,340
Insurance fees	1,006	1,766
Cash withdrawal transaction fees	772	1,660
Money market transaction fees and commissions	629	1,134
Fees and commissions related to lending	587	1,353
Fees and commissions relating to deposits	378	730
Fees and commissions related to security trading	302	646
Postal fees	277	538
Other	1,320	2,345
Total	**10,265**	**20,444**
Net profit from fees and commissions	**52,623**	**125,388**

NOTE 23: OTHER OPERATING INCOME AND EXPENSES (in HUF mn)

	30 June 2011	31 December 2010
Other operating income:		
Loss on real estate transactions	(17)	-
Other	1,333	1,671
Total	**1,316**	**1,671**

	30 June 2011	31 December 2010
Net other operating expenses:		
Provision for impairment on investments in subsidiaries	10,190	20,683
Provision for impairment on other assets	234	567
Cancellation fee paid for OTP Mortgage Bank Ltd.	-	14,510
Release of provision for losses on securities available-for-sale	-	(5,220)
Release of provision for losses on securities held-to-maturity	-	(4,164)
Release of provision for off-balance sheet commitments and contingent liabilities	(3,118)	(10,272)
Other	838	3,438
Total	**8,144**	**19,542**

NOTE 24: OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	30 June 2011	31 December 2010
Personnel expenses:		
Wages	22,485	52,653
Taxes related to personnel expenses	6,608	15,705
Other personnel expenses	3,210	7,279
Subtotal	**32,303**	**75,637**
Depreciation and amortization	**12,040**	**24,141**
Other administrative expenses:		
Taxes, other than income tax[1]	19,771	40,908
Administration expenses, including rental fees	10,296	21,155
Services	9,933	19,735
Advertising	2,639	6,182
Professional fees	1,264	2,510
Subtotal	**43,903**	**90,490**
Total	**88,246**	**190,268**

NOTE 25: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 19% of taxable income.
Due to a law approved by The Hungarian Government the income tax rate will be reduced to 10% from 1 January 2013, thus the deferred tax is calculated at 10% for those temporary differences that are expected to be resulted in taxable amounts or amounts deductable from the taxable profit after 2012. 19% was used for the calculation of the deferred tax for the remaining items.

[1] Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by OTP Bank Plc. The total tax amount for the year 2010 was HUF 26 billion recognised as an expense thus decreased the corporate tax base. Based on the approved regulation, financial institutions are obliged to pay this special tax until the end of 2012.

NOTE 25: INCOME TAX (in HUF mn) [continued]

A breakdown of the income tax expense is:

	30 June 2011	31 December 2010
Current tax expense	8,018	5,216
Deferred tax (benefit) / expense	(564)	4,754
	7,454	**9,970**

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

	30 June 2011	31 December 2010
Opening balance	**1,887**	**3,828**
Deferred tax benefit / (expense)	564	(4,754)
Tax effect of fair value adjustment of available-for-sale securities and ICES recognised in other comprehensive income	(3,081)	2,813
Closing balance	**(630)**	**1,887**

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

	30 June 2011	31 December 2010
Provision for impairment on investments in subsidiaries	6,611	8,814
Repurchase agreements	2,659	1,515
Difference in accounting for finance leases	395	510
Fair value adjustment of held for trading and available-for-sale securities	-	1,263
Deferred tax assets	**9,665**	**12,102**
Fair value adjustment of derivative financial instruments	(2,658)	(3,782)
Effect of redemption of issued securities	(2,293)	(2,752)
Fair value adjustment of held for trading and available-for-sale securities	(1,998)	-
Valuation of equity instrument (ICES)	(1,707)	(2,182)
Difference in depreciation and amortization	(942)	(997)
Effect of using effective interest rate method	(697)	(502)
Deferred tax liabilities	**(10,295)**	**(10,215)**
Net deferred tax (liability)/ asset	**(630)**	**1,887**

A reconciliation of the income tax expense is as follows:

	30 June 2011	31 December 2010
Profit before income tax	118,048	134,634
Income tax at statutory tax rate (19% in 2010, 16% in 2009)	22,429	25,580
Income tax adjustments due to permanent differencies are as follows:		
Differences in carrying value of subsidiaries	1,900	981
Share-based payment	887	(2,246)
Accounting of equity instrument (ICES)	584	(4,234)
Reversal of statutory general provision	519	109
Change in statutory goodwill and negative goodwill	-	(266)
Provision for impairment on investments in subsidiaries	-	(6,547)
Effect of change of income tax rate	(606)	(912)
Reclassification of direct charges to reserves	(1,648)	(647)
Revaluation of investments denominated in foreign currency to historical cost	(4,138)	3,656
Dividend income	(13,843)	(4,407)
Other	1,370	(1,097)
Income tax	**7,454**	**9,970**
Effective tax rate	6.3%	7.4%

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

26.1. Credit risk

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

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

Analysis by loan types and risk classes

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

As at 30 June 2011

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,131,638	335,043	70,214	68,604	42,202	**1,647,701**
Allowance	-	*9,455*	*17,782*	*42,066*	*34,541*	***103,844***
Placements with other banks	685,678	4,033	-	-	-	**689,711**
Allowance	-	*403*	-	-	-	***403***
Retail loans	460,636	47,283	21,369	17,266	205	**546,759**
Allowance	-	*2,768*	*4,891*	*8,517*	*258*	***16,434***
Municipal loans	269,048	26,445	15,893	10,378	2,517	**324,281**
Allowance	-	*817*	*1,323*	*2,973*	*2,425*	***7,538***
SME loans	84,881	3,619	1,149	3,408	557	**93,614**
Allowance	-	*39*	*158*	*2,115*	*549*	***2,861***
Gross loan portfolio total	**2,631,881**	**416,423**	**108,625**	**99,656**	**45,481**	**3,302,066**
Allowance Total	***-***	***13,482***	***24,154***	***55,671***	***37,773***	***131,080***
Net loan portfolio total	**2,631,881**	**402,941**	**84,471**	**43,985**	**7,708**	**3,170,986**
Accrued interest						
placements with other banks						1,068
loans						17,229
Total accrued interest						**18,297**
Total						**3,189,283**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

As at 31 December 2010

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount/ allowance
Corporate loans	1,275,811	402,422	56,571	70,288	50,600	**1,855,692**
Allowance	-	*(12,927)*	*(13,173)*	*(40,808)*	*(42,335)*	***(109,243)***
Placements with other banks	787,294	833	6,027	-	-	**794,154**
Allowance	-	*(42)*	*(908)*	-	-	***(950)***
Retail loans	477,066	54,447	16,160	26,914	86	**574,673**
Allowance	-	*(3,520)*	*(3,719)*	*(10,775)*	*(72)*	***(18,086)***
Municipal loans	271,195	39,263	6,631	4,493	538	**322,120**
Allowance	-	*(1,219)*	*(582)*	*(2,041)*	*(423)*	***(4,265)***
SME loans	81,016	2,841	814	3,922	540	**89,133**
Allowance	-	*(32)*	*(106)*	*(2,356)*	*(533)*	***(3,027)***
Gross loan portfolio total	**2,892,382**	**499,806**	**86,203**	**105,617**	**51,764**	**3,635,772**
Allowance Total	**-**	***(17,740)***	***(18,488)***	***(55,980)***	***(43,363)***	***(135,571)***
Net loan portfolio total	**2,892,382**	**482,066**	**67,715**	**49,637**	**8,401**	**3,500,201**
Accrued interest						
placements with other banks						1,482
loans						16,787
Total accrued interest						**18,269**
Total						**3,518,470**

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

As at 30 June 2011

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total off balance sheet items
Corporate loans	892,572	39,035	7,244	3,405	643	**942,899**
Placements with other banks	74,085	-	-	-	-	**74,085**
Retail loans	212,364	484	71	78	3	**213,000**
Municipal loans	95,756	811	140	186	-	**96,893**
SME loans	23,120	198	-	-	1	**23,319**
Total	**1,297,897**	**40,528**	**7,455**	**3,669**	**647**	**1,350,196**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

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

As at 31 December 2010

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total off balance sheet items
Corporate loans	876,212	26,355	8,424	3,576	2,551	**917,118**
Retail loans	347,195	386	213	60	2	**347,856**
Municipal loans	102,950	909	191	207	-	**104,257**
SME loans	23,524	103	-	-	-	**23,627**
Total	**1,349,881**	**27,753**	**8,828**	**3,843**	**2,553**	**1,392,858**

The Bank's loan portfolio decreased by 9.18% during the six month period ended 30 June 2011. Analysing the contribution of loan types to the loan portfolio, the share of placements with other banks, corporate loans and retail loans decreased while the share of other business lines increased. The qualification of the loan portfolio meliorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio decreased from 4.48% to 4.4%.

The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad was 89.4% as at 30 June 2011.

The off-balance sheet liabilities connected to the lending activity increased by 14.2%, while the qualified loan portfolio increased by 21.7% during the six month period ended 30 June 2011.

Classification into risk classes

Exposures with small amounts (retail and SME sector) are subject to collective valuation method which is a simplified assessment.
As of 30 June 2011, the classification and impairment methodology of the retail exposures – which are assessed using the collective valuation method – has changed. According to the new methodology, the expected loss of the different homogenous populations are determined using historical loss experience models instead of the old method which was using expert keys. The new expected loss percentages were determined based on these new models.
Instead of the earlier used risk classes, five valuation groups have been formed based on past due days (A: 0-30 days past due - DPD, B: 31-60 DPD, C: 61-90 DPD, D: 91-365 DPD, E: over 365 days past due). The five new groups do not match one by one to the earlier used risk classes, the composition of the classes has changed due to the different criteria.
Also in the new methodology, the Bank takes into account the collateral at the collective valuation as well.
The consequence of the methodology change is that the loans which has higher collateral value behind the loans are provided less than by using the previous methodology, and the loans with less collateral has in general more provision than in the previous model. The allocation of the impairment of the loans is more appropriate, the new model gives a more accurate impairment amount.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

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

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

Loan portfolio by countries

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

	30 June 2011		31 December 2010	
Country	**Carrying amount of the qualified gross loan portfolio**	**Allowance**	**Carrying amount of the qualified gross loan portfolio**	**Allowance**
Hungary	364,617	68,787	380,257	61,105
Netherlands	123,719	2,700	140,327	1,999
Cyprus	56,193	9,594	58,955	10,765
Montenegro	34,431	12,572	32,458	16,734
Serbia	31,903	22,633	34,946	25,198
Romania	27,765	8,519	29,306	8,332
Slovakia	7,334	156	15,715	4,007
Ukraine	6,773	1,617	7,758	1,828
Seychelles	4,498	676	4,701	705
Bulgaria	4,178	461	27,222	1,102
Kazahstan	3,500	351	6,051	908
Croatia	3,345	2,151	3,489	2,241
Russia	802	523	836	544
Egypt	518	260	525	58
Latvia	-	-	836	42
Other	609	80	8	3
Total	**670,185**	**131,080**	**743,390**	**135,571**

The non-performing loans connected to the Netherlands are related to refinancing of loans at the subsidiaries, the actual exposure of non-performing loans is HUF 12.7 billion as at 30 June 2011. From this amount HUF 4.2 billion and HUF 8.5 billion represent corporate and retail loans.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Collaterals

The collateral value held by the Bank by collateral types is as follows (**total collateral value**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	30 June 2011	31 December 2010
Mortgages	881,831	932,807
Guarantees and warranties	222,823	200,274
Deposit	59,746	50,554
Assignment	817	-
Other	132,012	193,463
Total	**1,297,229**	**1,377,098**

The collateral value held by the Bank by collateral types is as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	30 June 2011	31 December 2010
Mortgage	361,064	376,372
Guarantees and warranties	180,454	158,246
Deposit	48,874	45,577
Assignment	604	-
Other	20,495	46,228
Total	**611,491**	**626,423**

The coverage level of loan portfolio to the extent of the exposures decreased from 29.8% to 29% as at 30 June 2011, while coverage to the extent of the receivables increased from 13.6% to 13.7%.

Loans, neither past due, nor impaired

An analysis of the credit quality of the gross value of the loans that are neither past due nor impaired is as follows:

Loan type	30 June 2011	31 December 2010
Corporate loans	1,116,467	1,253,954
Placements with other banks	685,678	787,294
Retail loans	374,708	376,566
Municipal loans	189,124	264,736
SME loans	83,857	79,839
Total	**2,449,834**	**2,762,389**

These loans are classified by the Bank as performing loans.

The ratio of the gross value of loans neither past due nor impaired compared to the whole portfolio decreased from 75.98% to 74.19 % during the six month period ended 30 June 2011. The ratio of SME loans and retail loans compared to the whole portfolio increased during the six month period ended 30 June 2011, while the other lines decreased.

Renegotiated loans

An analysis of the gross value of the loans that would otherwise be past due or impaired and whose terms have been renegotiated as at 30 June 2011 and as at 31 December 2010 is as follows:

Loan type	30 June 2011	31 December 2010
Corporate loans	95,519	109,040
Retail loans	74,432	73,425
Municipal loans	2,092	1,870
SME loans	513	478
Total	**172,556**	**184,813**

The gross amount of renegotiated loans decreased during the six month period ended 30 June 2011. The intensity of renegotiation has decreased significantly.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Past due, but not impaired loans

The aging of gross loans that are past due but not impaired as at 30 June 2011 and as at 31 December 2010 is as follows:

As at 30 June 2011

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	74,117	2,040	2,856	6,915	85,928
Corporate loans	6,290	-	8,829	52	15,171
SME loans	1,023	-	-	1	1,024
Municipal loans	79,924	-	-	-	79,924
Total	**161,354**	**2,040**	**11,685**	**6,968**	**182,047**

As at 31 December 2010

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	85,669	1,742	6,375	6,714	100,500
Corporate loans	4,477	16,519	689	173	21,858
SME loans	1,122	53	-	2	1,177
Municipal loans	6,459	-	-	-	6,459
Total	**97,727**	**18,314**	**7,064**	**6,889**	**129,994**

The loans that are past due but not impaired are concentrated in the retail business line because the state guaranteed housing loans up to a 90 day delay in the repayment are classified to the performing category. On the other side loans purchased or repurchased from OTP Mortgage Bank Ltd. are guaranteed by OTP Mortgage Bank Ltd. thus these loans are also classified as performing loans.
The level of corporate loans past due but not impaired is possible because of the individual evaluation. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Bank.

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

An analysis of the fair value of collaterals related to past due, but not impaired loans to total collateral value and to the extent of the exposures as at 30 June 2011 and as at 31 December 2010 is as follows:

Types of collateral (total collateral value)	30 June 2011	31 December 2010
Retail loans	43,012	46,883
Corporate loans	10,199	13,421
SME loans	1,060	1,235
Municipal loans	-	24
Total	**54,271**	**61,563**

Types of collateral (to the extent of the exposures)	30 June 2011	31 December 2010
Retail loans	18,694	21,987
Corporate loans	10,153	12,433
SME loans	906	951
Municipal loans	-	18
Total	**29,753**	**35,389**

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Loans individually assessed for provision

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assesment, the provision for impairment for them and the collaterals considered as at 30 June 2011 and as at 31 December 2010 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

As at 30 June 2011

Considered factors	Carrying value	Allowance for impairment	Discounted collateral value	Off-balance sheet commitments	Provision for losses on off-balance sheet contingent liabilities
Delay of repayment	66,23	36,788	3,868	10	1
Regularity of payment	695	201	174	-	-
Renegotiation	28,48	2,589	1,860	126	50
Legal proceedings	16,37	11,930	3,542	150	95
Decrease of client classification	119,89	16,286	4,228	21,499	1,533
Loan characteristics	37,35	2,159	-	8,097	81
Business lines risks	44,96	3,264	1,014	6,330	410
Refinancing of subsidiaries portfolio	123,18	2,681	-	-	-
Cross default	39,78	16,753	870	6,728	251
Other	22,38	6,417	633	5,759	1,482
Corporate total	**499,34**	**99,068**	**16,189**	**48,699**	**3,903**
Delay of repayment	1,87	1,874	-	-	-
Regularity of payment	95	19	-	-	-
Renegotiation	2,01	497	52	126	23
Legal proceedings	313	273	40	-	-
Decrease of client classification	7,91	2,206	47	125	64
Other	21,85	1,834	4	946	110
Cross default	191	38	-	1	-
Municipal total	**34,25**	**6,741**	**143**	**1,198**	**197**
Placements with other banks	**4,03**	**403**	**-**	**-**	**-**
Total	**537,63**	**106,212**	**16,332**	**49,897**	**4,100**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Loans determined individually to be impaired [continued]

As at 31 December 2010

Considered factors	Carrying value	Allowance for impairment	Discounted collateral value	Off-balance sheet commitments	Provision for losses on off-balance sheet contingent liabilities
Delay of repayment	43,244	27,395	3,459	-	-
Regularity of payment	1,047	221	429	-	-
Renegotiation	38,644	2,808	2,797	346	19
Legal proceedings	17,884	13,208	3,818	288	220
Decrease of client classification	125,500	16,961	1,705	10,981	252
Loan characteristics	68,317	3,261	-	803	16
Business lines risks	76,582	12,141	378	10,745	1,203
Country risk	7,673	3,836	-	2,609	1,304
Refinancing of subsidiaries portfolio	140,316	1,999	-	-	-
Cross default	33,394	21,351	2,444	2,078	1,302
Other	12,449	3,869	1,565	11,906	1,267
Corporate total	**565,050**	**107,050**	**16,595**	**39,756**	**5,583**
Delay of repayment	31	7	-	-	-
Regularity of payment	-	-	-	-	-
Renegotiation	1,749	181	-	27	3
Legal proceedings	314	239	15	-	-
Decrease of client classification	6,074	287	2	56	1
Other	27,232	3,330	10	1,056	139
Cross default	204	29	-	76	8
Municipal total	**35,604**	**4,073**	**27**	**1,215**	**151**
Placements with other banks	**6,887**	**949**	**-**	**-**	**-**
Total	**607,541**	**112,072**	**16,622**	**40,971**	**5,734**

By 30 June 2011 the volume of the individually rated portfolio decreased in the corporate business line. The reason for it is the refinancing of the loans originated by the subsidiaries of the Bank. This portfolio was HUF 123.2 billion and 140.3 billion as at 30 June 2011 ans as at 31 December 2010, from which the volume of really non performing loans was HUF 12.7 billion and HUF 10.6 billion.

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Non-qualified gross loan portfolio by countries

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

Country	30 June 2011	31 December 2010
Hungary	1,619,752	1,665,804
Cyprus	297,126	390,928
Netherlands	240,304	256,508
Russia	81,240	135,353
United Kingdom	76,360	126,264
Germany	58,720	24,170
Bulgaria	55,104	48,812
Romania	48,610	40,549
Belgium	36,605	40,370
Croatia	27,687	37,209
Ukraine	25,012	19,605
Japan	10,711	-
Malta	10,672	10,626
Luxembourg	8,053	-
France	6,667	47,048
Slovakia	5,273	16,863
Portugal	4,835	-
Switzerland	4,826	3,627
Poland	3,899	867
Montenegro	3,185	7,624
USA	2,202	2,975
Serbia	1,787	13,338
Other	3,251	3,842
Total	**2,631,881**	**2,892,382**

Financial instruments by rating categories[1]

Held-for-trading securities as at 30 June 2011

	Baa1		Baa3		Not rated		Total
Corporate shares	-	0.0%	-	0.0%	106,278	99.2%	106,278
Securities issued by the NBH	-	0.0%	36,364	65.7%	-	0.0%	36,364
Government bonds	-	0.0%	17,769	32.1%	-	0.0%	17,769
Mortgage bonds	12,449	100.0%	-	0.0%	315	0.3%	12,764
Hungarian government discounted Treasury Bills	-	0.0%	1,209	2.2%	-	0.0%	1,209
Hungarian government interest bearing Treasury Bills	-	0.0%	22	0.0%	-	0.0%	22
Other securities	-		-	0.0%	554		554

[1] Moody's ratings

		0.0%				0.5%	
Total	**12,449**	**100.00%**	**55,364**	**100.0%**	**107,147**	**100.00%**	**174,960**
Accrued interest							724
Total							**175,684**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Financial instruments by rating categories [continued]

Available-for-sale securities as at 30 June 2011

	Baa1		Baa3		Not rated		Total
Mortgage bonds	339,459	100.0%	-	0.0%	441,855	90.2%	781,314
Government bonds	-	0.0%	318,206	31.2%	-	0.0%	318,206
Bonds issued by NBH	-	0.0%	701,914	68.8%	-	0.0%	701,914
Hungarian government discounted Treasury Bills	-	0.0%	-	0.0%	-	0.0%	-
Other securities	-	0.0%	-	0.0%	48,232	9.8%	48,232
Total	**339,459**	**100.0%**	**1,020,120**	**100.0%**	**490,087**	**100.00%**	**1,849,666**
Accrued interest							40,329
Total							**1,889,995**

Held-to-maturity securities as at 30 June 2011

	Baa1		Baa3		Total
Government bonds	-	0.0%	72,296	99.5%	72,296
Mortgage bonds	60,014	100.0%	-	0.0%	60,014
Hungarian government discounted Treasury bills	-	0.0%	336	0.5%	336
Bonds issued by NBH	-	0.0%	-	0.0%	-
Foreign bonds	-	0.0%	-	0.0%	-
Total	**60,014**	**100.0%**	**72,632**	**100.0%**	**132,646**
Accrued interest					2,266
Total					**134,912**

26.2. Market risk

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

26.2.1 Market risk sensitivity analysis

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk [continued]

26.2.1 Market risk sensitivity analysis [continued]

The VaR of the trading portfolio can be summarized as follows (in HUF mn):

Historical VaR (99%, one-day) by risk type	**Average**	
	30 June 2011	**30 June 2010**
Foreign exchange	290	93
Interest rate	374	1,229
Equity instruments	18	36
Diversification	(248)	(140)
Total VaR exposure	**434**	**1,218**

While VaR captures the Bank's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Bank to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 26.2.2 below and, for interest rate risk, in Note 26.2.3 below.

26.2.2. Foreign currency sensitivity analysis

The following table details the OTP's sensitivity to a increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations were EUR (310) million as at 30 June 2011. High portion of strategic positions are considered as effective hedge of future profit inflows of foreign subsidiaries, and so FX risk alteres the banks capital and not its earnings. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	**Potential gain or loss effects in 3 months period**	
	30 June 2011 In HUF billion	**30 June 2010 In HUF billion**
1%	(9.7)	(9.1)
5%	(6.5)	(5.7)
25%	(2.4)	(1.3)
50%	0.3	1.5
25%	2.8	4.2
5%	6.4	7.9
1%	8.8	10.5

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk [continued]

26.2.3. Interest rate sensitivity analysis

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

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

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

The net interest income in a one year period after 30 June 2011 would be decreased by HUF 1.248 million (probable scenario) and HUF 6.103 million (alternative scenario) as a result of these simulation. This effect is counterbalanced by capital gains (HUF 5.848 million for probable scenario, HUF 9.103 million for alternative scenario) on the government bond portfolio held for hedging.

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

	30 June 2011		**30 June 2010**	
Description	Effects to the net interest income (1Year period)	Effects to capital (Price change of AFS government bonds)	Effects to the net interest income (1Year period)	Effects to capital (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(336)	1,295	(64)	1229
EUR (0.1%) parallel shift	(139)	-	(41)	-
USD 0.1% parallel shift	89	-	(76)	-
Total	**(386)**	**1,295**	**(181)**	**1229**

26.2.4. Equity price sensitivity analysis

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

Description	**30 June 2011**	**31 June 2010**
VaR (99%, one day, million HUF)	18	36
Stress test (million HUF)	(5)	(80)

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk [continued]

26.2.5. Capital management

Capital management

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

Capital adequacy

The capital adequacy of the Bank is supervised based on the finacial statements data prepared in accordance with the Hungarian Accounting Standards („HAS”) applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008.
The Bank has entirely complied with the regulatory capital requirements in the first half of 2011.
The capital adequacy calculations of the Bank for the six month period ended 30 June 2011 are prepared based on the data of the audited financial statements prepared in accordance with HAS. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and the alternative standard method in case of the operational risk.

The calculation of the Capital Adequacy ratio as at 30 June 2011 and as at 31 December 2010 is as follows:

	30 June 2011	**31 December 2010**
Core capital	899,260	813,701
Supplementary capital	293,822	316,237
Deductions	(400,992)	(421,408)
Deductions due to PIBB[1] investments	(368,144)	(386,837)
Deductions due to limit breaches	(32,848)	(34,571)
Regulatory capital	**792,090**	**708,530**
Credit risk capital requirement	239,391	256,998
Market risk capital requirement	31,817	30,166
Operational risk capital requirement	46,319	26,073
Total requirement regulatory capital	**317,527**	**313,237**
Surplus capital	**474,563**	**395,293**
Tier 1 ratio	17.60%	15.40%
Capital adequacy ratio	**20.00%**	**18.10%**

The positive components of the Core capital are: Issued capital, Capital reserve, Tied-up reserve, Profit reserve, Profit for the year, General risk reserve.
The negative components of the Core capital are: Treasury shares, Intangible assets.
The positive components of the Supplementary capital are: Subsidiary loan capital, Subordinated loan capital.

[1] PIBB: Financial Institutions, Investing Enterprises, Insurance Companies

NOTE 27: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the statement of financial position and are referred to as off-balance sheet financial instruments. The following represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities and commitments

	30 June 2011	**31 December 2010**
Legal disputes (disputed value)	8,437,364	9,595,780
Commitments to extend credit	697,412	699,332
Guarantees arising from banking activities	652,784	693,526
Contingent liabilities related to OTP Mortgage Bank Ltd.	3,293	2,532
Confirmed letters of credit	74	1,640
Other	2,765	2,689
Total	**9,793,692**	**10,995,499**

Legal disputes

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

The Victims of Hungarian Holocaust initiated a class action against, among others, OTP Bank Plc. before the United States District Court Northern District of Illinois. OTP Bank Plc. emphasises that „Országos Takarékpénztár Nemzeti Vállalat' was established on 1 March 1949 with no predecessor. OTP Bank Plc. considers the claim against it entirely unfounded.

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.
Provision due to legal disputes were HUF 417 million and HUF 1,476 million as at 30 June 2011 and as 31 December 2010 respectively. (See Note 17)

Commitments to extend credit, guarantees and letter of credit

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

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

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

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

NOTE 27: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Guarantees, payment undertakings arising from banking activities

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

Under a syndication agreement with its wholly owned subsidiary, OTP Mortgage Bank Ltd., the Bank had guaranteed, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. The repurchase guarantee contract of non-performing loans between OTP Mortgage Bank Ltd. and OTP Bank Plc. was modified in 2010. According to the new arrangement the repurchase guarantee was cancelled and the OTP Bank Plc. gives bail to the loans originated or purchased by the Bank.

Derivatives

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.

Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank’s interest rate swap contracts can be hedging or held for trading contracts.

NOTE 27: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Derivatives [continued]

Cross-currency interest rate swaps

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

Forward rate agreements (FRA)

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

The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counter-parties. The Bank's forward rate agreements were transacted for management of interest rate exposures.

NOTE 28: SHARE-BASED PAYMENT

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

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

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

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

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

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

In connection with the equity-settled share-based payment programs the Bank did not recognise any expense in 2010 because the key performance indicators – that were the vesting conditions of the options – were not fulfilled. HUF 4,666 million was recognised as an expense during the six month period ended 30 June 2011.

NOTE 28: SHARE-BASED PAYMENT [continued]

	30 June 2011		31 December 2010	
	Options (number of shares)	Weighted average exercise price (in HUF)	Options (number of shares	Weighted average exercise price (in HUF)
Outstanding at beginning of period	50,000	134	-	-
Granted during the period	-	-	3,068,800	134
Forfeited during the period	-	-	-	-
Repurchased during the period	-	-	2,988,800	134
Exercised during the period	50,000	1,199	30,000	569
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	50,000	134

In 2009 there were no share options having been exercised. 3,068,800 pieces of shares from the total 3,500,000 had became available for exercise for the options of 2009 were granted to the management in relation to their accomplishment and due to personal changes. In 2010 with the consent of the parties the Board of Directors made a decision on the redemption of the option rights garnted for 2009. The redemption price was HUF 3,975 per share. The weighted average remaining contractual life of the options outstanding as at 31 December 2010 is 12 month.

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

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

OTP Bank Plc ensures the share-based payment part for the management personnel of OTP group members.

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

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

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

Year	pieces*	exercise price per share	maximum earnings per share
2011	349,414	3,946	2,500
2012	792,974	3,946	3,000
2013	463,707	4,446	3,500
2014	563,062	4,946	3,500

*Approved by the Board of Directors supposing 100% performance

Effective pieces (presently):		
	2011.	340,950
	2012.	773,762
	2013.	452,480
	2014.	549,425

NOTE 29: RELATED PARTY TRANSACTIONS

The Bank provides loans to subsidiaries, and collects deposits.

Transactions with related parties, other than increases in share capital, are summarized below:

a) Loans provided to subsidiaries

	30 June 2011	31 December 2011
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	286,705	373,729
OTP Financing Netherlands B. V. (The Netherlands)	234,987	247,227
Merkantil Bank Ltd.	186,386	219,628
OTP Financing Solutions B.V. (The Netherlands)	128,650	146,591
OTP Mortgage Bank Ltd.	117,907	119,205
OTP Factoring Ltd	98,513	83,401
OAO OTP Bank (Russia)	67,010	117,218
OTP Real Estate Leasing Ltd.	35,131	36,078
OTP Bank JSC (Ukraine)	24,965	19,567
Merkantil Lease Ltd.	22,429	25,067
OTP Leasing d.d. (Croatia)	22,183	25,068
DSK Leasing AD (Bulgaria)	17,714	20,544
Merkantil Car Ltd.	9,403	10,373
OTP banka Hrvatska Group (Croatia)	3,273	9,700
Crnogorska komerčijalna banka a.d. (Montenegro)	3,187	3,345
OTP Real Estate Ltd.	2,582	2,425
Project 3 Commercial Real Estate Ltd.	2,534	-
OTP Factoring Trustee Ltd.	704	-
OTP Factoring Asset Management	332	-
OTP Air Invest	171	-
OTP banka Srbija a.d. (Serbia)	98	12,183
OTP Banka Slovensko, a.s. (Slovakia)	19	62
DSK Bank EAD (Bulgaria)	-	11,150
OTP Life Annuity Ltd.	-	10,658
Total	**1,264,883**	**1,493,219**

b) Deposits from subsidiaries

	30 June 2011	31 December 2011
Crnogorska komerčijalna banka a.d. (Montenegro)	55,371	37,546
DSK Bank EAD (Bulgaria)	36,142	25,732
OTP Building Society Ltd.	34,822	29,339
OTP Banka Slovensko a.s. (Slovakia)	19,950	12,049
OTP banka Srbija a.d. (Serbia)	13,114	4,068
OTP banka Hrvatska d.d. (Croatia)	7,800	5,886
OAO OTP Bank (Russia)	7,662	42,916
OTP Holding Ltd. (Cyprus)	3,331	5,074
Merkantil Bank Ltd.	2,565	15,969
OTP Real Estate Leasing Ltd.	1,765	1,626
OTP Factoring Ltd.	1,641	262
OTP Funds Servicing and Consulting Ltd.	1,351	-
OTP Real Estate Ltd.	699	-
OTP Financing Netherlands B. V. (The Netherlands)	451	797
Concordia Info Ltd.	377	297
Merkantil Lease Ltd.	100	528
OTP Mortgage Bank Ltd.	84	2,317
OTP Financing Cyprus Co. Ltd. (Cyprus)	80	-
Total	**187,305**	**184,406**

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

c) Interests received by the Bank

	Six month period ended 30 June 2011	**Six month period ended 30 June 2010**
OTP Mortgage Bank Ltd.	32,148	36,50
OTP Financing Netherlands	4,527	5,16
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	3,883	2,22
OTP Financing Solutions	3,327	3,02
OTP Factoring Ltd..	2,716	1,27
Merkantil Bank Ltd.	2,451	2,14
OAO OTP Bank (Russia)	2,220	4,23
Merkantil Lease Ltd.	799	1,06
DSK Bank EAD (Bulgaria)	3	225
Other	1,824	5,11
Total	**53,898**	**60,96**

d) Interests paid by the Bank

	Six month period ended 30 June 2011	**Six month period ended 30 June 2010**
OTP Mortgage Bank Ltd.	2,518	3,664
Merkantil Lease Ltd.	1,266	1,491
OAO OTP Bank (Russia)	703	1,143
Merkantil Bank Ltd.	532	55
Other	633	3,990
Total	**6,120**	**11,584**

e) Commissions received by the Bank

	Six month period ended 30 June 2011	**Six month period ended 30 June 2010**
From OTP Fund Management Ltd. in relation to trading activity	3,154	3,474
From OTP Building Society Ltd. in relation to finalised customer contracts	1,154	862
From OTP Fund Management Ltd. in relation to custody activity	291	243
Other	148	252
Total	**4,747**	**4,831**

f) Commissions paid by the Bank

	Six month period ended 30 June 2011	**Six month period ended 30 June 2010**
OTP Bank Romania (Romania) related to loan portfolio handling	283	265
Crnogorska komercijalna banka a.d. (Montenegro) related to loan portfolio handling	155	-
Total	**438**	**265**

g) Transactions related to OTP Mortgage Bank Ltd.:

	Six month period ended 30 June 2011	**Six month period ended 30 June 2010**
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	2,994	6,687
The gross book value of the loans sold	2,993	6,683
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	9,195	19,969
Provision for the purchase obligation of the non-performing loans originated by OTP Mortgage Bank Ltd.	217	284

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

h) Transactions related to OTP Factoring Ltd.:

	Six month period ended 30 June 2011	Six month period ended 30 June 2010
Loans sold to OTP Factoring Ltd. without recourse (including interest)	22,781	17,633
The gross book value of the loans	45,410	40,892
Provision for loan losses on the loans sold	16,797	20,215
Loss on these transaction (recorded in the unconsolidated financial statements as loan and placement loss)	5,832	3,044

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

i) Transactions related OTP Banka Slovensko a.s. (Slovakia)

	30 June 2011	31 December 2011
Securities issued by OBS held by the Bank (nominal value in HUF million)	13,281	13,938

j) Related party transactions with key management

The compensation of key management, such as the members of the Board of Directors, the members of the Supervisory Board and the employees involved in the decision-making process in accordance with the compensation categories defined in IAS 24 Related Party Disclosures, is summarised below:

Compensations	30 June 2011	31 December 2010
Short-term employee benefits	1,588	6,961
Long-term employee benefits	327	-
Share-based payment	1,171	-
Total	**3,086**	**6,961**

	30 June 2011	31 December 2010
Loans provided to companies owned by the management (in the normal course of business)	34,167	36,617
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at market conditions)	115	117
Commitments to extend credit and bank guarantees	46	9

In the normal course of business, the Bank enters into other transactions with its subsidiaries, the amounts and volumes of which are not significant to these financial statements taken as a whole.

NOTE 30: TRUST ACTIVITIES

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

	30 June 2011	31 December 2010
Loans managed by the Bank as a trustee	42,840	44,095

NOTE 31: CONCENTRATION OF ASSETS AND LIABILITIES

	30 June 2011	31 December 2010
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	19%	13%
Securities issued by the OTP Mortgage Bank Ltd.	13%	13%

There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2011 and as at 31 December 2010.

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

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

NOTE 32: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

NOTE 32: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at 30 June 2011	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	171,999	-	-	-	-	171,999
Placements with other banks, net of allowance for placement losses	474,188	51,325	157,846	7,017	-	690,376
Financial assets at fair value through profit or loss	68,614	34,777	72,046	120,596	-	296,033
Securities available-for-sale	745,501	365,779	428,632	350,083	-	1,889,995
Loans, net of allowance for loan losses	148,697	462,680	1,042,880	844,650	-	2,498,907
Investments in subsidiaries	-	-	-	-	640,213	640,213
Securities held-to-maturity	557	76,016	44,793	13,546	-	134,912
Property and equipment	-	-	-	-	71,518	71,518
Intangible assets	-	-	-	-	31,578	31,578
Other assets	59,550	9,951	1,043	60	-	70,604
TOTAL ASSETS	**1,669,106**	**1,000,528**	**1,747,240**	**1,335,952**	**743,309**	**6,496,135**
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	410,740	10,356	302,218	66,491	-	789,805
Deposits from customers	2,729,792	681,467	22,168	6,428	-	3,439,855
Liabilities from issued securities	84,193	249,143	54,343	39,704	-	427,383
Financial liabilities at fair value through profit or loss	19,925	22,132	93,593	6,812	-	142,462
Other liabilities	237,793	1,358	2,097	3,891	-	245,139
Subordinated bonds and loans	10,472	-	38,201	129,657	112,619	290,949
TOTAL LIABILITIES	**3,492,915**	**964,456**	**512,620**	**252,983**	**112,619**	**5,335,593**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,136,199	1,136,199
Treasury shares	-	-	-	-	(3,657)	(3,657)
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,160,542**	**1,160,542**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,492,915**	**964,456**	**512,620**	**252,983**	**1,273,161**	**6,496,135**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,823,809)**	**36,072**	**1,234,620**	**1,082,969**	**(529,852)**	**-**

NOTE 32: **MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]**

As at 31 December 2009	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	171,677	-	-	-	-	171,677
Placements with other banks, net of allowance for placement losses	481,052	113,021	197,273	3,340	-	794,686
Financial assets at fair value through profit or loss	36,510	40,327	52,307	13,814	105,832	248,790
Securities available-for-sale	340,101	413,620	261,810	462,399	-	1,477,930
Loans, net of allowance for loan losses	164,530	485,384	1,170,145	903,725	-	2,723,784
Investments in subsidiaries	-	-	-	-	637,819	637,819
Securities held-to-maturity	20,475	19,070	87,195	27,263	-	154,003
Property and equipment	-	-	-	-	70,004	70,004
Intangible assets	-	-	-	-	35,145	35,145
Other assets	22,994	18,157	3,239	122	-	44,512
TOTAL ASSETS	**1,237,339**	**1,089,579**	**1,771,969**	**1,410,663**	**848,800**	**6,358,350**
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	467,019	7,919	173,369	93,538	-	741,845
Deposits from customers	2,623,422	625,910	22,566	7,675	-	3,279,573
Liabilities from issued securities	84,689	345,617	54,870	27,290	-	512,466
Financial liabilities at fair value through profit or loss	83,073	73,885	94,376	5,994	-	257,328
Other liabilities	222,885	2,181	2,898	3,324	-	231,288
Subordinated bonds and loans	3,454	-	39,844	135,724	118,616	297,638
TOTAL LIABILITIES	**3,484,542**	**1,055,512**	**387,923**	**273,545**	**118,616**	**5,320,138**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,013,941	1,013,941
Treasury shares	-	-	-	-	(3,729)	(3,729)
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,038,212**	**1,038,212**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**(3,484,542)**	**1,055,512**	**387,923**	**273,545**	**1,156,828**	**6,358,350**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,247,203)**	**34,067**	**1,384,046**	**1,137,118**	**(308,028)**	**-**

NOTE 33: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 30 June 2011

	USD	EUR	CHF	Others	Total
Assets[1]	435,227	1,321,188	775,193	108,409	2,640,017
Liabilities	(133,089)	(1,323,829)	(118,938)	(25,048)	(1,600,904)
Off-balance sheet assets and liabilities, net	(258,802)	(175,286)	(668,944)	(88,742)	(1,191,774)
Net position	**43,336**	**(177,927)**	**(12,689)**	**(5,381)**	**(152,661)**

As at 31 December 2010

	USD	EUR	CHF	Others	Total
Assets[1]	550,292	1,440,636	872,212	101,832	2,964,972
Liabilities	(169,281)	(1,292,680)	(131,374)	(32,729)	(1,626,064)
Off-balance sheet assets and liabilities, net	(363,785)	(295,662)	(736,050)	(92,824)	(1,488,321)
Net position	**17,226**	**(147,706)**	**4,788**	**(23,721)**	**(149,413)**

The table above provides an analysis of the Bank’s main foreign currency exposures. The remaining foreign currencies are shown within ‘Others’. Whilst the Bank monitors its foreign exchange position for compliance with the regulatory requirements of the Hungarian National Bank and own limit system established in respect of limits on open positions. The measurement of the Bank’s open foreign currency position involves monitoring the ‘Value-at-Risk’ limit on the foreign exchange exposure of the Bank.

NOTE 34: INTEREST RATE RISK MANAGEMENT

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

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

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

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

[1] The assets category contains foreign currency investments in subsidiaries that are measured at cost, and are deducted from the net position calculation.

NOTE 34: **INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]**

As at 30 June 2011	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
ASSETS	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**Total**
Cash, amounts due from banks and balances with the National Bank of Hungary	**78,600**	**23,623**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65,121**	**4,655**	**143,721**	**28,278**	**171,999**
fixed interest	78,600	23,623	-	-	-	-	-	-	-	-	-	-	78,600	23,623	**102,223**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	65,121	4,655	65,121	4,655	**69,776**
Placements with other banks	**85,646**	**313,065**	**-**	**236,311**	**-**	**28,63**	**-**	**250**	**-**	**25,400**	**19**	**1,049**	**85,665**	**604,711**	**690,376**
fixed interest	85,338	309,398	-	17,850	-	20,934	-	250	-	25,400	-	-	85,338	373,832	**459,170**
variable interest	308	3,667	-	218,461	-	7,70	-	-	-	-	-	-	308	229,830	**230,138**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	19	1,049	19	1,049	**1,068**
Securities held for trading	**36,481**	**11,114**	**658**	**-**	**858**	**5,17**	**1,763**	**649**	**9,80**	**2,169**	**106,463**	**554**	**156,025**	**19,659**	**175,684**
fixed interest	36,481	11,114	658	-	773	5,17	1,763	649	9,80	2,169	-	-	49,477	19,105	**68,582**
variable interest	-	-	-	-	85	-	-	-	-	-	-	-	85	-	**85**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	106,463	554	106,463	554	**107,017**
Securities available-for-sale	**701,914**	**3,257**	**-**	**13,554**	**30,01**	**335,76**	**108,555**	**-**	**599,50**	**31,19**	**51,686**	**14,555**	**1,491,673**	**398,322**	**1,889,995**

fixed interest	701,914	3,257	-	-	30,01	335,76	108,555	-	599,50	31,19	-	-	1,439,987	370,213	**1,810,200**
variable interest	-	-	-	13,554	-	-	-	-	-	-	-	-	-	13,554	**13,554**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	51,686	14,555	51,686	14,555	**66,241**
Loans, net of allowance for loan losses	**857,237**	**551,168**	**35,120**	**795,428**	**8,66**	**141,95**	**858**	**3,253**	**7,40**	**80,59**	**7,876**	**9,353**	**917,156**	**1,581,751**	**2,498,907**
fixed interest	9,436	2,640	34	62	583	417	858	3,253	7,40	80,59	-	-	18,316	86,967	**105,283**
variable interest	847,801	548,528	35,086	795,366	8,07	141,53	-	-	-	-	-	-	890,964	1,485,431	**2,376,395**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,876	9,353	7,876	9,353	**17,229**
Securities held-to-maturity	**-**	**-**	**25,561**	**-**	**81,16**	**-**	**1,949**	**-**	**23,97**	**-**	**2,266**	**-**	**134,912**	**-**	**134,912**
fixed interest	-	-	-	-	70,96	-	1,949	-	23,97	-	-	-	96,888	-	**96,888**
variable interest	-	-	25,561	-	10,19	-	-	-	-	-	-	-	35,758	-	**35,758**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	2,266	-	2,266	-	**2,266**
Derivative financial instruments	**633,441**	**1,126,926**	**974,694**	**483,973**	**196,92**	**89,32**	**7,905**	**1,951**	**28,73**	**1,83**	**-**	**-**	**1,841,705**	**1,704,007**	**3,545,712**
fixed interest	185,073	862,957	120,195	65,156	130,07	33,34	7,329	1,951	28,33	1,83	-	-	471,012	965,245	**1,436,257**
variable interest	448,368	263,969	854,499	418,817	66,85	55,97	576	-	400	-	-	-	1,370,693	738,762	**2,109,455**

NOTE 34: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2011	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		
LIABILITIES	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**Total**
Amounts due to banks and Hungarian	**196,364**	**450,881**	**7,421**	**122,939**	**1,867**	**3,723**	**3**	**249**	**313**	**4,002**	**978**	**1,065**	**206,946**	**582,859**	**789,805**

Government, deposits from the National Bank of Hungary and other banks															
fixed interest	66,893	144,067	2,155	5,452	1,867	3,564	3	249	313	4,002	-	-	71,231	157,334	**228,565**
variable interest	129,471	306,814	5,266	117,487	-	159	-	-	-	-	-	-	134,737	424,460	**559,197**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	978	1,065	978	1,065	**2,043**
Deposits from customers	**1,243,260**	**281,192**	**655,102**	**198,450**	**295,880**	**84,916**	**5,632**	**3,006**	**571,446**	**86,796**	**12,909**	**1,266**	**2,784,229**	**655,626**	**3,439,855**
fixed interest	852,021	273,090	649,687	198,450	295,880	84,916	5,632	3,006	5,668	-	-	-	1,808,888	559,462	**2,368,350**
variable interest	391,239	8,102	5,415	-	-	-	-	-	565,778	86,796	-	-	962,432	94,898	**1,057,330**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	12,909	1,266	12,909	1,266	**14,175**
Liabilities from issued securities	**28,751**	**-**	**50,499**	**4,097**	**194,175**	**30,956**	**3,858**	**-**	**104,918**	**645**	**9,196**	**288**	**391,397**	**35,986**	**427,383**
fixed interest	28,751	-	50,499	4,097	194,175	30,956	3,858	-	104,918	645	-	-	382,201	35,698	**417,899**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,196	288	9,196	288	**9,484**
Derivative financial instruments	**596,192**	**1,196,935**	**35,998**	**1,331,525**	**102,060**	**260,521**	**11,105**	**2,935**	**21,909**	**11,720**	**1,005**	**-**	**768,269**	**2,803,636**	**3,571,905**
fixed interest	594,772	460,594	24,157	149,233	31,028	204,855	9,859	2,935	21,909	11,720	-	-	681,725	829,337	**1,511,062**
variable interest	1,420	736,341	11,841	1,182,292	71,032	55,666	1,246	-	-	-	-	-	85,539	1,974,299	**2,059,838**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,005	-	1,005	-	**1,005**
Subordinated bonds and loans	**-**	**-**	**-**	**31,164**	**-**	**-**	**-**	**-**	**5,000**	**244,313**	**-**	**10,472**	**5,000**	**285,949**	**290,949**
fixed interest	-	-	-	-	-	-	-	-	5,000	244,313	-	-	5,000	244,313	**249,313**
variable interest	-	-	-	31,164	-	-	-	-	-	-	-	-	-	31,164	**31,164**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	10,472	-	10,472	**10,472**
NET POSITION	**328,752**	**100,145**	**287,013**	**(158,909)**	**(276,353)**	**220,732**	**100,432**	**(87)**	**(34,171)**	**(206,284)**	**209,343**	**17,075**	**615,016**	**(27,328)**	**587,688**

NOTE 34: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2010	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total	
ASSETS	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreign currency	HUF	Foreig
Cash, amounts	**100,524**	**8,510**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**57,648**	**4,995**	**158,172**	

due from banks and balances with the National Bank of Hungary													
fixed interest	100,524	8,510	-	-	-	-	-	-	-	-	-	-	100,524
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	57,648	4,995	57,648
Placements with other banks	**52,880**	**351,463**	**309**	**283,497**	**-**	**77,557**	**-**	**256**	**-**	**27,242**	**48**	**1,434**	**53,237**
fixed interest	52,880	346,571	-	22,271	-	74,163	-	256	-	27,242	-	-	52,880
variable interest	-	4,892	309	261,226	-	3,394	-	-	-	-	-	-	309
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	48	1,434	48
Securities held for trading	**20,000**	**-**	**227**	**256**	**3,690**	**4,361**	**2,483**	**-**	**8,680**	**2,072**	**105,954**	**136**	**141,034**
fixed interest	20,000	-	209	256	3,690	4,361	2,483	-	8,680	2,072	-	-	35,062
variable interest	-	-	18	-	-	-	-	-	-	-	-	-	18
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	105,954	136	105,954
Securities available-for-sale	**300,648**	**-**	**-**	**14,110**	**59,821**	**353,799**	**19,741**	**-**	**641,961**	**29,999**	**56,197**	**1,654**	**1,078,368**
fixed interest	300,648	-	-	-	59,821	353,799	19,741	-	641,961	29,999	-	-	1,022,171
variable interest	-	-	-	14,110	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	56,197	1,654	56,197
Loans, net of allowance	**754,740**	**650,118**	**22,404**	**396,237**	**146,938**	**648,316**	**561**	**112**	**6,184**	**81,387**	**7,856**	**8,931**	**938,683**

for loan losses													
fixed interest	8,351	-	31	62	476	174	561	112	6,184	81,387	-	-	15,603
variable interest	746,389	650,118	22,373	396,175	146,462	648,142	-	-	-	-	-	-	915,224
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,856	8,931	7,856
Securities held-to-maturity	**20,017**	**-**	**21,261**	**-**	**25,928**	**-**	**55,330**	**-**	**25,877**	**-**	**5,590**	**-**	**154,003**
fixed interest	-	-	14,051	-	15,731	-	55,330	-	25,877	-	-	-	110,989
variable interest	20,017	-	7,210	-	10,197	-	-	-	-	-	-	-	37,424
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	5,590	-	5,590
Derivative financial instruments	**811,957**	**1,132,002**	**818,718**	**557,299**	**394,740**	**106,790**	**3,479**	**3,029**	**26,202**	**2,087**	**-**	**-**	**2,055,096**
fixed interest	459,293	817,193	41,739	100,136	321,630	106,637	3,479	3,029	26,202	2,087	-	-	852,343
variable interest	352,664	314,809	776,979	457,163	73,110	153	-	-	-	-	-	-	1,202,753

<u>NOTE 34</u>: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2010	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		
LIABILITIES	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**Total**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	**130,132**	**427,959**	**16,001**	**34,496**	**118,884**	**3,703**	**4**	**3,729**	**283**	**5,000**	**804**	**850**	**266,10**	**475,737**	**741,845**
fixed interest	127,652	143,407	8,418	124	3,874	3,401	4	3,729	283	5,000	-	-	140,23	155,661	**295,892**
variable interest	2,480	284,552	7,583	34,372	115,010	302	-	-	-	-	-	-	125,07	319,226	**444,299**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	804	850	804	850	**1,654**

Deposits from customers	**934,713**	**199,785**	**627,955**	**211,155**	**477,108**	**131,586**	**10,819**	**2,391**	**570,638**	**103,557**	**8,692**	**1,17**	**2,629,92**	**649,648**	**3,279,573**
fixed interest	504,210	192,074	610,991	211,155	476,580	131,586	10,819	2,391	5,401	-	-	-	1,608,00	537,206	**2,145,207**
variable interest	430,503	7,711	16,964	-	528	-	-	-	565,237	103,557	-	-	1,013,23	111,268	**1,124,500**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8,692	1,17	8,69	1,174	**9,866**
Liabilities from issued securities	**27,499**	-	**42,284**	-	**179,473**	**157,883**	**2,266**	**18,147**	**76,491**	**260**	**7,831**	**332**	**335,84**	**176,622**	**512,466**
fixed interest	27,499	-	42,284	-	179,473	157,883	2,266	18,147	76,491	260	-	-	328,01	176,290	**504,303**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,831	332	7,83	332	**8,163**
Derivative financial instruments	**641,747**	**1,377,362**	**43,305**	**1,336,517**	**74,064**	**499,239**	**9,630**	**2,495**	**12,736**	**12,551**	-	-	**781,48**	**3,228,164**	**4,009,646**
fixed interest	629,848	644,609	32,495	108,703	56,926	436,383	9,630	2,495	12,736	12,551	-	-	741,63	1,204,741	**1,946,376**
variable interest	11,899	732,753	10,810	1,227,814	17,138	62,856	-	-	-	-	-	-	39,84	2,023,423	**2,063,270**
Subordinated bonds and loans	-	-	-	**34,844**	-	-	-	-	**5,000**	**254,340**	**8**	**3,44**	**5,00**	**292,630**	**297,638**
fixed interest	-	-	-	-	-	-	-	-	5,000	254,340	-	-	5,00	254,340	**259,340**
variable interest	-	-	-	34,844	-	-	-	-	-	-	-	-	-	34,844	**34,844**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8	3,44	8	3,446	**3,454**
NET POSITION	**326,675**	**136,987**	**133,374**	**(365,613)**	**(218,412)**	**398,412**	**58,875**	**(23,365)**	**43,756**	**(232,921)**	**215,958**	**11,34**	**560,22**	**(75,152)**	**485,074**

NOTE 35: EARNINGS PER SHARE

Earnings per share attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders, after the deduction of declared preference dividends, by the weighted average number of ordinary shares outstanding during the year.

	30 June 2011	31 December 2010
Net profit for the year attributable to ordinary shareholders (in HUF mn)	110,594	124,664
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	277,890,523	277,830,864
Basic Earnings per share (in HUF)	**398**	**449**
Unconsolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	110,594	124,664
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	277,890,523	280,963,042
Diluted Earnings per share (in HUF)	**398**	**444**

number of share

	30 June 2011	31 December 2010
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(2,109,487)	(2,169,146)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**277,890,523**	**277,830,864**
Dilutive effect of options issued in accordance with Management Option Program and convertible into ordinary shares	-	3,132,178
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**277,890,523**	**280,963,042**

NOTE 36: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 30 June 2011	Net interest income and expense	Net non-interest gain and loss	Provision	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	3,256	-	-	-
Placements with other banks, net of allowance for placement losses	8,011	-	546	-
Securities held for trading	1,023	1,814	-	-
Securities available-for-sale	55,623	(131)	-	23,834
Loans, net of allowance for loan losses	103,741	11,723	3,942	-
From this: Corporate loans	*45,467*			
Consumer loans	*43,514*			
Housing loans	*4,362*			
Municipality loans	*7,291*			
Mortgage backed loans	*3,107*			
Securities held-to-maturity	5,083	(180)	-	-
Derivative financial instruments	27,129	(219)	-	-
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	(8,497)	-	-	-
Deposits from customers	(59,867)	34,811	-	-
Liabilities from issued securities	(15,245)	-	-	-
Subordinated bonds and loans	(7,830)	-	-	-
Total	**112,427**	**47,818**	**4,488**	**23,834**

As at 31 December 2010	Net interest income and expense	Net non-interest gain and loss	Provision	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	4,807	-	-	-
Placements with other banks, net of allowance for placement losses	20,182	-	748	-
Securities held for trading	2,399	415	-	-
Securities available-for-sale	107,113	4,397	5,220	(5,235)
Loans, net of allowance for loan losses	215,455	40,994	(45,042)	-
From this: Corporate loans	*91,617*			
Consumer loans	*89,526*			
Housing loans	*14,780*			
Municipality loans	*12,884*			
Mortgage backed loans	*6,648*			
Securities held-to-maturity	13,752	(3,356)	4,164	-
Derivative financial instruments	63,792	(12,404)	-	-
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	(18,808)	-	-	-
Deposits from customers	(115,725)	70,437	-	-
Liabilities from issued securities	(33,892)	-	-	-
Subordinated bonds and loans	(16,243)	-	-	-
Total	**242,832**	**100,483**	**(34,910)**	**(5,235)**

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 37. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.
To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortised cost, the Bank used the discounted cash-flow analysis (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Bank of Hungary represent amounts available immediately thus the fair value equals to the cost.
The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

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

a) ***Fair value of financial assets and liabilities***

	30 June 2011		**31 Decemb**
	Carrying amount	**Fair value**	**Carrying amount**
Cash, amounts due from banks and balances with the National Bank of Hungary	171,999	171,999	171,677
Placements with other banks, net of allowance for placement losses	690,376	689,922	794,686
Financial assets at fair value through profit or loss	296,033	296,033	248,790
Held for trading securities	*175,684*	*175,684*	*147,859*
Derivative financial instruments designated as held for trading	*120,349*	*120,349*	*100,931*
Securities available-for-sale	1,889,995	1,889,995	1,477,930
Loans, net of allowance for loan losses	2,498,907	2,750,480	2,723,784
Securities held-to-maturity	134,912	132,921	154,003
Derivative financial instruments designated as hedging instruments	1,649	1,649	8,477
FINANCIAL ASSETS TOTAL	**5,683,871**	**5,932,999**	**5,579,347**
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	741,845	784,410	741,845
Deposits from customers	3,279,573	3,423,133	3,279,573
Liabilities from issued securities	512,466	428,105	512,466
Derivative financial instruments designated as hedging instruments	7,143	7,143	7,143
Financial liabilities at fair value through profit or loss	257,328	257,328	257,328
Financial liabilities from OTP-MOL transaction	105,766	105,766	105,766
Subordinated bonds and loans	297,638	230,661	297,638
FINANCIAL LIABILITIES TOTAL	**5,201,759**	**5,236,546**	**5,201,759**

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	30 June 2011	**31 December 2010**	**30 June 2011**	**31 December 2010**
Interest rate swaps designated as held for trading				
Positive fair value of interest rate swaps designated as held for trading	32,075	34,414	42,151	44,613
Negative fair value of interest rate swaps designated as held for trading	(42,560)	(40,064)	(55,988)	(59,736)
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	19,048	18,084	23,165	22,973
Negative fair value of foreign exchange swaps designated as held for trading	(11,187)	(5,426)	(11,736)	(5,100)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	1,649	8,477	(3,671)	13,412
Negative fair value of interest rate swaps designated in fair value hedge	(5,729)	(7,143)	(74,730)	(11,479)
CCIRS designated as held for trading				
Positive fair value of CCIRS designated as held for trading	47,507	35,408	67,158	21,434
Negative fair value of CCIRS designated as held for trading	(80,869)	(197,450)	(55,880)	(177,976)
Mark-to-market CCIRS designated as held for trading				
Positive fair value of mark-to-market CCIRS designated as held for trading	16,608	7,399	58,181	40,124
Negative fair value of mark-to-market CCIRS designated as held for trading	(2,106)	(9,437)	(1,105)	1,852
Other derivative contracts designated as held for trading				
Positive fair value of other derivative contracts designated as held for trading	5,111	5,626	2,245	2,161
Negative fair value of other derivative contracts designated as held for trading	(5,740)	(4,951)	(2,734)	(1,700)
Derivative financial assets total	**121,998**	**109,408**	**189,229**	**144,717**
Derivative financial liabilities total	**(148,191)**	**(264,471)**	**(202,173)**	**(254,139)**
Derivative financial instruments total	**(26,193)**	**(155,063)**	**(12,944)**	**(109,422)**

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting

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

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

As at 30 June 2011

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF (4,080) million	Interest rate
3) Net investment hedge in foreign operations	-	-	-

As at 31 December 2010

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF 1,334 million	Interest rate
3) Net investment hedge in foreign operations	-	-	-

d) Fair value hedges

1. Deposits from customers

The interest payment cash-flows of some structured deposits of the Bank denominated in HUF are exposed to the change of equity prices, equity indices or the change of EUR/HUF exchange rate. In order to hedge the interest rate risk of the interest payments the Bank entered into interest rate swap transactions, where the risk of the cash-flow's from the structured deposits were swapped to payments linked to 3 or 6 months BUBOR, resulting in a decrease in the fair value exposure of the deposits from customers.

	30 June 2011	31 December 2010
Fair value of the hedging instruments	251	(61)

2. Securities available-for-sale

The Bank holds fixed interest rate securities denominated in foreign currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates. In order to hedge the interest rate risk of the cash-flows the Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 6 month LIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	30 June 2011	31 December 2010
Fair value of the hedging instruments	(167)	(128)

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value hedges [continued]

3. Loans to customers

The Bank has fixed interest rate loans denominated in various currencies. These fixed interest rate loans are exposed to fair value risk of changes of risk-free interest rates. In order to hedge the interest rate risk of the cash-flows the Bank entered into pay-fixed, receive-floater interest rate swap transactions, where the risk of the payments from the loans are swapped to payments linked to 3 or 6 month LIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.

	30 June 2011	**31 December 2010**
Fair value of the hedging instruments	(631)	(1,238)

4. Issued securities

The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the EUR/CHF and EUR/JPY foreign exchange rate and the risk of change in the risk-free interest rates of EUR, CHF and JPY. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR-CHF and EUR-JPY CCIRS transactions, where the fixed EUR cash-flows were swapped to payments linked to 3 or 6 month CHF or JPY LIBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

	30 June 2011	**31 December 2010**
Fair value of the hedging instruments	(3,533)	2,761

NOTE 37: **FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

d) Fair value hedges [continued]

As at 30 June 2010

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk	
				on the hedged items	on the hedging instruments
Securities available-for-sale	IRS	HUF 17,929 million	HUF (167) million	HUF (146) million	HUF 146 million
Loans to customers	IRS	HUF 49,602 million	HUF (631) million	HUF (124) million	HUF 124 million
Deposits from customers	IRS	HUF 24,177 million	HUF 251 million	HUF (311) million	HUF 311 million
Liabilities from issued securities	IRS	HUF 105,893 million	HUF (3,533) million	HUF 6,293 million	HUF (6,293) million

As at 31 December 2010

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk	
				on the hedged items	
Securities available-for-sale	IRS	HUF 23,002 million	HUF (128) million	HUF 483 million	Securities available-for-sale
Loans to customers	IRS	HUF 47,470 million	HUF (1,238) million	HUF (160) million	Loans to customers
Deposits from customers	IRS	HUF 20,436 million	HUF (61) million	HUF 3,522 million	Deposits from customers
Liabilities from issued securities	IRS	HUF 206,489 million	HUF 2,761 million	HUF 5,343 million	Liabilities from issued securities

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

e) Fair value classes

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

- 1st Level: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2nd Level: inputs other than quoted prices included within Level 1, that are observable for the asset or liabilitiy either directly or indirectly;
- 3rd Level: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 30 June 2011	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	295,309	168,338	126,971	-
from this: securities held for trading	*174,960*	*168,318*	*6,642*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*120,349*	*20*	*120,329*	-
Securities available-for-sale	1,849,666	1,011,685	837,981	-
Positive FVA of derivative financial instruments designated as hedge accounting relationship	1,649	-	1,649	-
Financial assets measured at fair value total	**2,146,624**	**1,180,023**	**966,601**	**-**
Negative FVA of derivative financial instruments designated as held for trading	142,462	5	142,457	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	5,729	-	5,729	-
Financial liabilities measured at fair value total	**148,191**	**5**	**148,186**	**-**

As at 31 December 2010	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	248,546	147,433	101,113	-
from this: securities held for trading	*147,615*	*147,333*	*282*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*100,931*	*100*	*100,831*	-
Securities available-for-sale	1,438,477	610,823	827,654	-
Positive FVA of derivative financial instruments designated as hedge accounting relationship	8,477	-	8,477	-
Financial assets measured at fair value total	**1,695,500**	**758,256**	**937,244**	**-**

Negative FVA of derivative financial instruments designated as held for trading	257,328	7	257,321	-
Negative FVA of derivative financial instruments designated as hedge accounting relationship	7,143	-	7,143	-
Financial liabilities measured at fair value total	**264,471**	**7**	**264,464**	**-**

NOTE 38: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS ("HAS") AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)

	Retained Earnings and Reserves as at 1 January 2011	Net profit for the six month period ended 30 June 2011	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 30 June 2011
Financial Statements in accordance with HAS	**899,241**	**112,875**	**(20,020)**	**(2,976)**	**989,120**
Reversal of statutory general provision	40,156	(2,731)	-	-	37,425
Premium and discount amortization of financial instruments measured at amortised cost[1]	386	(245)	-	-	141
Effect of redemption of issued securities	22,559	(2,413)	-	-	20,146
Differences in carrying value of subsidiaries	34,115	(10,000)	-	10,000	34,115
Difference in accounting for finance leases	(3,456)	563	-	-	(2,893)
Effect of using effective interest rate method	3,645	833	-	-	4,478
Fair value adjustment of held for trading and available-for-sale financial assets	(9,205)	(1,552)	-	32,133	21,376
Fair value adjustment of derivative financial instruments	19,905	(5,914)	-	-	13,991
Reversal of statutory goodwill	12,558	-	-	-	12,558
Revaluation of investments denominated in foreign currency to historical cost	20,784	21,778	-	-	42,562
Difference in accounting of security lending	(15,144)	(2,667)	-	-	(17,811)
Treasury share transaction	-	16	-	(16)	-
Written put option on ordinary shares	(55,468)	-	-	-	(55,468)
Reclassification of direct charges to reserves	-	7,024	-	(7,024)	-
Share-based payment	-	(4,666)	-	4,666	-
Payments to ICES holders	21,818	(2,871)	-	(1,878)	17,069
Deferred taxation	1,887	564	-	(3,081)	(630)
Dividend payable for 2010	20,160	-	(20,160)	-	-
Dividend recognised in the HAS financial statements	-	-	20,020	-	20,020
Nemzetközi beszámoló	**1,013,941**	**110,594**	**(20,160)**	**31,824**	**1,136,199**

[1] inc. effects of using effective interest rate method

NOTE 39: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2011

1) Long Term Loan Facility

See Note 13

2) EU Wide Stress Test Result

OTP Bank Plc. was subject to the 2011 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the Hungarian Financial Supervisory Authority, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB). OTP Bank Plc. is a market leader of the Hungarian market with over 20% of market share of assets. It has subsidiaries in eight countries of the Central- and Eastern European region. OTP Bank Plc. notes the announcements made today by the EBA, the Hungarian Financial Supervisory Authority and the Ministry for National Economy on the EU-wide stress test and fully acknowledges the outcomes of this exercise. The EU-wide stress test, carried out across 91 banks covering over 65% of the EU banking system total assets, seeks to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under certain restrictive conditions. The assumptions and methodology were established to assess banks' capital adequacy against a 5% Core Tier 1 capital benchmark and are intended to restore confidence in the resilience of the banks tested. The adverse stress test scenario was set by the ECB and covers a two-year time horizon (2011-2012). The stress test has been carried out using a static balance sheet assumption as at 31 December 2010. The stress test does not take into account future business strategies and management actions and is not a forecast of OTP Bank Plc. profits. The EU-wide stress test requires that the results and weaknesses identified, which will be disclosed to the market, are acted on to improve the resilience of the financial system. The estimated consolidated Core Tier 1 capital ratio of OTP Bank Plc. would change to 17.2% under the baseline scenario and to 13.6% under the adverse scenario in 2012 compared to 12.3% as of end of 2010. Following completion of the EU-wide stress test, the results determine that OTP Bank Plc. meets the capital benchmark set out for the purpose of the stress test. The bank will continue to ensure that appropriate capital level must be maintained.

3) „Home Protection Action Plan" to help mortgage loan debtors with payment difficulties

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

On 28 July 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates has been announced. Accordingly, the natural person FX mortgage debtor can initiate between 12 August and 31 December 2011 the fixing of the exchange rate used to specify his monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates are set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provide a special purpose HUF denominated mortgage loan (so called „escrow account loan"), granting of which is not regulated by the rules of prudent lending. During the time of fixing, the Bank is entitled to charge the 3-months BUBOR interest rate on the HUF obligations on the escrow account. Accumulating interest on the account could be capitalised in every three months. From January 2015, instalments of both the original mortgage and the escrow account loans have to be paid. From that time the interest rate charged on the escrow account must not surpass the market rate applicable for HUF denominated mortgages provided for the same purpose as the original FX mortgage loan. The Government backs the escrow account in full through a State Guarantee during the fixed exchange rate period, the guarantee applies to 25% of the escrow 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 October 1, 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.

NOTE 39: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2011 [continued]

3) „Home Protection Action Plan" to help morgage loan debtors with payment difficulties [continued]

3. Interest subsidy scheme

Mortgage loan debtors with more than 90 days past due instalments can apply for subsidized loan if the debtor concerned is willing to sell his/her home and moves to cheaper accommodation. Interest rate subsidy – depending on the fulfilment of personal eligibility criteria – is provided up to 5 years, and it can be a maximum of 3.5% in the first year, decreased by 0.5 percentage points each year thereafter. The yearly budgetary impact of the program cannot exceed HUF 1.5 billion.

4. National Asset Management Company (NAMC) and social family-house building 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 National Asset Management Company 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. Enabling EUR-denominated mortgage lending

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

NOTE 40: POST BALANCE SHEET EVENTS

1) Partial cancellation of EUR 125 million subordinated notes

On 26 August 2011 The Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 04/03/2015, in the total notional amount of EUR 1.15 million. On 7 September 2011, and on 8 September 2011 the Bank purchased additional EUR 1 and 1 million notional amount from the same Note series. The Bank initiated the cancellation of the Notes on 26 August 2011, on 7 September 2011 and on 8 September 2011. Following the cancellation the total outstanding amount of Notes decrease to EUR 121.85 million.

2) Capital increase in Crnogorska Komercijalna Banka A.D.

The Bank increased the capital of its Montenegrin subsidiary that has been registered by the Montenegrin Court of Registration. Accordingly the statutory capital of Crnogorska Komercijalna Banka A.D. Podgorica has been increased from EUR 96,876,521.4606 to EUR 106,876,368.4408.

NOTE 41: THE EFFECT OF THE FINANCIAL SITUATION ON THE BANK

In Hungary the severe contraction that followed the financial and economic crisis started in 2008, reached its bottom in 2009 and real GDP growth has been already positive since the beginning of 2010.
Similarly to 2010, in 2011 the Bank focused its activity on stable operation by maintaining robust capital position and significant liquidity buffers as well as implementing prudent risk management and monitoring practices in line with the deteriorating loan portfolio.

- One of the direct consequences of the crisis was the weaker than pre-crisis loan demand in the Hungarian markets. Adjusted for FX-movements, loan volumes at OTP Core[1] remained stable from 30 June 2010 to 30 June 2011 (+0.5%). The Hungarian market was still suffering from weak loan demand: as a result retail volumes at OTP Core continued eroding. Both the mortgage and the consumer loan portfolio declined by 2%. Due to a significant repayment the corporate book also dropped by 1% compared to 30 June 2010. However, the SME segment and loans to local governments gained further grounds (+19% and +7% respectively).

  Since the onset of the crisis, both retail lending activity and retail loan demand fell significantly, and despite the slowly improving macro indicators retail loan demand remained subdued. Retail FX lending at OTP Core was stopped during 2010, as a reaction to a legal change according to which no mortgage is allowed to be established to secure FX-denominated retail mortgage loans for private individuals from July 2010. As a new development in this respect, with strict conditions EUR denominated mortgage lending is available again for Hungarian retail customers thanks to the Home Protection Action Plan announced in May 2011. The borrower has to have an income in EUR and of at least 15 times the minimum wage to apply for a EUR-denominated mortgage-backed loan. Given these strict conditions a material number of eligible applications is quite unlikely in the future.
  Nevertheless OTP Bank made huge efforts to revitalise its lending activity in Hungary: as a result the Bank's market share in new origination jumped from 15% in 2009 to 29% in 2010 and to 33% in the first half of 2011. Mortgage loan sales in the first half of 2011 were by 10% higher than a year ago, but still significantly fell short of the pre-crisis levels (mortgage sales in HUF billion: first half of 2008: 207, first half of 2009: 29, first half of 2010: 41, first half of 2011: 45). Still these efforts basically stopped the erosion in the outstanding mortgage loan volumes of OTP Core (FX adjusted change in the second quarter of 2011 was -0.2% compared to the first quarter of 2011).

- After the strong deposit growth in 2009, due to the generally weak loan demand the Bank has put less emphasis on deposit collection since 2010. Instead of further improving its liquidity indicators, it focused rather on the improvement of its deposit margins. FX adjusted deposit volumes of OTP Core (including senior bonds sold to Hungarian retail investors) increased by 5% during a year. The yearly growth of corporate deposits – within that mainly deposits of medium and large size enterprises – at 15% was substantially faster than the increase in retail savings (+2%). The former was due to deposits of financial institutional customers in the second quarter of 2011.
  The Group has accumulated a sizable amount of liquidity reserves since the beginning of the crisis: the total liquidity buffer amounted to EUR 5.2 billion equivalent on 12 August 2011. This level of the reserves is more than enough to cover all outstanding FX maturities of the whole Group. Assuming the upfront repayment of all outstanding FX debt of the Group except for the repayment of mortgage bonds (given the low refinancing risk of those liabilities), the net liquidity position of the Group would amount to EUR 3.7 billion equivalent (including the FX mortgage bond redemptions the net liquidity would equal to EUR 3.4 billion equivalent). That level exceeds the requirement stemming from any potential liquidity shock.

[1] OTP Group reports its Hungarian core banking business activity under the brand „OTP Core". Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in 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.

NOTE 41: THE EFFECT OF THE FINANCIAL SITUATION ON THE BANK [continued]

- Another side effect of the crisis was the significant deterioration in the financial position of the clients, which led to worsening portfolio quality and materially increasing risk costs compared to pre-crisis levels. In the first half of 2011, OTP Core's half yearly risk costs shrank by 20%. In the first half of 2011 formation of non-performing loans moderated somewhat compared to the base period (FX-adjusted non-performing loan formation in HUF billion in the first half of 2009: 68 in the first half of 2010: 56, in the first half of 2011: 43, within that in the first quarter of 2011: 28, in the second quarter of 2011: 15). Share of loans with more than 90 days past due payments (so called "DPD90+ ratio") increased to 11.5% by the end of June 2011. Regarding the composition of portfolio deterioration: in the first half of 2011 retail mortgage loans suffered the most intensive deterioration (DPD 90+ ratio fourth quarter of 2010: 8.2%, second quarter of 2011: 9.9%). Within the same period consumer and corporate loan portfolio reflected a significantly slower deterioration. (Consumer loans DPD90+: fourth quarter of 2010: 20.4%, second quarter of 2011: 20.7%, corporate loans: fourth quarter of 2010: 13.7%, second quarter of 2011 2011: 13.6%). The provision coverage ratio of DPD90+ loan portfolio decreased in the first quarter of 2011 (from 78.2% to 75.5%). But this was mainly the result of technical effects (older than 5 years exposures at OTP Factoring with 100% provision coverage were written off, and a corporate loan defaulted in the first quarter of 2011, for which provisioning had been made previously). However in the second quarter of 2011 coverage ratio grew again (second quarter of 2011: 77.3%, +1.9% points compared to the first quarter of 2011) due to the sizeable provisioning in spite of the significantly moderating portfolio quality deterioration.
  The debtor protection programme launched in 2009 in Hungary continued in 2011 as well. OTP Bank made special efforts to assist distressed borrowers in managing their temporary financial difficulties. Excluding re-defaulted clients from the rescheduled portfolio, the share of rescheduled retail loans has been on a downward trajectory since the second half of 2010 (as at the end of the first three month period in 2011: 3.5%).
  On top of the prevailing debtor protection programme the Bank temporarily lowered the CHF and JPY mortgage rates by 75 bps and 50 bps respectively for the second half of 2010. Furthermore, on 30 May 2011, the Government and the Hungarian Banking Association announced their „Mortgage Relief Programme", containing several measures to help mortgage debtors with payment difficulties, to address social and economic problems stemming from FX-lending and to develop a schedule of foreclosures (for a summary of the Programme please see Note 39 to the non-consolidated financial statements). Since 12 August 2011 OTP Bank Plc. has been offering to its clients a fixed exchange rate structure very similar to the one offered under the state programme. From the client's perspective the scheme differs from the state programme only in the level of the fixed exchange rate (under the scheme of OTP the rate is to be fixed at the following levels: 200 HUF/CHF, 265 HUF/EUR, 2.20 HUF/JPY) and in the closing date of the application period (31 March 2012 at OTP Bank).
  Going forward the pick-up rate of the above structures (namely the debtor protection programme of OTP Bank, the fixed exchange rate scheme of the Government and of OTP Bank) can significantly influence the risk cost level of the Hungarian mortgage portfolio.
- The further enhancement of the strong capital position still remained a top priority for the Bank in 2011. Due to the profitable operation and the weaker than pre-crisis Hungarian lending activity, the capital adequacy ratio of OTP Bank (under the local accounting standards) rose to 20.0% in June 2011 from 18.1% at the end of 2010. The improvement was stemming from the strong net profits of the mother company under the local accounting standards, supported by dividend revenues from the subsidiaries. Total amount of accrued dividend was at HUF 52.2 billion in the second quarter of 2011 of which HUF 40.7 billion is attributable to DSK Bank (Bulgaria) and HUF 11.6 billion was from OTP Bank Ukraine.
- In Hungary, to improve the balance of the general government, new special tax was imposed on financial institutions from 2010. The total tax amount paid by OTP Bank Plc. (Hungary) for the year of 2010 was at HUF 25.5 billion and this amount was deductible from the corporate tax base. Therefore the total negative impact on OTP Bank's 2010 after-tax profit was at HUF 20.7 billion. In 2011, the total annual tax to be paid is the same as in 2010. As a result for the first half of 2011, the gross amount of the taxes for OTP Bank reached HUF 12.2 billion, while the net amount – including the savings on corporate income taxes – was at HUF 9.9 billion.