OTP BANK PLC.

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

FOR THE YEAR ENDED
31 DECEMBER 2011

CONTENTS

Deloitte.

Deloitte Auditing and Consulting Ltd.
H-1068 Budapest, Dózsa György út 84/C, Hungary
H-1438 Budapest, P.O.Box 471, Hungary

Tel: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.com/hungary

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of OTP Bank Plc.

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements (page 2 to 84) of OTP Bank Plc., which comprise the statement of financial position as at December 31, 2011, and the related statement of recognized and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of OTP Bank Plc. as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We draw attention to Note 2.3 of the separate financial statements which states that the consolidated financial statements of OTP Bank Plc. prepared in accordance with International Financial Reporting Standards have been published separately. The consolidated financial statements of OTP Bank Plc. as of and for the year ended December 31, 2011 were audited by us and our report dated February 24, 2012 expressed an unqualified opinion. Our opinion is not modified in respect of this matter.

Budapest, February 24, 2012

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Horváth Tamás
Deloitte Auditing and Consulting Ltd.

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

	Note	2011	2010
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	226,976	171,677
Placements with other banks, net of allowance for placement losses	*5.*	897,980	794,686
Financial assets at fair value through profit or loss	*6.*	272,577	248,790
Securities available-for-sale	*7.*	1,711,418	1,477,930
Loans, net of allowance for loan losses	*8.*	2,741,827	2,723,784
Investments in subsidiaries	*9.*	651,709	637,819
Securities held-to-maturity	*10.*	120,467	154,003
Property and equipment	*11.*	73,161	70,004
Intangible assets	*11.*	31,171	35,145
Other assets	*12.*	57,404	44,512
TOTAL ASSETS		6,784,690	6,358,350
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	*13.*	871,770	741,845
Deposits from customers	*14.*	3,416,221	3,279,573
Liabilities from issued securities	*15.*	453,423	512,466
Financial liabilities at fair value through profit or loss	*16.*	345,955	257,328
Other liabilities	*17.*	267,184	231,288
Subordinated bonds and loans	*18.*	325,997	297,638
TOTAL LIABILITIES		5,680,550	5,320,138
Share capital	*19.*	28,000	28,000
Retained earnings and reserves	*20.*	1,081,659	1,013,941
Treasury shares	*21.*	(5,519)	(3,729)
TOTAL SHAREHOLDERS' EQUITY		1,104,140	1,038,212
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,784,690	6,358,350

Budapest, 24 February 2012

Dr. Sándor Csányi
Chairman and Chief Executive Officer

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

	Note	2011	2010
Interest Income:			
Loans		230,529	228,847
Placements with other banks, net of allowance for placement losses		268,998	297,539
Securities available-for-sale		115,841	107,113
Securities held-to-maturity		9,637	13,752
Amounts due from banks and balances with National Bank of Hungary		6,274	4,807
Securities held for trading		2,076	2,399
Total Interest Income		**633,355**	**654,457**
Interest Expense:			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government		214,376	232,605
Deposits from customers		128,253	128,885
Liabilities from issued securities		28,370	33,892
Subordinated bonds and loans		16,538	16,243
Total Interest Expense		**387,537**	**411,625**
NET INTEREST INCOME		**245,818**	**242,832**
Provision for impairment on loan and placement losses	*5.,8.,22.*	71,327	97,540
Loss on loans related to early repayment	*22.*	5,112	-
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**169,379**	**145,292**
Income from fees and commissions	*23.*	116,969	145,832
Expenses from fees and commissions	*23.*	21,613	20,444
Net profit from fees and commissions		**95,356**	**125,388**
Foreign exchange gains		36,668	12,233
Gains on securities, net		5,331	2,209
Dividend income		78,831	57,651
Other operating income	*24.*	4,941	1,671
Net other operating expenses	*24.*	(84,723)	(19,542)
-from this: provision for impairment on investments in subsidiaries		*(83,531)*	*(20,683)*
Net operating income		**41,048**	**54,222**
Personnel expenses	*24.*	73,555	75,637
Depreciation and amortization	*24.*	23,767	24,141
Other administrative expenses	*24.*	82,718	90,490
Other administrative expenses		**180,040**	**190,268**
PROFIT BEFORE INCOME TAX		**125,743**	**134,634**
Income tax	*25.*	14,995	9,970
NET PROFIT FOR THE YEAR		**110,748**	**124,664**
Earnings per share (in HUF)			
Basic	*35.*	399	449
Diluted	*35.*	399	444

The accompanying notes to separate financial statements on pages 8 to 84 form an integral part of these separate financial statements.

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

	2011	2010
NET PROFIT FOR THE YEAR	**110,748**	**124,664**
Fair value adjustment of securities available-for-sale	(22,606)	(19,667)
NET COMPREHENSIVE INCOME	**88,142**	**104,997**

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

	Note	2011	2010
OPERATING ACTIVITIES			
Profit before income tax		125,743	134,634
Depreciation and amortization		23,767	24,141
Release of provision for impairment on securities available-for-sale	*7.*	-	(5,220)
Provision for impairment on loan and placement losses	*5.,8.,22,*	76,439	97,540
Provision for impairment on investments in subsidiaries	*9.*	83,531	20,683
Release of provision for impairment on securities held-to-maturity	*10.*	-	(4,164)
(Release of provision) / provision for impairment on other assets	*12.*	(472)	567
Release of provision on off-balance sheet commitments and contingent liabilities	*17.*	(3,583)	(10,272)
Share-based payment	*28.*	6,188	(11,821)
Unrealised gains on fair value adjustment of securities available-for-sale and held for trading		1,757	9,031
Unrealised (losses) / gains on fair value adjustment of derivative financial instruments		(5,570)	1,737
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		19,536	28,791
Changes in financial liabilities at fair value through profit or loss		(431)	(528)
Net (increase) in loans, net of allowance for loan losses		(47,435)	(79,755)
(Increase) / decrease in other assets, excluding advances for investments and before provisions for losses		(22,164)	18,799
Net increase / (decrease) in deposits from customers		136,517	(85,658)
Increase / (decrease) in other liabilities		45,154	(5,030)
Net decrease /(increase) in the compulsory reserve established by the National Bank of Hungary		2,712	(10,942)
Dividend income		(78,831)	(57,651)
Income tax paid		(11,557)	(7,404)
Net cash provided by operating activities		**351,301**	**57,478**
INVESTING ACTIVITIES			
Net (increase) / decrease in placements with other banks before allowance for placement losses		(99,807)	201,037
Net (increase) / decrease in securities available-for-sale		(261,740)	151,572
Net increase in investments in subsidiaries before provision for impairment		(97,421)	(19,760)
Dividend income		78,831	57,651
Net decrease in securities held-to-maturity		33,766	65,912
Additions to property, equipment and intangible assets		(44,662)	(34,441)
Disposals to property, equipment and intangible assets		12,890	9,155
Net increase in advances for investments included in other assets		(66)	(15)
Net cash (used in) / provided by investing activities		**(378,209)**	**431,111**

31 DECEMBER 2011 (in HUF mn) [continued]

	Note	2011	2010
FINANCING ACTIVITIES			
Net increase / (decrease) in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		129,925	(410,286)
Cash received from issuance of securities		480,103	355,776
Cash used for redemption of issued securities		(526,817)	(456,270)
Increase in subordinated bonds and loans		28,359	10,317
Payments to ICES holders		(4,632)	(5,626)
Net change in Treasury shares		(1,815)	20
Dividend paid		(20,204)	(2)
Net cash provided by / (used in) financing activities		**84,919**	**(506,071)**
Net increase / (decrease) in cash and cash equivalents		**58,011**	**(17,482)**
Cash and cash equivalents at the beginning of the year		88,197	105,679
Cash and cash equivalents at the end of the year		**146,208**	**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
Compulsory reserve established by the National Bank of Hungary		(83,480)	(72,538)
Cash and cash equivalents at the beginning of the year		**88,197**	**105,679**
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	226,976	171,677
Compulsory reserve established by the National Bank of Hungary	*4.*	(80,768)	(83,480)
Cash and cash equivalents at the end of the year		**146,208**	**88,197**

OTP BANK PLC.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011 (in HUF mn)

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	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 profit for the year		-	-	-	124,664	-	-	124,664
Other comprehensive income		-	-	-	(19,667)	-	-	(19,667)
Share-based payment	*28.*	-	-	(6,802)	(5,019)	-	-	(11,821)
Payments to ICES holders		-	-	-	(6,828)	-	-	(6,828)
Sale of treasury shares		-	-	-	-	-	460	460
Loss on sale of treasury shares		-	-	-	(25)	-	-	(25)
Acquisition of treasury shares		-	-	-	-	-	(415)	(415)
Balance as at 31 December 2010		28,000	52	28	1,069,329	(55,468)	(3,729)	1,038,212
Net profit for the year		-	-	-	110,748	-	-	110,748
Other comprehensive income		-	-	-	(22,606)	-	-	(22,606)
Share-based payment	*28.*	-	-	6,188	-	-	-	6,188
Payments to ICES holders		-	-	-	(6,427)	-	-	(6,427)
Sale of treasury shares		-	-	-	-	-	2,963	2,963
Loss on sale of treasury shares		-	-	-	(25)	-	-	(25)
Acquisition of treasury shares		-	-	-	-	-	(4,753)	(4,753)
Dividend for the year 2010		-	-	-	(20,160)	-	-	(20,160)
Balance as at 31 December 2011		28,000	52	6,216	1,130,859	(55,468)	(5,519)	1,104,140

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.

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

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

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

The Bank provides a full range of commercial banking services through a nationwide network of 377 branches in Hungary.

Number of the employees of the Bank:

	2011	2010
Number of employees	7,957	7,800
Average number of employees	7,857	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 separate statutory accounts (see Note 38), in order to present the separate 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 separate 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 separate 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 2011

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

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

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

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

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

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

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the separate financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

These separate 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 separate 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 separate financial statements.

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF, that is the functional currency, at exchange rates quoted by the National Bank of Hungary ("NBH") as at the date of the separate 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 separate statement of recognized income.

2.3. Consolidated financial statements

These financial statements present the separate 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 separate financial statements. See Note 2.4 for the description of the method of accounting for investments in subsidiaries and associated companies in these separate financial statements. The consolidated financial statements and the separate 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 OTP 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 Bank 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 Bank 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 recognized to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognized in each period represents a constant yield on the investment.
Such securities comprise mainly securities issued by the Hungarian Government, 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 recognized in profit or loss and are included in the separate statement of recognized 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.

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

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the separate statement of recognized income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the separate statement of recognized income.
The conditions of hedge accounting applied by the Bank are the following formally designed as hedge, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.
Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk are recognized as reserve in the shareholders' equity. Amounts deferred in equity are transferred to the separate statement of recognized income and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the separate statement of recognized and comprehensive income for the period. The ineffective element of the hedge is charged directly to the separate statement of recognized 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 separate statement of recognized income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 recognized directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when 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.

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 recognized 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 recognized in the statement of financial position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement.
In the case of security lending transactions the Bank do not recognize or derecognize the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

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. Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss. In the case of financial liabilities measured at amortized cost fees and commissions related to the origination of the financial liability are recognized through profit or loss during the maturity of the instrument. In certain cases the Bank repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognized in the net profit or loss for the period and included in other operating income.

2.12. 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 separate statement of recognized 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 separate statement of recognized 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 recognized 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 separate 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14 Interest income and interest expense

The interest income and expense are recognized on the accrual basis and based on the IAS 18 Revenue Standard, referring to provisions of IAS 39. The Bank recognizes 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 recognized in the separate statement of recognized income on an accrual basis based on IAS 18 Revenue Standard, fees and commissions are recognized using the effective interest method referring to provisions IAS 39.

2.16. Dividend income

The Bank recognizes dividend income in the separate 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.

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 recognizes 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. Separate 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 Bank are the business and geographical segments.
At separate 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 business and geographical segments.
The Group's reportable segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.22. Comparative figures

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

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

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.23. Events in accordance with early repayment at fixed exchange rates [continued]

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

As at 31 December 2011 during balance sheet compilation period – together at OTP Bank and above subsidiaries – 14,854 customers paid back their FX mortgage loans and presented collateral certificate relating to early repayment on mortgage loan that in connection with provision in the amount of HUF 34,489 million was recognized in OTP Group. Provision in the amount of HUF 2,164 million was recognized at OTP Bank relating to early repayment of OTP Bank's own customers.

	2011
Provision for impairment on loan losses relating to early repayment at OTP Bank	2,962
Provision recognized at OTP Bank relating to early repayment	2,164
Provision for impairment on loan losses relating to early repayment at OTP Bank	**5,126**

Investments in subsidiaries have been raised with HUF 47,027 million – with the amount paid as compensation for OTP Mortgage Bank and OTP Flat Lease within the frames of guarantee contracts – as at 31 December 2011 and parallel with that provision for impairment are recognized on investments at the same amount.

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

In case of loans related to early repayment, interest was recognized at fixed exchange rate in interest income. During calculating the loss arising from the early repayment, loss falling to share of interest was taken into account which was recognized on the line of Interest income from loans. (See Note 22.)

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.23. Events in accordance with early repayment at fixed exchange rates [continued]

	2011
Total expenditure at OTP Group	66,641
During calculation of amount deductible from bank tax, provision for impairment owing to classification is taken into consideration	2,047
Total expenditure at OTP Group considered at calculation of bank tax	68,688
30% of total expenditure at OTP Group refundable from bank tax paid in 2011	**20,606**

Claim for bank tax refund at subsidiaries of OTP Group

OTP Bank	10,467
OTP Mortgage Bank	8,759
OTP Flat Lease	116
Merkantil Bank	1,120
Merkantil Car	144
	20,606

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

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

EUR stock was recognized in OTP Bank's separate financial statements, in connection with that foreign exchange gains were realized in the amount of HUF 9,313 million in the separate financial statements as at 31 December 2011. This sum is reducing the loss incurred related to early repayment at the level of OTP Group.

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

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

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

1. Performing FX mortgage debtors with up to 90 days of delinquency are entitled to opt for the program of fixed exchange rate scheme until the end of 2012. During the program in the range HUF/CHF 180-270, HUF/EUR 250-340 and HUF/JPY 2.5-3.3 FX mortgage debtors are obliged to pay off monthly instalments calculated at the lower bound of the range. The difference between the market and the fixed rate on the principal part of the monthly instalments will be accumulated in a special buffer account over the fixed exchange rate period. This amount is to be fully borne by the client in compliance with the effective special account regulations.
2. 50% of the interest repayments above the cap shall be borne by financial institutions and 50% by the Government. Regarding the interests to be paid both by the banks and the Government, the settling of accounts shall take place on a quarterly basis.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.24. The agreement on 15 December 2011 between the Hungarian Government and the Hungarian Banking Association [continued]

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

1. Members of HBA have undertaken to convert the FX mortgage loans, reaching the sum of minimum wage on 30 September 2011, to HUF ones in the case of debtors with more than 90 days of delinquency and they cancel 25% such debts by 15 May 2012, provided that the total market value of real estate serving as collateral did not exceeded HUF 20 million when the FX mortgage loan contract was concluded.
   The conversion is to take place at the average of the mid rates of the respective currencies published by NBH for the period between 15 March and 15 April 2012.
   Credit institutions are entitled to deduct 30% of their cancelled claims from their bank tax due in 2012.

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

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

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

3.1. Impairment on loans and placements

The 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 recognized 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 recognized 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)

	2011	2010
Cash on hand:		
In HUF	52,527	57,246
In foreign currency	11,569	4,995
	64,096	**62,241**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	137,412	100,524
In foreign currency	24,982	8,510
	162,394	**109,034**
Accrued interest	486	402
Total	**226,976**	**171,677**
Compulsory reserve	80,768	83,480
Rate of the compulsory reserve	2%	2%

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

	2011	2010
Within one year:		
In HUF	17,230	52,953
In foreign currency	640,438	540,194
	657,668	**593,147**
Over one year		
In HUF	300	300
In foreign currency	238,004	200,707
	238,304	**201,007**
Total placements	**895,972**	**794,154**
Accrued interest	2,146	1,482
Provision for impairment on placement losses	(138)	(950)
Total	**897,980**	**794,686**

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

	2011	2010
Balance as at 1 January	**950**	**1,697**
Provision for the period	132	173
Release of provision	(944)	(920)
Balance as at 31 December	**138**	**950**

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

Interest conditions of placements with other banks:

	2011	2010
Placements with other banks in HUF	7.56%-15.23%	6.04%-10.9%
Placements with other banks in foreign currency	0.73%-11.9%	0.5%-12.6%

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

	2011	2010
Securities held for trading:		
Corporate shares	87,871	105,832
Government bonds	22,846	13,784
Mortgage bonds	5,776	4,201
Hungarian government discounted Treasury Bills	4,146	3,635
Securities issued by credit institutions	2,093	-
Securities issued by the NBH	1,715	19,984
Hungarian government interest bearing Treasury Bills	115	26
Other securities	314	153
	124,876	**147,615**
Accrued interest	1,083	244
Subtotal	**125,959**	**147,859**
Derivative financial instruments designated as held for trading:		
CCIRS[1] and mark-to-market CCIRS swaps designated as held for trading	66,281	42,807
Interest rate swaps designated as held for trading	39,442	34,414
Foreign currency swaps designated as held for trading	24,329	18,084
Other derivative transactions	16,566	5,626
Subtotal	**146,618**	**100,931**
Total	**272,577**	**248,790**

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

	2011	2010
Within five years:		
variable interest	1,042	19
fixed interest	23,845	36,191
	24,887	**36,210**
Over five years:		
fixed interest	12,104	5,559
	12,104	**5,559**
Non-interest bearing securities	87,885	105,846
Total	**124,876**	**147,615**

[1] CCIRS: Cross Currency Interest Rate Swap

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

	2011	2010
Securities held for trading denominated in HUF (%)	95%	95%
Securities held for trading denominated in Foreign currency (%)	5%	5%
Securities held for trading total	**100%**	**100%**
Government securities denominated in HUF (%)	84%	80%
Government securities denominated in foreign currency (%)	16%	20%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading (%)	1.6%-11.9%	3.6%-10%

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

	2011	2010
Mortgage bonds	863,422	778,553
Bonds issued by NBH	497,198	300,648
Government bonds	260,681	318,637
Other securities	49,623	40,639
- *listed securities*	*27,414*	*19,851*
in HUF	-	-
in foreign currency	*27,414*	*19,851*
- *non-listed securities*	*22,209*	*20,788*
in HUF	*20,387*	*18,398*
in foreign currency	*1,822*	*2,390*
	1,670,924	**1,438,477**
Accrued interest	40,494	39,453
Securities available-for-sale total	**1,711,418**	**1,477,930**

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

	2011	2010
Balance as at 1 January	**-**	**5,220**
Release of provision	-	(523)
Use of provision	-	(4,697)
Balance as at 31 December	**-**	**-**

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

	2011	2010
Securities available-for-sale denominated in HUF	70%	72%
Securities available-for-sale denominated in foreign currency	30%	28%
Securities available-for-sale total	100%	100%
Interest rates on securities available-for-sale denominated in HUF	5.5%-12%	5.5%-12%
Interest rates on securities available-for-sale denominated in foreign currency	3.9%-10.5%	3.6%-6.8%

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

	2011	2010
Within five years:		
variable interest	460,285	14,110
fixed interest	894,934	961,968
	1,355,219	**976,078**
Over five years:		
fixed interest	288,769	444,001
	288,769	**444,001**
Non-interest bearing securities	26,936	18,398
Total	**1,670,924**	**1,438,477**

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 37.)

	2011	2010
Net loss reclassified from equity to statement of recognized income	585	491
Fair value of the hedged securities		
Corporate bonds	16,383	16,342
Total	**16,383**	**16,342**

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

	2011	2010
Short-term loans and trade bills (within one year)	995,053	664,197
Long-term loans and trade bills (over one year)	1,891,447	2,177,421
Loans gross total	**2,886,500**	**2,841,618**
Accrued interest	15,651	16,787
Provision of impairment on loan losses	(160,324)	(134,621)
Total	**2,741,827**	**2,723,784**

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

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

	2011	2010
In HUF	32%	34%
In foreign currency	68%	66%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	2011	2010
Loans denominated in HUF, with a maturity within one year	8.2%-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	1.8%-28%	1.8%-24.9%

	2011	2010
Gross loan portfolio on which interest to customers is not being accrued	9.35%	8.4%

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

	2011		2010	
Corporate loans	2,044,081	71%	1,944,825	68%
Consumer loans	350,256	12%	365,648	13%
Municipality loans	308,334	11%	322,120	11%
Housing loans	115,044	4%	131,609	5%
Mortgage backed loans	68,785	2%	77,416	3%
Total	**2,886,500**	**100%**	**2,841,618**	**100%**

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

	2011	2010
Balance as at 1 January	**134,621**	**89,587**
Provision for the period	129,912	184,955
Release of provision	(104,209)	(139,921)
Balance as at 31 December	**160,324**	**134,621**

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

	2011	2010
Release of provision for impairment on placement losses	(656)	(780)
Provision for impairment on loan losses	77,095	98,320
Total	**76,439**	**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: MAJOR SUBSIDIARIES AND ASSOCIATES (in HUF mn)

	2011	2010
Investments in subsidiaries:		
Controlling interest	880,136	784,041
Other	1,021	1,006
	881,157	**785,047**
Provision for impairment	(229,448)	(147,228)
Total	**651,709**	**637,819**

NOTE 9: MAJOR SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Major subsidiaries

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

	2011		2010	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	266,513	100%	266,512
DSK Bank EAD (Bulgaria)	100%	86,832	100%	86,832
OAO OTP Bank (Russia)	97.75%	74,263	95.87%	73,445
OTP Mortgage Bank Ltd.	100%	73,440	100%	27,000
OTP banka Hrvatska d.d. (Croatia)	100%	72,940	100%	72,940
OTP banka Srbija a.d. (Serbia)	92.60%	66,984	91.43%	55,997
OOO AlyansReserv (Russia)	100%	50,074	100%	50,074
Crnogorska komerčijalna banka a.d. (Montenegro)	100%	49,657	100%	46,998
OTP Bank Romania S.A. (Romania)	100%	45,204	100%	45,204
OTP Life Annuity Ltd.	100%	15,300	100%	1,600
OTP Factoring Ltd.	100%	14,775	100%	225
OTP Banka Slovensko a.s. (Slovakia)	98.94%	13,611	98.82%	10,516
Monicomp Ltd.	100%	9,234	100%	9,234
Air-Invest Ltd.	100%	8,898	100%	8,298
Bank Center No. 1. Ltd.	100%	7,330	100%	7,330
Inga Two Ltd.	100%	5,892	100%	5,892
OTP Real Estate Leasing Ltd.	100%	2,499	100%	410
OTP Funds Servicing and Consulting Ltd.	100%	2,469	100%	2,469
OTP Holding Ltd. (Cyprus)	100%	2,000	100%	2,000
OTP Building Society Ltd.	100%	1,950	100%	1,950
Bajor-Polár Center Ltd.	100%	1,933	-	-
OTP Fund Management Ltd.	100%	1,653	100%	1,653
Merkantil Bank Ltd.	100%	1,600	100%	1,600
OTP Real Estate Ltd.	100%	1,420	100%	-
OTP Real Estate Investment Fund Management Ltd.	100%	1,352	100%	1,353
CIL Babér Ltd.	100%	1,025	100%	1,025
OTP Financing Netherlands B.V. (Netherlands)	100%	481	100%	481
OTP Card Factory Ltd.	100%	450	100%	450
Portfolion Ltd.	100%	150	100%	150
HIF Ltd.	100%	81	100%	81
OTP Hungaro-Projekt Ltd.	100%	81	100%	81
Sinvest Ltd. "v.a."	-	-	100%	1,311
Omega Interconsult SRL	-	-	100%	885
Other		45		45
Total		**880,136**		**784,041**

NOTE 9: MAJOR SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

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

	2011	2010
Balance as at 1 January	**147,228**	**126,545**
Provision for the period	83,531	20,683
Release of provision	(1,311)	-
Balance as at 31 December	**229,448**	**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, for Crnogorska komerčijalna banka a.d was HUF 18,519 million as at 31 December 2011. OTP Bank recognized provision for impairment in amount of HUF 9,232 million for OTP banka Hrvatska d.d. and HUF 11,683 million for OTP banka Srbija a.d. in 2011.

Major associates

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

As at 31 December 2011

	Moneta a.d.	Company for Cash Services LLC	Agóra-Kapos Ltd.	Suzuki Pénzügyi Szolgáltató Ltd.	Total
Assets	436	2,132	157	611	**3,336**
Liabilities	336	204	108	9	**657**
Shareholders' equity	100	1,928	49	602	**2,679**
Retained earnings and reserves	(58)	-	17	544	**503**
Total income	304	892	934	44	**2,174**
Profit before tax	59	27	36	16	**138**
Net profit	59	27	32	14	**132**

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)**

NOTE 9: MAJOR SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

Based on sale agreement made on 2 February 2011 relating to customer investment services Est Media Plc. (previously 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 the Court of Budapest Municipality acting as a Court of Registration registered a capital increase in OTP Life Annuity Ltd., a subsidiary 100% owned by OTP Bank. As a result, the registered capital of OTP Life Ltd. Has increased to HUF 2 billion.

On 14 September 2011 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 komerčijalna banka a.d (Montenegro) has been increased from EUR 96,876,521 to EUR 106,876,368.

On 5 December 2011 the Court of Budapest Municipality acting as a Court of Registration registered a capital increase in OTP Flat Lease Ltd., subsidiary 100% owned by OTP Bank.
As a result, the registered capital of OTP Flat Lease Ltd. has increased from HUF 194 million to HUF 500 million.

Following the resolution of the Annual Meeting at OTP banka Srbija a.d. on 29 September 2011 OTP Bank completed a capital increase. As a result, the subsidiary's registered capital was increased from 6,600,560,980 RSD by 547,813,320 RSD through issuing 11,058 ordinary shares with a face value of 49,540 RSD/share.
On 12 December 2011 OTP Bank completed a capital increase. As a result, the registered capital of the Serbian subsidiary was increased by 495,400,000 RSD through issuing 10,000 ordinary shares with a face value of 49,540 RSD/share. Following the capital increase, the registered capital of the Serbian subsidiary grew from 7,148,374,300 RSD to 7,643,774,300 RSD, at the same time the ownership ratio of OTP Bank grew from 92.06% to 92.6%.

On 21 December 2011 the Court of Budapest Municipality acting as a Court of Registration registered a capital increase at OTP Real Estate Ltd. implemented by OTP Bank.
The registered capital of OTP Real Estate Ltd. has increased to HUF 2,136 million. Accordingly, the ownership ratios have been modified as follows: OTP Bank 21.82%, Bank Center Ltd. 20.69% and OTP Holding Ltd. 57.49%.

On 18 January 2012 the Slovakian Court of Registration registered a capital increase at the Slovakian subsidiary of OTP Bank. The registered capital of OTP Banka Slovensko a.s. was increased by EUR 10,019,496 from EUR 68,488,401.84 to EUR 78,507,897.84 based on the share subscription closed on 16 December 2011. Accordingly, the ownership ratio of OTP Bank grew from 98.82% to 98.94%.

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

	2011	**2010**
Mortgage bonds	59,887	60,140
Government bonds	55,260	87,878
Hungarian government discounted Treasury bills	346	395
	115,493	**148,413**
Accrued interest	4,974	5,590
Total	**120,467**	**154,003**

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

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

	2011	2010
Balance as at 1 January	**-**	**4,164**
Release of provision	-	(1,566)
Use of provision	-	(2,598)
Balance as at 31 December	**-**	**-**

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

	2011	2010
Within five years:		
variable interest	34,092	34,090
fixed interest	69,543	87,060
	103,635	**121,150**
Over five years:		
variable interest	-	3,334
fixed interest	11,858	23,929
	11,858	**27,263**
Total	**115,493**	**148,413**

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

	2011	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)

For year ended 31 December 2011

Cost	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**98,415**	**62,011**	**73,266**	**4,968**	**238,660**
Additions	24,493	3,333	5,678	11,424	44,928
Disposals	(12,689)	(540)	(6,378)	(9,088)	(28,695)
Balance as at 31 December	**110,219**	**64,804**	**72,566**	**7,304**	**254,893**
Depreciation and Amortization					
Balance as at 1 January	**63,270**	**12,834**	**57,407**	**-**	**133,511**
Charge for the year	16,121	1,598	6,048	-	23,767
Disposals	(343)	(142)	(6,232)	-	(6,717)
Balance as at 31 December	**79,048**	**14,290**	**57,223**	**-**	**150,561**
Net book value					
Balance as at 1 January	**35,145**	**49,177**	**15,859**	**4,968**	**105,149**
Balance as at 31 December	**31,171**	**50,514**	**15,343**	**7,304**	**104,332**

For the year ended 31 December 2010

Cost	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**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)
Balance as at 31 December	**98,415**	**62,011**	**73,266**	**4,968**	**238,660**
Depreciation and Amortization					
Balance as at 1 January	**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)
Balance as at 31 December	**63,270**	**12,834**	**57,407**	**-**	**133,511**
Net book value					
Balance as at 1 January	**38,909**	**48,472**	**17,350**	**3,832**	**108,563**
Balance as at 31 December	**35,145**	**49,177**	**15,859**	**4,968**	**105,149**

NOTE 12: OTHER ASSETS (in HUF mn)

	2011	2010
Current income tax receivable	18,345	2,224
Amounts due from guarantee contract related to early repayment	8,875	-
Trade receivables	8,659	4,354
Prepayments and accrued income	3,980	4,334
Receivables from investment services	2,690	415
Fair value of derivative financial instruments designated as fair value hedge	2,329	8,477
Loans sold under deferred payment scheme	2,092	4,665
Due from Hungarian Government from interest subsidies	1,943	1,992
Receivables from decreasing share capital of OTP Holding Ltd.	1,800	4,800
Inventories	840	952
Receivables from OTP Mortgage Bank Ltd.[1]	775	6,921
Advances for securities and investments	627	561
Other advances	398	308
Deferred tax assets	-	1,887
Other	5,849	5,023
	59,202	**46,913**
Accrued interest	9	6
Provision for impairment on other assets[2]	(1,807)	(2,407)
Total	**57,404**	**44,512**

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

	2011	2010
Interest rate swaps designated as fair value hedge	2,329	8,477
Total	**2,329**	**8,477**

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

	2011	2010
Balance as at 1 January	**2,407**	**1,979**
Charge for the period	415	1,500
Release of provision	(954)	(933)
Use of provision	(61)	(139)
Balance as at 31 December	**1,807**	**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)

	2011	2010
Within one year:		
In HUF	112,067	149,032
In foreign currency	460,654	325,207
	572,721	**474,239**
Over one year:		
In HUF	124,786	116,271
In foreign currency[1]	171,584	149,681
	296,370	**265,952**
Subtotal	**869,091**	**740,191**
Accrued interest	2,679	1,654
Total	**871,770**	**741,845**

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

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

	2011	2010
Within one year:		
In HUF	2.54%-7.1%	1.89%-6.37%
In foreign currency	0.25%-4%	0.22%-15.9%
Over one year:		
In HUF	2.54%-7.6%	0.89%-6.37%
In foreign currency	1.75%-5.88%	0.12%-4.73%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2011	2010
Within one year:		
In HUF	2,791,891	2,595,048
In foreign currency	582,330	646,053
	3,374,221	**3,241,101**
Over one year:		
In HUF	25,397	26,185
In foreign currency	4,645	2,421
	30,042	**28,606**
Subtotal	**3,404,263**	**3,269,707**
Accrued interest	11,958	9,866
Total	**3,416,221**	**3,279,573**

[1] On 19 May 2011 the Bank signed a EUR 300 million 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 2.2% above Euribor and the proceeds will be used for general funding purposes.

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]

Interest rates on deposits from customers are as follows:

	2011	2010
Within one year in HUF	0.1%-11%	0.1%-10.3%
Over one year in HUF	0.2%-9%	0.2%-5.3%
In foreign currency	0.01%-8.1%	0.02%-6.1%

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

	2011		2010	
Retail deposits	1,978,914	58%	2,043,644	63%
Corporate deposits	1,260,824	37%	1,056,183	32%
Municipality deposits	164,525	5%	169,880	5%
Total	**3,404,263**	**100%**	**3,269,707**	**100%**

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

	2011	2010
Within one year:		
In HUF	312,155	282,049
In foreign currency	54,820	140,094
	366,975	**422,143**
Over one year:		
In HUF	74,279	45,964
In foreign currency	2,245	36,196
	76,524	**82,160**
Subtotal	**443,499**	**504,303**
Accrued interest	9,924	8,163
Total	**453,423**	**512,466**

Interest rates on liabilities from issued securities are as follows:

	2011	2010
Issued securities denominated in HUF	0.25%-6.75%	0.25%-9.5%
Issued securities denominated in foreign currency	1.5%-8%	4%-5.75%

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

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

	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	88.54	22,657	4	fixed	hedged
2	DC_EUR_2012_A	14/10/2011	13/01/2012	EUR	14.58	4,535	1.5	fixed	
3	OTP_EUR_2012_IV	09/09/2011	08/09/2012	EUR	12.20	3,797	2.75	fixed	
4	OTP_EUR_2012_IX	18/11/2011	17/11/2012	EUR	8.49	2,641	2.75	fixed	
5	OTP_EUR_2012_VI	07/10/2011	06/10/2012	EUR	8.32	2,588	2.75	fixed	
6	OTP_EUR_2012_III	26/08/2011	25/08/2012	EUR	7.77	2,417	2.75	fixed	
7	OTP_EUR_2012_VII	21/10/2011	20/10/2012	EUR	5.99	1,864	2.75	fixed	
8	OTP_EUR_2012_II	12/08/2011	11/08/2012	EUR	4.69	1,458	2.75	fixed	
9	OTP_EUR_2012_X	25/11/2011	24/11/2012	EUR	4.29	1,336	2.75	fixed	
10	OTP_EUR_2012_XI	02/12/2011	01/12/2012	EUR	4.06	1,264	3	fixed	
11	OTP_EUR_2012_VIII	07/11/2011	06/11/2012	EUR	4.01	1,247	2.75	fixed	
12	OTP_EUR_2012_V	23/09/2011	22/09/2012	EUR	3.93	1,221	2.75	fixed	
13	DC_USD_120113_8	21/10/2011	13/01/2012	USD	4.86	1,169	8	fixed	
14	DNT_EUR_2012_A	14/10/2011	13/04/2012	EUR	3.42	1,065	indexed	floating	
15	OTP_EUR_2012_I	05/08/2011	04/08/2012	EUR	3.15	981	2.75	fixed	
16	OTP_EUR_2012_XII	16/12/2011	15/12/2012	EUR	3.04	947	3	fixed	
17	OTPX 2016C	22/04/2011	22/04/2016	EUR	1.56	485	indexed	floating	hedged
18	DNT_USD_2012_A	14/10/2011	13/04/2012	USD	1.69	408	indexed	floating	
19	OTPX 2016D	22/12/2011	29/12/2016	EUR	1.25	387	indexed	floating	hedged
20	OTP_EUR_2012_XIII	29/12/2011	28/12/2012	EUR	1.01	314	3.25	fixed	
21	OTPX 2015C	22/12/2010	29/12/2015	EUR	0.97	302	indexed	floating	hedged
22	OTP_EUR_2013_III	26/08/2011	26/08/2013	EUR	0.93	291	3	fixed	
23	OTP_EUR_2013_IV	09/09/2011	09/09/2013	EUR	0.87	270	3	fixed	
24	OTP_EUR_2013_VII	21/10/2011	21/10/2013	EUR	0.63	194	3	fixed	
25	OTP_EUR_2013_VI	07/10/2011	07/10/2013	EUR	0.55	172	3	fixed	
26	OTP_EUR_2013_V	23/09/2011	23/09/2013	EUR	0.50	155	3	fixed	
27	OTP_EUR_2013_I	05/08/2011	05/08/2013	EUR	0.45	140	3	fixed	
28	OTP_EUR_2013_II	12/08/2011	12/08/2013	EUR	0.45	140	3	fixed	
29	OTP_EUR_2013_IX	18/11/2011	18/11/2013	EUR	0.43	135	3	fixed	
30	OTP_EUR_2013_XIII	29/12/2011	29/12/2013	EUR	0.36	112	4	fixed	
31	OTP_EUR_2013_VIII	07/11/2011	07/11/2013	EUR	0.27	84	3	fixed	
32	OTP_EUR_2013_XI	02/12/2011	02/12/2013	EUR	0.18	57	3.5	fixed	
33	OTP_EUR_2013_X	25/11/2011	25/11/2013	EUR	0.14	44	3	fixed	
34	OTP_EUR_2013_XII	16/12/2011	16/12/2013	EUR	0.11	33	3.5	fixed	
	Subtotal issued securities in FX					**54,910**			
	Unamortized premium					1,373			
	Fair value hedge adjustment					782			
	Total					**57,065**			

EMTN Programme

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

Term Note Program in the value of HUF 500 billion

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

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

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

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

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

	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	23,160	5	fixed	
2	OTP 2012/XXV	16/12/2011	29/12/2011	15/12/2012	19,109	5.5	fixed	
3	OTP 2012/XXII	07/11/2011	11/11/2011	06/11/2012	18,768	5.5	fixed	
4	OTP 2012/VII	08/04/2011	15/04/2011	07/04/2012	18,312	5	fixed	
5	OTP 2012/IX	06/05/2011	13/05/2011	05/05/2012	15,779	5	fixed	
6	OTP 2012/II	21/01/2011	28/01/2011	07/01/2012	15,077	5	fixed	
7	OTP 2012/V	04/03/2011	11/03/2011	03/03/2012	14,881	5	fixed	
8	OTP 2012/VI	25/03/2011	01/04/2011	24/03/2012	14,630	5	fixed	
9	OTP 2012/XXIII	18/11/2011	25/11/2011	17/11/2012	14,553	5.5	fixed	
10	OTP 2012/XVI	12/08/2011	19/08/2011	11/08/2012	14,169	5	fixed	
11	OTP 2012/VIII	22/04/2011	29/04/2011	21/04/2012	13,983	5	fixed	
12	OTP 2012/XVIII	09/09/2011	16/09/2011	08/09/2012	13,479	5	fixed	
13	OTP 2012/X	20/05/2011	27/05/2011	19/05/2012	10,478	5	fixed	
14	OTP 2012/XV	29/07/2011	05/08/2011	28/07/2012	9,835	5	fixed	
15	OTP 2012/XIX	23/09/2011	30/09/2011	22/09/2012	9,635	5	fixed	
16	OTP 2012/III	04/02/2011	11/02/2011	04/02/2012	9,313	5	fixed	
17	OTP 2012/XXIV	02/12/2011	09/12/2011	01/12/2012	9,034	5.5	fixed	
18	OTP 2012/XIV	15/07/2011	22/07/2011	14/07/2012	8,840	5	fixed	
19	OTP 2012/XI	03/06/2011	10/06/2011	02/06/2012	8,520	5	fixed	
20	OTP 2012/I	07/01/2011	14/01/2011	07/01/2012	8,436	5	fixed	
21	OTP 2012/XXI	21/10/2011	28/10/2011	20/10/2012	8,214	5.5	fixed	
22	OTP 2012/XIII	01/07/2011	08/07/2011	30/06/2012	7,979	5	fixed	
23	OTP 2012/XX	07/10/2011	14/10/2011	06/10/2012	7,552	5	fixed	
24	OTP 2012/XVII	26/08/2011	02/09/2011	25/08/2012	6,594	5	fixed	
25	TBSZ2013_I	26/02/2010	28/12/2010	30/12/2013	6,179	5.5	fixed	
26	TBSZ2015_I	26/02/2010	28/12/2010	30/12/2015	5,677	5.5	fixed	
27	OTP 2012/XII	17/06/2011	24/06/2011	16/06/2012	5,599	5	fixed	
28	DNT_HUF_2012_A	14/10/2011		13/04/2012	5,385	indexed	floating	
29	OTPX 2015A	25/03/2010		30/03/2015	5,364	indexed	floating	hedged
30	OTPX 2017A	01/04/2011		31/03/2017	5,255	indexed	floating	hedged
31	OTPX 2017B	17/06/2011		20/06/2017	5,100	indexed	floating	hedged
32	OTPX 2015B	28/06/2010		09/07/2015	4,740	indexed	floating	hedged
33	OTPX 2017C	19/09/2011		25/09/2017	4,400	indexed	floating	hedged
34	OTPX 2016A	11/11/2010		03/11/2016	4,380	indexed	floating	hedged
35	OTPX 2017E	21/12/2011		28/12/2017	4,000	indexed	floating	hedged
36	OTPX 2014C	14/12/2009		19/12/2014	3,975	indexed	floating	hedged
37	OTPX 2014B	05/10/2009		13/10/2014	3,905	indexed	floating	hedged
38	OTPRA_2013_B	26/11/2010		03/12/2013	3,497	indexed	floating	hedged
39	OTPX 2016B	16/12/2010		19/12/2016	3,365	indexed	floating	hedged
40	OTPX 2014A	25/06/2009		30/06/2014	3,041	indexed	floating	hedged
41	3Y_EUR_HUF	25/06/2010		25/06/2013	2,143	indexed	floating	hedged
42	TBSZ2014_I	14/01/2011	05/08/2011	15/12/2014	1,970	5.5	fixed	
43	OTPX 2012A	25/09/2009	11/09/2009	11/09/2012	1,666	indexed	floating	hedged
44	OTPX 2014E	17/06/2011		20/06/2014	1,350	indexed	floating	hedged
45	2014_RA_Bx	16/09/2011	23/09/2011	15/09/2014	1,297	indexed	floating	hedged
46	OTP_OVK_2013_I	26/08/2011	28/12/2011	26/08/2013	1,294	6.75	floating	
47	TBSZ2016_I	14/01/2011	05/08/2011	15/12/2016	1,227	5.5	fixed	
48	OTPRA_2014_A	25/03/2011		24/03/2014	956	indexed	floating	hedged
49	OTPX 2013B	26/11/2010		06/11/2013	840	indexed	floating	hedged
50	TBSZ2014_II	26/08/2011	29/12/2011	15/12/2014	748	5.5	fixed	
51	OTPRF_2020_B	12/07/2010		20/07/2020	734	indexed	floating	hedged
52	TBSZ2016_II	26/08/2011	29/12/2011	15/12/2016	659	5.5	fixed	
53	OTPX 2017D	21/10/2011		19/10/2017	650	indexed	floating	hedged
54	OTPX 2012C	25/03/2010		30/03/2012	629	indexed	floating	hedged
55	OTPX 2014D	01/04/2011		03/04/2014	595	indexed	floating	hedged
56	OTPX 2014F	20/10/2011		21/10/2014	518	indexed	floating	hedged
57	OTPX 2013A	28/06/2010		08/07/2013	480	indexed	floating	hedged
58	OTPRF_2020_A	12/07/2010		20/07/2020	469	indexed	floating	hedged
59	OTPX 2019B	05/10/2009	05/02/2010	14/10/2019	461	indexed	floating	hedged
60	OTPRF_2020_C	11/11/2010		05/11/2020	459	indexed	floating	hedged
61	OTPX 2020B	28/06/2010		09/07/2020	450	indexed	floating	hedged
62	OTPX 2013C	16/12/2010		19/12/2013	450	indexed	floating	hedged
63	OTPX 2021D	21/12/2011		27/12/2021	425	indexed	floating	hedged
64	OTPX 2020A	25/03/2010		30/03/2020	415	indexed	floating	hedged
65	OTPX 2019C	14/12/2009		20/12/2019	394	indexed	floating	hedged
66	OTPX 2021B	17/06/2011		17/06/2021	390	indexed	floating	hedged
	Subtotal				**395,861**			

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

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions		Hedged
67	OTPX 2021A	01/04/2011		01/04/2021	350	indexed	floating	hedged
68	OTPX_2021_C	19/09/2011		21/06/2021	320	indexed	floating	hedged
69	OTPX 2014G	21/12/2011		30/12/2014	320	indexed	floating	hedged
70	OTPX 2019A	25/06/2009		01/07/2019	319	indexed	floating	hedged
71	OTP_OJK_2016_I	26/08/2011	21/12/2011	26/08/2016	287	5.75	fixed	
72	OTPX 2020C	11/11/2010		05/11/2020	275	indexed	floating	hedged
73	OTPX 2020D	16/12/2010		18/12/2020	245	indexed	floating	hedged
74	OTPRF_2021_B	20/10/2011		25/10/2021	68	indexed	floating	hedged
75	OTPRF_2021_A	05/07/2011		13/07/2021	63	indexed	floating	hedged
76	OTPRF_2021_C	21/12/2011		30/12/2021	13	indexed	floating	hedged
77	OTPRF_2021_D	21/12/2011		30/12/2021	9	indexed	floating	hedged
78	OTPRF_2021_E	21/12/2011		30/12/2021	1	indexed	floating	hedged
79	other	-	-	-	237	0.25	fixed	
	Subtotal issued securities in HUF				**398,368**			
	Unamortized premium				(1,584)			
	Fair value hedge adjustment				(10,350)			
	Total issued securities in HUF				**386,434**			
	Accrued interest				9,924			
	Total issued securities				**453,423**			

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:

	2011	2010
CCIRS and mark-to-market CCIRS	238,141	206,887
Foreign currency swaps	52,810	5,426
Interest rate swaps	40,577	40,064
Other derivative contracts	14,427	4,951
Total	**345,955**	**257,328**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	2011	2010
Financial liabilities from OTP-MOL share swap transaction[1]	82,347	105,766
Amounts due from guarantee contract related to early repayment	45,279	-
Giro clearing accounts	28,005	10,682
Accrued expenses	24,236	33,219
Salaries and social security payable	19,586	21,022
Fair value of derivative financial instruments designated as fair value hedge	12,563	7,143
Liabilities from investment services	12,056	17,528
Accounts payable	9,335	6,642
Provision on off-balance sheet commitments, contingent liabilities	4,878	8,461
Current income tax payable	4,065	4,066
Deferred tax liabilities	3,355	-
Liabilities connected to loans for collection	1,117	1,147
Liabilities related to housing loans	390	351
Short term liabilities due to repurchase agreement transactions	321	3,461
Dividend payable	149	193
Other	19,502	11,607
Total	**267,184**	**231,288**

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

	2011	2010
Interest-rate swap transactions designated as fair value hedge	12,563	7,143

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

	2011	2010
Provision for losses on off-balance sheet commitments and contingent liabilities related to lending	3,908	6,325
- from this: provision for the repurchase guarantee to OTP Mortgage Bank Ltd.	-	*177*
Provision for litigation	408	1,476
Provision on other liabilities	562	660
Total	**4,878**	**8,461**

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

	2011	2010
Balance as at 1 January	**8,461**	**18,733**
Provision for the period	12,637	23,213
Release of provision	(16,220)	(33,485)
Balance as at 31 December	**4,878**	**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 31 December 2011 and 2010 HUF 82,347 and HUF 105,766 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

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

	2011	2010
Over one year:		
In HUF	5,000	5,000
In foreign currency	317,172	289,184
	322,172	**294,184**
Accrued interest	3,825	3,454
Total	**325,997**	**297,638**

Interest rates on subordinates bonds and loans are as follows:

	2011	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%

Partial cancellation of EUR 125 million subordinated notes

On 26 August 2011 the Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 04/03/2015, in the total notional amount of EUR 1.15 million. On 7 September 2011, and on 8 September 2011 the Bank purchased additional EUR 1 and 1 million notional amount from the same Note series. The Bank initiated the cancellation of the Notes on 26 August 2011, on 7 September 2011 and on 8 September 2011. On 21 October 2011 the Bank purchased EUR 1.85 million from the EUR 125 million subordinated Notes series. After the cancellation of these bonds the outstanding amount of the notes decreased to EUR 120 million.

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

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 of 31 December 2011
Subordinated bond	HUF 5 billion	20/12/1993	20/12/2013	100%	frequency of payment is based on the condition of interest of 2013/C credit consolidation government bonds	6%
Subordinated bond	EUR 120 million	04/03/2005	04/03/2015	100%	three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 475.6 million	07/11/2006	Perpetual 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)	-
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)

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

On 21 April 2007, the law on abolishment of "aranyrészvény" (special share assigning voting rights to the Hungarian State) came into force (Act XXVI of 2007). 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:

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

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

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

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)

	2011	2010
Nominal value (ordinary shares)	264	216
Carrying value at aquisition cost	5,519	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:

	2011	2010
Number of shares as at 1 January	**2,157,671**	**2,187,444**
Additions	1,085,521	73,232
Disposals	(598,408)	(103,005)
Number of shares as at 31 December	**2,644,784**	**2,157,671**

Change in carrying value:

	2011	2010
Balance as at 1 January	**3,729**	**3,774**
Additions	4,753	415
Disposals	(2,963)	(460)
Balance as at 31 December	**5,519**	**3,729**

NOTE 22: PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES (in HUF mn)

	2011	2010
Provision for impairment on loan losses		
Provision for the period	129,912	184,955
-from this: provision for impairment on loan losses related to early repayment	*2,164*	-
Release of provision	(104,209)	(139,921)
Provision on loan losses	51,392	53,286
-from this: provision on loan losses related to early repayment	*2,948*	-
	77,095	**98,320**
Provision for impairment on placement losses		
Provision for the period	132	173
Release of provision	(944)	(920)
Provision on placement losses	156	(33)
	(656)	**(780)**
Provision for impairment on loan and placement losses	**76,439**	**97,540**
Loss on loans related to early repayment	**5,112**	**-**
Losses from early repayment recognizing in interest income from loans	14	-
Total loss on loans related to the early repayment	**5,126**	**-**

NOTE 23: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

	2011	2010
Income from fees and commissions:		
Deposit and account maintenance fees and commissions	42,645	41,173
Fees and commission related to the issued bank cards	21,732	21,565
Fees related to the cash withdrawal	18,764	20,361
Fees and commissions related to security trading	12,288	13,184
Fees and commissions received from OTP Mortgage Bank Ltd.	10,306	38,603
Fees and commissions related to lending	3,608	3,734
Net fee income related to card insurance services and loan agreements	1,990	1,884
Other	5,636	5,328
Total	**116,969**	**145,832**

	2011	2010
Expenses from fees and commissions:		
Interchange fee	5,681	5,932
Fees and commissions related to issued bank cards	5,005	4,340
Insurance fees	1,990	1,766
Cash withdrawal transaction fees	1,561	1,660
Fees and commissions related to lending	1,338	1,353
Money market transaction fees and commissions	1,152	1,134
Fees and commissions relating to deposits	746	730
Fees and commissions related to security trading	618	646
Postal fees	574	538
Other	2,948	2,345
Total	**21,613**	**20,444**
Net profit from fees and commissions	**95,356**	**125,388**

NOTE 24: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	2011	2010
Other operating income:		
Loss on transactions related to property activities	(21)	(15)
Other	4,962	1,686
Total	**4,941**	**1,671**

	2011	2010
Net other operating expenses:		
Provision for impairment on investments in subsidiaries	83,531	20,683
Provision for impairment on other assets	(472)	567
Release of provision for off-balance sheet commitments and contingent liabilities	(3,583)	(10,272)
Cancellation fee paid for OTP Mortgage Bank Ltd.	-	14,510
Release of provision on securities held-to-maturity	-	(4,164)
Release of provision on securities available-for-sale	-	(5,220)
Other	5,247	3,438
Total	**84,723**	**19,542**

NOTE 24: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other administrative expenses:

	2011	2010
Personnel expenses:		
Wages	51,063	52,653
Taxes related to personnel expenses	15,416	15,705
Other personnel expenses	7,076	7,279
Subtotal	**73,555**	**75,637**
Depreciation and amortization:	**23,767**	**24,141**
Other administrative expenses:		
Taxes, other than income tax[1]	29,641	40,908
Services	22,156	19,735
Administration expenses, including rental fees	20,328	21,155
Advertising	6,811	6,182
Professional fees	3,782	2,510
Subtotal	**82,718**	**90,490**
Total	**180,040**	**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.
In 2010 due to the fact that the Hungarian Government approved a law effected that the income tax rate will be reduced to 10% from 1 January 2013 the deferred tax is calculated at 10% for those temporary differences that are expected to be resulted in taxable amounts or amounts deductable from the taxable profit after 2012. 19% was used for the calculation of the deferred tax for the remaining items. This law has been repealed therefore the deferred tax is calculated at 19% in 2011, and the opening balances have been recalculated based on the 19% tax rate.

A breakdown of the income tax expense is:

	2011	2010
Current tax expense	5,646	5,216
Deferred tax expense	9,349	4,754
	14,995	**9,970**

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

	2011	2010
Balance as at 1 January	**1,887**	**3,828**
Deferred tax expense	(9,349)	(4,754)
Tax effect of fair value adjustment of available-for-sale securities recognized in other comprehensive income and ICES	4,107	2,813
Balance as at 31 December	**(3,355)**	**1,887**

[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 2011 and 2010 was HUF 14 billion and HUF 26 billion recognized 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 deferred tax asset/liability is as follows:

	2011	**2010**
Fair value adjustment of held for trading and available-for-sale securities	7,499	1,263
Provision for impairment on investments in subsidiaries	4,407	8,814
Repurchase agreements and security lending	3,336	1,515
Difference in accounting for finance leases	483	510
Deferred tax assets	**15,725**	**12,102**
Fair value adjustment of derivative financial instruments	(7,565)	(3,782)
Effect of redemption of issued securities	(4,706)	(2,752)
Valuation of equity instrument (ICES)	(3,977)	(2,182)
Difference in depreciation and amortization	(1,847)	(997)
Effect of using effective interest rate method	(985)	(502)
Deferred tax liabilities	**(19,080)**	**(10,215)**
Net deferred tax asset	**(3,355)**	**1,887**

A reconciliation of the income tax expense is as follows:

	2011	**2010**
Profit before income tax	125,743	134,634
Income tax at statutory tax rate (19%)	23,891	25,580
Income tax adjustments due to permanent differencies are as follows:		
Revaluation of investments denominated in foreign currency to historical cost	11,443	3,656
Differences in carrying value of subsidiaries	2,765	981
Share-based payment	1,176	(2,246)
Effect of change of income tax rate	912	(912)
Reversal of statutory general provision	(206)	109
Accounting of equity instrument (ICES)	(711)	(4,234)
OTP-MOL share swap transaction	(871)	-
Reclassification of direct charges to reserves (self-revision)	(1,639)	(647)
Tax effect of amortisation of statutory goodwill and negative goodwill	(5,327)	(266)
Dividend income	(14,978)	(4,407)
Provision for impairment on investments in subsidiaries	-	(6,547)
Other	(1,460)	(1,097)
Income tax	**14,995**	**9,970**
Effective tax rate	11.9%	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 31 December 2011

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,359,492	387,153	33,785	116,590	49,787	**1,946,807**
Allowance	-	*(13,696)*	*(8,640)*	*(67,851)*	*(39,939)*	***(130,126)***
Placements with other banks	893,205	2,767	-	-	-	**895,972**
Allowance	-	*(138)*	-	-	-	***(138)***
Retail loans	427,518	63,316	23,283	19,628	340	**534,085**
Allowance	-	*(2,939)*	*(7,339)*	*(10,275)*	*(351)*	***(20,904)***
Municipal loans	222,460	64,291	8,904	11,919	760	**308,334**
Allowance	-	*(773)*	*(899)*	*(4,029)*	*(683)*	***(6,384)***
SME loans	85,148	7,310	985	2,987	844	**97,274**
Allowance	-	*(81)*	*(131)*	*(1,865)*	*(833)*	***(2,910)***
Gross loan portfolio total	**2,987,823**	**524,837**	**66,957**	**151,124**	**51,731**	**3,782,472**
Allowance Total	**-**	***(17,627)***	***(17,009)***	***(84,020)***	***(41,806)***	***(160,462)***
Net loan portfolio total	**2,987,823**	**507,210**	**49,948**	**67,104**	**9,925**	**3,622,010**

Accrued interest	
placements with other banks	2,146
loans	15,651
Total accrued interest	**17,797**
Total placements with other banks	**897,980**
Total loans	**2,741,827**
Total	**3,639,807**

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

26.1. Credit risk [continued]

Analysis by loan types and risk classes [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 placements with other banks	**794,686**
Total loans	**2,723,784**
Total	**3,518,470**

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

As at 31 December 2011

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total off balance sheet items
Corporate loans	755,674	19,294	4,175	3,065	433	782,641
Placements with other banks	25,701	-	-	-	-	25,701
Retail loans	228,149	1,202	186,444[1]	66	5	415,866
Municipal loans	81,619	5,175	1,230	598	-	88,622
SME loans	26,489	273	-	-	1	26,763
Total	**1,117,632**	**25,944**	**191,849**	**3,729**	**439**	**1,339,593**

[1] From this HUF 186,352 million is related to the early repayment.

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
Placements with other banks	-	-	-	-	-	-
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 increased by 4.04% in 2011. Analysing the contribution of loan types to the loan portfolio, the share of the SME loans business line and one of placements with other banks increased while the share of other business lines decreased. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio increased from 4.33% to 5.36%. Among the qualified gross loan portfolio, the loans classified to the risk class of "doubtful" expanded at the greatest level.

The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the coverage was 62.03% in 2011.

The off-balance sheet liabilities connected to the lending activity decreased by 3.83%, while the qualified gross loan portfolio increased by 6.9% in 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 31 December 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 is 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.

Further regrouping is caused in provision for impairment that according to 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 have 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.
Every exposure with small amounts are subject to collective valuation method according to general rules. Exposures are classified into five risk classes (performing, to-be-monitored, below average, doubtful, bad).
A certain % degree belongs to these valuation groups based on past due days and based on this degree, provision for impairment is recognised on exposures classified into above risk classes.

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 transferability and liquidity of the exposures (the market conditions of supply and demand, the available market prices and participation in the shareholders` equity of the issuer in proportion to the investment);
- the future payment obligation recognized as a loss arising from the exposure.

Loan portfolio by countries

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

	2011		2010	
Country	**Carrying amount of the qualified gross loan portfolio**	**Allowance**	**Carrying amount of the qualified gross loan portfolio**	**Allowance**
Hungary	445,537[1]	81,702[2]	380,257	61,105
Netherlands	157,788	5,831	140,327	1,999
Cyprus	65,331	13,931	58,955	10,765
Montenegro	63,093	37,303	62,421	38,436
Romania	37,628	14,990	29,306	8,332
Slovakia	8,245	180	15,715	4,007
Seychelles	5,268	806	4,701	705
Ukraine	4,030	2,059	7,758	1,828
Croatia	3,909	2,567	3,489	2,241
Kazahstan	2,170	111	6,051	908
Russia	937	623	836	544
Egypt	640	327	525	58
Bulgaria	4	-	27,222	1,102
Serbia	-	-	4,983	3,496
Latvia	-	-	836	42
Other	69[3]	32	8	3
Total	**794,649**	**160,462**	**743,390**	**135,571**

The non-performing loans connected to the OTP Financing Solutions B.V. (The Netherlands) are related to the refinancing of retail loans at the subsidiaries, the actual exposure of non-performing loans is HUF 17.1 billion as at 31 December 2011, from that HUF 4.9 billion is related to non-performing corporate loans and HUF 12.2 billion to retail ones.

[1] From this HUF 5,131 million is related to the early repayment.
[2] From this HUF 2,164 million is related to the early repayment.
[3] Italy, United Kingdom, Germany, United States of America, Austria, Switzerland, Sweden, China, Libia, Canada, Israel, Australia

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	**2011**	**2010**
Mortgages	868,102	932,807
Guarantees and warranties	222,971	200,274
Deposit	53,512	56,435
from this: Securities	6,433	5,881
Cash	47,079	50,554
Assignment	1,958	388
Other	140,329	187,194
Total	**1,286,872**	**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	**2011**	**2010**
Mortgage	399,906	376,372
Guarantees and warranties	180,082	158,246
Deposit	40,833	49,398
from this: Securities	4,468	3,821
Cash	36,365	45,577
Assignment	1,134	-
Other	15,057	42,407
Total	**637,012**	**626,423**

The coverage level of loan portfolio to the extent of the exposures decreased from 28.51% to 26.17% as at 31 December 2011, while coverage to the extent of the receivables decreased from 13.44% to 13.23%.

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	**2011**	**2010**
Corporate loans	1,329,982	1,253,954
Placements with other banks	893,205	787,294
Retail loans	338,605	376,566
Municipal loans	140,051	264,736
SME loans	73,265	79,839
Total	**2,775,108**	**2,762,389**

These loans are classified by the Bank as performing loans.

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 75.98% to 73.37 % as at 31 December 2011 compared to prior year. The ratio of corporate loans and placements with other banks of corporate and placements with other banks business lines compared to the portfolio increased as at 31 December 2011, while one of the other lines decreased.

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

26.1. Credit risk [continued]

Renegotiated loans

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

Loan type	2011	2010
Corporate loans	124,888	109,040
Retail loans	76,058	73,425
Municipal loans	7,499	1,870
SME loans	1,326	478
Total	**209,771**	**184,813**

The gross amount of renegotiated loans increased considerably connected to the SME and municipal loans by 31 December 2011. The growth of the gross amount of SME loans is a consequence of handling SME Balance Loan as restructured loans.

Past due, but not impaired loans

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

As at 31 December 2011

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	79,171	1,306	1,175	7,261	88,913
Corporate loans	29,279	53	40	138	29,510
SME loans	11,877	5	1	-	11,883
Municipal loans	82,409	-	-	-	82,409
Total	**202,736**	**1,364**	**1,216**	**7,399**	**212,715**

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. During collective valuation method the Bank recognizes provision for impairment on loans over a 30 day delay. Loans past due over 30 days are considerably state guaranteed housing loans which are not impaired due to the guarantee.
The level of corporate loans past due but not impaired is possible because of endorsing collaterals considering during 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 31 December 2011 and 2010 is as follows:

Types of collateral (total collateral value)	2011	2010
Retail loans	44,232	46,883
Corporate loans	13,501	13,421
SME loans	20,381	1,235
Municipal loans	1,019	24
Total	**79,133**	**61,563**

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

26.1. Credit risk [continued]

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

Types of collateral (to the extent of the exposures)	**2011**	**2010**
Retail loans	19,114	21,987
Corporate loans	9,188	12,433
SME loans	7,656	951
Municipal loans	794	18
Total	**36,752**	**35,389**

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

Loans individually assessed for provision

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

As at 31 December 2011

Considered factors	**Carrying value**	**Allowance for impairment**	**Collateral value**	**Off-balance sheet commitments**	**Provision for losses on off-balance sheet contingent liabilities**
Delay of repayment	74,887	48,732	3,238	-	-
Regularity of payment	1,711	158	739	-	-
Renegotiation	43,410	4,132	2,307	2,183	19
Legal proceedings	11,998	8,816	2,841	81	76
Decrease of client classification	124,215	26,717	1,977	9,544	1,270
Loan characteristics	41,895	2,993	-	-	-
Business lines risks	65,928	7,952	1,127	8,681	610
Country risk	-	-	-	-	-
Refinancing of subsidiaries portfolio	157,484	5,694	-	-	-
Cross default	29,332	18,638	332	392	120
Other	17,937	1,625	405	6,831	815
Corporate total	**568,797**	**125,457**	**12,966**	**27,712**	**2,910**
Delay of repayment	559	278	-	-	-
Regularity of payment	-	-	-	-	-
Renegotiation	7,324	540	-	113	53
Legal proceedings	327	287	40	-	-
Decrease of client classification	20,216	1,911	-	260	91
Cross default	552	201	2	109	35
Other	26,383	2,496	19	6,473	404
Municipal total	**55,361**	**5,713**	**61**	**6,955**	**583**
Placements with other banks	**4,035**	**403**	**-**	**-**	**-**
Total	**628,193**	**131,573**	**13,027**	**34,667**	**3,493**

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	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
Cross default	204	29	-	76	8
Other	27,232	3,330	10	1,056	139
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**

Regarding corporate business line in the individually rated portfolio the ratio of the carrying value of loans classified due to “delay of repayment” increased significantly from 7.65% to 13.17% as at 31 December 2011.

Refinancing of retail loans at the subsidiaries:
The gross value was HUF 157.5 billion as at 31 December 2011, the actual exposure of non-performing, past due loans is HUF 17.1 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).

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

Balance of individually qualified transactions has been significantly increased in the municipal sector due to the serious liquidity problems and the high rate of debt of the municipalities. In many cases standalone supervising and using of customized handling methods were needed.

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	**2011**	**2010**
Hungary	1,783,858	1,665,811
Cyprus	397,541	390,928
Netherlands	291,419	256,508
Russia	131,826	135,353
United Kingdom	94,732	126,264
Bulgaria	64,854	48,812
France	57,217	47,048
Romania	45,557	40,549
Germany	36,084	24,170
Croatia	26,806	37,209
Belgium	11,823	40,370
Slovakia	11,498	16,863
Switzerland	7,947	3,627
Serbia	6,031	13,343
Ukraine	4,710	19,605
United States of America	4,468	2,975
Norway	3,929	996
Montenegro	3,734	7,624
Sweden	1,541	-
Poland	607	867
Azerbaijan	602	627
Malta[1]	-	10,626
Other	1,039[2]	2,207
Total	**2,987,823**	**2,892,382**

Financial instruments by rating categories[3]

Held-for-trading securities as at 31 December 2011

	Ba1		**Baa3**		**Not rated**		**Total**
Corporate shares	-	0.0%	-	0.0%	87,871[4]	93.03%	87,871
Securities issued by the NBH	-	0.0%	-	0.0%	1,715	1.82%	1,715
Government bonds	22,846	89.64%	-	0.0%	-	0.0%	22,846
Mortgage bonds	548	2.15%	4,935	100.0%	293	0.31%	5,776
Hungarian government discounted Treasury Bills	-	0.0%	-	0.0%	4,146	4.39%	4,146
Hungarian government interest bearing Treasury Bills	-	0.0%	-	0.0%	115	0.12%	115
Other securities	2,093	8.21%	-	0.0%	314	0.33%	2,407
Total	**25,487**	**100.0%**	**4,935**	**100.0%**	**94,454**	**100.0%**	**124,876**
Accrued interest							1,083
Total							**125,959**

[1] The loan, purchased from Merrill Lynch, is completely granted to buy 10.64% of shares of Podravka d.d. The contract expired on 30 September 2010 without payment of the loan. OTP Bank hedged the risk taken of the asset by collateral received from MOL Plc. ("MOL"). The full amount was amortized from selling the Podravka shares and the collateral received from MOL. The transaction closed on 29 July 2011.
[2] Austria, Turkey, Ireland, Czech Republic, Canada, Israel, Australia, Estonia, Mongolia, Denmark, China, Chile, Egypt
[3] Moody's ratings
[4] Corporate shares listed on Budapest Stock Exchange

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 31 December 2011

	Ba1		Baa3		Not rated		Total
Mortgage bonds	-	0.0%	444,676	100.0%	418,746[1]	43.37%	863,422
Government bonds	260,681	100.0%	-	0.0%	-	0.0%	260,681
Bonds issued by NBH	-	0.0%	-	0.0%	497,198	51.49%	497,198
Hungarian government discounted Treasury Bills	-	0.0%	-	0.0%	-	0.0%	-
Other securities	-	0.0%	-	0.0%	49,623	5.14%	49,623
Total	**260,681**	**100.0%**	**444,676**	**100.0%**	**965,567**	**100.0%**	**1,670,924**
Accrued interest							40,494
Total							**1,711,418**

Held-to-maturity securities as at 31 December 2011

	Ba1		Not rated		Total
Government bonds	38,576	100.0%	16,684	21.69%	55,260
Mortgage bonds	-	0.0%	59,887	77.86%	59,887
Hungarian government discounted Treasury bills	-	0.0%	346	0.45%	346
Bonds issued by NBH	-	0.0%	-	0.0%	-
Other securities	-	0.0%	-	0.0%	-
Total	**38,576**	**100.0%**	**76,917**	**100.0%**	**115,493**
Accrued interest					4,974
Total					**120,467**

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 recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are applied 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.

[1] From this HUF 402,623 million represents mortgage bonds issued by OTP Mortgage Bank Ltd. denominated in HUF

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**	
	2011	**2010**
Foreign exchange	1,442	635
Interest rate	378	702
Equity instruments	18	30
Diversification	(364)	(130)
Total VaR exposure	**1,474**	**1,237**

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 Bank's sensitivity to an increase and decrease in the HUF exchange rate against 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 of 31 December 2011. High portion of strategic positions are considered as effective hedge of the net investment in foreign subsidiaries, and so FX risk affects the Bank's other comprehensive income and not its income. 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.

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

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) The EUR/HUF volatility increased slightly but the FX rate was stronger than the theoretic middle-rate, so the probability of losses increased and the probability of further gains decreased.
(3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 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 were 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 modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing 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 was prepared by assuming two scenarios:
1. 0.50%-0.75% decrease in average HUF yields (probable scenario)
2. 1 % - 1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period after 31 December 2011 would be decreased by HUF 825 million (probable scenario) and HUF 3,737 million (alternative scenario) as a result of these simulations. This effect is counterbalanced by capital gains (HUF 7,710 million for probable scenario, HUF 10,303 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 million):

The effects of the parallel shifts of the yield-curves to the net interest income and the equity can be summarized as follows (HUF million):

	2011		2010	
Description	Effects to the net interest income (one-year period)	Effects to equity (Price change of AFS government bonds)	Effects to the net interest income (one-year period)	Effects to equity (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(261)	1,008	(396)	1,191
EUR (0.1%) parallel shift	(578)	-	(191)	-
USD 0.1% parallel shift	(54)	-	(48)	-
Total	**(893)**	**1,008**	**(635)**	**1,191**

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 recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. This scenario shows the loss of the portfolio when all prices change with the maximum amount of the last year.

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

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 continous 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 financial statements data prepared in accordance with the Hungarian Accounting Standards ("HAS") applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008.
The Bank has entirely complied with the regulatory capital requirements in 2011 as well as in 2010.
The capital adequacy calculations of the Bank for the year ended 31 December 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, market risk as well as in case of the operational risk.

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

	2011	**2010**
Core capital	937,057	813,701
Supplementary capital	338,111	316,237
Deductions	(485,834)	(421,408)
Deductions due to PIBB[1] investments	*(442,385)*	*(386,837)*
Deductions due to limit breaches	*(43,449)*	*(34,571)*
Regulatory capital	**789,334**	**708,530**
Credit risk capital requirement	263,919	256,998
Market risk capital requirement	42,080	30,166
Operational risk capital requirement	46,319	26,073
Total requirement regulatory capital	**352,318**	**313,237**
Surplus capital	**437,016**	**395,293**
Tier 1 ratio	15.8%	15.4%
Capital adequacy ratio	**17.92%**	**18.10%**

The positive components of the Core capital are: Issued capital, Capital reserve, Tied-up reserve, General 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.
Deductions: PIBB investments, limit breaches

[1] PIBB: Financial Institutions, Investing Entreprises, 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

	2011	2010
Legal disputes (disputed value)	11,066,974	9,595,780
Commitments to extend credit	697,144	699,332
Guarantees arising from banking activities	642,165	693,526
Confirmed letters of credit	189	1,640
Contingent liabilities related to OTP Mortgage Bank Ltd.	-	2,532
Other	1,081	2,689
Total	**12,407,553**	**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, amongst 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 value of legal disputes has increased considerably because of changes in FX rates.

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 408 million and HUF 1,476 million as at 31 December 2011 and 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 and 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 recognize any expense in 2010 because the key performance indicators – that were the vesting conditions of the options – were not fulfilled.

NOTE 28: SHARE-BASED PAYMENT [continued]

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

In 2009 there were no share options having been exercised. 3,068,800 pieces of shares from the total 3,500,000 had became available for exercise for the options of 2009 were 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 granted for 2009. The redemption price was HUF 3,975 per share. The weighted average remaining contractual life of the options outstanding as at 31 December 2010 is 12 month.

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted on 2011 Annual General Meeting regarding to the amendment of CRD III. directives and Act on Credit Institutions and Financial Enterprises.
Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.
OTP Bank 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's Directorate based on the average of the three previous trade day's middle rate of OTP Bank's equity shares fixed on the Budapest Stock Exchange.
Discounted share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is determined by the OTP Bank'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[1]	exercise price per share	maximum earnings per share
2011	349,414	3,946	2,500
2012	792,974	3,946	3,000
2013	463,707	4,446	3,500
2014	563,062	4,946	3,500

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

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

2011	319,400[2]
2012	738,986
2013	432,144
2014	524,735

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

[1] Approved by the Board of Directors supposing 100% performance.
[2] The share-based payment period has expired as at 31 December 2011.

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

	2011	2010
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	388,492	373,729
OTP Mortgage Bank Ltd.	339,849	119,205
OTP Financing Netherlands B.V. (The Netherlands)	281,148	247,227
Merkantil Bank Ltd.	202,087	219,628
OTP Financing Solutions B.V. (The Netherlands)	163,136	146,591
OTP Factoring Ltd.	118,996	83,401
OAO OTP Bank (Russia)	98,450	117,218
OTP Real Estate Leasing Ltd.	39,664	36,078
OTP Leasing d.d. (Croatia)	24,366	25,068
Merkantil Lease Ltd.	18,790	25,067
DSK Leasing AD (Bulgaria)	18,106	20,544
Merkantil Car Ltd.	10,105	10,373
Crnogorska komerčijalna banka a.d (Montenegro)	3,734	3,345
OTP Real Estate Ltd.	3,181	2,425
Project 3 Commercial Real Estate Ltd.	2,469	-
OTP Ingatlanpont Ltd. (previously OTP Factoring Trustee Ltd.)	723	-
OTP Factoring Asset Management Ltd.	266	-
OTP Banka Slovensko a.s. (Slovakia)	55	62
OTP banka Srbija a.d. (Serbia)	18	12,183
OTP Bank JSC (Ukraine)	-	19,567
DSK Bank EAD (Bulgaria)	-	11,150
OTP Life Annuity Ltd.	-	10,658
OTP banka Hrvatska Group (Croatia)	-	9,700
Total	**1,713,635**	**1,493,219**

b) Deposits from subsidiaries

	2011	2010
Crnogorska komerčijalna banka a.d (Montenegro)	69,454	37,546
DSK Bank EAD (Bulgaria)	67,671	25,732
OTP Building Society Ltd.	30,247	29,339
OAO OTP Bank (Russia)	13,509	42,916
OTP Banka Slovensko a.s. (Slovakia)	12,710	12,049
Merkantil Bank Ltd.	9,131	15,969
OTP banka Hrvatska d.d. (Croatia)	7,559	5,886
OTP Bank Romania S.A. (Romania)	3,531	-
OTP Funds Servicing and Consulting Ltd.	3,493	-
OTP Real Estate Leasing Ltd.	3,422	1,626
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	3,335	5,074
OTP Factoring Ltd.	3,061	262
OTP Financing Netherlands B. V. (The Netherlands)	1,247	797
OTP Mortgage Bank Ltd.	621	2,317
OTP Real Estate Ltd.	588	-
Air Invest Ltd.	302	-
OTP banka Srbija a.d. (Serbia)	143	4,068
Merkantil Lease Ltd.	50	528
Concordia Info Ltd.[1]	-	297
Total	**230,074**	**184,406**

[1] It has merged in Inga Two Ltd. on 15 August 2011.

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

c) Interests received by the Bank[1]

	2011	2010
OTP Mortgage Bank Ltd.	74,291	68,951
OTP Financing Netherlands B.V. (The Netherlands)	10,166	-
OTP Holding Ltd. (Cyprus)	8,933	-
OTP Financing Solutions B.V. (The Netherlands)	6,653	-
OTP Factoring Ltd.	5,764	-
Merkantil Bank Ltd.	5,373	4,599
OAO OTP Bank (Russia)	3,875	7,639
Merkantil Lease Ltd.	1,554	2,004
OTP Leasing d.d. (Croatia)	574	-
OTP Banka Slovensko a.s. (Slovakia)	573	-
DSK Leasing AD (Bulgaria)	544	-
OTP Real Estate Leasing Ltd.	522	-
Merkantil Car Ltd.	412	-
OTP Bank JSC (Ukraine)	343	-
DSK Bank EAD (Bulgaria)	-	324
Other	684	-
Total	**120,261**	**83,517**

d) Interests paid by the Bank[1]

	2011	2010
Merkantil Lease Ltd.	2,325	2,840
Crnogorska komerčijalna banka a.d (Montenegro)	1,772	-
OTP Mortgage Bank Ltd.	1,417	7,693
OAO OTP Bank (Russia)	740	2,276
DSK Bank EAD (Bulgaria)	760	-
OTP Banka Slovensko a.s. (Slovakia)	646	-
Merkantil Bank Ltd.	540	2,110
OTP banka Srbija a.d. (Serbia)	281	-
OTP Real Estate Leasing Ltd.	119	-
OTP Bank Romania S.A. (Romania)	72	108
Other	355	-
Total	**9,027**	**15,027**

e) Commissions received by the Bank

	2011	2010
From OTP Fund Management Ltd. in relation to trading activity	6,307	6,934
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	2,075	1,790
From OTP Fund Management Ltd. in relation to custody activity	546	549
Other	568	-
Total	**9,496**	**9,273**

f) Commissions paid by the Bank

	2011	2010
OTP Bank Romania S.A. (Romania) related to loan portfolio handling	577	600
Total	**577**	**600**

[1] Derivatives are not included.

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

g) Transactions related to OTP Mortgage Bank Ltd.:

	2011	**2010**
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	7,323	35,313
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	5,381	9,893
The gross book value of the loans sold	5,379	9,888
Provision for the purchase obligation of the non-performing loans originated by OTP Mortgage Bank Ltd.	-	177

h) Transactions related to OTP Factoring Ltd.:

	2011	**2010**
The gross book value of the loans	73,214	85,023
Loans sold to OTP Factoring Ltd. without recourse (including interest)	31,552	35,315
Provision for loan losses on the loans sold	31,141	39,985
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	10,521	9,723

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

i) Transactions related to Crnogorska komerčijalna banka a.d (Montenegro)

	2011	**2010**
The gross book value of the loans sold to Crnogorska komerčijalna banka a.d.	98	52
The gross book value of the loans bought from Crnogorska komerčijalna banka a.d.	1,829	2,981

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

	2011	**2010**
Securities issued by OTP Banka Slovensko a.s. (Slovakia) (“OBS”) held by OTP Bank (nominal value in HUF million)	15,557	13,938
Securities issued the Bank held by OBS (nominal value in HUF million)	-	8,530

k) 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	**2011**	**2010**
Short-term employee benefits	2,782	6,961
Share-based payment	2,343	-
Long-term employee benefits	653	-
Total	**5,778**	**6,961**

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

In the normal course of business, the OTP 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 separate statement of financial position.

	2011	**2010**
Loans managed by the Bank as a trustee	43,009	44,095

NOTE 31: CONCENTRATION OF ASSETS AND LIABILITIES

	2011	**2010**
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	14%	13%
Securities issued by the OTP Mortgage Bank Ltd.	13.46%	13%

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

The OTP 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 OTP Bank.
Further to this obligatory reporting to the authority, the OTP 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 OTP Bank in charge of partner-risk management analyses the biggest partners on a constant basis and sets limits on the OTP 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 31 December 2011	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	226,976	-	-	-	-	226,976
Placements with other banks, net of allowance for placement losses	640,797	18,879	234,465	3,839	-	897,980
Financial assets at fair value through profit or loss	33,191	42,110	86,319	23,072	87,885	272,577
Securities available-for-sale	537,693	15,261	842,759	315,705	-	1,711,418
Loans, net of allowance for loan losses	138,685	797,739	836,916	968,487	-	2,741,827
Investments in subsidiaries	-	-	-	-	651,709	651,709
Securities held-to-maturity	6,155	57,594	44,860	11,858	-	120,467
Property and equipment	-	-	-	-	73,161	73,161
Intangible assets	-	-	-	-	31,171	31,171
Other assets	26,049	30,545	548	262	-	57,404
TOTAL ASSETS	**1,609,546**	**962,128**	**2,045,867**	**1,323,223**	**843,926**	**6,784,690**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	424,626	150,774	162,411	133,959	-	871,770
Deposits from customers	2,679,261	705,493	23,673	7,794	-	3,416,221
Liabilities from issued securities	130,345	246,546	17,617	58,915	-	453,423
Financial liabilities at fair value through profit or loss	34,679	90,609	212,311	8,356	-	345,955
Other liabilities	250,512	818	8,706	7,148	-	267,184
Subordinated bonds and loans	3,825	-	194,096	-	128,076	325,997
TOTAL LIABILITIES	**3,523,248**	**1,194,240**	**618,814**	**216,172**	**128,076**	**5,680,550**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,081,659	1,081,659
Treasury shares	-	-	-	-	(5,519)	(5,519)
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,104,140**	**1,104,140**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,523,248**	**1,194,240**	**618,814**	**216,172**	**1,232,216**	**6,784,690**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,913,702)**	**(232,112)**	**1,427,053**	**1,107,051**	**(388,290)**	**-**

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

As at 31 December 2010	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National 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 Hungarian Government, deposits from the National Bank of Hungary and other banks	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 31 December 2011

	USD	EUR	CHF	Others	Total
Assets[1]	520,016	1,516,208	1,084,663	193,196	3,314,083
Liabilities	(174,191)	(1,285,574)	(165,393)	(38,523)	(1,663,681)
Off-balance sheet assets and liabilities, net	(278,802)	(255,527)	(941,448)	(153,691)	(1,629,468)
Net position	**67,023**	**(24,893)**	**(22,178)**	**982**	**20,934**

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 NBH 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 31 December 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	**137,412**	**24,982**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53,013**	**11,569**	**190,425**	**36,551**	**226,976**
fixed interest	137,412	24,982	-	-	-	-	-	-	-	-	-	-	137,412	24,982	**162,394**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	53,013	11,569	53,013	11,569	**64,582**
Placements with other banks	**16,067**	**602,880**	**-**	**204,508**	**1,463**	**40,221**	**-**	**14,322**	**-**	**16,373**	**33**	**2,113**	**17,563**	**880,417**	**897,980**
fixed interest	15,773	562,859	-	24,793	1,463	235	-	14,322	-	16,373	-	-	17,236	618,582	**635,818**
variable interest	294	40,021	-	179,715	-	39,986	-	-	-	-	-	-	294	259,722	**260,016**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	33	2,113	33	2,113	**2,146**
Securities held for trading	**1,872**	**-**	**439**	**485**	**9,665**	**303**	**2,842**	**225**	**15,675**	**5,485**	**88,756**	**212**	**119,249**	**6,710**	**125,959**
fixed interest	1,872	-	430	-	9,118	303	2,842	225	15,675	5,485	-	-	29,937	6,013	**35,950**
variable interest	-	-	9	485	547	-	-	-	-	-	-	-	556	485	**1,041**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	88,756	212	88,756	212	**88,968**
Securities available-for-sale	**497,197**	**-**	**-**	**460,285**	**15,261**	**-**	**140,105**	**-**	**499,210**	**31,930**	**56,948**	**10,482**	**1,208,721**	**502,697**	**1,711,418**
fixed interest	497,197	-	-	-	15,261	-	140,105	-	499,210	31,930	-	-	1,151,773	31,930	**1,183,703**
variable interest	-	-	-	460,285	-	-	-	-	-	-	-	-	-	460,285	**460,285**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	56,948	10,482	56,948	10,482	**67,430**
Loans, net of allowance for loan losses	**725,735**	**621,334**	**23,232**	**334,454**	**115,621**	**782,138**	**1,377**	**4,043**	**11,914**	**106,328**	**4,955**	**10,696**	**882,834**	**1,858,993**	**2,741,827**
fixed interest	8,636	782	40	30	729	615	1,377	4,043	11,914	106,328	-	-	22,696	111,798	**134,494**
variable interest	717,099	620,552	23,192	334,424	114,892	781,523	-	-	-	-	-	-	855,183	1,736,499	**2,591,682**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	4,955	10,696	4,955	10,696	**15,651**
Securities held-to-maturity	**-**	**-**	**17,030**	**-**	**72,497**	**-**	**1,949**	**-**	**24,017**	**-**	**4,974**	**-**	**120,467**	**-**	**120,467**
fixed interest	-	-	346	-	55,090	-	1,949	-	24,017	-	-	-	81,402	-	**81,402**
variable interest	-	-	16,684	-	17,407	-	-	-	-	-	-	-	34,091	-	**34,091**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	4,974	-	4,974	-	**4,974**
Derivative financial instruments	**624,957**	**1,298,127**	**971,534**	**1,546,567**	**442,972**	**171,006**	**44,653**	**9,724**	**20,735**	**6,805**	**-**	**-**	**2,104,851**	**3,032,229**	**5,137,080**
fixed interest	221,998	662,890	165,240	247,387	365,126	96,381	22,655	7,676	20,735	5,298	-	-	795,754	1,019,632	**1,815,386**
variable interest	402,959	635,237	806,294	1,299,180	77,846	74,625	21,998	2,048	-	1,507	-	-	1,309,097	2,012,597	**3,321,694**

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

As at 31 December 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 Government, deposits from the National Bank of Hungary and other banks	**100,198**	**461,309**	**8,293**	**153,036**	**127,388**	**13,055**	**711**	**1,446**	**263**	**3,392**	**1,090**	**1,589**	**237,943**	**633,827**	**871,770**
fixed interest	99,534	304,198	3,033	3,971	3	12,650	711	1,446	263	3,392	-	-	103,544	325,657	**429,201**
variable interest	664	157,111	5,260	149,065	127,385	405	-	-	-	-	-	-	133,309	306,581	**439,890**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,090	1,589	1,090	1,589	**2,679**
Deposits from customers	**1,197,991**	**176,795**	**411,095**	**158,842**	**550,626**	**143,282**	**6,554**	**4,749**	**651,022**	**103,307**	**10,617**	**1,341**	**2,827,905**	**588,316**	**3,416,221**
fixed interest	759,856	163,110	402,537	158,842	550,626	143,282	6,554	4,749	5,080	-	-	-	1,724,653	469,983	**2,194,636**
variable interest	438,135	13,685	8,558	-	-	-	-	-	645,942	103,307	-	-	1,092,635	116,992	**1,209,627**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	10,617	1,341	10,617	1,341	**11,958**
Liabilities from issued securities	**21,455**	**5,205**	**58,313**	**20,673**	**200,604**	**28,450**	**12,399**	**1,666**	**93,663**	**1,071**	**9,816**	**108**	**396,250**	**57,173**	**453,423**
fixed interest	21,455	5,205	57,132	20,673	200,604	28,450	12,399	1,666	93,663	1,071	-	-	385,253	57,065	**442,318**
variable interest	-	-	1,181	-	-	-	-	-	-	-	-	-	1,181	-	**1,181**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,816	108	9,816	108	**9,924**
Derivative financial instruments	**422,162**	**1,570,353**	**78,128**	**2,548,062**	**141,246**	**492,575**	**51,593**	**8,953**	**14,138**	**19,441**	**-**	**-**	**707,267**	**4,639,384**	**5,346,651**
fixed interest	416,852	465,133	63,663	359,821	59,854	417,951	20,740	6,943	14,138	18,309	-	-	575,247	1,268,157	**1,843,404**
variable interest	5,310	1,105,220	14,465	2,188,241	81,392	74,624	30,853	2,010	-	1,132	-	-	132,020	3,371,227	**3,503,247**
Subordinated bonds and loans	**-**	**-**	**5,000**	**29,518**	**-**	**-**	**-**	**-**	**-**	**287,654**	**-**	**3,825**	**5,000**	**320,997**	**325,997**
fixed interest	-	-	-	-	-	-	-	-	-	287,654	-	-	-	287,654	**287,654**
variable interest	-	-	5,000	29,158	-	-	-	-	-	-	-	-	5,000	29,518	**34,518**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	3,825	-	3,825	**3,825**
NET POSITION	**261,434**	**333,661**	**451,406**	**(363,832)**	**(362,385)**	**316,306**	**119,669**	**11,500**	**(187,535)**	**(247,944)**	**187,156**	**28,209**	**469,745**	**77,900**	**547,645**

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	Foreign currency	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	**100,524**	**8,510**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**57,648**	**4,995**	**158,172**	**13,505**	**171,677**
fixed interest	100,524	8,510	-	-	-	-	-	-	-	-	-	-	100,524	8,510	**109,034**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	57,648	4,995	57,648	4,995	**62,643**
Placements with other banks	**52,880**	**351,463**	**309**	**283,497**	**-**	**77,557**	**-**	**256**	**-**	**27,242**	**48**	**1,434**	**53,237**	**741,449**	**794,686**
fixed interest	52,880	346,571	-	22,271	-	74,163	-	256	-	27,242	-	-	52,880	470,503	**523,383**
variable interest	-	4,892	309	261,226	-	3,394	-	-	-	-	-	-	309	269,512	**269,821**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	48	1,434	48	1,434	**1,482**
Securities held for trading	**20,000**	**-**	**227**	**256**	**3,690**	**4,361**	**2,483**	**-**	**8,680**	**2,072**	**105,954**	**136**	**141,034**	**6,825**	**147,859**
fixed interest	20,000	-	209	256	3,690	4,361	2,483	-	8,680	2,072	-	-	35,062	6,689	**41,751**
variable interest	-	-	18	-	-	-	-	-	-	-	-	-	18	-	**18**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	105,954	136	105,954	136	**106,090**
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**	**399,562**	**1,477,930**
fixed interest	300,648	-	-	-	59,821	353,799	19,741	-	641,961	29,999	-	-	1,022,171	383,798	**1,405,969**
variable interest	-	-	-	14,110	-	-	-	-	-	-	-	-	-	14,110	**14,110**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	56,197	1,654	56,197	1,654	**57,851**
Loans, net of allowance for loan losses	**754,740**	**650,118**	**22,404**	**396,237**	**146,938**	**648,316**	**561**	**112**	**6,184**	**81,387**	**7,856**	**8,931**	**938,683**	**1,785,101**	**2,723,784**
fixed interest	8,351	-	31	62	476	174	561	112	6,184	81,387	-	-	15,603	81,735	**97,338**
variable interest	746,389	650,118	22,373	396,175	146,462	648,142	-	-	-	-	-	-	915,224	1,694,435	**2,609,659**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,856	8,931	7,856	8,931	**16,787**
Securities held-to-maturity	**20,017**	**-**	**21,261**	**-**	**25,928**	**-**	**55,330**	**-**	**25,877**	**-**	**5,590**	**-**	**154,003**	**-**	**154,003**
fixed interest	-	-	14,051	-	15,731	-	55,330	-	25,877	-	-	-	110,989	-	**110,989**
variable interest	20,017	-	7,210	-	10,197	-	-	-	-	-	-	-	37,424	-	**37,424**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	5,590	-	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**	**1,801,207**	**3,856,303**
fixed interest	459,293	817,193	41,739	100,136	321,630	106,637	3,479	3,029	26,202	2,087	-	-	852,343	1,029,082	**1,881,425**
variable interest	352,664	314,809	776,979	457,163	73,110	153	-	-	-	-	-	-	1,202,753	772,125	**1,974,878**

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		Total
LIABILITIES	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	**HUF**	**Foreign currency**	
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**	**266,108**	**475,737**	**741,845**
fixed interest	127,652	143,407	8,418	124	3,874	3,401	4	3,729	283	5,000	-	-	140,231	155,661	**295,892**
variable interest	2,480	284,552	7,583	34,372	115,010	302	-	-	-	-	-	-	125,073	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**	**1,174**	**2,629,925**	**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	-	-	-	1,608,001	537,206	**2,145,207**
variable interest	430,503	7,711	16,964	-	528	-	-	-	565,237	103,557	-	-	1,013,232	111,268	**1,124,500**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8,692	1,174	8,692	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**	**335,844**	**176,622**	**512,466**
fixed interest	27,499	-	42,284	-	179,473	157,883	2,266	18,147	76,491	260	-	-	328,013	176,290	**504,303**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,831	332	7,831	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**	**-**	**-**	**781,482**	**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	-	-	741,635	1,204,741	**1,946,376**
variable interest	11,899	732,753	10,810	1,227,814	17,138	62,856	-	-	-	-	-	-	39,847	2,023,423	**2,063,270**
Subordinated bonds and loans	-	-	-	**34,844**	-	-	-	-	**5,000**	**254,340**	**8**	**3,446**	**5,008**	**292,630**	**297,638**
fixed interest	-	-	-	-	-	-	-	-	5,000	254,340	-	-	5,000	254,340	**259,340**
variable interest	-	-	-	34,844	-	-	-	-	-	-	-	-	-	34,844	**34,844**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8	3,446	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**	**11,348**	**560,226**	**(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. Delutive potential ordinary shares are deemed to have been converted into ordinary shares.

	2011	2010
Net profit for the year attributable to ordinary shareholders (in HUF mn)	110,748	124,664
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	277,696,699	277,830,864
Basic Earnings per share (in HUF)	**399**	**449**
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	110,748	124,664
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	277,762,519	280,963,042
Diluted Earnings per share (in HUF)	**399**	**444**

	2011	2010
	number of share	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(2,303,311)	(2,169,146)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**277,696,699**	**277,830,864**
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares[1]	65,820	3,132,178
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**277,762,519**	**280,963,042**

[1] In 2011 dilutive effect is in connection with the Remuneration Policy.

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

As at 31 December 2011	Net interest income and expense	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	6,274	-	-	-
Placements with other banks, net of allowance for placement losses	19,054	-	812	-
Securities held for trading	2,076	5,224	-	-
Securities available-for-sale	115,841	574	-	23,834
Loans, net of allowance for loan losses	213,455	12,581	(25,715)	-
from this: Corporate loans	*96,151*			
Consumer loans	*85,813*			
Housing loans	*7,722*			
Municipality loans	*17,024*			
Mortgage backed loans	*6,745*			
Securities held-to-maturity	9,637	67	-	-
Derivative financial instruments	63,296	72	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(22,376)	-	-	-
Deposits from customers	(116,531)	70,147	-	-
Liabilities from issued securities	(28,370)	-	-	-
Subordinated bonds and loans	(16,538)	-	-	-
Total	**245,818**	**88,665**	**(24,903)**	**23,834**

As at 31 December 2010	Net interest income and expense	Net non-interest gain and loss	Provision for impairment	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 Hungarian Government, deposits from the National Bank of Hungary and other banks	(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 amorised cost less impairment is considered as fair value,
- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

a) Fair value of financial assets and liabilities

	2011		**2010**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Bank of Hungary	226,976	226,976	171,677	171,677
Placements with other banks, net of allowance for placement losses	897,980	902,630	794,686	795,637
Financial assets at fair value through profit or loss	272,577	272,577	248,790	248,790
Held for trading securities	*125,959*	125,959	*147,859*	*147,859*
Derivative financial instruments designated as held for trading	*146,618*	146,618	*100,931*	*100,931*
Securities available-for-sale	1,711,418	1,711,418	1,477,930	1,477,930
Loans, net of allowance for loan losses	2,741,827	3,020,257	2,723,784	3,007,093
Securities held-to-maturity	120,467	112,463	154,003	147,427
Derivative financial instruments designated as hedging instruments	2,329	2,329	8,477	8,477
FINANCIAL ASSETS TOTAL	**5,973,574**	**6,248,650**	**5,579,347**	**5,857,031**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	871,770	853,596	741,845	681,864
Deposits from customers	3,416,221	3,390,649	3,279,573	3,260,721
Liabilities from issued securities	453,423	420,585	512,466	490,978
Derivative financial instruments designated as hedging instruments	12,563	12,563	7,143	7,143
Financial liabilities at fair value through profit or loss	345,955	345,955	257,328	257,328
Financial liabilities from OTP-MOL transaction	82,347	82,347	105,766	105,766
Subordinated bonds and loans	325,997	206,699	297,638	226,974
FINANCIAL LIABILITIES TOTAL	**5,508,276**	**5,312,394**	**5,201,759**	**5,030,774**

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

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	2011	**2010**	**2011**	**2010**
Interest rate swaps designated as held for trading				
Positive fair value of interest rate swaps designated as held for trading	39,442	34,414	34,064	44,613
Negative fair value of interest rate swaps designated as held for trading	(40,577)	(40,064)	(37,496)	(59,736)
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	24,329	18,084	28,486	22,973
Negative fair value of foreign exchange swaps designated as held for trading	(52,810)	(5,426)	(48,163)	(5,100)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	2,329	8,477	3,526	13,412
Negative fair value of interest rate swaps designated in fair value hedge	(12,563)	(7,143)	(10,980)	(11,479)
CCIRS designated as held for trading				
Positive fair value of CCIRS designated as held for trading	56,312	35,408	57,825	21,434
Negative fair value of CCIRS designated as held for trading	(232,564)	(197,450)	(257,590)	(177,976)
Mark-to-market CCIRS designated as held for trading				
Positive fair value of mark-to-market CCIRS designated as held for trading	9,969	7,399	(7,925)	40,124
Negative fair value of mark-to-market CCIRS designated as held for trading	(5,577)	(9,437)	(10,950)	1,852
Other derivative contracts designated as held for trading				
Positive fair value of other derivative contracts designated as held for trading	16,566	5,626	14,742	2,161
Negative fair value of other derivative contracts designated as held for trading	(14,428)	(4,951)	(12,670)	(1,700)
Derivative financial assets total	**148,947**	**109,408**	**130,718**	**144,717**
Derivative financial liabilities total	**(358,519)**	**(264,471)**	**(377,849)**	**(254,139)**
Derivative financial instruments total	**(209,572)**	**(155,063)**	**(247,131)**	**(109,422)**

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

c) Hedge accounting

The OTP 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 31 December 2011

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF (10,234) million	Interest rate
3) Net investment hedge in foreign operations	-	-	-

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 OTP Bank denominated in HUF and EUR are exposed to the change of equity prices, equity indices or the change of EUR/HUF exchange rate. In order to hedge the interest rate risk of the interest payments the OTP 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 month BUBOR or EURIBOR, resulting in a decrease in the fair value exposure of the deposits from customers.

	2011	2010
Fair value of the hedging instruments	70	(61)

2. Securities available-for-sale

The OTP 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 OTP Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 12 month EURIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	2011	2010
Fair value of the hedging instruments	(715)	(128)

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

d) Fair value hedges [continued]

3. Loans to customers

The OTP 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 OTP 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 month EURIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.

	2011	**2010**
Fair value of the hedging instruments	(21)	(1,238)

4. Issued securities

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

	2011	**2010**
Fair value of the hedging instruments	(9,568)	2,761

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

d) *Fair value hedges [continued]*

As at 31 December 2011

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk	
				on the hedged items	on the hedging instruments
Securities available-for-sale	IRS	HUF 17,694 million	HUF (715) million	HUF 587 million	HUF (587) million
Loans to customers	IRS	HUF 23,495 million	HUF (21) million	HUF (1,217) million	HUF 1,217 million
Deposits from customers	IRS	HUF 26,935 million	HUF 70 million	HUF (131) million	HUF 131 million
Liabilities from issued securities	IRS	HUF 130,429 million	HUF (9,568) million	HUF 12,329 million	HUF (12,329) million

As at 31 December 2010

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

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 liability 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 31 December 2011	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	271,494	121,245	138,493	11,756
from this: securities held for trading	*124,876*	*121,192*	*3,684*	-
from this: positive FVA of derivative financial instruments designated as held for trading	*146,618*	*53*	*134,809*	*11,756*
Securities available-for-sale	1,670,924	749,151	921,773	-
Positive FVA of derivative financial instruments designated as hedge accounting relationship	2,329	-	2,329	-
Financial assets measured at fair value total	**1,944,747**	**870,396**	**1,062,595**	**11,756**
Negative FVA of derivative financial instruments designated as held for trading	345,955	4	290,727	55,224
Negative FVA of derivative financial instruments designated as hedge accounting relationship	12,563	-	12,563	-
Financial liabilities measured at fair value total	**358,518**	**4**	**303,290**	**55,224**

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

e) *Fair value classes [continued]*

Movements in level 3 financial instruments measured at fair value

EUR/CHF cross currency swap (CCIRS) portfolio

According to the risk management policies the Bank holds EUR/CHF cross currency swap portfolio with a notional totaling CHF 2,756 million (HUF 705,673 million equivalent), in order to hedge its foreign currency denominated mortgage loan portfolio's fx risk. These deals do not fulfill the IFRS requirements of hedge accounting, and so they are classified as held for trading.

In the second half of the year 2011 the EUR/CHF cross currency swap spreads speculation has previously unexpected volatility, which significantly differed from spreads on which the Bank could execute deals and therefore market quotations cannot be used for estimating the fair value of the Bank's CCIRS portfolio.

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

Sensitivity

The key risk factor for these deals is the change of the spreads. The net present value impacts of +/-10 basis points change of cross currency swap spreads on the EUR/CHF CCIRS portfolio are summarized in the table below:

Fair Value (PV)	
Net fair Value based on estimated inputs	(43,467)
Sensitivity (dPV)	
+10 bp	1,603
-10 bp	(1,608)

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

Movements for the year 2011	Opening balance as at 30 September 2011	Transfer as at 30 September 2011	Closing balance as at 31 December 2011	Total loss as at 31 December 2011
Positive FVA of derivative financial instruments designated as held for trading	20,797	20,797	11,756	(9,041)
Financial assets measured at fair value total	**20,797**	**20,797**	**11,756**	**(9,041)**
Negative FVA of derivative financial instruments designated as held for trading	(48,088)	(48,088)	(55,224)	(7,136)
Financial liabilities measured at fair value total	**(48,088)**	**(48,088)**	**(55,224)**	**(7,136)**

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 1 January 2011	Net profit for the year ended 31 December 2011	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2011
Financial Statements in accordance with HAS	**899,241**	**136,607**	**(28,000)**	**(7,587)**	**1,000,261**
Reversal of statutory general provision	40,156	1,082	-	-	41,238
Premium and discount amortization of financial instruments measured at amortised cost	386	(805)	-	-	(419)
Effect of redemption of issued securities	22,559	2,211	-	-	24,770
Differences in carrying value of subsidiaries	34,115	(14,550)	-	14,550	34,115
Difference in accounting for finance leases	(3,456)	914	-	-	(2,542)
Effects of using effective interest rate method	3,645	1,961	-	-	5,606
Fair value adjustment of held for trading and available-for-sale financial assets	(9,205)	(1,757)	-	(28,508)	(39,470)
Fair value adjustment of derivative financial instruments	19,905	19,909	-	-	39,814
Reversal of statutory goodwill	12,558	28,038	-	-	40,596
Revaluation of investments denominated in foreign currency to historical cost	20,784	(60,226)	-	-	(39,442)
Difference in accounting of security lending	(15,144)	(2,415)	-	-	(17,559)
Treasury share transaction	-	25	-	(25)	-
Reclassification of direct charges to reserves (self-revision)	-	6,963	-	(6,963)	-
Share-based payment	-	(6,188)	-	6,188	-
Payments to ICES holders	21,818	3,743	-	(4,632)	20,929
OTP-MOL share swap transaction	(55,468)	4,585	-	-	(50,883)
Deferred taxation	1,887	(9,349)	-	4,107	(3,355)
Dividend paid for 2010	20,160	-	(20,160)	-	-
Dividend payable in 2011	-	-	28,000	-	28,000
Financial Statements in accordance with IFRS	**1,013,941**	**110,748**	**(20,160)**	**(22,870)**	**1,081,659**

NOTE 39: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2011

1) Term Loan Facility

See details in Note 13.

2) Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

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

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

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

The Government backs the escrow account in full through a State Guarantee during the fixed exchange rate period, subsequently the guarantee applies to 25% of the escrow account.

Regarding the fact that the number of debtors who took the opportunity of fixing of the exchange rate detailed above is low, its effect on the Bank's financial statements is not significant.

NOTE 40: POST BALANCE SHEET EVENTS

Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

NOTE 41: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE BANK'S FINANCIALS (in HUF mn)

In Hungary real GDP growth in 2011 reached 1.7%, helped by strengthening manufacturing production and increasing performance of agriculture on the production side. On the expenditure side, GDP growth was driven mainly by the strong export demand, while household consumption continued to decline. Nevertheless, both factors contributed to the increasing surplus of the current account balance.

Capital markets development in 2011 as a whole shaped worse than expected. In contrast to improving risk taking attitude of the first few months of 2011, the rest of the year was dominated again by mounting concerns about the Euro zone indebtedness and long-lasting structural issues within the EU. Credit downgrades across the European and other developed countries became fairly common. In case of Hungary the overall risk aversion of markets coupled with reservations about the measures implemented by the government. As a result, the HUF weakened significantly in the second half of 2011, government bond yields and the Hungarian CDS-levels reached new heights and after 15 years the sovereign credit rating was cut back to non-investment grade level again. In 2011 the closing rate of the HUF against the EUR weakened by 12%, while the average exchange rate deteriorated by 2%. As for the CHF/HUF rate, the weakening was at 15% and 14%, respectively. In November the Hungarian Government decided to turn to the EU and the IMF for "precautionary" financial assistance.

In 2011 the OTP Bank continued to focus its activity on stable operation by maintaining robust capital position and significant liquidity reserves as well as implementing prudent risk management and monitoring practices in line with the deteriorating loan portfolio.

- One of the direct consequences of the crisis started late 2008 was the generally weak **loan demand** in the OTP Bank's Hungarian markets.

  The Hungarian market was still suffering from weak loan demand. Gross loan volumes of OTP Core[1] continued eroding gradually by 7% from 2010 to 2011 (adjusted for the FX-effect). The early repayment scheme of FX mortgage loans accelerated the melt down of volumes in the mortgage segment. The mortgage loan portfolio decreased by 8% from 2010 to 2011 (adjusted for the FX-effect). Though the market share of OTP Core in mortgage loan disbursement is still outstandingly high (similar to the 29% reached in 2010), the newly originated volumes in 2011 were lower by 10% on a yearly base and substantially fell short of the before crisis levels (in 2008 HUF 366 billion, in 2009 HUF 64 billion, in 2010 HUF 103 billion, in 2011 HUF 92 billion). Annual origination contracted despite the higher dynamics of disbursements in the three month period ended 31 December 2011, which was also fuelled by the significantly increasing refinancing demand related to mortgage loan prepayments.

  Recovery of consumer lending is also in delay. The FX-adjusted consumer loan portfolio diminished by 4% from 2010 to 2011. OTP Core's market share in cash loan sales was at record high levels (in 2011 50% while in 2010 49%), but because of weak demand the annual volume disbursed by OTP Bank somewhat declined in this segment, too (disbursement was in 2010 HUF 52 billion and in 2011 HUF 48 billion).

  In 2011 loans to corporate and municipal clients eroded by 9%. The only growing part of the portfolio was the SME segment, where the expansion was supported by technical factors, too.

[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 Buildig Society Ltd, OTP Factoring Ltd, OTP Financing Netherlands B.V. and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Centre, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across OTP Group.

NOTE 41: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE BANK'S FINANCIALS (in HUF mn) [continued]

Countries	Loans	Securities	Interbank placements	Total
Hungary	1,669,403	1,886,503	559,992	4,115,898
Netherlands	444,976	-	4,231	449,207
Romania	83,133	-	52	83,185
Bulgaria	64,858	-	-	64,858
Montenegro	63,093	-	3,734	66,827
Russia	33,330	810	99,433	133,573
Croatia	30,715	-	-	30,715
Slovakia	19,688	15,609	55	35,352
Ukraine	8,740	-	-	8,740
Serbia	6,013	-	18	6,031
Germany	5	-	36,079	36,084
Belgium	-		11,823	11,823
France	-	-	57,217	57,217
United Kingdom	-	-	94,731	94,731
Other[1]	1,358,518	8,371	30,753	1,397,642
Total	**3,782,472**	**1,911,293**	**898,118**	**6,591,883**

- While witnessing a generally weak loan demand, the OTP Bank has put less emphasis on deposit collection since 2010. Instead of further improving its liquidity indicators, the OTP Bank has rather focused on the improvement of deposit margins. FX-adjusted deposit volumes of OTP Core (including bonds sold to Hungarian retail investors) stagnated in 2011, followed by the 5% expansion in 2010.

- The OTP Bank has accumulated a sizable amount of **liquidity reserves** since the beginning of the crisis. The operating liquidity (measured by the liquid asset surplus within one month plus the repo value of government bonds, covered mortgage bonds and municipal bonds) amounted to EUR 4.5 billion equivalent by 22 February 2012. This level of the reserves is more than enough to cover all outstanding external FX maturities of OTP Core until 2016 (the latter amounting to EUR 1.6 billion), and exceeds the requirement stemming from any potential liquidity shock (estimated at EUR 2.8 billion).

  Regarding the wholesale funding activities, on 16 May 2011 OTP Bank paid back a EUR 500 million senior bond. Furthermore, on 11 July 2011 OTP Mortgage Bank repaid EUR 750 million covered bonds. On 19 May 2011 OTP Bank raised a EUR 300 million syndicated loan with 2 years of maturity. On top of this, OTP Mortgage Bank issued two covered bonds series, but only EUR 19 million was sold to third parties. Whereas, the remaining stock was bought by OTP Bank and this tranche is used for repo transactions with central banks.

- Another side effect of the crisis was the deterioration in the financial position of the clients, which led to worsening **loan quality** and materially increasing risk costs compared to levels obtained before the crisis. In case of OTP Core, in 2011 the ratio of loans with more than 90 days of delinquency ("DPD90+ ratio") increased further to 13.6% from 10.6% at end of 2010. The development of the ratio was heavily influenced not only by the volume of loans that fall into more than 90 days of delinquency, but the decline of total gross loans. The provision coverage of DPD90+ loans at OTP Core reached 79.1% on 31 December 2011, after improving by 3.3%-points in 2010 and by another 0.9%-point in 2011. At the same time, the provisions for impairment on loan losses declined by 9% in yearly comparison.

- Keeping strong **capital position** remained among top priorities for the OTP Bank in 2011. The capital adequacy ratio of OTP Bank stood at 17.9% at the end of 2011, compared to 18.1% a year ago. The slight decline is explained by the increasing risk weighted assets, as well as the higher capital requirement of market and operational risk. The OTP Bank remained profitable in 2011, resulting in further capital accumulation and building up of the guarantee capital. The Tier 1 ratio improved from 15.4% to 15.8% in 2011.

[1] Other category includes the PIGS countries but in Portugal, Italy, Greece and Spain the Bank had no exposure as at 31 December 2011.

NOTE 41: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE BANK'S FINANCIALS (in HUF mn) [continued]

- The second European stress test results published by the European Banking Authority ('EBA') on 15 July 2011 demonstrated the outstanding capital strength of OTP Bank. After reaching second position in 2010 in the first round, in the second stress test under the adverse scenario OTP Bank's Core Tier1 ratio was the third highest, at 13.6%. In December 2011 EBA had another test focusing on the securities exposure of banks, the result again was convincing: OTP Bank safely meets the 9% Core Tier1 requirement.
- In 2011 the goodwill write down related to the Croatian, Montenegrin and Serbian subsidiaries resulted in a total loss of HUF 24 billion in the Group's consolidated financial statements under IFRS.
- Concerning OTP Bank and OTP Mortgage Bank, the following **rating actions** were taken by international rating agencies in 2011:
    - On 5 April 2011 Moody's Investors Service affirmed OTP Bank's standalone BFSR at D+ with stable outlook. The OTP Bank's foreign-currency deposit ratings were affirmed at Baa3. Simultaneously Moody's has lowered the OTP Bank's local currency deposit ratings and foreign currency senior debt rating to Baa3 in line with the sovereign ratings. The OTP Bank's subordinated debt (lower Tier2) rating has been changed to Ba1 and its junior subordinated debt (upper Tier2) rating to Ba2. The outlook on BFSR is stable, while all other ratings carry negative outlook similarly to the sovereign.
    - On 15 November 2011 Standard & Poor's placed on watch negative "BBB-/A-3" long- and short-term counterparty credit ratings on OTP Bank and its subsidiary OTP Mortgage Bank. The rating action followed the placement of "BBB-/A-3" foreign and local currency sovereign credit ratings on Hungary on CreditWatch negative on 11 November 2011.
    - On 25 November 2011, reflecting the lowering of Hungarian government debt rating to "Ba1" and the country's foreign-currency deposit ceiling to "Ba2", Moody's Investors Service lowered the ratings of OTP Bank and OTP Mortgage Bank. The foreign currency deposit ratings of OTP Bank and OTP Mortgage Bank was downgraded to 'Ba2/Not-Prime' from 'Baa3/Prime-3' and downgraded the local-currency deposit ratings, foreign-currency senior debt rating, subordinated debt rating and junior subordinated debt rating by one notch.
    - On 16 December 2011 Moody's concluded the review for downgrade on ratings initiated on 4 October 2011 and affirmed the ratings of OTP Bank and OTP Mortgage Bank in accordance with its decision on 25 November 2011.
    - Standard & Poor's lowered Hungary's long- and short-term sovereign credit ratings to 'BB+/B' from 'BBB-/A-3'. As a consequence of the sovereign downgrade, on 23 December S&P lowered the ratings of OTP Bank and OTP Mortgage Bank to 'BB+/B' from 'BBB-/A-3'. The outlooks are negative.