OTP BANK PLC.

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

FOR THE YEAR ENDED
31 DECEMBER 2011

OTP BANK PLC.
CONSOLIDATED FINANCIAL STATEMENTS

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Deloitte.

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Company Registration Number: 01-09-071057

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OTP Bank Plc. (the "Bank") for the year 2011, which financial statements comprise the consolidated statement of financial position as at December 31, 2011 – which shows total assets of 10,200,527 million HUF – , and the related consolidated statement of recognized and comprehensive income – which shows a net profit for the year attributable to Shareholders of 83,147 million HUF –, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

Clause (Opinion)

We have audited the consolidated financial statements of OTP Bank Plc. including its sections and items and the supporting accounting records and certificates thereof, in accordance with the applicable National Standards on Auditing and have obtained reasonable assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards as adopted by the European Union.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of OTP Bank Plc. as at December 31, 2011, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Reporting Obligation on the Consolidated Business Report

We have examined the accompanying consolidated business report of OTP Bank Plc. for the year 2011.

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

Our responsibility is to assess whether the accounting information in the consolidated business report is consistent with that contained in the consolidated financial statements prepared for the same business year. Our work with respect to the consolidated business report was limited to assessing the consistence of the consolidated business report with the consolidated financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Bank.

In our opinion, the consolidated business report of OTP Bank Plc. for the year 2011. corresponds to the figures included in the consolidated financial statements of OTP Bank Plc. for the year 2011.

Budapest, February 24, 2012

Horváth Tamás	Nagyváradiné Szépfalvi Zsuzsanna
Deloitte Auditing and Consulting Ltd.	registered statutory auditor
1068 Budapest, Dózsa György út 84/C	005313
000083	

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

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

Budapest, 24 February 2012

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

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

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

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

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

The accompanying notes to consolidated financial statements on pages 8 to 100 form an integral part of these consolidated financial statements.

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

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

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

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

Analysis of cash and cash equivalents

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

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

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

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

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

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

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

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

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

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

The number of employees at the Group:

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

1.2. Accounting

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

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

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

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

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

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

1.2. Accounting [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 IASB and adopted by the EU are effective for the current period:

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

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

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

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

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015),
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 1 (Amendment) "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL

STATEMENTS [continued]

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

- IFRS 7 (Amendment) "Financial Instruments: Disclosures"- Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- IAS 1 (Amendment) "Presentation of financial statements" -Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- IAS 12 (Amendment) "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- IAS 19 (Amendment) "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

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

2.2. Foreign currency translation

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.3. Principles of consolidation

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

2.4. Accounting for acquisitions

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

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

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

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

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

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

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

2.5. Securities held-to-maturity

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

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

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

<u>NOTE 2:</u> SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

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

2.6.2. Derivative financial instruments

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

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

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

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

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

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

2.7. Securities available-for-sale

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

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

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

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

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

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

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

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

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

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

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

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

2.9. Sale and repurchase agreements, security lending

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

<u>NOTE 2:</u> SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Associates and other investments

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

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

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

2.11. Property and equipment, Intangible assets

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

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

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

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

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

2.12. Financial liabilities

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

<u>NOTE 2:</u> SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessor

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

The Group as a lessee

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

2.14. Treasury shares

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

2.15. Interest income and interest expense

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

2.16. Fees and Commissions

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

2.17. Dividend income

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Income tax

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

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

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

2.19. Off-balance sheet commitments and contingent liabilities

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

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

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

2.20. Share-based payment

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

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

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

2.21. Consolidated Statement of Cash Flows

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.22. Segment reporting

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

2.23. Comparative figures

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

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

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

	2011
Total expenditure at the Group affected by early repayment	66,641
During calculation of amount deductible from bank tax, provision for impairment owing to classification is taken into consideration	2,047
Consolidation effect	775
Total expenditure at the Group affected by early repayment considered at calculation of bank tax	**69,463**
30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011	20,606
Consolidation effect	232
30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011	**20,838**

Claim for bank tax refund at subsidiaries of the Group

OTP Bank	10,467
OTP Mortgage Bank	8,759
OTP Flat Lease	116
Merkantil Bank	1,120
Merkantil Car	144
Bank tax effect of NBH tender	232
	20,838

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

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

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

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

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

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

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

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

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

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

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

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

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

3.1. Impairment on loans and placements

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

3.2. Valuation of instruments without direct quotations

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

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

3.3. Provisions

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

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

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

3.4. Impairment on goodwill

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

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

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

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

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

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

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

Interest conditions of placements with other banks:

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

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

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

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

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

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

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

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

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

	2011	*2010*

[1] CCIRS: Cross Currency Interest Rate Swaps

Denominated in HUF (%)	58.3%	41.5%
Denominated in foreign currency (%)	41.7%	58.5%
Total	**100.0%**	**100.0%**
Interest rates on securities held for trading	1.2% - 12.0%	2% - 8.75%

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

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

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

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

	2011	*2010*
Securities available-for-sale		
Bonds issued by NBH	509,667	312,007
Government bonds	477,917	584,065
Treasury bills	35,388	11,463
Other non-interest bearing securities	34,223	35,522

From this:		
Listed securities:		
In HUF	*273*	*263*
In foreign currency	*7,225*	*708*
	7,498	*971*
Non-listed securities:		
In HUF	*23,322*	*22,965*
In foreign currency	*3,403*	*11,586*
	26,725	*35,522*
Corporate bonds	33,828	32,937
From this:		
Listed securities:		
In HUF	*-*	*-*
In foreign currency	*26,643*	*30,972*
	26,643	*30,972*
Non-listed securities:		
In HUF	*-*	*-*
In foreign currency	*7,185*	*1,965*
	7,185	*1,965*
Mortgage bonds	163	151
Other securities	17,902	14,740
	1,109,088	**990,885**
Accrued interest	18,697	18,901
Provision for impairment on securities available-for-sale	(1,930)	(1,689)
Total	**1,125,855**	**1,008,097**

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

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

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

An analysis of government bonds by currency (%):

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

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

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

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

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

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

	2011	*2010*
Balance as at 1 January	**1,689**	**6,988**
Provision for the period	332	575
Release of provision	(19)	(1,247)
Use of provision	(291)	(4,723)

Foreign currency translation difference	219	96
Closing balance	**1,930**	**1,689**

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

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

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

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

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

Interest rates of the loan portfolio are as follows:

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

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

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

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

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

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

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

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

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

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

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

Total	**10,342**	**11,554**

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

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

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

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

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

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

	2011	*2 010*
Within five years		
With variable interest	46,900	40,605
With fixed interest	66,212	104,056
	113,112	**144,661**
Over five years		
With variable interest	372	3,704
With fixed interest	9,423	20,877
	9,795	**24,581**
Total	**122,907**	**169,242**

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

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

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

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

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

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

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

For the year ended 31 December 2011

Cost	**Intangible assets and goodwill**	**Property**	**Office equipments and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	**373,120**	**172,003**	**172,422**	**11,798**	**729,343**
Additions	33,528	17,218	22,087	24,934	97,767
Foreign currency translation differences	19,225	10,458	9,141	695	39,519
Disposals	(44,239)	(9,133)	(16,246)	(21,084)	(90,702)
Change in consolidation scope	24	9,108	56	-	9,188
Balance as at 31 December	**381,658**	**199,654**	**187,460**	**16,343**	**785,115**

Depreciation and Amortization					
Balance as at 1 January	**109,907**	**29,809**	**108,799**	**-**	**248,515**
Charge for the year (except for Goodwill impairment)	25,000	5,931	18,522	-	49,453
Goodwill impairment	23,979	-	-	-	23,979
Foreign currency translation differences	3,483	2,503	5,534	-	11,520
Disposals	(30,580)	(1,363)	(11,329)	-	(43,272)
Change in consolidation scope	-	3,222	32	-	3,254
Balance as at 31 December	**131,789**	**40,102**	**121,558**	**-**	**293,449**
Net book value					
Balance as at 1 January	**263,213**	**142,194**	**63,623**	**11,798**	**480,828**
Balance as at 31 December	**249,869**	**159,552**	**65,902**	**16,343**	**491,666**

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

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

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

For the year ended 31 December 2011 [continued]

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

List of units	**HUF mn**
OAO OTP Bank	70,205
OTP Bank JSC	69,725
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	18,062
OTP Bank Romania S.A.	6,182
Other[1]	6,181
Total	**198,896**

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

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

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

Present value calculation with the DCF method
The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. For calculating the discount factor it was considered the base rates of the national banks in the actual macro forecasts as risk free rates and we calculated risk premiums by modifying the country risk premiums that are published on damodaran.com with the CDS of the different countries spread as of 31 December 2011.
The values of the subsidiaries in the DCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

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

Summary of the 2011 year end impairment test
Based on the valuations of the subsidiaries HUF 21,642 million and HUF 2,337 million consolidated IFRS goodwill impairment was recorded for OTP banka Hrvatska d.d. (Croatian subsidiary) and for Crnogorska komerčijalna banka a.d. (Montenegrin subsidiary).

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

For the year ended 31 December 2010

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**336,682**	**145,904**	**170,276**	**13,344**	**666,206**
Additions	45,567	17,896	16,376	20,920	100,759
Foreign currency translation differences	1,991	2,324	3,192	207	7,714
Disposals	(11,130)	(3,912)	(17,666)	(22,673)	(55,381)
Change in consolidation scope	10	9,791	244	-	10,045
Balance as at 31 December	**373,120**	**172,003**	**172,422**	**11,798**	**729,343**
Depreciation and Amortization					
Balance as at 1 January	**69,054**	**24,563**	**96,231**	**-**	**189,848**

Charge for the year (except for Goodwill impairment)	23,298	5,531	19,976	-	48,805
Goodwill impairment	18,519	-	-	-	18,519
Foreign currency translation differences	1,001	507	1,290	-	2,798
Disposals	(1,965)	(746)	(8,635)	-	(11,346)
Change in consolidation scope	-	(46)	(63)	-	(109)
Balance as at 31 December	**109,907**	**29,809**	**108,799**	**-**	**248,515**
Net book value					
Balance as at 1 January	**267,628**	**121,341**	**74,045**	**13,344**	**476,358**
Balance as at 31 December	**263,213**	**142,194**	**63,623**	**11,798**	**480,828**

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

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

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

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

List of units	**HUF mn**
OAO OTP Bank	65,132
OTP Bank JSC	60,446
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	40,902
OTP Bank Romania S.A.	5,539
Crnogorska komerčijalna banka a.d.	2,593
Other[1]	6,167
Total	**209,320**

NOTE 12: OTHER ASSETS (in HUF mn)

	2011	*2010*
Inventories	42,788	32,501
Current income tax receivable	38,409	8,885
Trade receivables	13,300	13,543
Fair value of derivative financial instrument designated as fair value hedge	13,137	8,489
Prepayments and accrued income	9,609	15,152
Other advances	4,187	3,741
Deferred tax receivables	2,419	7,315
Other receivables from Hungarian Government	2,362	5,794
Advances for securities and investments	2,069	605
Receivables from investment services	1,539	415

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

Receivables due from pension funds and investment funds	1,310	1,776
Receivables from leasing activities	959	1,045
Other	25,023	23,007
	157,111	**122,268**
Provision for impairment on other assets[1]	(16,558)	(13,111)
Total	**140,553**	**109,157**

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

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

NOTE 12: OTHER ASSETS (in HUF mn) [continued]

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

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

[1] Provision for impairment on other assets mainly consists of provision for impairment on trade receivables and on tax receivables and overpayments.

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

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

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

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

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

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

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

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

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

Interest rates on deposits from customers are as follows:

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

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

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

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

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

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

Interest rates on liabilities from issued securities are as follows:

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

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 issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP 2012/I	07/01/2011-14/01/2011	07/01/2012	8,436	5	fixed	
2	OTP 2012/II	21/01/2011-28/01/2011	07/01/2012	15,077	5	fixed	
3	OTP 2012/III	04/02/2011-11/02/2011	04/02/2012	9,313	5	fixed	
4	OTP 2012/IV	18/02/2011-25/02/2011	18/02/2012	23,160	5	fixed	
5	OTP 2012/V	04/03/2011-11/03/2011	03/03/2012	14,881	5	fixed	
6	OTP 2012/VI	25/03/2011-01/04/2011	24/03/2012	14,630	5	fixed	
7	OTP 2012/VII	08/04/2011-15/04/2011	07/04/2012	18,312	5	fixed	
8	OTP 2012/VIII	22/04/2011-29/04/2011	21/04/2012	13,983	5	fixed	
9	OTP 2012/IX	06/05/2011-13/05/2011	05/05/2012	15,779	5	fixed	
10	OTP 2012/X	20/05/2011-27/05/2011	19/05/2012	10,478	5	fixed	
11	OTP 2012/XI	03/06/2011-10/06/2011	02/06/2012	8,520	5	fixed	
12	OTP 2012/XII	17/06/2011-24/06/2011	16/06/2012	5,599	5	fixed	
13	OTP 2012/XIII	01/07/2011-08/07/2011	30/06/2012	7,979	5	fixed	
14	OTP 2012/XIV	15/07/2011-22/07/2011	14/07/2012	8,840	5	fixed	

15	OTP 2012/XV	29/07/2011-05/08/2011	28/07/2012	9,835	5	fixed	
16	OTP 2012/XVI	12/08/2011-19/08/2011	11/08/2012	14,169	5	fixed	
17	OTP 2012/XVII	26/08/2011-02/09/2011	25/08/2012	6,594	5	fixed	
18	OTP 2012/XVIII	09/09/2011-16/09/2011	08/09/2012	13,479	5	fixed	
19	OTP 2012/XIX	23/09/2011-30/09/2011	22/09/2012	9,635	5	fixed	
20	OTP 2012/XX	07/10/2011-14/10/2011	06/10/2012	7,552	5	fixed	
21	OTP 2012/XXI	21/10/2011-28/10/2011	20/10/2012	8,214	5.5	fixed	
22	OTP 2012/XXII	07/11/2011-11/11/2011	06/11/2012	18,768	5.5	fixed	
23	OTP 2012/XXIII	18/11/2011-25/11/2011	17/11/2012	14,553	5.5	fixed	
24	OTP 2012/XXIV	02/12/2011-09/12/2011	01/12/2012	9,034	5.5	fixed	
25	OTP 2012/XXV	16/12/2011-29/12/2011	15/12/2012	19,109	5.5	fixed	
26	TBSZ 2013_I	26/02/2010-28/12/2010	30/12/2013	6,179	5.5	fixed	
27	TBSZ 2014_I	14/01/2011-05/08/2011	15/12/2014	1,970	5.5	fixed	
28	TBSZ 2014_II	26/08/2011-29/12/2011	15/12/2014	748	5.5	fixed	
29	TBSZ 2015_I	26/02/2010-18/12/2010	30/12/2015	5,677	5.5	fixed	
30	TBSZ 2016_I	14/01/2011-05/08/2011	15/12/2016	1,227	5.5	fixed	
31	TBSZ 2016_II	26/08/2011-29/12/2011	15/12/2016	659	5.5	fixed	
32	OTPX 2012C	25/03/2010	30/03/2012	629	indexed	floating	hedged
33	OTPX 2013C	16/12/2010	19/12/2013	450	indexed	floating	hedged
34	OTPX 2012A	11/09/2009-25/09/2009	11/09/2012	1,666	indexed	floating	hedged
35	OTPX 2013A	28/06/2010	08/07/2013	480	indexed	floating	hedged
36	OTPX 2013B	26/11/2010	06/11/2013	840	indexed	floating	hedged
37	OTPX 2014A	25/06/2009	30/06/2014	3,041	indexed	floating	hedged
38	OTPX 2014B	05/10/2009	13/10/2014	3,905	indexed	floating	hedged
39	OTPX 2014C	14/12/2009	19/12/2014	3,975	indexed	floating	hedged
40	OTPX 2014D	01/04/2011	03/04/2014	595	indexed	floating	hedged
41	OTPX 2014E	17/06/2011	20/06/2014	1,350	indexed	floating	hedged
42	OTPX 2014F	20/10/2011	21/10/2014	518	indexed	floating	hedged
43	OTPX 2014G	21/12/2011	30/12/2014	320	indexed	floating	hedged
44	OTPX 2015A	25/03/2010	30/03/2015	5,364	indexed	floating	hedged
45	OTPX 2015B	28/06/2010	09/07/2015	4,740	indexed	floating	hedged
46	OTPX 2016A	11/11/2010	03/11/2016	4,380	indexed	floating	hedged
47	OTPX 2016B	16/12/2010	19/12/2016	3,365	indexed	floating	hedged
48	OTPX 2017A	01/04/2011	31/03/2017	5,255	indexed	floating	hedged
49	OTPX 2017B	17/06/2011	20/06/2017	5,100	indexed	floating	hedged
50	OTPX 2017C	19/09/2011	25/09/2017	4,400	indexed	floating	hedged
51	OTPX 2017D	21/10/2011	19/10/2017	650	indexed	floating	hedged
52	OTPX 2017E	21/12/2011	28/12/2017	4,000	indexed	floating	hedged
53	OTPX 2019A	25/06/2009	01/07/2019	319	indexed	floating	hedged
54	OTPX 2019B	05/10/2009-05/02/2010	14/10/2019	461	indexed	floating	hedged
	Subtotal			**378,192**			

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

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

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
55	OTPX 2019C	14/12/2009	20/12/2019	394	indexed	floating	hedged
56	OTPX 2020A	25/03/2010	30/03/2020	415	indexed	floating	hedged
57	OTPX 2020B	28/06/2010	09/07/2020	450	indexed	floating	hedged
58	OTPX 2020C	11/11/2010	05/11/2020	275	indexed	floating	hedged
59	OTPX 2020D	16/12/2010	18/12/2020	245	indexed	floating	hedged
60	OTPX 2021A	01/04/2011	01/04/2021	350	indexed	floating	hedged
61	OTPX 2021B	17/06/2011	17/06/2021	390	indexed	floating	hedged
62	OTPX 2021C	19/09/2011	21/06/2021	320	indexed	floating	hedged
63	OTPX 2021D	21/12/2011	27/12/2021	425	indexed	floating	hedged
64	OTPRA_2013_B	26/11/2010	03/12/2013	3,497	indexed	floating	hedged
65	OTPRA_2014_A	25/03/2011	24/03/2014	956	indexed	floating	hedged
66	OTPRF_2020_A	12/07/2010	20/07/2020	469	indexed	floating	hedged
67	OTPRF_2020_B	12/07/2010	20/07/2020	734	indexed	floating	hedged
68	OTPRF_2020_C	11/11/2010	05/11/2020	459	indexed	floating	hedged
69	OTPRF_2021_A	05/07/2011	13/07/2021	63	indexed	floating	hedged

70	OTPRF_2021_B	20/10/2011	25/10/2021	68	indexed	floating	hedged
71	OTPRF_2021_C	21/12/2011	30/12/2021	13	indexed	floating	hedged
72	OTPRF_2021_D	21/12/2011	30/12/2021	9	indexed	floating	hedged
73	OTPRF_2021_E	21/12/2011	30/12/2021	1	indexed	floating	hedged
74	3Y_EUR_HUF	25/06/2010	25/06/2013	2,143	indexed	floating	hedged
75	DNT_HUF_2012_A	14/10/2011	13/04/2012	5,385	indexed	floating	
76	2014_RA_Bx	16/09/2011-23/09/2011	15/09/2014	1,297	indexed	floating	hedged
77	OTP_OVK_2013_I	26/08/2011-28/12/2011	26/08/2013	1,294	6.75	floating	
78	OTP_OJK_2016_I	26/08/2011-21/12/2011	26/08/2016	287	5.75	fixed	
79	OJB2012_I	17/03/2004	21/03/2012	13,870	9.83	fixed	
80	OJB2012_II	14/04/2004	16/05/2012	31,375	10	fixed	
81	OJB2012_III	19/11/2004	15/08/2012	14,353	10.5	fixed	
82	OJB2013_II	20/12/2002	31/08/2013	13,433	8.25	fixed	
83	OJB2014_I	14/11/2003	12/02/2014	13,500	8	fixed	
84	OJB2014_J	17/09/2004	17/09/2014	355	8.68	fixed	
85	OJB2015_I	10/06/2005	10/06/2015	3,231	7.7	fixed	
86	OJB2015_J	28/01/2005	28/01/2015	199	8.69	fixed	
87	OJB2016_I	03/02/2006	03/02/2016	1,266	7.5	fixed	
88	OJB2016_II	31/08/2006	31/08/2016	4,684	10	fixed	
89	OJB2016_J	18/04/2006	28/09/2016	278	7.59	fixed	
90	OJB2019_I	17/03/2004	18/03/2019	31,517	9.48	fixed	
91	OJB2019_II	25/05/2011	18/03/2019	1,059	9.48	fixed	
92	OJB2020_I	19/11/2004	12/11/2020	5,503	9	fixed	
93	OJB2020_II	25/05/2011	12/11/2020	1,487	9	fixed	
94	Other[1]			25,481			
	Subtotal issued securities in HUF			**559,722**			
	Unamortized premium			**(5,254)**			
	Fair value adjustment			**(10,350)**			
	Total issued securities in HUF			**544,118**			

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 issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP_EUR_2012_I	05/08/2011	04/08/2012	EUR	3.15	981	2.75	fixed	
2	OTP_EUR_2012_II	12/08/2011	11/08/2012	EUR	4.69	1,458	2.75	fixed	
3	OTP_EUR_2012_III	26/08/2011	25/08/2012	EUR	7.77	2,417	2.75	fixed	
4	OTP_EUR_2012_IV	09/09/2011	08/09/2012	EUR	12.2	3,797	2.75	fixed	
5	OTP_EUR_2012_V	23/09/2011	22/09/2012	EUR	3.93	1,221	2.75	fixed	
6	OTP_EUR_2012_VI	07/10/2011	06/10/2012	EUR	8.32	2,588	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_VIII	07/11/2011	06/11/2012	EUR	4.01	1,247	2.75	fixed	
9	OTP_EUR_2012_IX	18/11/2011	17/11/2012	EUR	8.49	2,641	2.75	fixed	
10	OTP_EUR_2012_X	25/11/2011	24/11/2012	EUR	4.29	1,336	2.75	fixed	
11	OTP_EUR_2012_XI	02/12/2011	01/12/2012	EUR	4.06	1,264	3	fixed	
12	OTP_EUR_2012_XII	16/12/2011	15/12/2012	EUR	3.04	947	3	fixed	
13	OTP_EUR_2012_XIII	29/12/2011	28/12/2012	EUR	1.01	314	3.25	fixed	
14	OTP_EUR_2013_I	05/08/2011	05/08/2013	EUR	0.45	140	3	fixed	
15	OTP_EUR_2013_II	12/08/2011	12/08/2013	EUR	0.45	140	3	fixed	
16	OTP_EUR_2013_III	26/08/2011	26/08/2013	EUR	0.93	291	3	fixed	

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

17	OTP_EUR_2013_IV	09/09/2011	09/09/2013	EUR	0.87	270	3	fixed	
18	OTP_EUR_2013_V	23/09/2011	23/09/2013	EUR	0.5	155	3	fixed	
19	OTP_EUR_2013_VI	07/10/2011	07/10/2013	EUR	0.55	172	3	fixed	
20	OTP_EUR_2013_VII	21/10/2011	21/10/2013	EUR	0.63	194	3	fixed	
21	OTP_EUR_2013_VIII	07/11/2011	07/11/2013	EUR	0.27	84	3	fixed	
22	OTP_EUR_2013_IX	18/11/2011	18/11/2013	EUR	0.43	135	3	fixed	
23	OTP_EUR_2013_X	25/11/2011	25/11/2013	EUR	0.14	44	3	fixed	
24	OTP_EUR_2013_XI	02/12/2011	02/12/2013	EUR	0.18	57	3.5	fixed	
25	OTP_EUR_2013_XII	16/12/2011	16/12/2013	EUR	0.11	33	3.5	fixed	
26	OTP_EUR_2013_XIII	29/12/2011	29/12/2013	EUR	0.36	112	4	fixed	
27	OTPHB402/12	24/02/2010	24/02/2012	CHF	55.54	14,212	4	fixed	hedged
28	OTPX 2015C	22/12/2010	29/12/2015	EUR	0.97	302	indexed	floating	hedged
29	OTPX 2016C	22/04/2011	22/04/2016	EUR	1.56	485	indexed	floating	hedged
30	OTPX 2016D	22/12/2011	29/12/2016	EUR	1.25	387	indexed	floating	hedged
31	DC_EUR_2012_A	14/10/2011	13/01/2012	EUR	14.58	4,535	1.5	fixed	
32	DC_USD_120113_8	21/10/2011	13/01/2012	USD	4.86	1,169	8	fixed	
33	DNT_EUR_2012_A	14/10/2011	13/04/2012	EUR	3.42	1,065	indexed	floating	
34	DNT_USD_2012_A	14/10/2011	13/04/2012	USD	1.69	408	indexed	floating	
35	OMB2013_I	11/11/2011	18/11/2013	EUR	3.5	1,089	6.71	floating	hedged
36	OMB2014_I	15/12/2004	15/12/2014	EUR	198.05	61,620	4	fixed	
37	OMB2014_II	03/08/2011	10/08/2014	EUR	15.5	4,822	4.47	floating	hedged
38	Mortgage bonds OTP	15/10/2003	15/10/2012	EUR	16.6	5,164	4.7	fixed	
39	Mortgage bonds OTP VII	21/12/2005	21/12/2015	EUR	22.47	6,992	4.2	variable	
40	Mortgage bonds OTP XVII	08/06/2009	08/06/2012	EUR	3.03	943	4.1	fixed	
41	Mortgage bonds OTP XVIII	18/09/2009	18/03/2012	EUR	0.9	280	3.5	fixed	
42	Mortgage bonds OTP XIX	02/11/2009	02/11/2012	EUR	9.76	3,038	4.1	fixed	
43	Mortgage bonds OTP XXI	20/05/2010	20/05/2013	EUR	10	3,111	3.5	fixed	
44	Mortgage bonds OTP XXIV	23/11/2010	23/11/2013	EUR	7.88	2,451	3.3	fixed	
45	OTPRU 14/03	29/03/2011	25/03/2014	RUR	2,500	18,675	8.55	fixed	
46	OTPRU 14/07	02/08/2011	29/07/2014	RUR	5,000	37,350	8.21	fixed	
47	OTPRU 14/10	03/11/2011	30/10/2014	RUR	3,891.5	29,069	10.88	fixed	
48	Other[1]					22,837			
	Subtotal issued securities in FX					**243,906**			
	Unamortized premium					**(750)**			
	Fair value adjustment					**2,724**			
	Total issued securities in FX					**245,880**			
	Total accrued interest					**22,865**			
	Total issued securities					**812,863**			

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

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.

Term Note Program in the value of HUF 500 billion

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

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

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

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

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

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

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

NOTE 17: OTHER LIABILITIES (in HUF mn)

	2011	2010
Fair value of derivative financial instruments designated as fair value hedge	98,415	115,159
Financial liabilities from OTP-MOL share swap [1]	82,347	105,766
Giro clearing accounts	31,048	12,559
Salaries and social security payable	28,131	26,902

[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 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.

Provision for impairment on off-balance sheet commitments and contingent liabilities	18,434	19,650
Accrued expenses	17,601	17,228
Accounts payable	14,948	11,445
Current income tax payable	13,626	10,714
Liabilities from investment services	12,065	17,531
Deferred tax liabilities	4,559	4,098
Loans from government	4,152	4,302
Advances received from customers	2,277	1,901
Liabilities connected to loans for collection	1,117	1,147
Liabilities connected to leasing activities	1,013	814
Liabilities related to housing loans	470	351
Liabilities from specific repo deals	321	3,461
Dividend payable	280	304
Other	45,205	31,440
	376,009	384,772
Accrued interest	928	972
Total	**376,937**	**385,744**

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

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

NOTE 17: OTHER LIABILITIES (in HUF mn) [continued]

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

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

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

	2011	*2010*

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

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

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

Interest rates on subordinated bonds and loans are as follows:

	2011	*2010*
Denominated in HUF	3.0%	2.7%

Denominated in foreign currency	1.99% - 8.0%	1.6% - 7.75%

Partial cancellation of EUR 125 million subordinated notes

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

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

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

Subordinated bonds and loans can be detailed as follows:

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

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

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

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

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

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

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

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

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

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

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

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

Change in number of shares:

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

Change in carrying value:

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

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

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

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

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

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

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

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

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

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

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

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

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

[1] See details in Note 9.

NOTE 25: OTHER OPERATING INCOME AND EXPENSE AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other administrative expenses	*2011*	*2010*
Depreciation and amortization	**73,432**	**67,324**
Other administrative expenses		
Taxes, other than income tax[1]	45,364	65,252
Administration expenses, including rental fees	45,069	43,884
Services	38,805	35,709
Professional fees	18,467	15,729
Advertising	12,440	10,657
Subtotal	**160,145**	**171,231**
Total	**402,675**	**399,280**

NOTE 26: INCOME TAX (in HUF mn)

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

The breakdown of the income tax expense is:

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

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

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

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

NOTE 26: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax expense is as follows:

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

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

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

NOTE 26: INCOME TAXES (in HUF mn) [continued]

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1. Credit risk

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

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

Analysis by loan types and risk classes

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

As at 31 December 2011

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. 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
Retail loans	3,349,382	585,908	98,492	175,144	277,949	**4,486,875**
Corporate loans	1,471,952	452,792	139,389	117,396	416,748	**2,598,277**
Placement with other banks	497,820	7,619	6,285	400	760	**512,884**
Municipal loans	307,023	39,746	6,912	4,493	1,800	**359,974**
Total gross portfolio	**5,626,177**	**1,086,065**	**251,078**	**297,433**	**697,257**	**7,958,010**
Allowance for loans	(22,958)	(42,561)	(48,823)	(137,806)	(509,124)	**(761,272)**
Allowance for placements	-	(97)	(949)	(175)	(760)	**(1,981)**
Total allowance	**(22,958)**	**(42,658)**	**(49,772)**	**(137,981)**	**(509,884)**	**(763,253)**
Total net portfolio	**5,603,219**	**1,043,407**	**201,306**	**159,452**	**187,373**	**7,194,757**
Accrued interest						
for loans						**57,205**
for placements						**341**
Total accrued interest						**57,546**
Total net loans						**6,741,059**
Total net placements						**511,244**
Total net exposures						**7,252,303**

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

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

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Classification into risk classes

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

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

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

Loan portfolio by countries

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Loan portfolio by countries [continued]

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

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Loan portfolio by countries [continued]

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

Collaterals

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

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

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Loans, neither past due, nor impaired

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

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

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

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

Renegotiated loans

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Past due, but not impaired loans

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

As at 31 December 2011

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

As at 31 December 2010

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

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

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

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

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Loans individually assessed for provision

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

As at 31 December 2011

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

Loans individually assessed for provision [continued]

As at 31 December 2010

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

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2. Market risk

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

27.2.1. Market Risk sensitivity analysis

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

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

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

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2. Market risk [continued]

27.2.2. Foreign currency sensitivity analysis

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

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

Probability	Effects to the Consolidated Statement of Recognized Income in 3 months period	
	2011	*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 was increased and the probability of further gains was decreased.
(3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2011.

27.2.3. Interest rate sensitivity analysis

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.3. Interest rate sensitivity analysis [continued]

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

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

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

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

27.2.4. Equity price sensitivity analysis

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

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2. Market risk [continued]

27.2.5. Capital management

Capital management

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

Capital adequacy

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

The Group has entirely complied with the regulatory capital requirements.

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

Calculation on HAS basis

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

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

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

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

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

Calculation on IFRS basis

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

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

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

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

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

Contingent liabilities

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

Legal disputes

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

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

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

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

Commitments to extend credit, guarantees and letters of credit

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

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

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

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

Guarantees, payment undertakings arising from banking activities

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

Derivatives

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

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

The interest rate swaps are used by the Group for risk management and trading purposes.

Cross-currency interest rate swaps

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

Forward rate agreements (FRA)

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

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

NOTE 29: SHARE-BASED PAYMENT

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

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

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

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

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

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

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

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

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

NOTE 29: SHARE-BASED PAYMENT [continued]

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

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

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

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

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

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

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

Year	**Pieces**[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 decision to cancel the share-based payment in the referred countries.

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

2011	319,400[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.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

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

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

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

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

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

NOTE 31: MAJOR SUBSIDIARIES AND ASSOCIATES

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

Major subsidiaries

Name	Ownership (Direct and Indirect)	Activity

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

Major associates

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

As at 31 December 2011

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

NOTE 31: MAJOR SUBSIDIARIES AND ASSOCIATES [continued]

Major associates

As at 31 December 2010

	Moneta Ltd.	*Company for Cash Services Ltd.*	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Agóra-Kapos Ltd.*	*Total*
Total assets	694	1,936	598	343	3,571

Total liabilities	485	233	5	326	1,049
Shareholders' equity	209	1,703	593	17	2,522
Reserves	(260)	-	541	-	281
Total revenues	319	765	46	501	1,631
Profit before income tax	(133)	12	4	20	(97)
Profit after income tax	(133)	11	2	17	(103)

NOTE 32: TRUST ACTIVITIES (in HUF mn)

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

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

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

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

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

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

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

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

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

As at 31 December 2011	Within 3 months	Within one year and	Within 5 years and over	Over 5 years	Without maturity	Total

		over 3 months	one year			
Cash, amounts due from banks and balances with the National Banks	576,135	19,058	392	401	-	595,986
Placements with other banks, net of allowance for placements losses	405,347	13,843	3,379	208	-	422,777
Financial assets at fair value through profit or loss	30,593	43,480	56,315	14,818	96,076	241,282
Securities available-for-sale	570,434	106,279	253,140	190,307	5,695	1,125,855
Loans, net of allowance for loan losses	815,385	1,293,540	2,543,488	2,390,972	3,794	7,047,179
Associates and other investments	-	-	-	-	10,342	10,342
Securities held-to-maturity	7,174	15,350	92,298	9,761	304	124,887
Property and equipment, Intangible assets	-	-	-	-	491,666	491,666
Other assets	46,023	71,595	19,551	1,684	1,700	140,553
TOTAL ASSETS	**2,451,091**	**1,563,145**	**2,968,563**	**2,608,151**	**609,577**	**10,200,527**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	180,859	124,850	172,273	168,986	-	646,968
Deposits from customers	4,563,198	1,501,196	311,084	23,375	-	6,398,853
Liabilities from issued securities	169,619	304,329	239,298	99,617	-	812,863
Financial liabilities at fair value through profit or loss	31,753	77,407	112,633	8,356	-	230,149
Other liabilities	246,660	31,024	86,234	12,584	435	376,937
Subordinated bonds and loans	3,412	419	184,539	-	128,077	316,447
TOTAL LIABILITIES	**5,195,501**	**2,039,225**	**1,106,061**	**312,918**	**128,512**	**8,782,217**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,439,095	1,439,095
Treasury shares	-	-	-	-	(54,386)	(54,386)
Non-controlling interest	-	-	-	-	5,601	5,601
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,418,310**	**1,418,310**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,195,501**	**2,039,225**	**1,106,061**	**312,918**	**1,546,822**	**10,200,527**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,744,410)**	**(476,080)**	**1,862,502**	**2,295,233**	**(937,245)**	**-**

NOTE 34: **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 Banks	496,240	16,176	156	466	-	513,038
Placements with other banks, net of allowance for placements losses	498,465	8,173	4,360	246	-	511,244
Financial assets at fair value through profit or loss	30,988	36,531	35,642	22,917	107,589	233,667

Securities available-for-sale	390,478	137,581	283,241	180,497	16,300	1,008,097
Loans, net of allowance for loan losses	651,880	1,088,792	1,755,872	3,244,515	-	6,741,059
Associates and other investments	-	-	-	-	11,554	11,554
Securities held-to-maturity	29,727	40,070	77,873	24,632	-	172,302
Property and equipment, Intangible assets	-	-	-	-	480,828	480,828
Other assets	42,977	26,276	30,263	9,641	-	109,157
TOTAL ASSETS	**2,140,755**	**1,353,599**	**2,187,407**	**3,482,914**	**616,271**	**9,780,946**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	352,235	9,413	181,752	138,549	-	681,949
Deposits from customers	4,273,546	1,334,423	183,901	29,619	-	5,821,489
Liabilities from issued securities	144,738	589,935	237,784	62,696	-	1,035,153
Financial liabilities at fair value through profit or loss	81,780	74,881	94,376	6,015	-	257,052
Other liabilities	244,924	120,692	12,215	7,913	-	385,744
Subordinated bonds and loans	3,473	15	54,160	134,070	98,912	290,630
TOTAL LIABILITIES	**5,100,696**	**2,129,359**	**764,188**	**378,862**	**98,912**	**8,472,017**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,327,638	1,327,638
Treasury shares	-	-	-	-	(52,597)	(52,597)
Non-controlling interest	-	-	-	-	5,888	5,888
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,308,929**	**1,308,929**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,100,696**	**2,129,359**	**764,188**	**378,862**	**1,407,841**	**9,780,946**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,959,941)**	**(775,760)**	**1,423,219**	**3,104,052**	**(791,570)**	**-**

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

As at 31 December 2011

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

As at 31 December 2010

	USD	**EUR**	**CHF**	**Others**	**Total**
Assets	691,852	2,373,293	1,529,159	2,276,029	6,870,333
Liabilities	(207,776)	(2,644,529)	(120,992)	(1,315,876)	(4,289,173)

Off-balance sheet assets and liabilities, net	(354,571)	218,998	(1,484,742)	(40,709)	(1,661,024)
Net position	**129,505**	**(52,238)**	**(76,575)**	**919,444**	**920,136**

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

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

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

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

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

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

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

As at 31 December 2011

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

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

As at 31 December 2011

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

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

As at 31 December 2010

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

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

As at 31 December 2010

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

NOTE 37: CONSOLIDATED EARNINGS PER SHARE

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

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

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

NOTE 38: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 31 December 2011

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

As at 31 December 2010

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

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

In determining the fair value of a financial asset or liability the Group in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 39. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

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

a) Fair value of financial assets and liabilities

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

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

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

b) Fair value of derivative instruments [continued]

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

c) Hedge accounting

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

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

As at 31 December 2011

Types of the hedges	**Description of the hedging instrument**	**Fair value of the hedging instrument**	**The nature of the risk being hedged**
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF (10,234) million	Interest rate
	CCIRS	HUF 22,826 million	Foreign exchange and interest rate
3) Net investment hedge in foreign operations	CCIRS	HUF (6,362) million	Foreign exchange

As at 31 December 2010

Types of the hedges	**Description of the hedging instrument**	**Fair value of the hedging instrument**	**The nature of the risk being hedged**
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF 1,334 million	Interest rate
	CCIRS	HUF (108,012) million	Foreign exchange and interest rate
3) Net investment hedge in foreign operations	CCIRS	HUF (2,521) million	Foreign exchange

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

d) Fair value hedges

1. Deposits from customers

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

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

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates.
In order to hedge the interest rate risk of the cash-flows the Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 12 month EURIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

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

3. Loans to customers

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

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

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

d) Fair value hedges

4. Issued securities

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

	2011	*2010*
Fair value of the hedging instruments	(9,568)	(105,251)

5. NBH tender related to early repayment

The Hungarian Government announced the Country Protection Action Plan on 12 September 2011. According to it, there was opportunity of early repayment at pre-defined fixed exchange rates for the clients.
FX loan exposure means FX risk for the Group, while the Group translate it to HUF, the FX exposure assets and liabilities is needed to close. The Group initially hedged the FX exposure raised in the balance sheet related to FX based mortgage loans by entering into CCIRS transactions to eliminate it partially. Taking into account the Government decision on providing this possibility to the clients, the Bank faced FX risk regarding the early repayment, as FX based mortgage loans can be repaid in one amount at fixed conversion rate. To let the banking system hedge this exposure, the NBH announced a EUR-buying tender with special conditions. The Group entered into these tenders three cases in order to ensure the FX exposure of the assets and liabilities.

	2011	*2010*
Fair value of the hedging instruments	60,529	-

NOTE 39: 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	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 17,694 million	HUF (715) million	HUF 587 million	HUF (587) million
Loans to customers	IRS	HUF 23,495 million	HUF (21) million	HUF (1,217) million	HUF 1,217 million
Deposits from customers	IRS	HUF 26,935 million	HUF 70 million	HUF (131) million	HUF 131 million
Liabilities from issued securities	IRS	HUF 130,429 million	HUF (9,568) million	HUF 12,329 million	HUF (12,329) million

As at 31 December 2010

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 23,002 million	HUF (128) million	HUF 483 million	HUF (483) million
Loans to customers	IRS	HUF 47,470 million	HUF (1,238) million	HUF (160) million	HUF 160 million
Deposits from customers	IRS	HUF 20,436 million	HUF (61) million	HUF 3,522 million	HUF (3,522) million
Liabilities from issued securities	IRS	HUF 206,489 million	HUF 2,761 million	HUF 5,343 million	HUF (5,343) million
EUR mortgage bonds	CCIRS	HUF 209,063 million	HUF (45,125) million	HUF 4,761 million	HUF (4,761) million
EUR mortgage bonds	CCIRS	HUF 320,563 million	HUF (54,799) million	HUF 2,912 million	HUF (2,912) million
EUR mortgage bonds	CCIRS	HUF 55,750 million	HUF (8,088) million	HUF 517 million	HUF (517) million

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

e) Fair value classes

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

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

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

As at 31 December 2011

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	240,345	129,104	106,686	4,555
from this: securities held for trading	138,393	127,372	11,021	-
from this: positive FVA of derivative financial instruments designated as held for trading	101,952	1,732	95,665	4,555
Securities available-for-sale	1,107,158	284,381	821,695	1,082
Positive FVA of derivative financial instruments designated as fair value hedge	13,137	144	10,177	2,816
Financial assets measured at fair value total	**1,360,640**	**413,629**	**938,558**	**8,453**
Negative FVA of derivative financial instruments designated as held for trading	230,149	99	207,967	22,083
Negative FVA of derivative financial instruments designated as fair value hedge	98,415	6	92,479	5,930
Financial liabilities measured at fair value total	**328,564**	**105**	**300,446**	**28,013**

As at 31 December 2010

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	233,263	158,685	74,578	-
from this: securities held for trading	158,843	158,551	292	-
from this: positive FVA of derivative financial instruments designated as held for trading	74,420	134	74,286	-
Securities available-for-sale	989,196	964,535	24,635	26
Positive FVA of derivative financial instruments designated as fair value hedge	8,489	9	8,480	-
Financial assets measured at fair value total	**1,230,948**	**1,123,229**	**107,693**	**26**
Negative FVA of derivative financial instruments designated as held for trading	257,052	596	256,456	-
Negative FVA of derivative financial instruments designated as fair value hedge	115,159	4	115,155	-
Financial liabilities measured at fair value total	**372,211**	**600**	**371,611**	**-**

NOTE 39: 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 totalling CHF 3,698 million (HUF 946,435 million equivalent) designated as held for trading and CHF 807 million (HUF 206,556 million equivalent) designated as hedging deals, in order to hedge its foreign currency denominated mortgage loan portfolio's FX risk.

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

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

Sensitivity

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

Fair value (PV)	
Net fair value based on estimated inputs	(20,641)
Sensitivity (dPV)	
+10 bp	2,658
-10 bp	(2,665)

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

e) Fair value classes [continued]

Movements in Level 3 financial instruments measured at fair value [continued]

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

Movements of the year 2011	Opening balance as at 30 September 2011	Transfer as at 30 September 2011	Closing balance as at 31 December 2011	Total loss as at 31 December 2011
Positive FVA of derivative financial instruments designated as held for trading	17,754	17,754	4,555	(13,199)
Positive FVA of derivative financial instruments designated as hedge accounting relationship	3,043	3,043	2,816	(227)
Securities available-for-sale	173	173	1,082	-
Financial assets measured at fair value total	**20,970**	**20,970**	**8,453**	**(13,426)**
Negative FVA of derivative financial instruments designated as held for trading	(16,399)	(16,399)	(22,083)	(5,684)
Negative FVA of derivative financial instruments designated as hedge accounting relationship	(5,138)	(5,138)	(5,930)	(792)
Financial liabilities measured at fair value total	**(21,537)**	**(21,537)**	**(28,013)**	**(6,476)**

As at 31 December 2010	Opening balance as at 1 January 2010	Transfer	Additions	Closing balance as at 31 December 2010	Total profit or loss as at 31 December 2010
Securities available-for-sale[1]	102,841	(102,841)	26	26	-
Financial assets measured at fair value total	**102,841**	**(102,841)**	**26**	**26**	**-**

[1] Certain bonds mainly issued by local governments in Hungary were reclassified to loans during the year ended 31 December 2010. These securities were not quoted on an active market and were met the definition of loans and receivables as defined in IAS 39.

NOTE 40: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn)

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported bellow.
The reportable segments of the Group on the base of IFRS 8 are the following:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries and Corporate Center.
OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financing Netherlands Ltd. and OTP Holding Ltd.
Corporate Center: it is separated from OTP Core consolidated financial statements, this is a virtual entity responsible for rendering debt and capital market related to services to the subsidiaries across the Group, mainly in the form of capital and credit financing.
The results of OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., OTP Factoring Montenegro d.o.o. and OTP Faktor Slovensko s.r.o. are included into the foreign banks segment.
The activities of the other subsidiaries are out of the leasing and fund management activity, like: OTP Real Estate Ltd., OTP Life Annuity Ltd, OTP Funds Servicing and Consulting Ltd., Monicomp Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

The reportable business and geographical segments of the Group are those components where:

- separated incomes and expenses, assets and liabilities can be identified and assignable to the segments
- transactions between the different segments were eliminated
- the main decisive board of the Group regularly controls the operating results
- separated financial information is available

Goodwill impairment:

The effect of goodwill impairment after tax in 2010 is HUF 15,001 million.
The effect of goodwill impairment after tax in 2011 is HUF 17,701 million.

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

NOTE 40: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

As at 31 December 2011

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komerčijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**83 800**		**83 800**																
Adjustments (total)		**(77 605)**	**(77 605)**																
Dividends and net cash transfers (after income tax)		663	663																
Goodwill impairment (after income tax)		(17 701)	(17 701)																
Bank tax on financial institutions (after income tax)		(28 965)	(28 965)																
Total impact of early repayment (after income tax)		(31 602)	(31 602)																
Consolidated adjusted net profit for the year	**83 800**	**77 605**	**161 405**	**114 056**	**48 536**	**41 042**	**5 091**	**12 743**	**764**	**(6 284)**	**112**	**(408)**	**(4 524)**	**585**	**1 891**	**3 266**	**(4 572)**	**(6 728)**	**4 956**
Profit before income tax	**122 996**	**98 090**	**221 086**	**154 738**	**68 558**	**53 107**	**11 211**	**14 330**	**757**	**(6 149)**	**162**	**(336)**	**(4 524)**	**1 754**	**1 991**	**4 011**	**(4 248)**	**(8 305)**	**4 341**
Adjusted operating profit	**439 669**	**(4 090)**	**435 579**	**235 000**	**189 906**	**82 007**	**26 829**	**59 877**	**8 961**	**(1 316)**	**8 221**	**3 328**	**1 999**	**16 710**	**13 485**	**4 114**	**(889)**	**(8 305)**	**2 268**
Adjusted total income	842 344	(30 753)	811 591	419 401	360 674	142 796	53 585	93 103	22 207	5 220	21 784	13 639	8 340	46 039	23 438	6 140	16 461	(8 194)	(6 329)
Adjusted net interest income	630 816	76	630 892	327 081	292 561	123 990	41 784	74 731	18 658	1 460	15 383	10 968	5 587	20 056	18 600	104	1 352	(8 194)	(612)
Adjusted net profit from fees and commissions	146 522	(3 242)	143 280	84 687	56 125	17 610	9 063	15 867	2 428	1 872	4 094	2 499	2 692	2 277	(2 730)	5 246	(239)	0	191
Adjusted other net non-interest income	65 006	(27 587)	37 419	7 633	11 988	1 196	2 738	2 505	1 121	1 888	2 307	172	61	23 706	7 568	790	15 348	0	(5 908)
Adjusted other administrative expenses	(402 675)	26 663	(376 012)	(184 401)	(170 768)	(60 789)	(26 756)	(33 226)	(13 246)	(6 536)	(13 563)	(10 311)	(6 341)	(29 329)	(9 953)	(2 026)	(17 350)	(111)	8 597
Total risk costs	**(316 673)**	**82 634**	**(234 039)**	**(95 508)**	**(121 348)**	**(28 900)**	**(15 618)**	**(45 547)**	**(8 204)**	**(4 833)**	**(8 059)**	**(3 664)**	**(6 523)**	**(14 956)**	**(11 494)**	**(103)**	**(3 359)**	**0**	**(2 227)**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(316 673)	88 241	(228 432)	(99 209)	(117 121)	(28 714)	(15 209)	(45 713)	(8 187)	(4 960)	(6 694)	(3 624)	(4 020)	(11 981)	(7 855)	0	(4 126)	0	(121)
Other provision (adjustment)	0	(5 607)	(5 607)	3 701	(4 227)	(186)	(409)	166	(17)	127	(1 365)	(40)	(2 503)	(2 975)	(3 639)	(103)	767	0	(2 106)
Total other adjustments (one-off items)[1]	**0**	**19 546**	**19 546**	**15 246**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4 300**
Income tax	**(39 196)**	**(20 485)**	**(59 681)**	**(40 682)**	**(20 022)**	**(12 065)**	**(6 120)**	**(1 587)**	**7**	**(135)**	**(50)**	**(72)**	**0**	**(1 169)**	**(100)**	**(745)**	**(324)**	**1 577**	**615**
Total Assets	**10 200 527**	**0**	**10 200 527**	**6 548 167**	**4 737 953**	**868 231**	**778 198**	**1 360 510**	**460 623**	**121 475**	**529 853**	**386 313**	**232 750**	**482 841**	**324 888**	**9 318**	**148 635**	**1 962 390**	**(3 530 824)**
Total Liabilities	**8 782 217**	**0**	**8 782 217**	**5 269 759**	**4 102 286**	**723 393**	**658 049**	**1 151 026**	**432 271**	**93 769**	**471 368**	**355 891**	**216 519**	**402 567**	**297 979**	**1 584**	**103 004**	**1 299 920**	**(2 292 315)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF 3,169 million; non-recurring FX-gains and losses in the amount of HUF 3,926 million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 2,580 million; gain on Croatian government bonds in the amount of HUF 4,300 million; revaluation result of the treasury share swap agreement between OTP and MOL in the amount of HUF 5,571 million.

NOTE 40: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn) [continued]

As at 31 December 2010

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komerčijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**118 126**		**118 126**																
Adjustments (total)		**(43 984)**	**(43 984)**																
Dividends and net cash transfers (after income tax)		488	488																
Goodwill impairment (after income tax)		(15 001)	(15 001)																
Bank tax on financial institutions (after income tax)		(29 471)	(29 471)																
Consolidated adjusted net profit for the year	**118 126**	**43 984**	**162 110**	**146 921**	**18 870**	**20 544**	**8 928**	**18 191**	**(6 406)**	**(7 312)**	**2 721**	**(952)**	**(16 844)**	**111**	**(6 336)**	**7 448**	**(1 001)**	**(6 710)**	**2 918**
Profit before income tax	**140 183**	**54 130**	**194 313**	**174 048**	**24 901**	**26 915**	**5 719**	**20 231**	**(6 403)**	**(7 325)**	**3 441**	**(833)**	**(16 844)**	**1 884**	**(6 438)**	**8 905**	**(583)**	**(8 284)**	**1 764**
Adjusted operating profit	**413 207**	**16 624**	**429 831**	**254 222**	**166 165**	**50 768**	**36 121**	**56 032**	**8 878**	**(125)**	**6 938**	**3 728**	**3 825**	**19 343**	**10 371**	**8 045**	**927**	**(8 284)**	**(1 615)**
Adjusted total income	812 487	(28 591)	783 896	432 796	321 118	100 297	61 171	87 710	21 764	6 344	20 154	13 885	9 793	46 596	19 909	10 057	16 630	(8 163)	(8 451)
Adjusted net interest income	616 425	(14 802)	601 623	324 777	262 942	88 991	50 690	69 972	18 419	2 568	13 964	11 207	7 131	22 956	20 320	270	2 366	(8 163)	(889)
Adjusted net profit from fees and commissions	140 631	(3 929)	136 702	84 807	46 553	9 638	7 999	15 478	2 402	1 689	3 986	2 380	2 981	5 329	(3 589)	9 711	(793)	0	13
Adjusted other net non-interest income	55 431	(9 860)	45 571	23 212	11 623	1 668	2 482	2 260	943	2 087	2 204	298	(319)	18 311	3 178	76	15 057	0	(7 575)
Adjusted other administrative expenses	(399 280)	45 215	(354 065)	(178 574)	(154 953)	(49 529)	(25 050)	(31 678)	(12 886)	(6 469)	(13 216)	(10 157)	(5 968)	(27 253)	(9 538)	(2 012)	(15 703)	(121)	6 836
Total risk costs	**(273 024)**	**9 885**	**(263 139)**	**(107 795)**	**(141 264)**	**(23 853)**	**(30 402)**	**(35 801)**	**(15 281)**	**(7 200)**	**(3 497)**	**(4 561)**	**(20 669)**	**(17 459)**	**(16 809)**	**860**	**(1 510)**	**0**	**3 379**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(273 024)	9 772	(263 252)	(108 507)	(139 465)	(24 135)	(30 281)	(35 232)	(15 046)	(6 698)	(3 042)	(4 715)	(20 316)	(17 105)	(15 811)	0	(1 294)	0	1 825
Other provision (adjustment)	0	113	113	712	(1 799)	282	(121)	(569)	(235)	(502)	(455)	154	(353)	(354)	(998)	860	(216)	0	1 554
Total other adjustments (one-off items)[1]	**0**	**27 621**	**27 621**	**27 621**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax	**(22 057)**	**(10 146)**	**(32 203)**	**(27 127)**	**(6 031)**	**(6 371)**	**3 209**	**(2 040)**	**(3)**	**13**	**(720)**	**(119)**	**0**	**(1 773)**	**102**	**(1 457)**	**(418)**	**1 574**	**1 154**
Total Assets	**9 780 946**	**0**	**9 780 946**	**6 495 965**	**4 184 649**	**664 403**	**715 760**	**1 218 627**	**424 464**	**114 796**	**484 923**	**349 448**	**212 228**	**511 859**	**348 774**	**13 612**	**149 473**	**1 965 892**	**(3 377 419)**
Total Liabilities	**8 472 017**	**0**	**8 472 017**	**5 364 654**	**3 618 243**	**566 625**	**606 291**	**1 000 635**	**399 320**	**96 809**	**427 661**	**324 896**	**196 006**	**442 461**	**324 787**	**1 616**	**116 058**	**1 338 061**	**(2 291 402)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of revaluation result of FX swap at OTP Core in the amount of HUF 18,732 million; non-recurring FX-gains and losses in the amount of HUF 8,889 million.

NOTE 41: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2011

1) Term Loan Facility

See details in Note 13.

2) Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

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

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

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

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

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

NOTE 42: POST BALANCE SHEET EVENTS

Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

NOTE 43: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP’S FINANCIALS (in HUF mn)

In 2011 all countries where OTP is presented with its banking subsidiaries posted positive and accelerating real GDP growth. In Hungary real GDP growth in 2011 reached 1.7%, helped by strengthening manufacturing production and increasing performance of agriculture on the production side. On the expenditure side, GDP growth was driven mainly by the strong export demand, while household consumption continued to decline. Nevertheless, both factors contributed to the increasing surplus of the current account balance.

NOTE 43: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn) [continued]

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

In 2011 the Group continued to focus its activity on stable operation by maintaining robust capital position and significant liquidity reserves as well as implementing prudent risk management and monitoring practices in line with the deteriorating loan portfolio. At the same time, some Group members could already benefit from the business opportunities arising from the improving operating environment.

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

  The consolidated loan book declined by 2% in 2011 (adjusted for FX rate movements). Among the group members only Russia (+30%) and Romania (+6%) posted meaningful loan volume increase from 2010 to 2011. The FX-adjusted Russian consumer loan portfolio expanded by 61% from 2010 to 2011. In Romania the EUR-based mortgage product turned to be fairly popular and mortgages advanced by 8% from 2010 to 2011, but the SME and corporate lending contributed to the growth, too.

  The single biggest individual market, the Hungarian one, was still suffering from weak loan demand: loan volumes continued eroding gradually. Additionally the early repayment scheme of FX mortgage loans accelerated the melt down of volumes in the mortgage segment[1]. Consequently, the mortgage loan loan portfolio decreased by 8% from 2010 to 2011, while loans to corporate and municipal clients eroded by 9%. The only growing part of the portfolio was the SME segment, where the expansion was supported by loan reclassification as well.

  The Bulgarian gross loans advanced by 2% on the back of corporate lending, while in Ukraine the stabilization of the total gross loan portfolio could be reached. The biggest yearly decline of the loan portfolio was witnessed in Montenegro (-6%), Serbia (-9%) and at Merkantil, the Hungarian car financing business (-11%).

NOTE 43: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn)[continued]

[1] The Group reports its Hungarian core banking business activity under the brand "OTP Core". Financials for OTP Core are calculated from the Consolidated Financial Statements of the companies engaged in the Group's underlying banking operation in Hungary. These companies include the Bank, OTP Mortgage Bank, OTP Building Society Ltd., OTP Factoring Ltd., OTP Financing Netherlands B.V. and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Center, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across the Group.

NOTE 43: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn) [continued]

Countries	Loans and placements with other banks	Securities	Total
Hungary	3,582,633	1,194,535	4,777,168
Bulgaria	1,297,961	23,881	1,321,842
Ukraine	820,780	67,989	888,769
Russia	793,850	4,866	798,716
Romania	468,717	16,771	485,488
Croatia	413,866	26,025	439,891
Slovakia	305,168	26,111	331,279
Montenegro	293,775	5,383	299,158
Serbia	113,618	-	113,618
United Kingdom	99,065	-	99,065
Cyprus	74,379	-	74,379
Germany	61,928	-	61,928
France	60,355	-	60,355
Belgium	16,547	-	16,547
The United States	15,633	-	15,633
Netherlands	13,972	-	13,972
Other[1]	38,644	4,827	43,471
Total	**8,470,891**	**1,370,388**	**9,841,279**

- While witnessing a generally weak loan demand, the Group has put less emphasis on deposit collection since 2010. Instead of further improving its liquidity indicators, the Group has rather focused on the improvement of deposit margins. FX adjusted consolidated deposit volumes grew by 7%, 3% and 1% during the years 2009, 2010 and 2011 respectively. In 2011 the Ukrainian, the Russian and the Bulgarian subsidiaries were the top performers in deposit collection.

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

  The major source of the strong liquidity position was the successful deposit collection. Also, as FX-lending was suspended in Hungary and Ukraine, ongoing repayments of the loans generated significant additional FX liquidity. This comfortable position helped the Group to redeem its maturing obligations in the capital markets without relying on wholesale refinancing on a substantial scale. The Group paid back external obligations in the amount of EUR 1.5 billion, EUR 2.3 billion and EUR 1.4 billion in years from 2009 to 2011, respectively. Whereas the issuance of new debt was at EUR 420 million and EUR 600 million equivalent in 2010 and 2011, respectively.

  Wholesale fund raising in 2011 included RUB bond issuances of OAO OTP Bank Russia (in the amount of EUR 280 million equivalent). In Hungary the Bank started a senior bond issuance program to diversify its funding base and provide ample liquidity to the booming consumer finance business. Furthermore a syndicated loan with principal at EUR 300 million was raised by the Bank in May 2011.

  The CHF and USD liquidity demand of the Group decreased in line with its contracting FX lending business. This process was accelerated by the early repayment of FX mortgage loans in Hungary. To raise the required FX liquidity – primarily through long term FX-swaps – remained manageable for the Group.

- Another side effect of the crisis was the deterioration in the financial position of the clients, which led to worsening **loan quality** and materially increasing risk costs compared to levels obtained before the

[1] Other category includes the PIGS countries: Portugal (HUF 8 million), Italy (HUF 3,270 million), Greece (HUF 54 million), Spain (HUF 19 million).

crisis. In 2011 the ratio of loans with more than 90 days of delinquency ("DPD90+ ratio") increased further to 16.6% from 13.7% at the end of 2010. The pace of deterioration, however, moderated; while in 2010 the ratio grew by 3.9%-points, in 2011 it was up by 2.9%-points. The slowdown in portfolio deterioration enabled the Group to set aside lower level of provisions for impairment on loan losses on yearly basis (excluding the provisioning related to the early repayment program). At the same time, the provision coverage of DPD90+ loans (76.7% on 31 December 2011) developed favourably, in 2010 the ratio improved by 0.8%-point and by further 2.3%-points in 2011.

- The further enhancement of the strong **capital position** still remained a top priority for the Group in 2011. The Basel 2 capital adequacy ratio of the Group reached 17.2% at the end of 2011, which is significantly higher than the ratios at its regional competitors. The ratio slightly declined from 2010 to 2011 (-0.3%-point), the main reason was the FX-effect. The significant depreciation of the HUF in the second half of the year increased the volume of risk weighted assets, as well as the capital requirement of market risk. The Tier 1 ratio (after deducting goodwill and intangible assets) stood at 13.3% and Core Tier 1 ratio (further deducting hybrid instruments from the capital base) at 12.0%.
- The second European stress test results published by the European Banking Authority ("EBA") on 15 July 2011 demonstrated the outstanding capital strength of the Group. After reaching second position in 2010 in the first round, in the second stress test under the adverse scenario the Group's Core Tier 1 ratio was the third highest, at 13.6%. In December 2011 EBA had another test focusing on the securities exposure of banks, the result again was convincing: The Group safely meets the 9% Core Tier 1 requirement.
- In 2011 the goodwill write down related to the Croatian, Montenegrin and Serbian subsidiaries resulted in a total loss of HUF 23.979 billion in the Group's consolidated financial statements under IFRS.
- Concerning the Group members, the following **rating actions** were taken by international rating agencies in 2011:
    - On 5 April 2011 Moody's Investors Service affirmed the Bank's standalone BFSR at D+ with stable outlook. The Bank's foreign-currency deposit ratings were affirmed at "Baa3". Simultaneously Moody's has lowered the Bank's local currency deposit ratings and foreign currency senior debt rating to "Baa3" in line with the sovereign ratings. The Bank's subordinated debt rating has been changed to "Ba1" and its junior subordinated debt rating to "Ba2". The outlook on BFSR is stable, while all other ratings carry negative outlook similarly to the sovereign.
    - On 15 November 2011 Standard & Poor's placed on watch negative "BBB-/A-3" long- and short-term counterparty credit ratings on the Bank and its subsidiary OTP Mortgage Bank. The rating action followed the placement of "BBB-/A-3" foreign and local currency sovereign credit ratings on Hungary on CreditWatch negative on 11 November 2011.
    - On 25 November 2011, reflecting the lowering of Hungarian government debt rating to "Ba1" and the country's foreign-currency deposit ceiling to "Ba2", Moody's Investors Service lowered the ratings of the Bank and OTP Mortgage Bank. The foreign currency deposit ratings of the Bank and OTP Mortgage Bank was downgraded to "Ba2/Not-Prime" from "Baa3/Prime-3" and downgraded the local-currency deposit ratings, foreign-currency senior debt rating, subordinated debt rating and junior subordinated debt rating by one notch.

    - On 16 December Moody's concluded the review for downgrade on ratings initiated on 4 October 2011 and affirmed the ratings of the Bank and OTP Mortgage Bank in accordance with its decision on 25 November 2011.
    - Standard & Poor's lowered Hungary's long- and short-term sovereign credit ratings to "BB+/B" from "BBB-/A-3". As a consequence of the sovereign downgrade, on 23 December

S&P lowered the ratings of the Bank and OTP Mortgage Bank to “BB+/B” from “BBB-/A-3”. The outlooks are negative.