



OTP BANK PLC.

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

FOR THE YEAR ENDED
31 DECEMBER 2012

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INDEPENDENT AUDITORS' REPORT

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements (page 2 to 93) of OTP Bank Plc for the year 2012, which financial statements comprise the statement of financial position as at December 31, 2012 and the related statement of recognized and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

We draw attention to Note 2.3 of the separate financial statements which states that the consolidated financial statements of OTP Bank Plc. prepared in accordance with International Financial Reporting Standards have been published separately. The consolidated financial statements of OTP Bank Plc. as of and for the year ended December 31, 2012 were audited by us and our report dated March 29, 2013 expressed an unqualified opinion. Our opinion is not modified in respect of this matter.

Budapest, March 29, 2013


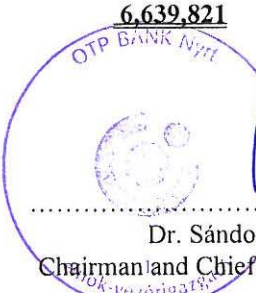


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OTP BANK PLC.
SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012
(in HUF mn)

	Note	2012	2011
Cash, amounts due from banks and balances with the National Bank of Hungary	4.	245,548	226,976
Placements with other banks, net of allowance for placement losses	5.	665,417	897,980
Financial assets at fair value through profit or loss	6.	243,015	272,577
Securities available-for-sale	7.	1,953,871	1,711,418
Loans, net of allowance for loan losses	8.	2,356,291	2,741,827
Investments in subsidiaries	9.	661,352	651,709
Securities held-to-maturity	10.	371,992	120,467
Property and equipment	11.	78,052	73,161
Intangible assets	11.	31,597	31,171
Other assets	12.	<u>32,686</u>	<u>57,404</u>
TOTAL ASSETS		<u>6,639,821</u>	<u>6,784,690</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	13.	826,968	871,770
Deposits from customers	14.	3,500,790	3,416,221
Liabilities from issued securities	15.	335,963	453,423
Financial liabilities at fair value through profit or loss	16.	259,211	345,955
Other liabilities	17.	232,557	267,184
Subordinated bonds and loans	18.	<u>303,750</u>	<u>325,997</u>
TOTAL LIABILITIES		<u>5,459,239</u>	<u>5,680,550</u>
Share capital	19.	28,000	28,000
Retained earnings and reserves	20.	1,157,516	1,081,659
Treasury shares	21.	<u>(4,934)</u>	<u>(5,519)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,180,582</u>	<u>1,104,140</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>6,639,821</u>	<u>6,784,690</u>

Budapest, 29 March 2013



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Dr. Sándor Csányi
Chairman and Chief Executive Officer

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

	Note	2012	2011
<i>Interest Income:</i>			
Loans		216,154	230,529
Placements with other banks, net of allowance for placement losses		364,039	268,998
Securities available-for-sale		117,914	115,841
Securities held-to-maturity		19,625	9,637
Amounts due from banks and balances with National Bank of Hungary		6,523	6,274
Securities held for trading		<u>1,443</u>	<u>2,076</u>
Total Interest Income		<u>725,698</u>	<u>633,355</u>
<i>Interest Expense:</i>			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government		350,521	214,376
Deposits from customers		138,808	128,253
Liabilities from issued securities		27,330	28,370
Subordinated bonds and loans		<u>16,872</u>	<u>16,538</u>
Total Interest Expense		<u>533,531</u>	<u>387,537</u>
NET INTEREST INCOME		<u>192,167</u>	<u>245,818</u>
Provision for impairment on loan and placement losses (Gains) / Losses on loans related to early repayment	5.,8.,22. 22.	53,394 (86)	71,327 5,112
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		<u>138,859</u>	<u>169,379</u>
Income from fees and commissions	23.	117,566	116,969
Expenses from fees and commissions	23.	<u>22,493</u>	<u>21,613</u>
Net profit from fees and commissions		<u>95,073</u>	<u>95,356</u>
Foreign exchange (losses) / gains		(3,769)	36,668
(Losses) / gains on securities, net		(6,872)	5,331
Dividend income		43,098	78,831
Other operating income	24.	5,087	4,941
Net other operating expenses	24.	(46,766)	(84,723)
<i>-from this: provision for impairment on investments in subsidiaries</i>	9.	<u>(35,584)</u>	<u>(83,531)</u>
Net operating income		<u>(9,222)</u>	<u>41,048</u>
Personnel expenses	24.	80,456	73,555
Depreciation and amortization	24.	20,959	23,767
Other administrative expenses	24.	<u>90,272</u>	<u>82,718</u>
Other administrative expenses		<u>191,687</u>	<u>180,040</u>
PROFIT BEFORE INCOME TAX		<u>33,023</u>	<u>125,743</u>
Income tax	25.	<u>(5,379)</u>	<u>14,995</u>
NET PROFIT FOR THE YEAR		<u>38,402</u>	<u>110,748</u>
Earnings per share (in HUF)			
Basic	35.	<u>138</u>	<u>399</u>
Diluted	35.	<u>138</u>	<u>399</u>

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

	2012	2011
NET PROFIT FOR THE YEAR	<u>38,402</u>	<u>110,748</u>
Fair value adjustment of securities available-for-sale	<u>64,202</u>	<u>(22,606)</u>
NET COMPREHENSIVE INCOME	<u>102,604</u>	<u>88,142</u>

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

	Note	2012	2011
OPERATING ACTIVITIES			
Profit before income tax		33,023	125,743
Depreciation and amortization		20,959	23,767
Provision for impairment on loan and placement losses	5.,8.,22,	53,308	76,439
Provision for impairment on investments in subsidiaries	9.	35,584	83,531
Provision for impairment / (release of provision) on other assets	12.	483	(472)
Provision / (release of provision) on off-balance sheet commitments and contingent liabilities	17.	495	(3,583)
Share-based payment	28.	4,584	6,188
Unrealised (losses) / gains on fair value adjustment of securities available-for-sale and held for trading		(2,012)	1,757
Unrealised gains / (losses) on fair value adjustment of derivative financial instruments		2,735	(5,570)
<i>Net changes in assets and liabilities in operating activities</i>			
Changes in financial assets at fair value through profit or loss		29,158	19,536
Changes in financial liabilities at fair value through profit or loss		(377)	(431)
Net decrease / (increase) in loans, net of allowance for loan losses		245,786	(47,435)
Decrease / (increase) in other assets, excluding advances for investments and before provisions for losses		25,815	(22,164)
Net increase in deposits from customers		84,341	136,517
(Decrease) / increase in other liabilities		(28,675)	45,154
Net (increase) / decrease in the compulsory reserve established by the National Bank of Hungary		(395)	2,712
Dividend income		(43,098)	(78,831)
Income tax paid		<u>(4,391)</u>	<u>(11,557)</u>
Net cash provided by operating activities		<u>457,323</u>	<u>351,301</u>
INVESTING ACTIVITIES			
Net decrease / (increase) in placements with other banks before allowance for placement losses		232,701	(99,807)
Net increase in securities available-for-sale		(166,690)	(261,740)
Net increase in investments in subsidiaries		(45,227)	(97,421)
Dividend income		43,098	78,831
Net (increase) / decrease in securities held-to-maturity		(247,461)	33,766
Additions to property, equipment and intangible assets		(27,704)	(44,662)
Disposals of property, equipment and intangible assets		-	12,890
Net decrease / (increase) in advances for investments included in other assets		<u>40</u>	<u>(66)</u>
Net cash used in investing activities		<u>(211,243)</u>	<u>(378,209)</u>

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

	Note	2012	2011
FINANCING ACTIVITIES			
Net (decrease) / increase in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		(44,802)	129,925
Cash received from issuance of securities		274,329	480,103
Cash used for redemption of issued securities		(403,096)	(526,817)
(Decrease) / increase in subordinated bonds and loans		(22,247)	28,359
Payments to ICES holders		(4,377)	(4,632)
Net change in Treasury shares		430	(1,815)
Dividend paid		<u>(28,140)</u>	<u>(20,204)</u>
Net cash (used in) / provided by financing activities		<u>(227,903)</u>	<u>84,919</u>
Net increase in cash and cash equivalents		18,177	58,011
Cash and cash equivalents at the beginning of the year		<u>146,208</u>	<u>88,197</u>
Cash and cash equivalents at the end of the year		<u>164,385</u>	<u>146,208</u>
<i>Analysis of cash and cash equivalents:</i>			
Cash, amounts due from banks and balances with the National Bank of Hungary		226,976	171,677
Compulsory reserve established by the National Bank of Hungary		<u>(80,768)</u>	<u>(83,480)</u>
Cash and cash equivalents at the beginning of the year		<u>146,208</u>	<u>88,197</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	4.	245,548	226,976
Compulsory reserve established by the National Bank of Hungary	4.	<u>(81,163)</u>	<u>(80,768)</u>
Cash and cash equivalents at the end of the year		<u>164,385</u>	<u>146,208</u>

OTP BANK PLC.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012 (in HUF mn)

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Total
Balance as at 1 January 2011		<u>28,000</u>	<u>52</u>	<u>28</u>	<u>1,069,329</u>	<u>(55,468)</u>	<u>(3,729)</u>	<u>1,038,212</u>
Net profit for the year		-	-	-	110,748	-	-	110,748
Other comprehensive income		-	-	-	(22,606)	-	-	(22,606)
Share-based payment	28.	-	-	6,188	-	-	-	6,188
Payments to ICES holders		-	-	-	(6,427)	-	-	(6,427)
Sale of treasury shares	21.	-	-	-	-	-	2,963	2,963
Loss on sale of treasury shares		-	-	-	(25)	-	-	(25)
Acquisition of treasury shares	21.	-	-	-	-	-	(4,753)	(4,753)
Dividend for the year 2010		=	=	=	<u>(20,160)</u>	<u>-</u>	<u>-</u>	<u>(20,160)</u>
Balance as at 31 December 2011		<u>28,000</u>	<u>52</u>	<u>6,216</u>	<u>1,130,859</u>	<u>(55,468)</u>	<u>(5,519)</u>	<u>1,104,140</u>
Net profit for the year		-	-	-	38,402	-	-	38,402
Other comprehensive income		-	-	-	64,202	-	-	64,202
Share-based payment	28.	-	-	4,584	-	-	-	4,584
Payments to ICES holders		-	-	-	(3,176)	-	-	(3,176)
Sale of treasury shares	21.	-	-	-	-	-	6,342	6,342
Loss on sale of treasury shares		-	-	-	(155)	-	-	(155)
Acquisition of treasury shares	21.	-	-	-	-	-	(5,757)	(5,757)
Dividend for the year 2011		=	=	=	<u>(28,000)</u>	<u>-</u>	<u>-</u>	<u>(28,000)</u>
Balance as at 31 December 2012		<u>28,000</u>	<u>52</u>	<u>10,800</u>	<u>1,202,132</u>	<u>(55,468)</u>	<u>(4,934)</u>	<u>1,180,582</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

These financial statements were approved by the board of directors and authorised for issue on 29 March 2013.

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

	2012	2011
Domestic and foreign private and institutional investors	97%	96%
Employees	2%	2%
Treasury shares	<u>1%</u>	<u>2%</u>
Total	<u>100%</u>	<u>100%</u>

The Bank provides a full range of commercial banking services through a nationwide network of 380 branches in Hungary.

Number of the employees of the Bank:

	2012	2011
Number of employees	8,070	7,957
Average number of employees	8,012	7,857

1.2. Accounting

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2012

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

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

The adoption of the above presented Amendment had no significant impact on the separate financial statements of the Bank.

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

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

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

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the separate financial statements except of the application of IFRS 9 and IFRS 10 which might have significant impact on the Bank separate financial statements, the Bank will analyse the impact after the adoption of the standards by EU.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

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

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

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF, that is the presentation currency, at exchange rates quoted by the National Bank of Hungary (“NBH”) as at the date of the separate financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded to the separate statement of recognized income.

2.3. Consolidated financial statements

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

2.4. Investments in subsidiaries

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

Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.

Impairment is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

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

OTP Bank in its strategic plan has taken into consideration the cautious recovery of global economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities held-to-maturity

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

2.6. Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

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

2.6.2. Derivative financial instruments

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

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. OTP Bank adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as OTP Bank has almost all of its open derivative transactions collateralised. There is no other credit value (CVA), debit value (DVA) or funding value (FVA) adjustment applied. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the separate statement of recognized income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Available-for-sale securities are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognized in other comprehensive income, unless such available-for-sale security is part of an effective hedge. Such gains and losses will be reported when realised in profit and loss for the applicable period. Securities available-for-sale consist of Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, bonds issued by NBH and other securities.

The provision for impairment is calculated based on discounted cash flow methodology for debt instruments and calculated based on fair value on equity instruments, using the expected future cash flow and original effective interest rate if there is objective evidence of impairment.

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

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

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

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

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

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

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

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

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

2.10. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the statement of financial position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement.

In the case of security lending transactions the Bank do not recognize or derecognize the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Property, equipment and intangible assets

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

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

Depreciation and amortization on properties, equipments and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired 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 Bank presents the amount of change in their fair value originated from the changes of market conditions and business environment. Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss. In the case of financial liabilities measured at amortized cost fees and commissions related to the origination of the financial liability are recognized through profit or loss during the maturity of the instrument. In certain cases the Bank repurchases a part of financial liabilities (mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognized in the net profit or loss for the period and included in other operating income.

2.13. Leases

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

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

2.14. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the separate statement of financial position at acquisition cost as a deduction from shareholders' equity. Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity in the treasury shares. Derecognition of treasury shares is based on the FIFO method.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.15. Interest income and interest expense

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

2.16. Fees and Commissions

Fees and commissions are recognised using effective interest method referring to provisions of IAS 39, when they relate and have to be included in the amortised cost model. Certain fees and commissions, that are not involved in the amortised cost model, are recognised in the separate statement of recognised income on an accrual basis based on IAS 18.

2.17. Dividend income

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

2.18. Income tax

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

2.19. Off-balance sheet commitments and contingent liabilities

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

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

2.20. Share-based payment

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

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

2.21. Separate statement of cash flows

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.22. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Based on the above, the segments identified by the Bank are the business and geographical segments.

At separate level, the Management does not separate and makes decisions based on different segments, the segments are identified by the Bank only at consolidated level in line with IFRS 8 paragraph 4. At Group level the segments identified by the Bank are the business and geographical segments.

The Group's operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.23. Comparative figures

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

2.24. 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 OTP Bank, was *the opportunity of early repayment at fixed exchange rates*.

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

The final closing date of the opportunity of early repayment was 28 February 2012.

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

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

In the period from 1 till 30 January 2012 – together at OTP Bank and above subsidiaries – 14,854 customers paid back their FX mortgage loans or presented collateral certificate relating to early repayment on mortgage loan that in connection with provision in the amount of HUF 34,489 million (tax-adjusted HUF 35,264 million) was recognized for 2011 in OTP Group. Provision in the amount of HUF 2,164 million was recognized at OTP Bank relating to early repayment of OTP Bank’s own customers. This amount of provision was released in 2012 parallel to recognizing of realised loan loss.

	2012	2011
Provision for impairment on loan losses relating to early repayment at OTP Bank	2,101	2,962
(Release of provision) / provision recognized at OTP Bank relating to early repayment	<u>(2,164)</u>	<u>2,164</u>
(Release of provision) / provision for impairment on loan losses relating to early repayment at OTP Bank	<u>(63)</u>	<u>5,126</u>

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

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

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

Regarding to 2011 amendment of Act LIX of 2006 the financial institution reduced the 2011 amount of the payable bank tax as a tax refund with 30% of the loss from paid FX based mortgage loans. If the tax refund had exceeded the bank tax determined for the year 2011, the difference could have been claimed at tax determination for 2011 by the related parties (one or more financial institution or insurance company) (“tax refund beneficiary”) of the financial institution.

Based on the arising losses at OTP Bank, OTP Mortgage Bank, OTP Flat Lease, Merkantil Bank Ltd. (“Merkantil Bank”) and Merkantil Car Ltd. (“Merkantil Car”) total HUF 20,606 million bank tax refund was carried out at the Group’s level from the bank tax paid and recognized in 2011. The Bank recognized HUF 10,467 million as tax refund in the separate financial statements. The difference was asserted as tax refund by the other subsidiaries of the Group. The amount of the difference was rectified by HUF 1,090 million based on final realised loss related to early repayment.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

An analysis of losses related to early repayment at Group level:

	Total	2012	2011
Total expenditure at OTP Group	65,053	(1,588)	66,641
During calculation of amount deductible from bank tax, provision for impairment owing to classification is taken into consideration	-	(2,047)	2,047
Total expenditure at OTP Group considered at calculation of bank tax	65,053	(3,635)	68,688
30% of total expenditure at OTP Group refundable from bank tax paid in 2011	19,516	(1,090)	20,606
<u>Claim for bank tax refund at subsidiaries of OTP Group</u>			
OTP Bank	9,377	(1,090)	10,467
OTP Mortgage Bank	8,759	-	8,759
OTP Flat Lease	116	-	116
Merkantil Bank	1,120	-	1,120
Merkantil Car	144	-	144
	<u>19,516</u>	<u>(1,090)</u>	<u>20,606</u>

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

OTP Bank participated in three tenders on account of hedging the loss incurred as a consequence of early repayment at OTP Group.

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

EUR stock was recognized in OTP Bank's separate financial statements, in connection with that foreign exchange losses in the amount of HUF 5,278 million and gains in the amount of HUF 9,313 million were realised in the separate financial statements as at 31 December 2012 and 2011. This sum is reducing the loss incurred related to early repayment at the level of OTP Group.

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

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

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates was announced. Accordingly, in favour of performing FX mortgage debtors with up to 90 days of delinquency, the natural person FX mortgage debtor could initiate in writing between 12 August and 31 December 2011 the fixing of the exchange rate used to specify his monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates were set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provided a special purpose HUF denominated mortgage loan ("escrow account loan"), granting of which is not regulated by the rules of prudent lending. Escrow account loan is an appropriation established by the Hungarian Government to help FX mortgage debtors during the repayment of FX mortgage loans to finance the instalment-proportion non-paid by debtors arising from the difference between the fixed and the exceeding actual spot exchange rate.

During the time of fixing, the Bank was entitled to charge not more than the 3-months BUBOR interest rate on the HUF obligations on the escrow account which could be capitalised in every three months. Following the fixed exchange rate period debtors are obliged to pay instalments of both the original mortgage and the escrow

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account loans. From that time the interest rate charged on the escrow account must not surpass the market rate applicable for HUF denominated mortgages provided for the same purpose as the original FX mortgage loan.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

The Government backs the escrow account in full through a State Guarantee during the fixed exchange rate period, subsequently the guarantee applies to 25% of the escrow account. In case of utilising of state guarantee credit institutions are obliged to pay contribution.

Regarding the fact that the expected number of debtors who concluded escrow account loan contract is low, OTP Bank decided not to employ the state guarantee.

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

Number of loans includes contracts which were made until 31 December 2012 but no gross amount belongs to them.

	OTP Bank
Number of escrow account loans as at 31 December 2012 (number of loans)	3,060
Number of new contracts made after 1 April 2012 (number of contracts)	2,988
Gross value of escrow account loans as at 31 December 2012 (in HUF mn)	79
Gross amount of fixed FX loans as at 31 December 2012 (in HUF mn)	13,444

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

	OTP Bank
Loss on interest from fixed exchange rate refunded by the State	60
Contribution paid for the State (50%)	30

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

Main figures of conversion into HUF denominated loans:

	OTP Bank
Number of DPD ¹ 90+ loans (number of loans)	11
Loan losses (in HUF mn)	10

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

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

3.1. Impairment on loans and placements

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

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

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

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

¹ DPD: day past due

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

	2012	2011
Cash on hand:		
In HUF	58,713	52,527
In foreign currency	<u>13,044</u>	<u>11,569</u>
	<u>71,757</u>	<u>64,096</u>
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	128,210	137,412
In foreign currency	<u>45,131</u>	<u>24,982</u>
	<u>173,341</u>	<u>162,394</u>
Accrued interest	<u>450</u>	<u>486</u>
Total	<u>245,548</u>	<u>226,976</u>
Compulsory reserve	81,163	80,768
Rate of the compulsory reserve	2%	2%

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

	2012	2011
Within one year:		
In HUF	165,452	17,230
In foreign currency	<u>369,171</u>	<u>640,438</u>
	<u>534,623</u>	<u>657,668</u>
Over one year		
In HUF	15,000	300
In foreign currency	<u>114,013</u>	<u>238,004</u>
	<u>129,013</u>	<u>238,304</u>
Total placements	<u>663,636</u>	<u>895,972</u>
Accrued interest	<u>1,781</u>	<u>2,146</u>
Provision for impairment on placement losses	<u>-</u>	<u>(138)</u>
Total	<u>665,417</u>	<u>897,980</u>

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

	2012	2011
Balance as at 1 January	138	950
Provision for the period	-	132
Release of provision	(138)	(944)
Balance as at 31 December	<u>-</u>	<u>138</u>

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

Interest conditions of placements with other banks (%):

	2012	2011
Placements with other banks in HUF	4.8%-6.5%	7.56%-15.23%
Placements with other banks in foreign currency	0.002%-10.09%	0.73%-11.9%
Average interest of placements with other banks	3.34%	2.25%

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

	2012	2011
<i>Securities held for trading:</i>		
Corporate shares	90,431	87,871
Hungarian government interest bearing Treasury Bills	2,111	115
Hungarian government discounted Treasury Bills	2,098	4,146
Securities issued by the NBH	1,333	1,715
Government bonds	1,331	22,846
Mortgage bonds	408	5,776
Securities issued by credit institutions	49	2,093
Other securities	<u>10</u>	<u>314</u>
	<u>97,771</u>	<u>124,876</u>
Accrued interest	<u>164</u>	<u>1,083</u>
Subtotal	<u>97,935</u>	<u>125,959</u>
<i>Derivative financial instruments classified as held for trading:</i>		
Interest rate swaps classified as held for trading	73,199	39,442
CCIRS and mark-to-market CCIRS ¹ classified as held for trading	54,480	66,281
Foreign currency swaps classified as held for trading	7,107	24,329
Other derivative transactions ²	<u>10,294</u>	<u>16,566</u>
Subtotal	<u>145,080</u>	<u>146,618</u>
Total	<u>243,015</u>	<u>272,577</u>

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

	2012	2011
Within five years:		
variable interest	2	1,042
fixed interest	<u>7,072</u>	<u>23,845</u>
	<u>7,074</u>	<u>24,887</u>
Over five years:		
fixed interest	<u>257</u>	<u>12,104</u>
	<u>257</u>	<u>12,104</u>
Non-interest bearing securities	<u>90,440</u>	<u>87,885</u>
Total	<u>97,771</u>	<u>124,876</u>

¹ CCIRS: Cross Currency Interest Rate Swap (See Note 27)

² incl.: FX, equity and index futures; FX forward; commodity swap; FRA; FX option

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

	2012	2011
Securities held for trading denominated in HUF	100%	95%
Securities held for trading denominated in foreign currency	<u>0%</u>	<u>5%</u>
Securities held for trading total	<u>100%</u>	<u>100%</u>
Government securities denominated in HUF	92%	84%
Government securities denominated in foreign currency	<u>8%</u>	<u>16%</u>
Government securities total	<u>100%</u>	<u>100%</u>
Interest rates on securities held for trading	3.5%-13%	1.6%-11.9%
Average interest on securities held for trading	6.51%	5.27%

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

	2012	2011
Mortgage bonds	968,048	863,422
Bonds issued by NBH	742,989	497,198
Government bonds	134,034	260,681
Other securities	70,401	49,623
- <u>listed securities</u>	<u>36,689</u>	<u>27,414</u>
<i>in HUF</i>	-	-
<i>in foreign currency</i>	36,689	27,414
- <u>non-listed securities</u>	<u>33,712</u>	<u>22,209</u>
<i>in HUF</i>	31,632	20,387
<i>in foreign currency</i>	2,080	1,822
	<u>1,915,472</u>	<u>1,670,924</u>
Accrued interest	<u>38,399</u>	<u>40,494</u>
Securities available-for-sale total	<u>1,953,871</u>	<u>1,711,418</u>

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

	2012	2011
Securities available-for-sale denominated in HUF	75%	70%
Securities available-for-sale denominated in foreign currency	<u>25%</u>	<u>30%</u>
Securities available-for-sale total	<u>100%</u>	<u>100%</u>
Interest rates on securities available-for-sale denominated in HUF	6.8%-12%	5.5%-12%
Interest rates on securities available-for-sale denominated in foreign currency	2.7%-10.5%	3.9%-10.5%
Average interest on securities available-for-sale denominated in HUF	7.42%	8.54%
Average interest on securities available-for-sale denominated in foreign currency	4.77%	5.18%

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

	2012	2011
Within five years:		
variable interest	427,295	460,285
fixed interest	<u>1,222,305</u>	<u>894,934</u>
	<u>1,649,600</u>	<u>1,355,219</u>
Over five years:		
fixed interest	<u>228,018</u>	<u>288,769</u>
	<u>228,018</u>	<u>288,769</u>
Non-interest bearing securities	<u>37,854</u>	<u>26,936</u>
Total	<u>1,915,472</u>	<u>1,670,924</u>

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

	2012	2011
Net loss reclassified from equity to statement of recognized income	552	585
Fair value of the hedged securities		
Corporate bonds	<u>19,969</u>	<u>16,383</u>
Total	<u>19,969</u>	<u>16,383</u>

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

	2012	2011
Short-term loans and trade bills (within one year)	941,215	995,053
Long-term loans and trade bills (over one year)	<u>1,554,375</u>	<u>1,891,447</u>
Loans gross total	<u>2,495,590</u>	<u>2,886,500</u>
Accrued interest	<u>14,071</u>	<u>15,651</u>
Provision of impairment on loan losses	<u>(153,370)</u>	<u>(160,324)</u>
Total	<u>2,356,291</u>	<u>2,741,827</u>

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

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

	2012	2011
In HUF	38%	32%
In foreign currency	<u>62%</u>	<u>68%</u>
Total	<u>100%</u>	<u>100%</u>

Interest rates of the loan portfolio are as follows (%):

	2012	2011
Loans denominated in HUF, with a maturity within one year	7.7%-32.4%	8.2%-29%
Loans denominated in HUF, with a maturity over one year	2.7%-24.8%	3%-24.8%
Loans denominated in foreign currency	1.8%-22.8%	1.8%-28%
Average interest on loans denominated in HUF	14.56%	13.82%
Average interest on loans denominated in foreign currency	4.14%	4.35%

	2012	2011
Gross loan portfolio on which interest to customers is not being accrued	10.04%	9.35%

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

	2012		2011	
Corporate loans	1,753,015	71%	2,044,081	71%
Consumer loans	335,407	13%	350,256	12%
Municipality loans	263,519	11%	308,334	11%
Housing loans	86,624	3%	115,044	4%
Mortgage backed loans	<u>57,025</u>	<u>2%</u>	<u>68,785</u>	<u>2%</u>
Total	<u>2,495,590</u>	<u>100%</u>	<u>2,886,500</u>	<u>100%</u>

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

	2012	2011
Balance as at 1 January	160,324	134,621
Provision for the period	93,834	129,912
Release of provision	<u>(100,788)</u>	<u>(104,209)</u>
Balance as at 31 December	<u>153,370</u>	<u>160,324</u>

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

	2012	2011
Release of provision for impairment on placement losses	(138)	(656)
Provision for impairment on loan losses	<u>53,446</u>	<u>77,095</u>
Total	<u>53,308</u>	<u>76,439</u>

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 9: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

	2012	2011
Investments in subsidiaries:		
Controlling interest	925,362	880,136
Other	<u>1,021</u>	<u>1,021</u>
	<u>926,383</u>	<u>881,157</u>
 Provision for impairment	 <u>(265,031)</u>	 <u>(229,448)</u>
 Total	 <u>661,352</u>	 <u>651,709</u>

Significant subsidiaries

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

	2012		2011	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	266,513	100%	266,513
DSK Bank EAD (Bulgaria)	100%	86,832	100%	86,832
OTP banka Srbija a.d. (Serbia)	96.79%	84,433	92.60%	66,984
OAD OTP Bank (Russia)	97.78%	74,280	97.75%	74,263
OTP banka Hrvatska d.d. (Croatia)	100%	72,940	100%	72,940
OTP Mortgage Bank Ltd.	100%	70,257	100%	73,440
OTP Bank Romania S.A. (Romania)	100%	57,638	100%	45,204
Crnogorska komercijalna banka a.d. (Montenegro)	100%	55,439	100%	49,657
OOO AlyansReserv (Russia)	100%	50,074	100%	50,074
OTP Factoring Ltd.	100%	24,925	100%	14,775
OTP Life Annuity Ltd.	100%	15,300	100%	15,300
OTP Banka Slovensko a.s. (Slovakia)	98.94%	13,611	98.94%	13,611
Bank Center No. 1. Ltd.	100%	10,063	100%	7,330
Monicomp Ltd.	100%	9,234	100%	9,234
Air-Invest Ltd.	100%	8,898	100%	8,898
Inga Two Ltd.	100%	5,892	100%	5,892
OTP Real Estate Leasing Ltd.	100%	3,178	100%	2,499
OTP Funds Servicing and Consulting Ltd.	100%	2,469	100%	2,469
OTP Holding Ltd. (Cyprus)	100%	2,000	100%	2,000
OTP Building Society Ltd.	100%	1,950	100%	1,950
OTP Fund Management Ltd.	100%	1,653	100%	1,653
Merkantil Bank Ltd.	100%	1,600	100%	1,600
OTP Real Estate Ltd.	100%	2,318	100%	1,420
OTP Real Estate Investment Fund Management Ltd.	100%	1,352	100%	1,352
CIL Babér Ltd.	100%	1,225	100%	1,025
OTP Financing Netherlands B.V. (Netherlands)	100%	481	100%	481
OTP Card Factory Ltd.	100%	450	100%	450
Portfolion Ltd.	100%	150	100%	150
HIF Ltd. (United Kingdom)	100%	81	100%	81
OTP Hungaro-Projekt Ltd.	100%	81	100%	81
TradeNova Ltd. "u.l."	100%	30	100%	30
OTP Facility Management Ltd.	100%	15	100%	15
Bajor-Polár Center Ltd.		<u>-</u>	100%	<u>1,933</u>
 Total		 <u>925,362</u>		 <u>880,136</u>

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

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

	2012	2011
Balance as at 1 January	229,448	147,228
Provision for the period	35,583	83,531
Release of provision	-	(1,311)
Balance as at 31 December	<u>265,031</u>	<u>229,448</u>

The provision for impairment on OTP Bank JSC (Ukraine) was HUF 97,526 million, for OTP banka Srbija a.d. was HUF 56,803 million, for Crnogorska komercijalna banka a.d was HUF 26,714 million as at 31 December 2012. OTP Bank recognized provision for impairment in amount of HUF 9,232 million for OTP banka Hrvatska d.d., HUF 36,967 million for OTP banka Srbija a.d. and HUF 18,519 million for Crnogorska komercijalna banka a.d in 2012.

Significant associates

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

As at 31 December 2012

	Company for Cash Services LLC	Suzuki Pénzügyi Szolgáltató Ltd.	Agóra- Kapos Ltd.	Total
Assets	1,924	629	73	2,626
Liabilities	82	12	53	147
Shareholders' equity	1,842	617	20	2,479
Retained earnings and reserves	(59)	552	18	511
Total income	869	46	4	919
Profit before tax	44	27	1	72
Net profit	39	25	1	65

As at 31 December 2011

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

¹ Moneta a.d. was sold in October 2012.

OTP BANK PLC.
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NOTE 9: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

The Montenegrin Court of Registration registered a capital increase at the Montenegrin subsidiary of OTP Bank. The extraordinary general meeting at Crnogorska komercijalna banka a.d. ("CKB") on 17 January 2012 passed a resolution about a EUR 11,999,509.6 capital increase by converting the subordinated debt provided by OTP Bank into ordinary shares. The registered capital of the Montenegrin subsidiary grew to EUR 118,875,878.04 after the capital increase.

On 10 September 2012 the Securities Commission of Montenegro approved the conversion of the Lower Tier2 Capital provided by OTP Bank to CKB into ordinary shares. The principal amount of the Lower Tier2 Capital was EUR 7,999,673. The registered capital of CKB changed to EUR 126,875,551 as verified by the Central Custodian in its certificate issued on 12 September 2012.

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

On 19 April 2012 OTP Bank sold its investment in Bajor-Polár Center Property Management Private Limited Company to Bank Center No. 1. Ltd.

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

On 26 November 2012 the general meeting of OTP Bank Romania S.A. passed a resolution about a capital increase by issuing ordinary shares. The registered capital of the Romanian subsidiary was raised from RON 682,908,960 to RON 732,908,880 by its majority owner, OTP Bank.

The registered capital of OTP banka Srbija a.d. was increased by RSD 2,219,986,480 through conversion of the subordinated debt to ordinary shares. As a result, the registered capital of the Serbian subsidiary grew from RSD 7,643,774,300 to RSD 9,863,760,780. Following the capital increase, the ownership ratio of OTP Bank reached 95.31%. The Serbian Court of Registration registered the capital increase on 22 June 2012. An additional capital increase in the amount of RSD 4,525,974,400 occurred by 31 December 2012, as a result the ownership ratio of the Bank represents 96.79% as at 31 December 2012. The capital increase was registered by the Serbian Court of Registration on 17 January 2013 and the registered capital of OTP banka Srbija was increased to RSD 14,389,735,180.

The share capital increase including share premium was carried out by OTP Bank, one of the owners of OTP Real Estate Ltd., and made effective 20 December 2012. As a consequence, the registered capital of OTP Real Estate Ltd. has increased to HUF 2,145,000,000 from 2,136,000,000. While the ownership ratios in OTP Real Estate Ltd. were modified as follows: OTP Bank (22.15%), OTP Holding Ltd. (57.25%), Bank Center No. 1 Ltd. (20.60%). The Court of Budapest Municipality acting as a Court of Registration registered the capital increase in OTP Real Estate Ltd., a subsidiary owned by OTP Bank.

During January 2013 further capital increase occurred. As a consequence the shareholder ratios have been modified as follows: OTP Bank (49.89%), OTP Holding Ltd. (36.85%), Bank Center No. 1 Ltd. (13.26%).

In accordance with the resolution adopted by the board of directors in February 2013, capital settlement package of OTP Real Estate Ltd. and its subsidiaries was approved at group level. The purpose of the capital settlement is

1. to meet regulations applying to minimal capital criteria,
2. to guarantee the self-supporting financing structure,
3. to eliminate the subsidiaries' liabilities to the owners by their capital conversion
4. and to reduce unjustified high level of share capital by operation and size of the company

OTP BANK PLC.
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NOTE 10: SECURITIES HELD-TO-MATURITY (in HUF mn)

	2012	2011
Government bonds	355,595	55,260
Mortgage bonds	4,783	59,887
Hungarian government discounted Treasury bills	<u>343</u>	<u>346</u>
	<u>360,721</u>	<u>115,493</u>
Accrued interest	<u>11,271</u>	<u>4,974</u>
Total	<u>371,992</u>	<u>120,467</u>

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

	2012	2011
Within five years:		
variable interest	30,685	34,092
fixed interest	<u>171,623</u>	<u>69,543</u>
	<u>202,308</u>	<u>103,635</u>
Over five years:		
fixed interest	<u>158,413</u>	<u>11,858</u>
	<u>158,413</u>	<u>11,858</u>
Total	<u>360,721</u>	<u>115,493</u>

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

	2012	2011
Securities held-to-maturity denominated in HUF	100%	100%
Securities held-to-maturity denominated in foreign currency	<u>0%</u>	<u>0%</u>
Securities held-to-maturity total	<u>100%</u>	<u>100%</u>

Interest rates on securities held-to-maturity 5.5% - 9.5% 5.5% - 11.9%

Average interest on securities held-to-maturity denominated in HUF 8.24% 7.30%

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

Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 11: PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the year ended 31 December 2012

<u>Cost</u>	<u>Intangible assets</u>	<u>Property</u>	<u>Office equipments and vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
Balance as at 1 January	110,219	64,804	72,566	7,304	254,893
Additions	23,846	3,236	6,385	12,670	46,137
Disposals	(9,817)	(713)	(4,404)	(9,649)	(24,583)
Balance as at 31 December	<u>124,248</u>	<u>67,327</u>	<u>74,547</u>	<u>10,325</u>	<u>276,447</u>

Depreciation and Amortization

Balance as at 1 January	79,048	14,290	57,223	-	150,561
Charge for the year	13,731	1,681	5,547	-	20,959
Disposals	(128)	(349)	(4,245)	-	(4,722)
Balance as at 31 December	<u>92,651</u>	<u>15,622</u>	<u>58,525</u>	<u>-</u>	<u>166,798</u>

Net book value

Balance as at 1 January	<u>31,171</u>	<u>50,514</u>	<u>15,343</u>	<u>7,304</u>	<u>104,332</u>
Balance as at 31 December	<u>31,597</u>	<u>51,705</u>	<u>16,022</u>	<u>10,325</u>	<u>109,649</u>

For the year ended 31 December 2011

<u>Cost</u>	<u>Intangible assets</u>	<u>Property</u>	<u>Office equipments and vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
Balance as at 1 January	98,415	62,011	73,266	4,968	238,660
Additions	24,493	3,333	5,678	11,424	44,928
Disposals	(12,689)	(540)	(6,378)	(9,088)	(28,695)
Balance as at 31 December	<u>110,219</u>	<u>64,804</u>	<u>72,566</u>	<u>7,304</u>	<u>254,893</u>

Depreciation and Amortization

Balance as at 1 January	63,270	12,834	57,407	-	133,511
Charge for the year	16,121	1,598	6,048	-	23,767
Disposals	(343)	(142)	(6,232)	-	(6,717)
Balance as at 31 December	<u>79,048</u>	<u>14,290</u>	<u>57,223</u>	<u>-</u>	<u>150,561</u>

Net book value

Balance as at 1 January	<u>35,145</u>	<u>49,177</u>	<u>15,859</u>	<u>4,968</u>	<u>105,149</u>
Balance as at 31 December	<u>31,171</u>	<u>50,514</u>	<u>15,343</u>	<u>7,304</u>	<u>104,332</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 12: OTHER ASSETS (in HUF mn)

	2012	2011
Trade receivables	7,956	8,659
Prepayments and accrued income	5,540	3,980
Current income tax receivable	5,488	18,345
Fair value of derivative financial instruments designated as fair value hedge	4,228	2,329
Due from Hungarian Government from interest subsidies	1,615	1,943
Receivables from investment services	1,604	2,690
Inventories	980	840
Receivables from OTP Mortgage Bank Ltd. ¹	761	775
Other advances	665	398
Advances for securities and investments	587	627
Loans sold under deferred payment scheme	315	2,092
Amounts due from guarantee contract related to early repayment	-	8,875
Receivables from decreasing share capital of OTP Holding Ltd.	-	1,800
Other	<u>4,578</u>	<u>5,849</u>
	<u>34,317</u>	<u>59,202</u>
Accrued interest	<u>10</u>	<u>9</u>
Provision for impairment on other assets ²	<u>(1,641)</u>	<u>(1,807)</u>
Total	<u>32,686</u>	<u>57,404</u>

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

	2012	2011
Interest rate swaps designated as fair value hedge	4,224	2,329
Other	<u>4</u>	<u>-</u>
Total	<u>4,228</u>	<u>2,329</u>

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

	2012	2011
Balance as at 1 January	1,807	2,407
Charge for the period	519	415
Release of provision	(682)	(954)
Use of provision	<u>(3)</u>	<u>(61)</u>
Balance as at 31 December	<u>1,641</u>	<u>1,807</u>

¹ The Bank, under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd.

² Provision for impairment on other assets mainly consists of provision for trade receivables and inventories.

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

	2012	2011
Within one year:		
In HUF	99,771	112,067
In foreign currency	<u>528,749</u>	<u>460,654</u>
	<u>628,520</u>	<u>572,721</u>
Over one year:		
In HUF	110,134	124,786
In foreign currency	<u>85,632</u>	<u>171,584</u>
	<u>195,766</u>	<u>296,370</u>
Subtotal	<u>824,286</u>	<u>869,091</u>
Accrued interest	<u>2,682</u>	<u>2,679</u>
Total	<u>826,968</u>	<u>871,770</u>

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

	2012	2011
Within one year:		
In HUF	0.17%-7.62%	2.54%-7.1%
In foreign currency	2.39%-4.73%	0.25%-4%
Over one year:		
In HUF	0.22%-7.12%	2.54%-7.6%
In foreign currency	0.12%-5.88%	1.75%-5.88%
Average interest on amounts due to banks in HUF	4.30%	3.86%
Average interest on amounts due to banks in foreign currency	3.22%	2.34%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2012	2011
Within one year:		
In HUF	2,811,316	2,791,891
In foreign currency	<u>652,393</u>	<u>582,330</u>
	<u>3,463,709</u>	<u>3,374,221</u>
Over one year:		
In HUF	26,551	25,397
In foreign currency	<u>30</u>	<u>4,645</u>
	<u>26,581</u>	<u>30,042</u>
Subtotal	<u>3,490,290</u>	<u>3,404,263</u>
Accrued interest	<u>10,500</u>	<u>11,958</u>
Total	<u>3,500,790</u>	<u>3,416,221</u>

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

Interest rates on deposits from customers are as follows (%):

	2012	2011
Within one year in HUF	0.1%-11%	0.1%-11%
Over one year in HUF	0.2%-7.8%	0.2%-9%
In foreign currency	0.01%-3.5%	0.01%-8.1%
Average interest on deposits from customers in HUF	4.31%	3.91%
Average interest on deposits from customers in foreign currency	1.53%	1.65%

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

	2012		2011	
Retail deposits	1,855,388	53%	1,978,914	58%
Corporate deposits	1,423,202	41%	1,260,824	37%
Municipality deposits	<u>211,700</u>	<u>6%</u>	<u>164,525</u>	<u>5%</u>
Total	<u>3,490,290</u>	<u>100%</u>	<u>3,404,263</u>	<u>100%</u>

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

	2012	2011
Within one year:		
In HUF	192,316	312,155
In foreign currency	<u>39,289</u>	<u>54,820</u>
	<u>231,605</u>	<u>366,975</u>
Over one year:		
In HUF	89,654	74,279
In foreign currency	<u>5,120</u>	<u>2,245</u>
	<u>94,774</u>	<u>76,524</u>
Subtotal	<u>326,379</u>	<u>443,499</u>
Accrued interest	<u>9,584</u>	<u>9,924</u>
Total	<u>335,963</u>	<u>453,423</u>

Interest rates on liabilities from issued securities are as follows (%):

	2012	2011
Issued securities denominated in HUF	0.25%-7%	0.25%-6.75%
Issued securities denominated in foreign currency	2.8%-5%	1.5%-8%
Average interest on issued securities denominated in HUF	5.38%	5.86%
Average interest on issued securities denominated in foreign currency	3.50%	6.40%

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

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

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % p.a.)	Hedged
1	EUR 1 2013/XV	03/08/2012	03/08/2013	EUR	13.33	3,883	3.5 fixed	
2	DC EUR 130108 4.5%	27/09/2012	08/01/2013	EUR	10.55	3,073	4.5 fixed	
3	EUR 1 2013/XXIV	07/12/2012	07/12/2013	EUR	10.46	3,048	3 fixed	
4	DC USD 130207 5%	15/11/2012	07/02/2013	USD	13.75	3,038	5 fixed	
5	EUR 1 2013/XXIII	23/11/2012	23/11/2013	EUR	9.29	2,706	3 fixed	
6	EUR 1 2013/XVII	31/08/2012	31/08/2013	EUR	9.08	2,646	3.25 fixed	
7	EUR 1 2013/XVIII	14/09/2012	14/09/2013	EUR	8.54	2,489	3 fixed	
8	EUR 1 2013/XVI	17/08/2012	17/08/2013	EUR	7.78	2,267	3.25 fixed	
9	EUR 1 2013/XX	12/10/2012	12/10/2013	EUR	7.41	2,158	3 fixed	
10	EUR 1 2013/XXI	26/10/2012	26/10/2013	EUR	5.86	1,707	3 fixed	
11	EUR 1 2013/XXII	09/11/2012	09/11/2013	EUR	5.36	1,560	3 fixed	
12	EUR 1 2013/XIV	13/07/2012	13/07/2013	EUR	4.90	1,426	3.5 fixed	
13	EUR 1 2013/XIX	28/09/2012	28/09/2013	EUR	4.67	1,361	3 fixed	
14	EUR 1 2013/XXV	21/12/2012	21/12/2013	EUR	4.28	1,247	2.75 fixed	
15	EUR 1 2013/IX	04/05/2012	04/05/2013	EUR	2.84	827	3.75 fixed	
16	EUR 1 2013/VIII	20/04/2012	20/04/2013	EUR	2.31	673	3.75 fixed	
17	EUR 1 2013/XIII	22/06/2012	22/06/2013	EUR	2.30	671	3.5 fixed	
18	2015/Fx	21/12/2012	23/12/2015	EUR	2.07	604	indexed floating	hedged
19	EUR 1 2013/II	27/01/2012	26/01/2013	EUR	1.82	529	3.75 fixed	
20	2016/Cx	22/04/2011	22/04/2016	EUR	1.56	454	indexed floating	hedged
21	2016/Dx	22/12/2011	29/12/2016	EUR	1.25	363	indexed floating	hedged
22	EUR 1 2013/VII	06/04/2012	06/04/2013	EUR	1.16	339	3.75 fixed	
23	EUR 1 2013/I	13/01/2012	12/01/2013	EUR	1.11	322	3.5 fixed	
24	EUR 1 2013/IV	24/02/2012	23/02/2013	EUR	1.08	315	3.75 fixed	
25	EUR 1 2013/XII	08/06/2012	08/06/2013	EUR	1.07	311	3.5 fixed	
26	EUR 1 2013/III	10/02/2012	09/02/2013	EUR	1.02	297	3.75 fixed	
27	2015/Cx	27/12/2010	29/12/2015	EUR	0.97	283	indexed floating	hedged
28	EUR 2013/III	26/08/2011	26/08/2013	EUR	0.91	265	3 fixed	
29	EUR 1 2013/XI	25/05/2012	25/05/2013	EUR	0.87	254	3.5 fixed	
30	EUR 1 2013/V	09/03/2012	09/03/2013	EUR	0.82	238	3.75 fixed	
31	2017/Fx	14/06/2012	16/06/2017	EUR	0.78	226	indexed floating	hedged
32	EUR 2013/IV	09/09/2011	09/09/2013	EUR	0.77	223	3 fixed	
33	EUR 1 2013/VI	23/03/2012	23/03/2013	EUR	0.76	220	3.75 fixed	
34	EUR 2013/VI	07/10/2011	07/10/2013	EUR	0.55	161	3 fixed	
35	EUR 1 2013/X	11/05/2012	11/05/2013	EUR	0.52	151	3.5 fixed	
36	EUR 2013/VII	21/10/2011	21/10/2013	EUR	0.51	148	3 fixed	
37	EUR 2013/V	23/09/2011	23/09/2013	EUR	0.49	144	3 fixed	
38	EUR 2 2014/XXI	26/10/2012	26/10/2014	EUR	0.47	138	3.25 fixed	
39	EUR 2 2014/XXVII	31/08/2012	31/08/2014	EUR	0.46	135	3.5 fixed	
40	EUR 2013/I	05/08/2011	05/08/2013	EUR	0.45	131	3 fixed	
41	EUR 2 2014/IV	24/02/2012	24/02/2014	EUR	0.44	129	4 fixed	
42	EUR 2013/II	12/08/2011	12/08/2013	EUR	0.44	127	3 fixed	
43	EUR 2013/IX	18/11/2011	18/11/2013	EUR	0.42	122	3 fixed	
44	EUR 2 2014/XXIV	07/12/2012	07/12/2014	EUR	0.41	119	3.25 fixed	
45	EUR 2 2014/XXIII	23/11/2012	23/11/2014	EUR	0.37	109	3.25 fixed	
46	EUR 2 2014/XXV	21/12/2012	21/12/2014	EUR	0.37	108	3 fixed	
47	EUR 2 2014/IX	04/05/2012	04/05/2014	EUR	0.34	99	4 fixed	
48	EUR 2 2014/XVIII	14/09/2012	14/09/2014	EUR	0.31	90	3.25 fixed	
49	EUR 2 2014/XIX	28/09/2012	28/09/2014	EUR	0.29	83	3.25 fixed	
50	EUR 2013/VIII	07/11/2011	07/11/2013	EUR	0.26	77	3 fixed	
51	EUR 2 2014/VIII	20/04/2012	20/04/2014	EUR	0.25	73	4 fixed	
52	EUR 2 2014/III	10/02/2012	10/02/2014	EUR	0.24	71	4 fixed	
53	EUR 2 2014/XV	03/08/2012	03/08/2014	EUR	0.23	67	3.75 fixed	
54	EUR 2 2014/XVI	17/08/2012	17/08/2014	EUR	0.22	64	3.5 fixed	
55	EUR 2 2014/XX	12/10/2012	12/10/2014	EUR	0.22	63	3.25 fixed	
56	EUR 2 2014/XXII	09/11/2012	09/11/2014	EUR	0.20	60	3.25 fixed	
57	EUR 2 2014/XIII	22/06/2012	22/06/2014	EUR	0.20	58	3.75 fixed	
58	EUR 2 2014/II	27/01/2012	27/01/2014	EUR	0.19	56	4 fixed	
59	EUR 2 2014/XIV	13/07/2012	13/07/2014	EUR	0.18	54	3.75 fixed	
60	EUR 2013/XI	02/12/2011	02/12/2013	EUR	0.18	53	3.5 fixed	
61	EUR 2013/XIII	29/12/2011	29/12/2013	EUR	0.15	44	4 fixed	
62	EUR 2 2014/VII	06/04/2012	06/04/2014	EUR	0.15	43	4 fixed	
	Subtotal					42,800		

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

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % p.a.)	Hedged
63	EUR 2013/X	25/11/2011	25/11/2013	EUR	0.14	41	3 fixed	
64	EUR 2 2014/XII	08/06/2012	08/06/2014	EUR	0.13	37	3.75 fixed	
65	EUR 2 2014/VI	23/03/2012	23/03/2014	EUR	0.10	30	4 fixed	
66	EUR 2 2014/XI	25/05/2012	25/05/2014	EUR	0.10	30	3.75 fixed	
67	EUR 2 2014/V	09/03/2012	09/03/2014	EUR	0.10	28	4 fixed	
68	EUR 2013/XII	16/12/2011	16/12/2013	EUR	0.08	25	3.5 fixed	
69	EUR 2 2014/I	13/01/2012	13/01/2014	EUR	0.06	17	4 fixed	
70	EUR 2 2014/X	11/05/2012	11/05/2014	EUR	0.05	15	3.75 fixed	
	Subtotal issued securities in FX					43.023		
	Unamortized premium					1.340		
	Fair value hedge adjustment					46		
	Total					44.409		

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

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

On 11 December 2012 the Commission de Surveillance du Secteur Financier approved the 1st Supplement to the Base Prospectus relating to EUR 5 billion EMTN Programme.

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

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

The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange.

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

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

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

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

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
1	2013/II	20/01/2012	27/01/2012	19/01/2013	21,453	7	fixed	
2	2013/IV	17/02/2012	24/02/2012	16/02/2013	17,134	7	fixed	
3	2013/III	03/02/2012	10/02/2012	02/02/2013	12,535	7	fixed	
4	2013/IX	11/05/2012	18/05/2012	11/05/2013	10,651	7	fixed	
5	2013/VIII	21/04/2012	27/04/2012	21/04/2013	10,605	7	fixed	
6	2013/VII	06/04/2012	13/04/2012	06/04/2013	10,102	7	fixed	
7	2013/XIV	20/07/2012	03/08/2012	20/07/2013	9,508	7	fixed	
8	2013/V	02/03/2012	09/03/2012	02/03/2013	9,001	7	fixed	
9	2013/I	06/01/2012	13/01/2012	05/01/2013	8,716	6.5	fixed	
10	2013/VI	23/03/2012	30/03/2012	23/03/2013	8,171	7	fixed	
11	TBSZ2013/I	26/02/2010	28/12/2010	30/12/2013	6,018	5.5	fixed	
12	2013/XV	10/08/2012	17/08/2012	10/08/2013	5,862	6.5	fixed	
13	2013/XIII	06/07/2012	13/07/2012	06/07/2013	5,747	7	fixed	
14	TBSZ2015/I	26/02/2010	28/12/2010	30/12/2015	5,649	5.5	fixed	
15	2013/XI	08/06/2012	15/06/2012	08/06/2013	5,547	7	fixed	
16	2015/Ax	25/03/2010		30/03/2015	5,074	indexed	floating	hedged
17	2013/X	25/05/2012	01/06/2012	25/05/2013	4,997	7	fixed	
18	2017/Ax	01/04/2011		31/03/2017	4,985	indexed	floating	hedged
19	2017/Bx	17/06/2011		20/06/2017	4,670	indexed	floating	hedged
20	2015/Bx	28/06/2010		09/07/2015	4,490	indexed	floating	hedged
21	2018/Bx	22/03/2012		22/03/2018	4,490	indexed	floating	hedged
22	2013/XII	22/06/2012	29/06/2012	22/06/2013	4,453	7	fixed	
23	2016/Ax	11/11/2010		03/11/2016	4,206	indexed	floating	hedged
24	2013/XXI	12/11/2012	16/11/2012	12/11/2013	4,147	6	fixed	
25	2013/XVII	07/09/2012	14/09/2012	07/09/2013	4,130	6.5	fixed	
26	2017/Ex	21/12/2011		28/12/2017	4,000	indexed	floating	hedged
27	2018/Cx	16/07/2012		18/07/2018	3,990	indexed	floating	hedged
28	DNT HUF 2013A	27/09/2012		25/03/2013	3,753	indexed	floating	hedged
29	2014/Bx	05/10/2009		13/10/2014	3,734	indexed	floating	hedged
30	2014/Cx	14/12/2009		19/12/2014	3,728	indexed	floating	hedged
31	2013/XVIII	21/09/2012	28/09/2012	21/09/2013	3,655	6.5	fixed	
32	2017/Cx	19/09/2011		25/09/2017	3,654	indexed	floating	hedged
33	2013/XVI	24/08/2012	31/08/2012	24/08/2013	3,635	6.5	fixed	
34	2018/Dx	29/10/2012		26/10/2018	3,250	indexed	floating	hedged
35	2018/Ex	28/12/2012		28/12/2018	3,250	indexed	floating	hedged
36	2013/RA/Bx	26/11/2010		03/12/2013	3,193	indexed	floating	hedged
37	2016/Bx	16/12/2010		19/12/2016	3,138	indexed	floating	hedged
38	2013/XXII	23/11/2012	03/12/2012	23/11/2013	3,022	5.5	fixed	
39	2014/Ax	25/06/2009		30/06/2014	2,816	indexed	floating	hedged
40	2013/XIX	05/10/2012	12/10/2012	05/10/2013	2,439	6	fixed	
41	DNT HUF 130508 9%	15/11/2012		08/05/2013	2,334	indexed	floating	hedged
42	2013/XX	19/10/2012	31/10/2012	19/10/2013	2,304	6	fixed	
43	3Y EURHUF	25/06/2010		25/06/2013	2,097	indexed	floating	hedged
44	TBSZ2014/I	14/01/2011	05/08/2011	15/12/2014	1,952	5.5	fixed	
45	2013/XXIII	07/12/2012	17/12/2012	07/12/2013	1,860	5.5	fixed	
46	2013/XXIV	21/12/2012		21/12/2013	1,581	5.5	fixed	
47	2020/RF/C	11/11/2010		05/11/2020	1,272	indexed	floating	hedged
48	OVK 2013/I	26/08/2011	28/12/2011	26/08/2013	1,254	5.75	fixed	
49	TBSZ2016/I	14/01/2011	05/08/2011	15/12/2016	1,221	5.5	fixed	
50	2020/RF/A	12/07/2010		20/07/2020	1,211	indexed	floating	hedged
51	2018/Ax	03/01/2012		09/01/2018	1,200	indexed	floating	hedged
52	2014/Ex	17/06/2011		20/06/2014	1,188	indexed	floating	hedged
53	2014/RA/Bx	16/09/2011	23/09/2011	15/09/2014	1,126	indexed	floating	hedged
54	RA 2014A	25/03/2011		24/03/2014	950	indexed	floating	hedged
55	2020/RF/B	12/07/2010		20/07/2020	929	indexed	floating	hedged
56	2013/Bx	11/11/2010		06/11/2013	785	indexed	floating	hedged
57	TBSZ2014/II	26/08/2011	29/12/2011	15/12/2014	735	5.5	fixed	
58	TBSZ2016/II	26/08/2011	29/12/2011	15/12/2016	654	5.5	fixed	
59	2017/Dx	20/10/2011		19/10/2017	540	indexed	floating	hedged
60	2014/Dx	01/04/2011		03/04/2014	526	indexed	floating	hedged
61	2021/RF/B	20/10/2011		25/10/2021	490	indexed	floating	hedged
62	TBSZ 4 2015/I	13/01/2012	22/06/2012	15/12/2015	483	6.5	fixed	
63	2015/Dx	22/03/2012		23/03/2015	470	indexed	floating	hedged
64	2021/RF/A	05/07/2011		13/07/2021	456	indexed	floating	hedged
65	2019/Bx	05/10/2009	05/02/2010	14/10/2019	442	indexed	floating	hedged
66	2015/Gx	08/11/2012		16/11/2015	435	indexed	floating	hedged
	Subtotal				272,093			

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

	Name	Date of issuance	Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)	Hedged
67	2013/Ax	28/06/2010	08/07/2013	428	indexed floating	hedged
68	2021/Dx	21/12/2011	27/12/2021	425	indexed floating	hedged
69	2013/Cx	16/12/2010	19/12/2013	420	indexed floating	hedged
70	2020/Bx	28/06/2010	09/07/2020	415	indexed floating	hedged
71	2016/Ex	28/12/2012	27/12/2016	395	indexed floating	hedged
72	2014/Fx	20/10/2011	21/10/2014	391	indexed floating	hedged
73	2015/Ex	18/07/2012	20/07/2015	390	indexed floating	hedged
74	2020/Ax	25/03/2010	30/03/2020	380	indexed floating	hedged
75	2019/Cx	14/12/2009	20/12/2019	379	indexed floating	hedged
76	2021/Bx	17/06/2011	21/06/2021	370	indexed floating	hedged
77	2022/Dx	28/12/2012	27/12/2022	350	indexed floating	hedged
78	2021/Ax	01/04/2011	01/04/2021	335	indexed floating	hedged
79	2022/Cx	29/10/2012	28/10/2022	325	indexed floating	hedged
80	2021/Cx	19/09/2011	21/09/2021	320	indexed floating	hedged
81	2014/Gx	21/12/2011	30/12/2014	320	indexed floating	hedged
82	2022/Bx	18/07/2012	18/07/2022	295	indexed floating	hedged
83	2019/Ax	25/06/2009	01/07/2019	284	indexed floating	hedged
84	2022/Ax	22/03/2012	23/03/2022	280	indexed floating	hedged
85	2020/Cx	11/11/2010	05/11/2020	259	indexed floating	hedged
86	OVK 2014/I	31/01/2012	03/07/2012	237	6.75 fixed	
87	TBSZ6 2017/I	13/01/2012	22/06/2012	236	6.5 fixed	
88	2020/Dx	16/12/2010	18/12/2020	235	indexed floating	hedged
89	OJK 2016/I	26/08/2011	21/12/2011	211	6.14 fixed	
90	2015/Hx	28/12/2012	27/12/2015	170	indexed floating	hedged
91	2022/RF/A	22/03/2012	23/03/2022	135	indexed floating	hedged
92	2022/RF/D	28/06/2012	28/06/2022	92	indexed floating	hedged
93	2022/RF/C	28/06/2012	28/06/2022	73	indexed floating	hedged
94	TBSZ 4 2015/II	21/12/2012	15/12/2015	49	6 fixed	
95	2022/RF/B	22/03/2012	23/03/2022	46	indexed floating	hedged
96	2021/RF/C	21/12/2011	30/12/2021	41	indexed floating	hedged
97	OJK 2017/I	27/01/2012	13/07/2012	41	7 fixed	
98	2021/RF/D	21/12/2011	30/12/2021	35	indexed floating	hedged
99	2021/RF/E	21/12/2011	30/12/2021	18	indexed floating	hedged
100	2022/RF/E	29/10/2012	31/10/2022	17	indexed floating	hedged
101	2022/RF/F	28/12/2012	28/12/2022	14	indexed floating	hedged
102	other	-	-	255		
	Subtotal issued securities in HUF			280,759		
	Unamortized premium			(482)		
	Fair value hedge adjustment			1,693		
	Total issued securities in HUF			281,970		
	Accrued interest			9,584		
	Total issued securities			335,963		

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

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

	2012	2011
CCIRS and mark-to-market CCIRS	168,702	238,141
IRS	75,835	40,577
Foreign currency swaps	5,884	52,810
Other derivative contracts ¹	8,790	14,427
Total	259,211	345,955

¹ incl.: FX, equity and index futures; FX forward; commodity swap; FRA; FX option

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NOTE 17: OTHER LIABILITIES (in HUF mn)

	2012	2011
Financial liabilities from OTP-MOL share swap transaction ¹	89,308	82,347
Liabilities from investment services	26,263	12,056
Accrued expenses	22,299	24,236
Salaries and social security payable	21,023	19,586
HUF denominated liabilities from purchase of customers with cards	15,357	7,582
Deferred tax liabilities	11,655	3,355
Contingent liabilities	10,754	7,642
Accounts payable	8,422	9,335
Giro clearing accounts	5,753	28,005
Current income tax payable	5,502	4,065
Provision on off-balance sheet commitments, contingent liabilities	5,373	4,878
Fair value of derivative financial instruments designated as fair value hedge	4,512	12,563
Liabilities connected to loans for collection	1,006	1,117
Liabilities related to housing loans	177	390
Dividend payable	10	149
Amounts due from guarantee contract related to early repayment	-	45,279
Short term liabilities due to repurchase agreement transactions	-	321
Other	<u>5,143</u>	<u>4,278</u>
Total	<u>232,557</u>	<u>267,184</u>

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

	2012	2011
Interest rate swap transactions designated as fair value hedge	4,512	12,563

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

	2012	2011
Provision for losses on off-balance sheet commitments and contingent liabilities related to lending	2,367	3,908
Provision for taxation	1,500	247
Provision for losses from software failure	500	-
Provision for litigation	469	408
Provision on other liabilities	<u>537</u>	<u>315</u>
Total	<u>5,373</u>	<u>4,878</u>

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

	2012	2011
Balance as at 1 January	4,878	8,461
Provision for the period	9,283	12,637
Release of provision	(8,788)	(16,220)
Balance as at 31 December	<u>5,373</u>	<u>4,878</u>

¹ On 16 April 2009, OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the loss of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 31 December 2012 and 2011 HUF 89,308 and HUF 82,347 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

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

	2012	2011
In one year:		
In HUF	<u>5,000</u>	<u>-</u>
	<u>5,000</u>	<u>-</u>
Over one year:		
In HUF	-	5,000
In foreign currency	295,337	317,172
	<u>295,337</u>	<u>322,172</u>
	<u>300,337</u>	<u>322,172</u>
Accrued interest	<u>3,413</u>	<u>3,825</u>
Total	<u>303,750</u>	<u>325,997</u>
Interest rates on subordinated bonds and loans are as follows (%):		
	2012	2011
Subordinated bonds and loans denominated in HUF	3.3%	3%
Subordinated bonds and loans denominated in foreign currency	0.7%-5.9%	2%-5.9%
Average interest on subordinated bonds and loans denominated in HUF	1.49%	1.34%
Average interest on subordinated bonds and loans denominated in foreign currency	4.95%	4.93%

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.

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

Subordinated loans and bonds are detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 31 December 2012
Subordinated bond	HUF 5 billion	20/12/1993	20/12/2013	100%	frequency of payment is based on the condition of interest of 2013/C credit consolidation government bonds	6%
Subordinated bond	EUR 105.95 million	04/03/2005	04/03/2015	100%	three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 473.2 million	07/11/2006	Perpetual bond callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	-
Subordinated bond (under EMTN ¹ program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN ¹ program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%

¹ European Medium Term Note Program

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NOTE 19: SHARE CAPITAL (in HUF mn)

	2012	2011
<u>Authorized, issued and fully paid:</u>		
Ordinary shares	<u>28,000</u>	<u>28,000</u>

On 21 April 2007, the law on abolishment of “aranyrészvény” (special share assigning voting rights to the Hungarian State) came into force (Act XXVI of 2007). As a result of this, this special voting share with a face value of HUF 1,000 was transformed into 10 ordinary shares with a face value of HUF 100. Therefore, the registered capital of the Bank consists of 280,000,010 ordinary shares with a face value of HUF 100.

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

The reserves of the Bank under Hungarian Accounting Standards (“HAS”):
(The reserves under IFRS are detailed in statement of changes in shareholders’ equity.)

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

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

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

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2012	2011
Nominal value (ordinary shares)	219	264
Carrying value at acquisition cost	4,934	5,519

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

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

Change in number of shares:

	2012	2011
Number of shares as at 1 January	2,644,784	2,157,671
Additions	1,490,134	1,085,521
Disposals	<u>(1,949,581)</u>	<u>(598,408)</u>
Number of shares as at 31 December	<u>2,185,337</u>	<u>2,644,784</u>

Change in carrying value:

	2012	2011
Balance as at 1 January	5,519	3,729
Additions	5,757	4,753
Disposals	<u>(6,342)</u>	<u>(2,963)</u>
Balance as at 31 December	<u>4,934</u>	<u>5,519</u>

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

	2012	2011
Provision for impairment on loan losses		
Provision for the period	93,834	129,912
<i>-from this: (release of provision) / provision for impairment on loan losses related to early repayment</i>	<i>(2,164)</i>	<i>2,164</i>
Release of provision	(100,788)	(104,209)
Provision on loan losses	60,400	51,392
<i>-from this: provision on loan losses related to early repayment</i>	<i>2,078</i>	<i>2,948</i>
	<u>53,446</u>	<u>77,095</u>
Release of provision for impairment on placement losses		
Provision for the period	-	132
Release of provision	(138)	(944)
Provision on placement losses	-	156
	<u>(138)</u>	<u>(656)</u>
Provision for impairment on loan and placement losses	<u>53,308</u>	<u>76,439</u>
(Gains) / Losses on loans related to early repayment	(86)	5,112
Losses from early repayment recognizing in interest income from loans	<u>23</u>	<u>14</u>
Total loss on loans related to the early repayment	<u>(63)</u>	<u>5,126</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 23: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

	2012	2011
Income from fees and commissions:		
Deposit and account maintenance fees and commissions	42,794	42,645
Fees and commission related to the issued bank cards	22,303	21,732
Fees related to the cash withdrawal	17,489	18,764
Fees and commissions related to security trading	13,560	12,288
Fees and commissions received from OTP Mortgage Bank Ltd.	8,106	10,306
Fees and commissions related to lending	5,038	3,608
Net fee income related to card insurance services and loan agreements	1,987	1,990
Other	<u>6,289</u>	<u>5,636</u>
Total	<u>117,566</u>	<u>116,969</u>
	2012	2011
Expenses from fees and commissions:		
Fees and commissions related to issued bank cards	5,608	5,005
Interchange fee	5,423	5,681
Fees and commissions related to lending	2,946	1,338
Insurance fees	1,705	1,990
Cash withdrawal transaction fees	1,532	1,561
Money market transaction fees and commissions	799	1,152
Fees and commissions relating to deposits	751	746
Fees and commissions related to security trading	571	618
Postal fees	534	574
Other	<u>2,624</u>	<u>2,948</u>
Total	<u>22,493</u>	<u>21,613</u>
Net profit from fees and commissions	<u>95,073</u>	<u>95,356</u>

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

	2012	2011
Other operating income:		
Gains / (losses) on transactions related to property activities	64	(21)
Other	<u>5,023</u>	<u>4,962</u>
Total	<u>5,087</u>	<u>4,941</u>
	2012	2011
Net other operating expenses:		
Provision for impairment on investments in subsidiaries	35,584	83,531
Financial aid for sport association and organization of public utility	7,055	3,539
Provision / (release of provision) for off-balance sheet commitments and contingent liabilities	495	(3,583)
Provision / (release of provision) for impairment on other assets	483	(472)
Other	<u>3,149</u>	<u>1,708</u>
Total	<u>46,766</u>	<u>84,723</u>

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

Other administrative expenses:

	2012	2011
Personnel expenses:		
Wages	55,688	51,063
Taxes related to personnel expenses	17,249	15,416
Other personnel expenses	<u>7,519</u>	<u>7,076</u>
Subtotal	<u>80,456</u>	<u>73,555</u>
Depreciation and amortization:	<u>20,959</u>	<u>23,767</u>
Other administrative expenses:		
Taxes, other than income tax ¹	40,821	29,641
Administration expenses, including rental fees	20,169	20,328
Services	19,737	22,156
Advertising	5,849	6,811
Professional fees	<u>3,696</u>	<u>3,782</u>
Subtotal	<u>90,272</u>	<u>82,718</u>
Total	<u>191,687</u>	<u>180,040</u>

NOTE 25: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 19% of taxable income.

A breakdown of the income tax expense is:

	2012	2011
Current tax expense	179	5,646
Deferred tax (income) /expense	<u>(5,558)</u>	<u>9,349</u>
Total	<u>(5,379)</u>	<u>14,995</u>

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

	2012	2011
Balance as at 1 January	(3,355)	1,887
Deferred tax income /(expense)	5,558	(9,349)
Tax effect of fair value adjustment of available-for-sale securities recognized in other comprehensive income and ICES	<u>(13,858)</u>	<u>4,107</u>
Balance as at 31 December	<u>(11,655)</u>	<u>(3,355)</u>

¹ Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by OTP Bank Plc. The total tax amount for the year 2012 and 2011 was HUF 25 billion and HUF 14 billion recognized as an expense thus decreased the corporate tax base. Based on the 2012 approved regulation financial institutions' obligation to pay this special tax was finalized.

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

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

	2012	2011
Unused tax allowance	5,945	-
Repurchase agreements and security lending	4,191	3,336
Tax accrual caused by negative taxable income	1,200	-
Difference in accounting for finance leases	412	483
Fair value adjustment of held for trading and available-for-sale securities	-	7,499
Provision for impairment on investments in subsidiaries	<u>-</u>	<u>4,407</u>
Deferred tax assets	<u>11,748</u>	<u>15,725</u>
Fair value adjustment of held for trading and available-for-sale securities	(7,113)	-
Fair value adjustment of derivative financial instruments	(5,853)	(7,565)
Effect of redemption of issued securities	(3,824)	(4,706)
Valuation of equity instrument (ICES)	(2,775)	(3,977)
Effect of using effective interest rate method	(1,976)	(985)
Difference in depreciation and amortization	<u>(1,862)</u>	<u>(1,847)</u>
Deferred tax liabilities	<u>(23,403)</u>	<u>(19,080)</u>
Net deferred tax asset	<u>(11,655)</u>	<u>(3,355)</u>

A reconciliation of the income tax expense is as follows:

	2012	2011
Profit before income tax	33,023	125,743
Income tax at statutory tax rate (19%)	6,274	23,891

Income tax adjustments due to permanent differences are as follows:

Differences in carrying value of subsidiaries	2,110	2,765
Reversal of statutory general provision	1,104	(206)
Share-based payment	871	1,176
OTP-MOL share swap transaction	871	(871)
Accounting of equity instrument (ICES)	370	(711)
Treasury share transaction	(36)	-
Reclassification of direct charges to reserves (self-revision)	(96)	(1,639)
Revaluation of investments denominated in foreign currency to historical cost	(4,316)	11,443
Deferred use of tax allowance	(5,945)	-
Dividend income	(8,189)	(14,978)
Effect of change of income tax rate	-	912
Tax effect of amortisation of statutory goodwill and negative goodwill	-	(5,327)
Other	<u>1,603</u>	<u>(1,460)</u>
Income tax	<u>(5,379)</u>	<u>14,995</u>

Effective tax rate	(16.3%)	11.9%
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Effective tax rate is negative because income tax and income tax adjustments are altogether negative in 2012.

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NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments may result in certain risks to the Bank. The most significant risks the Bank faces include:

26.1. Credit risk

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

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

Analysis by loan types and risk classes

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

As at 31 December 2012

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,139,446	333,455	39,272	57,767	80,282	1,650,222
<i>Allowance</i>	-	(11,898)	(10,985)	(35,897)	(66,419)	(125,199)
Placements with other banks	663,636	-	-	-	-	663,636
<i>Allowance</i>	-	-	-	-	-	-
Retail loans	378,081	50,181	34,535	15,839	420	479,056
<i>Allowance</i>	-	(2,980)	(8,795)	(8,254)	(403)	(20,432)
Municipal loans	176,118	68,135	8,759	9,734	773	263,519
<i>Allowance</i>	-	(765)	(1,212)	(2,973)	(773)	(5,723)
SME loans	92,731	6,813	842	1,596	811	102,793
<i>Allowance</i>	-	(83)	(104)	(1,018)	(811)	(2,016)
Gross loan portfolio total	<u>2,450,012</u>	<u>458,584</u>	<u>83,408</u>	<u>84,936</u>	<u>82,286</u>	<u>3,159,226</u>
Allowance Total	<u>-</u>	<u>(15,726)</u>	<u>(21,096)</u>	<u>(48,142)</u>	<u>(68,406)</u>	<u>(153,370)</u>
Net loan portfolio total	<u>2,450,012</u>	<u>442,858</u>	<u>62,312</u>	<u>36,794</u>	<u>13,880</u>	<u>3,005,856</u>
Accrued interest						
Placements with other banks						1,781
Loans						14,071
Total accrued interest						<u>15,852</u>
Total placements with other banks						665,417
Total loans						<u>2,356,291</u>
Total						<u>3,021,708</u>

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

26.1. Credit risk [continued]

Analysis by loan types and risk classes [continued]

As at 31 December 2011

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,359,492	387,153	33,785	116,590	49,787	1,946,807
<i>Allowance</i>	-	(13,696)	(8,640)	(67,851)	(39,939)	(130,126)
Placements with other banks	893,205	2,767	-	-	-	895,972
<i>Allowance</i>	-	(138)	-	-	-	(138)
Retail loans	427,518	63,316	23,283	19,628	340	534,085
<i>Allowance</i>	-	(2,939)	(7,339)	(10,275)	(351)	(20,904)
Municipal loans	222,460	64,291	8,904	11,919	760	308,334
<i>Allowance</i>	-	(773)	(899)	(4,029)	(683)	(6,384)
SME loans	85,148	7,310	985	2,987	844	97,274
<i>Allowance</i>	-	(81)	(131)	(1,865)	(833)	(2,910)
Gross loan portfolio total	<u>2,987,823</u>	<u>524,837</u>	<u>66,957</u>	<u>151,124</u>	<u>51,731</u>	<u>3,782,472</u>
Allowance Total	<u>-</u>	<u>(17,627)</u>	<u>(17,009)</u>	<u>(84,020)</u>	<u>(41,806)</u>	<u>(160,462)</u>
Net loan portfolio total	<u>2,987,823</u>	<u>507,210</u>	<u>49,948</u>	<u>67,104</u>	<u>9,925</u>	<u>3,622,010</u>
Accrued interest						
Placements with other banks						2,146
Loans						<u>15,651</u>
Total accrued interest						<u>17,797</u>
Total placements with other banks						897,980
Total loans						<u>2,741,827</u>
Total						<u>3,639,807</u>

The Bank's loan portfolio decreased by 16.48% in 2012. The FX-adjusted ratio of decrease is 12.55%. Analysing the contribution of loan types to the loan portfolio, the share of placements with other banks business line decreased while the share of other business lines increased. The qualification of the loan portfolio improved to a certain extent, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio decreased from 5.36% to 5.29%. Among the qualified gross loan portfolio, the loans classified to the risk class of "doubtful" lowered at the greatest level, by 43.79%.

The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the coverage was 91.72% in 2012.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

Loans, neither past due, nor impaired

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

Loan type	2012	2011
Corporate loans	1,101,481	1,329,982
Placements with other banks	663,636	893,205
Retail loans	307,628	338,605
Municipal loans	119,766	140,051
SME loans	<u>80,433</u>	<u>73,265</u>
Total	<u>2,272,944</u>	<u>2,775,108</u>

These loans are classified by the Bank as performing loans.

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 73.37% to 71.95 % as at 31 December 2012 compared to prior year. The ratio of corporate loans and placements with other banks business lines compared to the portfolio decreased as at 31 December 2012, while one of the other lines increased.

Past due, but not impaired loans

The aging of gross loans that are past due but not impaired as at 31 December 2012 and 2011 is as follows:

As at 31 December 2012

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Corporate loans	37,777	63	73	52	37,965
Retail loans	63,211	1,308	2,082	3,852	70,453
Municipal loans	56,352	-	-	-	56,352
SME loans	<u>12,275</u>	<u>22</u>	<u>-</u>	<u>1</u>	<u>12,298</u>
Total	<u>169,615</u>	<u>1,39</u>	<u>2,155</u>	<u>3,905</u>	<u>177,068</u>

As at 31 December 2011

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Corporate loans	29,279	53	40	138	29,510
Retail loans	79,171	1,306	1,175	7,261	88,913
Municipal loans	82,409	-	-	-	82,409
SME loans	<u>11,877</u>	<u>5</u>	<u>1</u>	<u>-</u>	<u>11,883</u>
Total	<u>202,736</u>	<u>1,36</u>	<u>1,216</u>	<u>7,399</u>	<u>212,715</u>

The loans that are past due but not impaired are concentrated in the retail business line. During collective valuation method the Bank recognizes provision for impairment on loans over a 30 day delay. Loans past due over 30 days are considerably state guaranteed housing loans which are not impaired due to the guarantee.

The level of corporate loans past due but not impaired is possible because of endorsing collaterals considering during the individual evaluation. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Bank.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

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

As at 31 December 2012

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total off balance sheet items
Corporate loans	757,487	14,315	495	803	425	773,525
Placements with other banks	25,817	-	-	-	-	25,817
Retail loans	247,105	866	86	106	14	248,177
Municipal loans	43,627	6,254	1,452	200	-	51,533
SME loans	<u>26,082</u>	<u>202</u>	<u>-</u>	<u>12</u>	<u>1</u>	<u>26,297</u>
Total	<u>1,100,118</u>	<u>21,637</u>	<u>2,033</u>	<u>1,121</u>	<u>440</u>	<u>1,125,349</u>

As at 31 December 2011

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

The off-balance sheet liabilities connected to the lending activity decreased by 15.99%, while the qualified gross loan portfolio increased by 6.86% in 2012.

Classification into risk classes

Exposures with small amounts (retail and SME sector) are subject to collective valuation method which is a simplified assessment.

As of 31 December 2011, the classification and impairment methodology of the retail exposures – which are assessed using the collective valuation method – has changed. According to the new methodology, the expected loss of the different homogenous populations is determined using historical loss experience models instead of the old method which was using expert keys. The new expected loss percentages were determined based on these new models.

Instead of the earlier used risk classes, five valuation groups have been formed based on past due days (A: 0-30 days past due - DPD, B: 31-60 DPD, C: 61-90 DPD, D: 91-365 DPD, E: over 365 days past due). The five new groups do not match one by one to the earlier used risk classes, the composition of the classes has changed due to the different criteria.

Further regrouping is caused in provision for impairment that according to the new methodology the Bank takes into account the collateral at the collective valuation as well.

The consequence of the methodology change is that the loans, which has higher collateral value behind the loans are provided less than by using the previous methodology, and the loans with less collateral have in general more provision than in the previous model. The allocation of the impairment of the loans is more appropriate, the new model gives a more accurate impairment amount.

Every exposure with small amounts are subject to collective valuation method according to general rules. Exposures are classified into five risk classes (performing, to-be-monitored, below average, doubtful, bad).

A certain % degree belongs to these valuation groups based on past due days and based on this degree, provision for impairment is recognised on exposures classified into above risk classes.

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

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

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

Loan portfolio by countries

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

Country	2012		2011	
	Carrying amount of the qualified gross loan portfolio	Allowance	Carrying amount of the qualified gross loan portfolio	Allowance
Hungary	439,070	97,564	445,537	81,702
Netherlands	128,921	4,520	157,788	5,831
Montenegro	56,742	37,382	63,092	37,302
Cyprus	45,939	1,822	65,332	13,931
Romania	15,202	7,090	37,628	14,990
Slovakia	7,412	159	8,242	180
Bulgaria	6,942	69	4	-
Seychelles	4,912	1,472	5,268	806
Russia	3,042	2,732	937	623
Egypt	664	332	640	327
Croatia	314	190	3,909	2,562
Ukraine	3	1	4,030	2,059
Kazakhstan	-	-	2,170	111
Other	<u>45³</u>	<u>25</u>	<u>69⁴</u>	<u>32</u>
Total	<u>709,214</u>	<u>153,370</u>	<u>794,641</u>	<u>160,462</u>

The non-performing loans connected to the OTP Financing Solutions B.V. (The Netherlands) are related to the refinancing of retail loans at the subsidiaries, the actual exposure of non-performing loans is HUF 16 billion as at 31 December 2012, from that HUF 4.3 billion is related to non-performing corporate loans and HUF 11.7 billion to retail ones.

¹ From this HUF 5,131 million is related to the early repayment.

² From this HUF 2,164 million is related to the early repayment.

³ Australia, Austria, Canada, China, France, Germany, Israel, Libia, Luxembourg, Serbia, Sweden, Switzerland, United Kingdom, United States of America

⁴ Australia, Austria, Canada, China, Germany, Israel, Italy, Libia, Serbia, Sweden, Switzerland, United Kingdom, United States of America

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

Collaterals

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

Types of collateral	2012	2011
Mortgages	599,253	868,102
Guarantees and warranties	206,917	222,971
Deposit	54,235	53,512
<i>from this:</i> <i>Cash</i>	46,478	47,079
<i>Securities</i>	7,022	6,433
<i>Other</i>	735	-
Assignment	4,141	1,958
Other	<u>256,154</u>	<u>140,329</u>
Total	<u>1,120,700</u>	<u>1,286,872</u>

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

Types of collateral	2012	2011
Mortgage	268,384	399,906
Guarantees and warranties	130,480	180,082
Deposit	29,029	40,833
<i>from this:</i> <i>Cash</i>	24,576	36,365
<i>Securities</i>	4,090	4,468
<i>Other</i>	363	-
Assignment	1,103	1,134
Other	<u>48,961</u>	<u>15,057</u>
Total	<u>477,957</u>	<u>637,012</u>

The coverage level of loan portfolio to the extent of the exposures increased from 25.12% to 26.16% as at 31 December 2012, while coverage to the extent of the receivables decreased from 12.44% to 11.16%.

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

An analysis of the fair value of collaterals related to past due, but not impaired loans to total collateral value and to the extent of the exposures as at 31 December 2012 and 2011 is as follows:

Types of collateral (total collateral value)	2012	2011
Retail loans	31,358	44,232
Corporate loans	11,315	13,501
SME loans	18,280	20,381
Municipal loans	<u>16</u>	<u>1,019</u>
Total	<u>60,969</u>	<u>79,133</u>

Types of collateral (to the extent of the exposures)	2012	2011
Retail loans	13,677	19,114
Corporate loans	8,591	9,188
SME loans	6,218	7,656
Municipal loans	<u>8</u>	<u>794</u>
Total	<u>28,494</u>	<u>36,752</u>

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

Loans individually assessed for provision

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 31 December 2012 and 2011 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

As at 31 December 2012

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for losses on off-balance sheet contingent liabilities
Delay of repayment	66,216	49,105	1,938	-	-
Regularity of payment	530	246	39	-	-
Renegotiation	28,329	6,239	2,093	38	19
Legal proceedings	6,716	5,540	777	52	47
Decrease of client classification	140,458	38,595	647	6,678	438
Loan characteristics	52,392	3,138	-	-	-
Business lines risks	45,243	5,149	339	4,542	177
Country risk	-	-	-	-	-
Refinancing of subsidiaries portfolio	128,921	4,519	-	-	-
Cross default	8,935	6,356	5	746	120
Other	<u>16,131</u>	<u>1,865</u>	<u>790</u>	<u>3,977</u>	<u>473</u>
Corporate total	<u>493,871</u>	<u>120,752</u>	<u>6,628</u>	<u>16,033</u>	<u>1,274</u>
Delay of repayment	70	70	-	-	-
Regularity of payment	-	-	-	-	-
Renegotiation	7,310	193	-	4	-
Legal proceedings	639	639	-	-	-
Decrease of client classification	18,288	1,381	-	433	68
Cross default	24,445	2,714	-	6,283	402
Other	<u>52</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Municipal total	<u>50,804</u>	<u>4,998</u>	<u>-</u>	<u>6,720</u>	<u>470</u>
Placements with other banks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>544,675</u>	<u>125,750</u>	<u>6,628</u>	<u>22,753</u>	<u>1,744</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

Loans individually assessed for provision [continued]

As at 31 December 2011

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

Regarding corporate business line in the individually rated portfolio the ratio of the carrying value of loans classified due to “decrease of client classification” increased from 21.84%% to 28.44% as at 31 December 2012.

Refinancing of retail loans at the subsidiaries:

The gross value was HUF 136.1 billion as at 31 December 2012, the actual exposure of non-performing, past due loans is HUF 16 billion.

Transactions with high level of risk:

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

Business lines risks:

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

Non-qualified gross loan portfolio by countries

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

Country	2012	2011
Hungary	1,563,126	1,783,858
Cyprus	273,710	397,541
Netherlands	195,733	291,419
Russia	86,288	131,826
United Kingdom	85,570	94,732
Bulgaria	49,022	64,854
Germany	48,041	36,084
Romania	38,700	45,557
France	29,460	57,217
Croatia	24,727	26,806
Luxembourg	11,361	-
Serbia	10,155	6,031
Slovakia	9,925	11,498
United States of America	8,076	4,468
Switzerland	4,636	7,947
Ukraine	4,064	4,710
Norway	1,970	3,929
Turkey	1,704	389
Japan	1,264	-
Austria	1,160	423
Czech Republic	549	65
Montenegro	49	3,734
Sweden	36	1,541
Poland	13	607
Belgium	-	11,823
Azerbaijan	-	602
Other	673 ¹	162 ²
Total	<u>2,450,012</u>	<u>2,987,823</u>

Forborne loans

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

¹ Australia, Canada, Denmark, Estonia, Hongkong, Israel

² Australia, Canada, Chile, China, Denmark, Egypt, Estonia, Ireland, Israel, Mongolia

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

Forborne loans [continued]

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

- temporary payment holidays (interest and/or principal payments)
- payment by instalments
- modifying the level of interest (e.g. reductions on interest),
- capitalisation of interests
- modification of foreign exchange
- extension of the loan term
- rescheduling the payments
- reducing the level of required collaterals, guarantees and replacing them with other ones
- forbearing from collaterals
- amendment or lack of enforcement of covenants, establishment of new contractual terms

Rating of forborne loans

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

1. Individual evaluation method

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

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

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

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

2. Collective evaluation method

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

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

Forborne loans [continued]

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

Loan type	2012	2011
Corporate loans	98,571	124,888
Retail loans	74,159	76,058
<i>from this: Escrow account loans / early repayment at fixed exchange rate</i>	<i>10,216</i>	<i>491</i>
Municipal loans	8,132	7,499
SME loans	<u>6,290</u>	<u>1,326</u>
Total	<u>187,152</u>	<u>209,771</u>

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

Loan type	2012	2011
Corporate loans	87,035	92,436
Retail loans	56,191	60,768
<i>from this: Escrow account loans / early repayment at fixed exchange rate</i>	<i>6,004</i>	<i>329</i>
Municipal loans	8,071	6,618
SME loans	<u>4,467</u>	<u>1,153</u>
Total	<u>155,764</u>	<u>160,975</u>

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

Loan type	Balance as at			Decrease (expiring, repayment)	Balance as at 31 December 2012
	1 January 2012	Additions	Sale		
Corporate loans	124,888	3,700	219	29,798	98,571
<i>Allowance</i>	<i>25,354</i>	<i>9,056</i>	<i>195</i>	<i>1,406</i>	<i>32,809</i>
Retail loans	76,058	16,680	12,253	6,326 ¹	74,159
<i>Allowance</i>	<i>6,705</i>	<i>4,271</i>	<i>2,706</i>	<i>972</i>	<i>7,298</i>
Municipal loans	7,499	1,977	-	1,344	8,132
<i>Allowance</i>	<i>564</i>	<i>53</i>	<i>-</i>	<i>396</i>	<i>221</i>
SME loans	1,326	5,249	92	193	6,290
<i>Allowance</i>	<i>33</i>	<i>485</i>	<i>11</i>	<i>2</i>	<i>505</i>
Gross loan portfolio total	<u>209,771</u>	<u>27,606</u>	<u>12,564</u>	<u>37,661</u>	<u>187,152</u>
Allowance Total	<u>32,656</u>	<u>13,865</u>	<u>2,912</u>	<u>2,776</u>	<u>40,833</u>
Net loan portfolio total	<u>177,115</u>	<u>13,741</u>	<u>9,652</u>	<u>34,885</u>	<u>146,319</u>

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

Loan type	Not past due	1-30 DPD	31-60 DPD	61-90 DPD	91-360 DPD	360+ DPD	Total
							carrying amount /allowance
Corporate loans	57,387	13,392	14	10	2,173	25,595	98,571
<i>Allowance</i>	<i>3,973</i>	<i>5,479</i>	<i>4</i>	<i>1</i>	<i>1,430</i>	<i>21,922</i>	<i>32,809</i>
Retail loans	36,753	20,425	3,926	2,918	7,724	2,413	74,159
<i>Allowance</i>	<i>1,335</i>	<i>1,106</i>	<i>455</i>	<i>864</i>	<i>2,787</i>	<i>751</i>	<i>7,298</i>
Municipal loans	8,075	43	-	-	12	2	8,132
<i>Allowance</i>	<i>209</i>	<i>3</i>	<i>-</i>	<i>-</i>	<i>7</i>	<i>2</i>	<i>221</i>
SME loans	2,902	2,091	406	287	504	100	6,290
<i>Allowance</i>	<i>31</i>	<i>41</i>	<i>9</i>	<i>31</i>	<i>293</i>	<i>100</i>	<i>505</i>
Gross loan portfolio total	<u>105,117</u>	<u>35,951</u>	<u>4,346</u>	<u>3,215</u>	<u>10,413</u>	<u>28,110</u>	<u>187,152</u>
Allowance Total	<u>5,548</u>	<u>6,629</u>	<u>468</u>	<u>896</u>	<u>4,517</u>	<u>22,775</u>	<u>40,833</u>
Net loan portfolio total	<u>99,569</u>	<u>29,322</u>	<u>3,878</u>	<u>2,319</u>	<u>5,896</u>	<u>5,335</u>	<u>146,319</u>

¹ From this HUF 364 million is related to early repayment.

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

Forborne loans [continued]

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

Loan type	Not past due	1-30 DPD	31-60 DPD	61-90 DPD	91-360 DPD	360+ DPD	Total carrying amount /allowance
Corporate loans	88,905	4,879	88	412	26,459	4,145	124,888
<i>Allowance</i>	<i>3,744</i>	<i>1,865</i>	<i>8</i>	<i>267</i>	<i>17,024</i>	<i>2,446</i>	25,354
Retail loans	33,034	23,510	4,297	3,803	9,044	2,370	76,058
<i>Allowance</i>	<i>964</i>	<i>1,007</i>	<i>336</i>	<i>704</i>	<i>2,980</i>	<i>714</i>	6,705
Municipal loans	7,363	134	-	-	2	-	7,499
<i>Allowance</i>	<i>561</i>	<i>1</i>	<i>-</i>	<i>-</i>	<i>2</i>	<i>-</i>	564
SME loans	825	392	70	7	32	-	1,326
<i>Allowance</i>	<i>9</i>	<i>12</i>	<i>3</i>	<i>1</i>	<i>8</i>	<i>-</i>	33
Gross loan portfolio total	<u>130,127</u>	<u>28,915</u>	<u>4,455</u>	<u>4,222</u>	<u>35,537</u>	<u>6,515</u>	<u>209,771</u>
Allowance Total	<u>5,278</u>	<u>2,885</u>	<u>347</u>	<u>972</u>	<u>20,014</u>	<u>3,160</u>	<u>32,656</u>
Net loan portfolio total	<u>124,849</u>	<u>26,030</u>	<u>4,108</u>	<u>3,250</u>	<u>15,523</u>	<u>3,355</u>	<u>177,115</u>

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

Loan type	Not past due			Past due		
	Not impaired	Impaired	Total	Not impaired	Impaired	Total
Corporate loans	4,595	52,795	57,390	-	41,182	41,182
<i>Allowance</i>	<i>-</i>	<i>3,974</i>	<i>3,974</i>	<i>-</i>	<i>28,836</i>	<i>28,836</i>
<i>Collateral</i>	<i>4,233</i>	<i>11,891</i>	<i>16,124</i>	<i>-</i>	<i>13,520</i>	<i>13,520</i>
Retail loans	23,109	13,643	36,752	11,730	25,676	37,406
<i>Allowance</i>	<i>-</i>	<i>1,335</i>	<i>1,335</i>	<i>-</i>	<i>5,962</i>	<i>5,962</i>
<i>Collateral</i>	<i>13,210</i>	<i>5,406</i>	<i>18,616</i>	<i>4,922</i>	<i>11,250</i>	<i>16,172</i>
Municipal loans	-	8,074	8,074	-	58	58
<i>Allowance</i>	<i>-</i>	<i>208</i>	<i>208</i>	<i>-</i>	<i>12</i>	<i>12</i>
<i>Collateral</i>	<i>-</i>	<i>1,870</i>	<i>1,870</i>	<i>-</i>	<i>-</i>	<i>-</i>
SME loans	-	2,901	2,901	-	3,389	3,389
<i>Allowance</i>	<i>-</i>	<i>31</i>	<i>31</i>	<i>-</i>	<i>475</i>	<i>475</i>
<i>Collateral</i>	<i>-</i>	<i>3,576</i>	<i>3,576</i>	<i>-</i>	<i>4,622</i>	<i>4,622</i>
Gross loan portfolio total	<u>27,704</u>	<u>77,413</u>	<u>105,117</u>	<u>11,730</u>	<u>70,305</u>	<u>82,035</u>
Allowance Total	<u>-</u>	<u>5,548</u>	<u>5,548</u>	<u>-</u>	<u>35,285</u>	<u>35,285</u>
Net loan portfolio total	<u>27,704</u>	<u>71,865</u>	<u>99,569</u>	<u>11,730</u>	<u>35,020</u>	<u>46,750</u>
Collateral Total	<u>17,443</u>	<u>22,743</u>	<u>40,186</u>	<u>4,922</u>	<u>29,392</u>	<u>34,314</u>

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

26.1. Credit risk [continued]

Forborne loans [continued]

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

Loan type	Not past due			Past due		
	Not impaired	Impaired	Total	Not impaired	Impaired	Total
Corporate loans	23,161	65,746	88,907	-	35,981	35,981
<i>Allowance</i>	-	3,744	3,744	-	21,609	21,609
<i>Collateral</i>	4,646	22,268	26,914	-	15,533	15,533
Retail loans	18,769	14,264	33,033	11,726	31,299	43,025
<i>Allowance</i>	-	964	964	-	5,742	5,742
<i>Collateral</i>	10,832	2,551	13,383	6,716	12,883	19,599
Municipal loans	-	7,362	7,362	-	137	137
<i>Allowance</i>	-	561	561	-	4	4
<i>Collateral</i>	-	168	168	-	30	30
SME loans	-	825	825	-	501	501
<i>Allowance</i>	-	9	9	-	23	23
<i>Collateral</i>	-	682	682	-	519	519
Gross loan portfolio total	<u>41,930</u>	<u>88,197</u>	<u>130,127</u>	<u>11,726</u>	<u>67,918</u>	<u>79,644</u>
<i>Allowance Total</i>	-	<u>5,278</u>	<u>5,278</u>	-	<u>27,378</u>	<u>27,378</u>
Net loan portfolio total	<u>41,930</u>	<u>82,919</u>	<u>124,849</u>	<u>11,726</u>	<u>40,540</u>	<u>52,266</u>
<i>Collateral Total</i>	<u>15,478</u>	<u>25,669</u>	<u>41,147</u>	<u>6,716</u>	<u>28,965</u>	<u>35,681</u>

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

Type of forbearance	Retail loans 2012	Retail loans 2011
Stay of execution	25,863	33,203
Debt re-arrangement	14,712	18,288
Combined	9,181	10,953
Prolongation	3,544	4,400
Other	<u>20,859</u>	<u>9,214</u>
Total	<u>74,159</u>	<u>76,058</u>

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

26.1. Credit risk [continued]

Financial instruments by rating categories¹

Held-for-trading securities as at 31 December 2012

	A1		A3		Aa3		Ba1		Ba3		Not rated		Total
Corporate shares	12	100.0%	40	100.0%	10	100.0%	-	0.0%	1	0.55%	90,376 ²	99.73%	90,439
Securities issued by the NBH	-	0.0%	-	0.0%	-	0.0%	1,333	19.30%	-	0.0%	-	0.0%	1,333
Government bonds	-	0.0%	-	0.0%	-	0.0%	1,331	19.27%	-	0.0%	-	0.0%	1,331
Mortgage bonds	-	0.0%	-	0.0%	-	0.0%	-	0.0%	166	91.21%	242	0.27%	408
Hungarian government discounted Treasury Bills	-	0.0%	-	0.0%	-	0.0%	2,098	30.38%	-	0.0%	-	0.0%	2,098
Hungarian government interest bearing Treasury Bills	-	0.0%	-	0.0%	-	0.0%	2,111	30.56%	-	0.0%	-	0.0%	2,111
Other securities	-	0.0%	-	0.0%	-	0.0%	34	0.49%	15	8.24%	2	0.0%	51
Total	12	100.0%	40	100.0%	10	100.0%	6,907	100.0%	182	100.0%	90,620	100.0%	97,771
Accrued interest													164
Total													97,935

Available-for-sale securities as at 31 December 2012

	Ba1		Not rated		Total
Mortgage bonds	412,921	32.01%	555,127 ³	88.75%	968,048
Government bonds	134,034	10.39%	-	0.0%	134,034
Bonds issued by NBH	742,989	57.6%	-	0.0%	742,989
Hungarian government discounted Treasury Bills	-	0.0%	-	0.0%	-
Other securities	-	0.0%	70,401	11.25%	70,401
Total	1,289,944	100.0%	625,528	100.0%	1,915,472
Accrued interest					38,399
Total					1,953,871

¹ Moody's ratings

² Corporate shares listed on Budapest Stock Exchange

³ From this HUF 772,444 million represents mortgage bonds issued by OTP Mortgage Bank Ltd. denominated in HUF

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.1. Credit risk [continued]

Held-to-maturity securities as at 31 December 2012

	Ba1		Not rated		Total
Government bonds	355,595	99.9%	-	0.0%	355,595
Mortgage bonds	-	0.0%	4,783	100.0%	4,783
Hungarian government discounted Treasury bills	343	0.1%	-	0.0%	343
Bonds issued by NBH	-	0.0%	-	0.0%	-
Other securities	-	0.0%	-	0.0%	-
Total	<u>355,938</u>	<u>100.0%</u>	<u>4,783</u>	<u>100.0%</u>	<u>360,721</u>
Accrued interest					<u>11,271</u>
Total					<u>371,992</u>

According to the press release published on 27 November 2012, as a consequence of the lowering of the long term Hungarian sovereign ratings to 'BB' on 23 November 2012, Standard and Poor's Ratings Services lowered the long term counterparty credit ratings of OTP Bank and OTP Mortgage Bank Ltd. to 'BB' from 'BB+'. The short term counterparty credit ratings have been confirmed at level 'B'. The outlooks on both banks are stable. According to the announcement published on 12 December 2012, Moody's Investors Service placed on review for downgrade the standalone bank financial strength ratings ("BFSR") and the debt and deposit ratings of seven Hungarian banks.

According to Moody's decision

- the D+ standalone BFSR
- the Ba1 local currency long-term deposit ratings
- the Ba2 foreign currency long-term deposit ratings
- the Ba1 senior unsecured foreign currency long-term debt rating
- the Ba2 foreign currency long-term subordinated debt (Lower Tier2) rating
- the Ba3 foreign currency junior subordinated debt (Upper Tier2) rating

of OTP Bank was placed on review for downgrade.

On 14 February 2013 Moody's Investors Service concluded the review for downgrade of the standalone credit assessments and the debt and deposit ratings of the Bank. The local and foreign currency long term deposit rating was confirmed at Ba1 and Ba2 respectively, while foreign currency long-term senior unsecured debt rating was confirmed at Ba1. Lower Tier 2 was downgraded to Ba3 from Ba2 and the Upper Tier 2 was downgraded to B1 from Ba3. The Bank's BFSR was downgraded to D from D+.

26.2. Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a 'Value-at-Risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk is detailed in Note 32.)

26.2.1 Market risk sensitivity analysis

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk [continued]

26.2.1 Market risk sensitivity analysis [continued]

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

Historical VaR (99%, one-day) by risk type	Average	
	2012	2011
Foreign exchange	335	1,442
Interest rate	226	378
Equity instruments	26	18
Diversification	<u>(165)</u>	<u>(364)</u>
Total VaR exposure	<u>422</u>	<u>1,474</u>

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

26.2.2. Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to an increase and decrease in the HUF exchange rate against EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations was short, amounted to EUR 310 million as of 31 December 2012. High portion of strategic positions is considered as effective hedge of the net investment in foreign subsidiaries, and so FX risk affects the Bank's other comprehensive income and not its income. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	Effects to the P&L in 3 months period	
	2012	2011
	In HUF billion	In HUF billion
1%	(12.7)	(11.4)
5%	(8.8)	(7.8)
25%	(3.6)	(3.1)
50%	(0.3)	(0.1)
25%	2.8	2.7
5%	7.2	6.6
1%	10.2	9.3

Notes:

- (1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
- (2) The HUF/EUR volatility decreased slightly in 2012, but the FX rate was stronger than the theoretic middle-rate, so the probability of losses increased and the probability of further gains decreased.
- (3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2012.

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

26.2. Market risk [continued]

26.2.3. Interest rate sensitivity analysis

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

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

The simulation was prepared by assuming two scenarios:

1. 0.50% - 0.75% decrease in average HUF yields (probable scenario)
2. 1% - 1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period beginning with 1 January 2013 would be decreased by HUF 1,563 million (probable scenario) and HUF 7,093 million (alternative scenario) as a result of these simulations. This effect is counterbalanced by capital gains (HUF 3,867 million for probable scenario, HUF 5,284 million for alternative scenario) on the government bond portfolio held for hedging.

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

Description	2012		2011	
	Effects to the net interest income (one-year period)	Effects to equity (Price change of AFS government bonds)	Effects to the net interest income (one-year period)	Effects to equity (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(455)	592	(261)	1,008
EUR (0.1%) parallel shift	(356)	-	(578)	-
USD 0.1% parallel shift	(12)	-	(54)	-
Total	(823)	592	(893)	1,008

26.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Bank uses VaR calculation with 1 day holding period and 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.

The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. This scenario shows the loss of the portfolio when all prices change with the maximum amount of the last year.

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

26.2. Market risk [continued]

26.2.5. Capital management

Capital management

The primary objective of the capital management of the Bank is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.

The capital management of the Bank includes the management and evaluation of the shareholders' equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Bank in the short run is the continuous monitoring of its capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position of the Bank.

The Bank maintains the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing its profitability. In case the planned risk level of the Bank exceeded its Core and Supplementary capital, the Bank ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

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

The Bank has entirely complied with the regulatory capital requirements in 2012 as well as in 2011.

The capital adequacy calculations of the Bank for the year ended 31 December 2012 are prepared based on the data of the audited financial statements prepared in accordance with HAS. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA) is applied since 31 December 2012.

The calculation of the Capital Adequacy ratio as at 31 December 2012 and 2011 is as follows:

	2012	2011
Core capital	938,969	937,057
Supplementary capital	276,700	338,111
Deductions	(466,563)	(485,834)
<i>Deductions due to PIBB¹ investments</i>	<i>(425,016)</i>	<i>(442,385)</i>
<i>Deductions due to limit breaches</i>	<i><u>(41,547)</u></i>	<i><u>(43,449)</u></i>
Regulatory capital	<u>749,106</u>	<u>789,334</u>
Credit risk capital requirement	228,434	263,919
Market risk capital requirement	37,483	42,080
Operational risk capital requirement	<u>27,134</u>	<u>46,319</u>
Total requirement regulatory capital	<u>293,051</u>	<u>352,318</u>
Surplus capital	<u>456,055</u>	<u>437,016</u>
Tier 1 ratio	19,3%	15.8%
Capital adequacy ratio	<u>20.5%</u>	<u>17.92%</u>

The positive components of the Core capital are: Issued capital, Capital reserve, Tied-up reserve, General reserve, Profit reserve, Profit for the year, General risk reserve.

The negative components of the Core capital are: Treasury shares, Intangible assets.

The positive components of the Supplementary capital are: Subsidiary loan capital, Subordinated loan capital.

Deductions: PIBB investments, limit breaches

¹ PIBB: Financial Institutions, Investing Entreprises, Insurance Companies

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

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

Contingent liabilities and commitments

	2012	2011
Commitments to extend credit	711,078	697,144
Guarantees arising from banking activities	414,146	642,165
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>93,254</i>	<i>163,294</i>
Legal disputes (disputed value)	49,044	11,066,974
Confirmed letters of credit	443	189
Other	<u>3,541</u>	<u>1,081</u>
Total	<u>1,178,252</u>	<u>12,407,553</u>

Legal disputes

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

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

Provision due to legal disputes were HUF 469 million and HUF 408 million as at 31 December 2012 and 2011 respectively. (See Note 17.)

On 23 August 2012 OTP Bank announced that the United States Court of Appeals granted the petition for writs of mandamus submitted by OTP Bank and ordered the district court to dismiss the plaintiffs’ claims against OTP Bank for lack of personal jurisdiction in the class action. OTP Bank maintains that plaintiffs’ claim against it has been unfounded in its entirety. On 19 November 2012 OTP Bank announced that the court of first instance (the United States District Court Northern District of Illinois) has, by virtue of the order of the United States Court of Appeals, dismissed the suit in respect of OTP Bank on the ground of lack of jurisdiction and competence concerning the litigation “Holocaust Victims of Bank Theft” initiated by the plaintiffs against OTP Bank. This order for dismissal of the suit of the court of first instance is final and binding.

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

Commitments to extend credit, guarantees and letter of credit

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

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

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

Commitments to extend credit, guarantees and letter of credit [continued]

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

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

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Bank to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount and until a determined date, in case of fulfilling conditions, without checking the undermined transactions. The guarantee's liability is joint and primary with the principal, in case of payment undertaking, while the Bank assumes the obligation derived from guarantee independently by the conditions established by the Bank. A guarantee is most typically required when the ability of the primary obligor or principal to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency. A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal.

If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Contingent liabilities related to OTP Mortgage Bank Ltd.

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

Derivatives

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

Foreign currency contracts

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

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

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 27: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS
(in HUF mn) [continued]

Derivatives [continued]

Foreign exchange swaps and interest rate swaps

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

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

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

Cross-currency interest rate swaps

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

Forward rate agreements (FRA)

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

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

Foreign exchange options

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

NOTE 28: SHARE-BASED PAYMENT

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in 9/2011 resolution of Annual General Meeting regarding to the amendment of CRD III. directives and Act on Credit Institutions and Financial Enterprises.

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

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

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

Discounted share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is determined by Board of Directors, maximum HUF 4,000.

OTP BANK PLC.
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NOTE 28: SHARE-BASED PAYMENT [continued]

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

Year	exercise price per share	maximum earnings per share
2011	3,946	2,500
2012	3,946	3,000
2013	4,446	3,500
2014	4,946	3,500

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

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

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

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

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

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

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

NOTE 29: RELATED PARTY TRANSACTIONS

The Bank provides loans to subsidiaries, and collects deposits.

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

a) Loans provided to subsidiaries

	2012	2011
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	273,241	388,492
OTP Mortgage Bank Ltd.	228,216	339,849
OTP Financing Netherlands B.V. (The Netherlands)	188,525	281,148
Merkantil Bank Ltd.	164,745	202,087
OTP Factoring Ltd.	146,463	118,996
OTP Financing Solutions B.V. (The Netherlands)	136,127	163,136
OAo OTP Bank (Russia)	59,087	98,450
OTP Real Estate Leasing Ltd.	33,376	39,664
OTP Leasing d.d. (Croatia)	21,272	24,366
Merkantil Lease Ltd.	19,299	18,790
DSK Leasing AD (Bulgaria)	15,147	18,106
Merkantil Car Ltd.	9,078	10,105
OTP Real Estate Ltd.	4,007	3,181
OTP banka Hrvatska Group (Croatia)	3,436	-
Szalamandra Real Estate Trading Ltd.	2,909	-
OTP Ingatlanpont Ltd. (previously OTP Factoring Trustee Ltd.)	2,049	723
Project 3. Commercial Real Estate Ltd.	1,714	2,469
Project 2003. Ltd.	1,180	-
Sasad-Beregszász Ltd.	1,045	-
OTP banka Srbija a.d. (Serbia)	121	18
Crnogorska komercijalna banka a.d (Montenegro)	-	3,734
OTP Factoring Asset Management Ltd.	-	266
OTP Banka Slovensko a.s. (Slovakia)	-	55
Total	<u>1,311,037</u>	<u>1,713,635</u>

b) Deposits from subsidiaries

	2012	2011
DSK Bank EAD (Bulgaria)	93,300	67,671
OAo OTP Bank (Russia)	77,248	13,509
OTP Mortgage Bank Ltd.	75,062	621
Crnogorska komercijalna banka a.d (Montenegro)	62,817	69,454
OTP Funds Servicing and Consulting Ltd.	24,901	3,493
OTP Building Society Ltd.	19,318	30,247
OTP Bank Romania S.A. (Romania)	15,901	3,531
Merkantil Bank Ltd.	12,030	9,131
OTP banka Srbija a.d. (Serbia)	9,173	143
OTP Banka Slovensko a.s. (Slovakia)	8,796	12,710
OTP banka Hrvatska d.d. (Croatia)	6,391	7,559
OTP Real Estate Leasing Ltd.	3,120	3,422
Merkantil Lease Ltd.	2,069	50
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	1,521	3,335
OTP Financing Netherlands B. V. (The Netherlands)	989	1,247
OTP Factoring Ltd.	966	3,061
OTP Real Estate Ltd.	832	588
Sasad-Beregszász Ltd.	51	-
OTP Bank JSC (Ukraine)	37	-
Air Invest Ltd.	-	302
Total	<u>414,522</u>	<u>230,074</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 29: RELATED PARTY TRANSACTIONS [continued]

c) Interests received by the Bank¹

	2012	2011
OTP Mortgage Bank Ltd.	14,679	5,295
OTP Holding Ltd. (Cyprus)	10,459	8,933
OTP Financing Netherlands B.V. (The Netherlands)	9,054	10,166
OTP Factoring Ltd.	7,169	5,764
OTP Financing Solutions B.V. (The Netherlands)	6,740	6,653
Merkantil Bank Ltd.	5,379	5,373
OAo OTP Bank (Russia)	2,972	3,875
Merkantil Lease Ltd.	1,476	1,554
OTP Leasing d.d. (Croatia)	608	574
OTP Real Estate Leasing Ltd.	572	522
DSK Leasing AD (Bulgaria)	499	544
Merkantil Car Ltd.	445	412
OTP Bank JSC (Ukraine)	-	343
Other	<u>945</u>	<u>684</u>
Total	<u>60,997</u>	<u>50,692</u>

d) Interests paid by the Bank¹

	2012	2011
DSK Bank EAD (Bulgaria)	4,094	760
Crnogorska komercijalna banka a.d (Montenegro)	3,521	1,772
OAo OTP Bank (Russia)	2,706	740
OTP Mortgage Bank Ltd.	2,303	1,417
Merkantil Lease Ltd.	2,079	2,325
OTP Funds Servicing and Consulting Ltd.	1,492	95
Merkantil Bank Ltd.	479	540
OTP Bank Romania S.A. (Romania)	456	72
OTP Banka Slovensko a.s. (Slovakia)	435	384
OTP Real Estate Leasing Ltd.	255	119
OTP banka Srbija a.d. (Serbia)	220	281
Other	<u>353</u>	<u>260</u>
Total	<u>18,393</u>	<u>8,765</u>

e) Commissions received by the Bank

	2012	2011
From OTP Fund Management Ltd. in relation to trading activity	5,950	6,307
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	2,143	2,075
From OTP Bank JSC (Ukraine) in relation to lending activity	530	211
From OTP Fund Management Ltd. in relation to custody activity	414	546
Other	<u>361</u>	<u>357</u>
Total	<u>9,398</u>	<u>9,496</u>

f) Commissions paid by the Bank

	2012	2011
OTP Bank Romania S.A. (Romania) related to loan portfolio handling	375	577
Crnogorska komercijalna banka a.d. (Montenegro) related to loan portfolio handling	<u>188</u>	<u>304</u>
Total	<u>563</u>	<u>881</u>

¹ Derivatives and interest on securities are not included.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 29: RELATED PARTY TRANSACTIONS [continued]

g) Transactions related to OTP Mortgage Bank Ltd.:

	2012	2011
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	7,724	7,323
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	2,260	5,381
The gross book value of the loans sold	2,259	5,379

h) Transactions related to OTP Factoring Ltd.:

	2012	2011
The gross book value of the loans	59,682	73,214
Provision for loan losses on the loans sold	32,231	31,141
Loans sold to OTP Factoring Ltd. without recourse (including interest)	18,622	31,552
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	8,829	10,521

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

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

	2012	2011
The gross book value of the loans sold to Crnogorska komercijalna banka a.d.	483	98
The gross book value of the loans bought from Crnogorska komercijalna banka a.d.	-	1,829

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

	2012	2011
Securities issued by OTP Banka Slovensko a.s. (Slovakia) ("OBS") held by OTP Bank (nominal value in HUF million)	14,565	15,557

k) Related party transactions with key management

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

Compensations	2012	2011
Short-term employee benefits	3,232	2,782
Share-based payment	2,711	2,343
Long-term employee benefits	<u>766</u>	<u>653</u>
Total	<u>6,709</u>	<u>5,778</u>
	2012	2011
Loans provided to companies owned by the management (in the normal course of business)	35,792	42,806
Commitments to extend credit and bank guarantees	518	6
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at market conditions)	112	117

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

OTP BANK PLC.
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NOTE 29: RELATED PARTY TRANSACTIONS [continued]

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

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

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

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

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

	2012	2011
Members of Board of Directors	1,363	791
Members of Supervisory Board	<u>377</u>	<u>286</u>
Total	<u>1,740</u>	<u>1,077</u>

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

NOTE 30: TRUST ACTIVITIES

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

	2012	2011
Loans managed by the Bank as a trustee	43,191	43,009

NOTE 31: CONCENTRATION OF ASSETS AND LIABILITIES

	2012	2011
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	21%	14%
Securities issued by the OTP Mortgage Bank Ltd.	14.43%	13.46%

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

OTP Bank continuously provides the HFSA with reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards OTP Bank.

Further to this obligatory reporting to the HFSA, OTP Bank pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 32: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at 31 December 2012	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	245,548	-	-	-	-	245,548
Placements with other banks, net of allowance for placement losses	344,944	191,460	129,013	-	-	665,417
Financial assets at fair value through profit or loss	22,054	58,594	51,179	20,748	90,440	243,015
Securities available-for-sale	789,405	306,471	592,123	228,018	37,854	1,953,871
Loans, net of allowance for loan losses	217,700	701,625	877,651	559,315	-	2,356,291
Investments in subsidiaries	-	-	-	-	661,352	661,352
Securities held-to-maturity	21,267	52,366	139,946	158,413	-	371,992
Property and equipment	-	-	-	-	78,052	78,052
Intangible assets	-	-	-	-	31,597	31,597
Other assets	<u>11,474</u>	<u>17,344</u>	<u>2,653</u>	<u>1,215</u>	<u>-</u>	<u>32,686</u>
TOTAL ASSETS	<u>1,652,392</u>	<u>1,327,860</u>	<u>1,792,565</u>	<u>967,709</u>	<u>899,295</u>	<u>6,639,821</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	447,227	183,975	92,048	103,718	-	826,968
Deposits from customers	3,274,757	198,063	18,307	9,663	-	3,500,790
Liabilities from issued securities	96,700	144,488	67,863	26,912	-	335,963
Financial liabilities at fair value through profit or loss	65,025	38,599	136,793	18,794	-	259,211
Other liabilities	216,018	400	13,709	2,430	-	232,557
Subordinated bonds and loans	<u>3,413</u>	<u>5,000</u>	<u>173,810</u>	<u>-</u>	<u>121,527</u>	<u>303,750</u>
TOTAL LIABILITIES	<u>4,103,140</u>	<u>570,525</u>	<u>502,530</u>	<u>161,517</u>	<u>121,527</u>	<u>5,459,239</u>
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,157,516	1,157,516
Treasury shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,934)</u>	<u>(4,934)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,180,582</u>	<u>1,180,582</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>4,103,140</u>	<u>570,525</u>	<u>502,530</u>	<u>161,517</u>	<u>1,302,109</u>	<u>6,639,821</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(2,450,748)</u>	<u>757,335</u>	<u>1,290,035</u>	<u>806,192</u>	<u>(402,814)</u>	<u>-</u>

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

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

OTP BANK PLC.
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NOTE 33: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK
(in HUF mn)

As at 31 December 2012

	USD	EUR	CHF	Others	Total
Assets ¹	365,750	1,315,222	653,627	148,044	2,482,643
Liabilities	(256,441)	(1,253,275)	(129,033)	(28,804)	(1,667,553)
Off-balance sheet assets and liabilities, net	<u>(39,502)</u>	<u>(198,174)</u>	<u>(533,891)</u>	<u>(106,181)</u>	<u>(877,748)</u>
Net position	<u>69,807</u>	<u>(136,227)</u>	<u>(9,297)</u>	<u>13,059</u>	<u>(62,658)</u>

As at 31 December 2011

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

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

NOTE 34: INTEREST RATE RISK MANAGEMENT

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

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

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

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

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

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

As at 31 December 2012	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		Total
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
ASSETS															
Cash, amounts due from banks and balances with the National Bank of Hungary	128,210	45,131	-	-	-	-	-	-	-	-	59,163	13,044	187,373	58,175	245,548
<i>fixed interest</i>	128,210	45,131	-	-	-	-	-	-	-	-	-	-	128,210	45,131	173,341
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	59,163	13,044	59,163	13,044	72,207
Placements with other banks	180,452	296,100	-	161,515	-	12,384	-	10,315	-	2,870	559	1,222	181,011	484,406	665,417
<i>fixed interest</i>	77,494	178,436	-	4,028	-	12,384	-	10,315	-	2,870	-	-	77,494	208,033	285,527
<i>variable interest</i>	102,958	117,664	-	157,487	-	-	-	-	-	-	-	-	102,958	275,151	378,109
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	559	1,222	559	1,222	1,781
Securities held for trading	1,635	-	1,731	10	2,839	52	536	43	452	34	90,493	110	97,686	249	97,935
<i>fixed interest</i>	1,635	-	1,731	10	2,838	51	536	43	452	34	-	-	7,192	138	7,330
<i>variable interest</i>	-	-	-	-	1	1	-	-	-	-	-	-	1	1	2
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	90,493	110	90,493	110	90,603
Securities available-for-sale	742,989	-	8,016	427,295	88,674	-	-	9,690	568,407	32,547	67,239	9,014	1,475,325	478,546	1,953,871
<i>fixed interest</i>	742,989	-	8,016	-	88,674	-	-	9,690	568,407	32,547	-	-	1,408,086	42,237	1,450,323
<i>variable interest</i>	-	-	-	427,295	-	-	-	-	-	-	-	-	-	427,295	427,295
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	67,239	9,014	67,239	9,014	76,253
Loans, net of allowance for loan losses	728,123	568,419	162,453	680,831	8,043	77,166	1,875	92,096	11,480	11,734	5,651	8,420	917,625	1,438,666	2,356,291
<i>fixed interest</i>	9,534	327	47	1,720	1,432	2,723	1,875	92,096	11,480	11,734	-	-	24,368	108,600	132,968
<i>variable interest</i>	718,589	568,092	162,406	679,111	6,611	74,443	-	-	-	-	-	-	887,606	1,321,646	2,209,252
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	5,651	8,420	5,651	8,420	14,071
Securities held-to-maturity	13,350	-	9,161	-	54,888	-	-	-	283,322	-	11,271	-	371,992	-	371,992
<i>fixed interest</i>	-	-	1,950	-	44,764	-	-	-	283,322	-	-	-	330,036	-	330,036
<i>variable interest</i>	13,350	-	7,211	-	10,124	-	-	-	-	-	-	-	30,685	-	30,685
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	11,271	-	11,271	-	11,271
Derivative financial instruments	919,552	1,065,690	768,810	1,417,272	31,161	159,798	27,230	8,192	29,813	33,488	80	1,677	1,776,646	2,686,117	4,462,763
<i>fixed interest</i>	390,418	357,346	72,075	175,699	31,133	151,736	27,230	8,192	29,813	33,488	-	-	550,669	726,461	1,277,130
<i>variable interest</i>	529,134	708,344	696,735	1,241,573	28	8,062	-	-	-	-	-	-	1,225,897	1,957,979	3,183,876
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	80	1,677	80	1,677	1,757

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

As at 31 December 2012	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		Total
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
LIABILITIES															
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	80,255	329,693	10,604	187,321	118,626	19,331	23	211	397	77,825	727	1,955	210,632	616,336	826,968
<i>fixed interest</i>	79,619	281,656	2,730	48	542	18,642	23	211	397	77,825	-	-	83,311	378,382	461,693
<i>variable interest</i>	636	48,037	7,874	187,273	118,084	689	-	-	-	-	-	-	126,594	235,999	362,593
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	727	1,955	727	1,955	2,682
Deposits from customers	1,458,124	239,026	626,381	241,869	123,769	52,031	4,968	84	624,625	119,413	9,697	803	2,847,564	653,226	3,500,790
<i>fixed interest</i>	1,062,703	231,825	609,344	241,869	123,769	52,031	4,968	84	5,351	-	-	-	1,806,135	525,809	2,331,944
<i>variable interest</i>	395,421	7,201	17,037	-	-	-	-	-	619,274	119,413	-	-	1,031,732	126,614	1,158,346
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	9,697	803	9,697	803	10,500
Liabilities from issued securities	30,406	3,924	51,849	4,107	71,226	30,928	17,466	1,775	112,768	1,930	9,120	464	292,835	43,128	335,963
<i>fixed interest</i>	30,169	3,924	50,595	4,107	71,226	30,928	17,466	1,775	112,768	1,930	-	-	282,224	42,664	324,888
<i>variable interest</i>	237	-	1,254	-	-	-	-	-	-	-	-	-	1,491	-	1,491
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	9,120	464	9,120	464	9,584
Derivative financial instruments	103,114	1,925,289	43,868	2,107,516	33,570	152,279	14,961	18,691	140,113	34,688	1,679	1,408	337,305	4,239,871	4,577,176
<i>fixed interest</i>	102,630	640,256	42,109	202,255	33,565	144,158	14,961	18,470	140,113	34,688	-	-	333,378	1,039,827	1,373,205
<i>variable interest</i>	484	1,285,033	1,759	1,905,261	5	8,121	-	221	-	-	-	-	2,248	3,198,636	3,200,884
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	1,679	1,408	1,679	1,408	3,087
Subordinated bonds and loans	-	-	5,000	26,001	-	-	-	-	-	269,336	-	3,413	5,000	298,750	303,750
<i>fixed interest</i>	-	-	-	-	-	-	-	-	-	269,336	-	-	-	269,336	269,336
<i>variable interest</i>	-	-	5,000	26,001	-	-	-	-	-	-	-	-	5,000	26,001	31,001
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	3,413	-	3,413	3,413
NET POSITION	1,042,412	(522,592)	212,469	120,109	(161,586)	(5,169)	(7,777)	99,575	15,571	(422,519)	213,233	25,444	1,314,322	(705,152)	609,170

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

As at 31 December 2011	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing foreign		Total		Total
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
Cash, amounts due from banks and balances with the National Bank of Hungary	137,412	24,982	-	-	-	-	-	-	-	-	53,013	11,569	190,425	36,551	226,976
<i>fixed</i>	137,412	24,982	-	-	-	-	-	-	-	-	-	-	137,412	24,982	162,394
<i>interest</i>	-	-	-	-	-	-	-	-	-	-	53,013	11,569	53,013	11,569	64,582
<i>variabl</i>															
Placements with other banks	16,067	602,880	-	204,508	1,463	40,221	-	14,322	-	16,373	33	2,113	17,563	880,417	897,980
<i>fixed</i>	15,773	562,859	-	24,793	1,463	235	-	14,322	-	16,373	-	-	17,236	618,582	635,818
<i>interest</i>	294	40,021	-	179,715	-	39,986	-	-	-	-	-	-	294	259,722	260,016
<i>variabl</i>															
<i>e interest</i>	-	-	-	-	-	-	-	-	-	-	33	2,113	33	2,113	2,146
non- interest- bearing Securities held for trading	1,872	-	439	485	9,665	303	2,84	225	15,67	5,485	88,756	212	119,249	6,710	125,959
<i>fixed</i>	1,872	-	430	-	9,118	303	2,84	225	15,67	5,485	-	-	29,937	6,013	35,950
<i>interest</i>	-	-	9	485	547	-	-	-	-	-	-	-	556	485	1,041
<i>variabl</i>															
<i>e interest</i>	-	-	-	-	-	-	-	-	-	-	88,756	212	88,756	212	88,968
non- interest- bearing Securities available-	497,197	-	-	460,285	15,261	-	140,10	-	499,21	31,930	56,948	10,482	1,208,721	502,697	1,711,418

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for-sale																
<i>fixed</i>																
<i>interest</i>	497,197	-	-	-	15,261	-	140,10	-	499,21	31,930	-	-	1,151,773	31,930	1,183,703	
<i>variabl</i>																
<i>e interest</i>	-	-	-	460,285	-	-	-	-	-	-	-	-	-	460,285	460,285	
<i>non-</i>																
<i>interest-</i>																
<i>bearing</i>	-	-	-	-	-	-	-	-	-	-	56,948	10,482	56,948	10,482	67,430	
Loans, net																
of																
allowance																
for loan																
losses	725,735	621,334	23,23	334,454	115,621	782,138	1,37	4,043	11,91	106,328	4,955	10,696	882,834	1,858,993	2,741,827	
<i>fixed</i>																
<i>interest</i>	8,636	782	40	30	729	615	1,37	4,043	11,91	106,328	-	-	22,696	111,798	134,494	
<i>variabl</i>																
<i>e interest</i>	717,095	620,552	23,19	334,424	114,892	781,523	-	-	-	-	-	-	855,183	1,736,499	2,591,682	
<i>non-</i>																
<i>interest-</i>																
<i>bearing</i>	-	-	-	-	-	-	-	-	-	-	4,955	10,696	4,955	10,696	15,651	
Securities																
held-to-																
maturity	-	-	17,03	-	72,497	-	1,94	-	24,01	-	4,974	-	120,467	-	120,467	
<i>fixed</i>																
<i>interest</i>	-	-	346	-	55,090	-	1,94	-	24,01	-	-	-	81,402	-	81,402	
<i>variabl</i>																
<i>e interest</i>	-	-	16,68	-	17,407	-	-	-	-	-	-	-	34,091	-	34,091	
<i>non-</i>																
<i>interest-</i>																
<i>bearing</i>	-	-	-	-	-	-	-	-	-	-	4,974	-	4,974	-	4,974	
Derivative																
financial																
instrume																
nts	624,957	1,298,127	971,53	1,546,567	442,972	171,006	44,65	9,724	20,73	6,805	-	-	2,104,851	3,032,229	5,137,080	
<i>fixed</i>																
<i>interest</i>	221,998	662,890	165,24	247,387	365,126	96,381	22,65	7,676	20,73	5,298	-	-	795,754	1,019,632	1,815,386	
<i>variabl</i>																
<i>e interest</i>	402,955	635,237	806,29	1,299,180	77,846	74,625	21,99	2,048	-	1,507	-	-	1,309,097	2,012,597	3,321,694	

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

As at 31 December 2011	within 1 month	within 3 months over 1 month	within 1 year over 3 months	within 2 years over 1 year	over 2 years	Non-interest -bearing	Total
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OTP BANK PLC.
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LIABILITIES	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	Total
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	100,198	461,309	8,293	153,036	127,388	13,055	711	1,446	263	3,392	1,090	1,58	237,94	633,827	871,770
<i>fixed interest</i>	99,534	304,198	3,033	3,971	3	12,650	711	1,446	263	3,392	-	-	103,54	325,657	429,201
<i>variable interest</i>	664	157,111	5,260	149,065	127,385	405	-	-	-	-	-	-	133,30	306,581	439,890
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	1,090	1,58	1,09	1,589	2,679
Deposits from customers	1,197,991	176,795	411,095	158,842	550,626	143,282	6,554	4,749	651,022	103,307	10,617	1,34	2,827,90	588,316	3,416,221
<i>fixed interest</i>	759,856	163,110	402,537	158,842	550,626	143,282	6,554	4,749	5,080	-	-	-	1,724,65	469,983	2,194,636
<i>variable interest</i>	438,135	13,685	8,558	-	-	-	-	-	645,942	103,307	-	-	1,092,63	116,992	1,209,627
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	10,617	1,34	10,61	1,341	11,958
Liabilities from issued securities	21,455	5,205	58,313	20,673	200,604	28,450	12,399	1,666	93,663	1,071	9,816	108	396,25	57,173	453,423
<i>fixed interest</i>	21,455	5,205	57,132	20,673	200,604	28,450	12,399	1,666	93,663	1,071	-	-	385,25	57,065	442,318
<i>variable interest</i>	-	-	1,181	-	-	-	-	-	-	-	-	-	1,18	-	1,181
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	9,816	108	9,81	108	9,924
Derivative financial instruments	422,162	1,570,353	78,128	2,548,062	141,246	492,575	51,593	8,953	14,138	19,441	-	-	707,26	4,639,384	5,346,651
<i>fixed interest</i>	416,852	465,133	63,663	359,821	59,854	417,951	20,740	6,943	14,138	18,309	-	-	575,24	1,268,157	1,843,404
<i>variable interest</i>	5,310	1,105,220	14,465	2,188,241	81,392	74,624	30,853	2,010	-	1,132	-	-	132,02	3,371,227	3,503,247
Subordinated bonds and loans	-	-	5,000	29,518	-	-	-	-	-	287,654	-	3,82	5,00	320,997	325,997
<i>fixed interest</i>	-	-	-	-	-	-	-	-	-	287,654	-	-	-	287,654	287,654
<i>variable interest</i>	-	-	5,000	29,518	-	-	-	-	-	-	-	-	5,00	29,518	34,518
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	3,82	-	3,825	3,825
NET POSITION	261,434	333,661	451,406	(363,832)	(362,385)	316,306	119,669	11,500	(187,535)	(247,944)	187,156	28,20	469,74	77,900	547,645

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 35: EARNINGS PER SHARE

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

	2012	2011
Net profit for the year attributable to ordinary shareholders (in HUF mn)	38,402	110,748
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	277,560,437	277,696,699
Basic Earnings per share (in HUF)	<u>138</u>	<u>399</u>
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	38,402	110,748
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	277,629,003	277,762,519
Diluted Earnings per share (in HUF)	<u>138</u>	<u>399</u>
	2012	2011
	number of share	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(2,439,573)	(2,303,311)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	277,560,437	277,696,699
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares ¹	68,566	65,820
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	277,629,003	277,762,519

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

¹ In 2012 dilutive effect is in connection with the Remuneration Policy.

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 36: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS
(in HUF mn)

As at 31 December 2012	Net interest income and expense	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	6,523	-	-	-
Placements with other banks, net of allowance for placement losses	26,059	-	138	-
Securities held for trading	1,443	(3,546)	-	-
Securities available-for-sale	117,914	(2,996)	-	37,439
Loans, net of allowance for loan losses	208,336	9,136	6,973	-
<i>from this:</i> Corporate loans	92,044			
Consumer loans	85,656			
Housing loans	9,550			
Municipality loans	15,376			
Mortgage backed loans	5,710			
Securities held-to-maturity	19,625	(87)	-	-
Derivative financial instruments	17,228	(614)	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(29,276)	-	-	-
Deposits from customers	(131,483)	69,081	-	-
Liabilities from issued securities	(27,330)	-	-	-
Subordinated bonds and loans	(16,872)	-	-	-
Total	<u>192,167</u>	<u>70,974</u>	<u>7,111</u>	<u>37,439</u>

As at 31 December 2011	Net interest income and expense	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	6,274	-	-	-
Placements with other banks, net of allowance for placement losses	19,054	-	812	-
Securities held for trading	2,076	5,224	-	-
Securities available-for-sale	115,841	574	-	23,834
Loans, net of allowance for loan losses	213,455	12,581	(25,715)	-
<i>from this:</i> Corporate loans	96,151			
Consumer loans	85,813			
Housing loans	7,722			
Municipality loans	17,024			
Mortgage backed loans	6,745			
Securities held-to-maturity	9,637	67	-	-
Derivative financial instruments	63,296	72	-	-

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Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(22,376)	-	-	-
Deposits from customers	(116,531)	70,147	-	-
Liabilities from issued securities	(28,370)	-	-	-
Subordinated bonds and loans	<u>(16,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>245,818</u>	<u>88,665</u>	<u>(24,903)</u>	<u>23,834</u>

OTP BANK PLC.
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NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 37. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

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

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

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

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

	2012		2011
	Carrying amount	Fair value	Carrying amount
Cash, amounts due from banks and balances with the National Bank of Hungary	245,548	245,548	226,976
Placements with other banks, net of allowance for placement losses	665,417	668,014	897,980
Financial assets at fair value through profit or loss	243,015	243,015	272,577
<i>Held for trading securities</i>	97,935	97,935	125,959
<i>Derivative financial instruments classified as held for trading</i>	145,080	145,080	146,618
Securities available-for-sale	1,953,871	1,953,871	1,711,418
Loans, net of allowance for loan losses	2,356,291	2,594,948	2,741,827
Securities held-to-maturity	371,992	366,718	120,467
Derivative financial instruments designated as hedging instruments	4,228	4,228	2,329
FINANCIAL ASSETS TOTAL	5,840,362	6,076,342	5,973,574
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	826,968	788,141	871,770
Deposits from customers	3,500,790	3,492,666	3,416,221
Liabilities from issued securities	335,963	316,668	453,423
Derivative financial instruments designated as hedging instruments	4,512	4,512	12,563
Financial liabilities at fair value through profit or loss	259,211	259,211	345,955
Financial liabilities from OTP-MOL transaction	89,308	89,308	82,347
Subordinated bonds and loans	303,750	253,523	325,997
FINANCIAL LIABILITIES TOTAL	5,320,502	5,204,029	5,508,276

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) *Fair value of derivative instruments*

	Fair value		Notional value, net	
	2012	2011	2012	2011
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	73,199	39,442	49,566	34,064
Negative fair value of interest rate swaps classified as held for trading	(75,835)	(40,577)	(56,965)	(37,496)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	7,107	24,329	6,260	28,486
Negative fair value of foreign exchange swaps classified as held for trading	(5,884)	(52,810)	(5,874)	(48,163)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	4,224	2,329	(4,488)	3,526
Negative fair value of interest rate swaps designated in fair value hedge	(4,512)	(12,563)	589	(10,980)
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	53,573	56,312	51,875	57,825
Negative fair value of CCIRS classified as held for trading	(157,986)	(232,564)	(154,474)	(257,590)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	907	9,969	(201)	(7,925)
Negative fair value of mark-to-market CCIRS classified as held for trading	(10,716)	(5,577)	(12,595)	(10,950)
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	10,294	16,566	7,175	14,742
Negative fair value of other derivative contracts classified as held for trading	(8,790)	<u>(14,428)</u>	(5,897)	<u>(12,670)</u>
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated in fair value hedge	4	-	(1)	-
Negative fair value of other derivative contracts designated in fair value hedge	-	-	-	-
Derivative financial assets total	<u>149,308</u>	<u>148,947</u>	<u>110,186</u>	<u>130,718</u>
Derivative financial liabilities total	<u>(263,723)</u>	<u>(358,519)</u>	<u>(235,216)</u>	<u>(377,849)</u>
Derivative financial instruments total	<u>(114,415)</u>	<u>(209,572)</u>	<u>(125,030)</u>	<u>(247,131)</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting

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

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

As at 31 December 2012

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS/ Index option	HUF (284) million	Interest rate
3) Net investment hedge in foreign operations	-	-	-

As at 31 December 2011

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

d) Fair value hedges

1. Deposits from customers

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

	2012	2011
Fair value of the hedging instruments	298	70

2. Securities available-for-sale

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

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

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NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value hedges [continued]

3. Loans to customers

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

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

4. Issued securities

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value hedges [continued]

As at 31 December 2012

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/losses attributable to the hedged risk	
				on the hedged items	on the hedging instruments
Securities available-for-sale	IRS	HUF 19,662 million	HUF (1,267) million	HUF 552 million	HUF (552) million
Loans to customers	IRS	HUF 14,861 million	HUF (1,058) million	HUF 1,037 million	HUF (1,037) million
Deposits from customers	IRS	HUF 17,490 million	HUF 298 million	HUF (228) million	HUF 228 million
Liabilities from issued securities	IRS	HUF 134,992 million	HUF 1,739 million	HUF (11,307) million	HUF 11,307 million
Liabilities from issued securities	Index option	HUF 604 million	HUF 4 million	HUF (1) million	HUF 1 million

As at 31 December 2011

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

e) Fair value classes

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

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

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

As at 31 December 2012	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	242,851	95,583	147,268	-
<i>from this: securities held for trading</i>	97,771	95,556	2,215	-
<i>from this: positive fair value of derivative financial instruments classified as held for trading</i>	145,080	27	145,053	-
Securities available-for-sale	1,915,472	867,828	1,047,644	-
Positive fair value of derivative financial instruments designated as fair value hedge	<u>4,228</u>	-	<u>4,228</u>	=
Financial assets measured at fair value total	<u>2,162,551</u>	<u>963,411</u>	<u>1,199,140</u>	=
Negative fair value of derivative financial instruments classified as held for trading	259,211	19	259,192	-
Negative fair value of derivative financial instruments designated as fair value hedge	<u>4,512</u>	-	<u>4,512</u>	=
Financial liabilities measured at fair value total	<u>263,723</u>	<u>19</u>	<u>263,704</u>	=
As at 31 December 2011	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	271,494	121,245	138,493	11,756
<i>from this: securities held for trading</i>	124,876	121,192	3,684	-
<i>from this: positive fair value of derivative financial instruments classified as held for trading</i>	146,618	53	134,809	11,756
Securities available-for-sale	1,670,924	749,151	921,773	-
Positive fair value of derivative financial instruments designated as fair value hedge	<u>2,329</u>	-	<u>2,329</u>	-
Financial assets measured at fair value total	<u>1,944,747</u>	<u>870,396</u>	<u>1,062,595</u>	<u>11,756</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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Negative fair value of derivative financial instruments classified as held for trading	345,955	4	290,727	55,224
Negative fair value of derivative financial instruments designated as fair value hedge	<u>12,563</u>	-	<u>12,563</u>	-
Financial liabilities measured at fair value total	<u>358,518</u>	<u>4</u>	<u>303,290</u>	<u>55,224</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

e) Fair value classes [continued]

Movements in level 3 financial instruments measured at fair value

EUR/CHF cross currency swap (CCIRS) portfolio

According to the risk management policies the Bank holds EUR/CHF cross currency swap portfolio with a notional totaling CHF 2,756 million (HUF 705,673 million equivalent as at 31 December 2011), in order to hedge its foreign currency denominated mortgage loan portfolio's fx risk. These deals do not fulfill the IFRS requirements of hedge accounting, and so they are classified as held for trading.

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

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

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

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

Movements for the year 2012	Opening balance as at 31 December 2011	Transfer out as at 31 March 2012	Other disposal ¹	Closing balance as at 31 December 2012	Total gain / loss as at 31 December 2012
Positive fair value of derivative financial instruments classified as held for trading	11,756	10,369	-	-	1,387
Financial assets measured at fair value total	<u>11,756</u>	<u>10,369</u>	<u>-</u>	<u>=</u>	<u>1,387</u>
Negative fair value of derivative financial instruments classified as held for trading	(55,224)	(53,169)	(2,005)	-	(50)
Financial liabilities measured at fair value total	<u>(55,224)</u>	<u>(53,169)</u>	<u>(2,005)</u>	<u>=</u>	<u>(50)</u>

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 38: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HAS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)

	Retained Earnings and Reserves 1 January 2012	Net profit for the year ended 31 December 2012	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2012
Financial Statements in accordance with HAS	1,000,261	52,573	(33,600)	(10,750)	1,008,484
Reversal of statutory general provision	41,238	(5,810)	-	-	35,428
Premium and discount amortization of financial instruments measured at amortised cost	(419)	501	-	4,365	4,447
Effect of redemption of issued securities	24,770	(4,646)	-	-	20,124
Differences in carrying value of subsidiaries	34,115	(11,104)	-	11,104	34,115
Difference in accounting for finance leases	(2,542)	374	-	-	(2,168)
Effects of using effective interest rate method	5,606	349	-	-	5,955
Fair value adjustment of held for trading and available-for-sale financial assets	(39,470)	2,012	-	74,897	37,439
Fair value adjustment of derivative financial instruments	39,814	(9,009)	-	-	30,805
Reversal of statutory goodwill	40,596	-	-	-	40,596
Revaluation of investments denominated in foreign currency to historical cost	(39,442)	22,716	-	-	(16,726)
Difference in accounting of security lending	(17,559)	(4,506)	-	-	(22,065)
Treasury share transaction	-	155	-	(155)	-
Reclassification of direct charges to reserves (self-revision)	-	354	-	(354)	-
Share-based payment	-	(4,584)	-	4,584	-
Payments to ICES holders	20,929	(1,946)	-	(4,378)	14,605
OTP-MOL share swap transaction	(50,883)	(4,585)	-	-	(55,468)
Deferred taxation	(3,355)	5,558	-	(13,858)	(11,655)
Dividend paid for 2011	28,000	-	(28,000)	-	-
Dividend payable in 2012	-	-	33,600	-	33,600
Financial Statements in accordance with IFRS	<u>1,081,659</u>	<u>38,402</u>	<u>(28,000)</u>	65,455	<u>1,157,516</u>

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 39: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2012

1) Term Note Program and EMTN Programme

See details in Note 15.

2) Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

NOTE 40: POST BALANCE SHEET EVENTS

1) Capital increase in OTP Real Estate Ltd.

See details in Note 9.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

In 2012 the operating environment remained weak, although Hungary's risk assessment improved.

In 2012 the Hungarian economy contracted by 1.7% from 2011 to 2012. On the production side, the manufacturing industry that used to be a significant positive contributor to the economic growth showed signs of exhaustion, despite the Mercedes plant that started production last year. On the consumption side, both households' consumption and investments declined, and dynamics of export moderated significantly. Although export growth decelerated, the net export's growth contribution increased, since the weak internal demand exerted a negative impact on import dynamics. Owing to the measures improving budget balance in 2012, the budget was kept below 3%, and the public debt to GDP ratio showed a decline in yearly comparison.

The HUF strengthened both against the EUR and the CHF by 6%. The HUF showed a strengthening against currencies of the foreign subsidiaries, too (against the RUB by 3%, the BGN 6%, the UAH 8%, the RON 9%). Compared to 31 December 2011 the Hungarian Government securities benchmark yields came down significantly. In case of short maturities yields declined by 220-260 bps, in case of maturities beyond 1 year by 350-380 bps. The sovereign CDS spread narrowed noticeably during 2012 and declined to around 280 bps.

In 2012 the OTP Bank continued to focus its activity on stable operation by maintaining robust capital position and significant liquidity reserves as well as implementing prudent risk management and monitoring practices in line with the deteriorating loan portfolio.

- One of the direct consequences of the crisis started late 2008 was the generally weak **loan demand** in most of the relevant markets in Hungary. Gross loans of OTP Core¹ declined by 7% in 2012 (adjusted for FX-effect). The decline of the mortgage loan book (by 9% from 2011 to 2012) to a great extent reflects the negative impact of the early repayment of FX mortgage loans in Hungary. Consumer loans stagnated. Corporate loans eroded by 6% in 2012, while municipal loans went down by 13%, partly explained by the debt consolidation of local governments. The only part of the portfolio which showed remarkable growth was the SME segment, where 8% annual expansion was reached.
- Based on the Country Protection Action Plan of the Hungarian Government announced on 12 September 2011, FX mortgage loans of Hungarian households could get repaid at off-market rates in the period between 29 September 2011 and 28 February 2012, provided that certain eligibility criteria were met. The **early repayment program** had a total negative impact on consolidated net earnings of HUF 33.4 billion. In accordance with accounting standards, out of the total impact HUF 31.6 billion was recognised in 2011 and HUF 1.8 billion in the first quarter of 2012.

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

By the end of February 2012 around 36 thousands clients of OTP Core and OTP Flat Lease made use of the early repayment option, which represents 19.7% of the total 184 thousand FX loan contracts outstanding at the beginning of the programme. The total prepaid loan book amounted to HUF 217 billion (in 2011 by HUF 110 billion, in first quarter of 2012 by HUF 107 billion) representing 19.9% of the FX mortgage books of the two companies (at FX rates of 30 September 2011). The volume decline of FX mortgages was counterbalanced to some extent by newly sold forint refinancing loans. By 28 February 2012, their total amount reached HUF 64 billion, out of which HUF 41 billion was disbursed to own clients and the remaining part was sold to clients of other banks.

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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NOTE 41: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE BANK'S FINANCIALS (in HUF mn) [continued]

Countries	Gross loans	Securities	Interbank placements	Total
Hungary	1,527,196	2,342,970	475,000	4,345,166
Netherlands	324,654	-	-	324,654
Montenegro	56,792	-	-	56,792
Bulgaria	55,965	-	-	55,965
Romania	53,902	-	-	53,902
Russia	42,157	7,715	47,174	97,046
Croatia	25,041	-	-	25,041
Germany	24,358	107	23,683	48,148
Slovakia	17,278	14,869	62	32,209
Serbia	10,155	-	-	10,155
Ukraine	4,067	-	-	4,067
Switzerland	4,030	-	606	4,636
United Kingdom	1,099	-	84,471	85,570
France	179	-	29,281	29,460
Turkey	162	-	1,542	1,704
Czech Republik	39	-	510	549
Norway	36	-	1,934	1,970
Austria	9	6,223	1,151	7,383
Ireland	-	-	3	3
Other ¹	346,690	2,080	-	348,770
<u>Total</u>	<u>2,493,809</u>	<u>2,373,964</u>	<u>665,417</u>	<u>5,533,190</u>

- Retail **deposits** of OTP Core dropped by 4% in 2012. The volume development was determined by the fact that clients used their savings for early repayment of FX mortgage loans. Furthermore, since the beginning of 2012 the Hungarian State has offered attractive interest rates on government bonds and conducts intensive promotional campaigns. As a result, the structure of retail savings realigned at the expense of term deposits and bank bonds in favour of government bonds.
- The strong **liquidity positions** of OTP Bank did not require foreign currency denominated wholesale funding, on the contrary, through the excess liquidity generated by on-going FX loan repayments OTP Bank managed to reduce its outstanding net swap position. By the end of 2012 the gross liquidity reserves of OTP Bank reached almost EUR 6 billion equivalent and by the end of the year OTP Bank had already managed to renew all its 2013 swap roll-over needs.
- Another side effect of the crisis was the deterioration in the financial position of the clients, which led to worsening **loan quality** and materially increasing risk costs compared to levels witnessed before 2008. In 2012 the ratio of consolidated loans in more than 90 days of delinquency (“DPD90+ ratio”) at OTP Core increased further to 16.1% from 13.6% at the end of 2011. The pace of deterioration decelerated remarkably in the second half of 2012. This positive development reflects the delayed effect of stronger and less volatile HUF after the peak at the beginning of 2012, and the benefit of the fixed instalment scheme in Hungary. Thanks to the prudent provisioning, the provision coverage of the DPD90+ loan book improved in 2012 to 81.9% and significantly exceeded the level as at 31 December 2011 (+2.8 ppts).

¹ Other category includes the PIGS countries but in Portugal, Italy, Greece and Spain the Bank had no exposure as at 31 December 2012.

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

- The further enhancement of the strong **capital position** still remained a top priority for OTP Bank in 2012. The capital adequacy ratio of OTP Bank (under local accounting standards) stood at 20.5%, compared to 17.9% at the end of 2011. During the period dividend income from subsidiaries contributed to the capital of OTP Bank in the amount of HUF 43 billion. In 2012 OTP Bank Romania received two capital injections from the mother company in the amount of altogether HUF 12 billion equivalent. The capital of the Serbian subsidiary was increased by HUF 6 billion through converting subordinated debt provided by OTP Bank into ordinary shares. On the top of that OTP banka Srbija received a capital injection of HUF 12 billion equivalent in 2012. The capital of CKB Bank, the Montenegrin subsidiary was increased twice: by HUF 3 billion and HUF 2 billion, both through converting subordinated debt provided by OTP Bank into ordinary shares.

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

- The net negative impact of the special tax on financial institutions paid by OTP Core in 2012 reached HUF 27.7 billion taking into account the corporate tax shield effect, the tax refund related to early repayment and to conversion of FX loan or leasing into HUF denominated one.

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

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

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

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

OTP BANK PLC.
NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2012

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

- On 27 October 2012 the Prime Minister announced that the Central Government will **consolidate the debt of local governments** in Hungary. As for municipalities with less than 5,000 inhabitants the State provided a non-refundable subsidy for the repayment of outstanding debts (including loans, bonds and bills of exchange) as at 12 December 2012. At OTP Bank a total debt of HUF 28.7 billion was repaid (calculated with FX rates as of 27 December 2012), out of this forint denominated debt reached HUF 24.2 billion. The debt assumption from bigger municipalities is expected to take place in the first half of 2013. At OTP Bank the total exposure to municipalities with more than 5 thousands inhabitants represented HUF 245 billion at the end of December 2012 (including loans and bonds as well). After the expected debt-consolidation in second quarter of 2013 part of this loan amount becomes loans to the Central Government in the balance sheet of OTP Bank.
- In 2012 a one-off positive tax shield impact emerged in relation to the impairment of the investments into the Serbian and Montenegrin subsidiaries recognised on the balance sheet of OTP Bank. The impairments under local accounting standards amounted to HUF 15 billion and HUF 5.9 billion, respectively. Though on the consolidated level these impairments had no direct effect either on the balance sheet or on the P&L, there was a positive tax shield of HUF 4.0 billion that added to OTP Bank's IFRS accounting profit.
- Concerning the Hungarian members of OTP Group, the following **rating actions** were taken by international rating agencies in 2012:
 - On 12 January 2012 OTP's Support Rating '3' was affirmed by Fitch Ratings.
 - On 27 November 2012 S&P lowered the long term counterparty credit ratings of OTP Bank and OTP Mortgage Bank to 'BB' from 'BB+'. The short term counterparty credit rating has been confirmed at level 'B'. The outlooks on both banks are stable.
 - On 12 December 2012 Moody's Investors Service placed on review for downgrade the standalone bank financial strength ratings (BFSR) and the debt and deposit ratings of seven Hungarian banks, including OTP Bank and OTP Mortgage Bank.
 - On 14 December 2012 Moody's Investors Service placed on review for downgrade the ratings of covered bonds issued by OTP Mortgage Bank.