OTP Bank Plc.

Proposals for the Company's Annual General Meeting

(English translation)

25 April 2014

THE AGENDA OF THE GENERAL MEETING

THE REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS OPERATIONS IN 2013

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2013 RESULTS OF OTP GROUP

With respect to the major macroeconomic indicators there has been a turnaround in growth perspectives for Hungary. According to the preliminary GDP statistics the Hungarian economy grew by 1.1% in 2013 showing a radical turnaround versus a 1.7% yearly contraction in 2012 (in 4Q 2013 the y-o-y growth was at 2.7%). Unemployment rate dropped to 9.1% in 4Q 2013, whereas the number of employed pierced through 4 million, the highest level since 2001. As a result of the households' improving financial position, household consumption started growing, with retails sales in 2013 expanding by 0.9% (in 4Q 2013 by 3% y-o-y) and a moderate pick-up was witnessed in investments, too. The overall favourable international environment and disinflation (average CPI in 2013 was 1.7%, while in January 2014 it was 0.0%) enabled the Central Bank to ease monetary conditions in 2013 by 275 bps in total.

The Government has remained strongly committed to maintain fiscal balance: based on preliminary figures the fiscal deficit to GDP was 2.5% with the public debt to GDP dropping to 79.0% (down by 0.8 ppt y-o-y). Balance indicators provided strong cushion for the local currency: in 2013 the forint was one of the best performing Emerging Market currencies, refinancing of the marketable public debt was accomplished within safe framework and declining borrowing costs. Also, the share of local households in public debt financing increased substantially, which made refinancing more secure.

Under the first phase of the Funding for Growth Scheme (FGS) launched by the National Bank of Hungary, financial institutions contracted for HUF 701 billion, whereas OTP Bank's own portion represented HUF 91 billion. From early October the Hungarian National Bank commenced the second phase of the Programme with a HUF 500 billion tranche as a starter. Funds can be drawn down for financing new investment purposes or working capital by end 2014. Given the longer application period loan demand may strengthen gradually.

At the end of 2013, growth was seen accelerating in a number of CEE countries, which may be attributable to the recovery of external demand. With the outstanding Romanian GDP growth of 5.2% in 4Q 2013 the overall economic expansion in 2013 reached 3.3%. In Bulgaria growth was slower (2013: 0.6%), however the external and fiscal balance indicators remained excellent. Given their weight in OTP Group's performance, Russia and the Ukraine deserve special attention. Economic activity slowed down in both countries. However, while in Russia it was mainly due to structural problems and a more stringent regulatory approach from the central bank, in the Ukraine the domestic political situation escalated from late November. The fiscal package offered – and then suspended – by Russia could only temporary stabilize the situation: FX-reserves melted down to critical levels, the artificially stable hryvnia supported by continuous central bank interventions started depreciating, credit downgrades became almost a routine, as a result, the sovereign CDS spread is well over 1,000 basis points. Under the current circumstances the likelihood of putting together a massive EU-IMF rescue package increased.

Overall, in 2014 most of the economies where OTP Group operates can achieve a y-o-y stronger economic performance which might be coupled with a slow increase in loan portfolio.

Consolidated earnings: HUF 146 billion adjusted after-tax profit, improving income margin and stable net interest margin, significant deceleration in portfolio deterioration in 2H 2013, y-o-y 4.4 ppts increase in DPD90+ coverage, partly due to high risk costs

In 2013 OTP Group posted HUF 64.1 billion accounting profit, almost half of the profit reached a year ago (HUF 122.6 billion). The key driver of that meaningful decline is explained by the trebling adjustment items. In 2013 HUF 28.9 billion Hungarian banking tax for the year had to be booked enhanced by a one-off HUF 13.2 billion financial transaction duty (after corporate income tax in both cases). The Slovakian banking tax represented another HUF 1 billion for the full year. Furthermore out of the registered HUF 64.0 billion goodwill at the Ukrainian subsidiary, HUF 37.2 billion was written down. Of that HUF 6.4 billion was recognised against equity and HUF 30.8 billion against the P&L. Additionally, two more items took their toll on profit: the Hungarian Competition Office imposed a penalty (the Bank appealed against the sentence) of HUF 3.2 billion (after tax) on OTP. Also, OTP Core had to pay HUF 5.5 billion additional contribution tax after the transfer of general risk reserves to retained earnings[1]. As a result, the aforementioned adjustment items in total represented almost HUF 82 billion.

[1] According to the new CRR rules ('Capital Requirements Regulation') effective from 1 January 2014, general risk reserve is going to be treated as Tier2 Capital element as opposed to the previous practice where it was recognised as Tier1 Capital when calculating the stand alone capital adequacy ratio of OTP Bank under Hungarian accounting standards. The new Hungarian Law on Financial Institutions becoming effective in parallel with the CRR from 1 January 2014 allowed the transfer of HUF 29.1 billion general risk reserves to retained earnings by the balance sheet date of 31 December 2013. Thus the transferred after tax amount of the general risk reserves can be recognised as Tier1 Capital going forward. According to the prevailing regulation the Bank had to pay 19% contribution tax after the transfer.

Within the consolidated accounting profit the share of the Hungarian operation decreased (2012: HUF 68 billion, 2013: HUF 34 billion), simultaneously net earnings from non-Hungarian businesses fell, too (2012: HUF 60 billion, 2013: 24 billion). As a result the profit contribution from foreign subsidiaries moderated from 49% to 37%. In 2013 OTP Group posted HUF 146 billion adjusted net profit versus HUF 150 billion a year ago.

It was positive, that the consolidated total income without one-off items kept growing and reached HUF 865 billion (+2% y-o-y). There was a moderate increase in net interest income as a joint result of stronger Russian and Ukrainian, but weaker Hungarian and Bulgarian contribution. Net fees advanced by 10%. During the year operating expenses grew by 6%.

The FX-adjusted consolidated loan portfolio declined by 1% y-o-y. The yearly melt-down was mainly due to a 7% contraction at OTP Core and a 2% decrease in Bulgaria. In the Ukraine the drop of loan book stopped after several years, whereas in Montenegro it grew substantially (+9%). As for the different loan categories mortgages declined in all markets, but in Slovakia. The consumer book, however showed strong dynamics (+9% y-o-y) with the highest growth captured in Slovakia (+175%), the Ukraine (+126%) and Romania (+98%). The Russian, Montenegrin and Serbian consumer loan portfolio also reached doubly-digit growth (+10, 20 and 26%, respectively).

As for deposits, group level volumes grew by 5% y-o-y. The fastest increase was posted by the Romanian and Serbian subsidiaries, however, given their absolute weight both the Hungarian and Bulgarian deposit increase were substantial (+5% and 6% respectively). The „net loan-to-(deposit+retail bonds)" ratio stood at 89% by December underpinning a 5 ppts drop y-o-y.

The stable liquidity position of the Group did not require any FX-denominated external funding, the ongoing banking operation generated enough excess liquidity to reduce net swap positions. By 31 December 2013 the gross liquidity reserves were close to EUR 6 billion equivalent and all maturing swaps for 2014 were rolled over by the Bank. In 2013 from the Upper Tier 2 Perpetual bonds EUR 70.1 million was repurchased by the Group, while EUR 12.5 million was bought back from the Lower Tier 2 bond maturing in 2015.

Despite the DPD90+ ratio slightly increased y-o-y – partly due to the eroding loan book –, it already improved in the second half of 2013 as a result of write-offs and sales. The DPD90+ ratio was 19.8% (a quarterly changes in 2013, in ppt: 1Q: +0.8, 2Q: +0.9, 3Q: -0.1, 4Q: -0.9). Regarding the key markets, the DPD90+ ratio grew by 1.3 ppts at OTP Core, by 1.5 ppts in Russia, by 1.7 ppts in Bulgaria, respectively; it dropped, however in the Ukraine by 1.8 ppts.

Underlying portfolio quality trends are better described by the FX-adjusted DPD90+ loan formation: its total volume was HUF 190 billion versus HUF 222 billion in 2012. DPD90+ loan formation moderated significantly in three countries (in HUF billions, FX adjusted: OTP Core: 2012: 75, 2013: 31, DSK: 2012: 23, 2013: 15, OTP Ukraine 2012: 32, 2013: 24). On the contrary, DPD90+ volumes increased substantially in Russia (2012: 54, 2013: 89).

Consolidated risk cost for the full year amounted to HUF 272 billion (+7% y-o-y). As a result the Group-level coverage improved further (2013: 84.4%, +4.4 ppts y-o-y). Two subsidiaries posted outstanding coverage increase y-o-y, namely Russia (+14.3 ppts) and Serbia (+26.8 ppts), but OTP Core and DSK Bank also boosted the coverage by 3.3 ppts each.

OTP Core: the accounting profit dropped by 50%, however the adjusted after tax profit improved by 21% y-o-y; lower net interest margin and loan portfolio, significant drop in risk costs, further moderating portfolio deterioration

The adjusted after tax profit of ***OTP Core*** (basic activity in Hungary) in 2013 represented HUF 115 billion (+21% y-o-y). The accounting profit, however, dropped from HUF 68 billion to HUF 34 billion y-o-y. The stronger adjusted result was mainly due to lower risk cost (-40% y-o-y). The operating profit weakened by 8% y-o-y reasoned by lower net interest income (-7%) and higher operating expenses (+4%). Net interest margin (4.31%) melted down by 27 bps due to the lower base rate environment.

It was positive, that portfolio deterioration slowed as a result of the stable forint and the mortgage borrowers' growing participation in the fixed exchange rate scheme. Despite risk cost eroding a lot y-o-y, the DPD90+ coverage ratio further increased and reached 85.2% (+3.3 ppts y-o-y).

The loan portfolio declined by 7% y-o-y on an FX-adjusted basis. Both retail mortgages and consumer loans contracted (-9% and -5%, respectively). The significant drop in the municipality exposure (-21%) was due to the Central Government's consolidation programme. By end-2013 municipality loans represented HUF 211 billion, of which HUF 102 billion was an exposure towards the Hungarian State. Positive though, that OTP

Bank's exposure to Hungarian companies[2] advanced by 8% y-o-y, whereas the volumes of the rest of the banking sector dropped by 8% y-o-y. As a result, OTP Group's market share in loans to Hungarian companies further improved and reached 12.4% (+1.8 ppts y-o-y).

The Bank managed to maintain strong market position within new retail loan flows: out of newly disbursed mortgages OTP captured 29% in 2013, whereas in case of cash loans its share represented 52% for the same period.

FX-adjusted deposits with retail bonds grew by 1% y-o-y. Retail deposits and bonds melted down by 11% to a great extend due to the lower yield environment and the crowding out effect of appealing investment alternatives (ie. government securities and mutual funds). This trend, however, was successfully off-set by stronger corporate deposit flows (+20% y-o-y). The net loan-to-deposit ratio dropped to 66% (-7 ppts y-o-y).

Merkantil Group posted HUF 2 billion after tax profit (without banking tax) in 2013, four times more than in 2012. The material improvement was mainly due to lower risk costs (-42% y-o-y). Operating income contracted by 20% y-o-y. The DPD90+ ratio (14.5%) declined substantially as a result of write-offs and non-performing portfolio sales with the provision coverage slightly declining to 92.0%. The FX-adjusted loan book declined further by 4% y-o-y despite new car financing loan volumes advancing by 19% y-o-y.

OTP Fund Management realized HUF 3.6 billion net profit in 2013 which underpins a robust, 76% y-o-y increase. Net fees and commissions expanded by 42% as a result of the popularity of investment fund products over other types of saving instruments. Total assets under management represented HUF 1,384 billion (+28% y-o-y). The company safeguarded its dominant market position (26.9%, +1 ppt y-o-y).

Foreign subsidiaries: excellent performance in Bulgaria and substantial improvement in the Ukraine, profitable operations in Croatia, Slovakia and Montenegro, massive profit decline in Russia, negative results in Romania and Serbia

The 2013 HUF 30.2 billion net profit at the ***Bulgarian subsidiary*** underpins a 25% y-o-y increase and was very close to the highest-ever profit of HUF 31 billion in 2008. With the operating profit falling short of 2012 level by 7% the key driver behind the strong results was the y-o-y 32% decline in risk cost. It was encouraging that amid slowing portfolio deterioration the DPD90+ coverage improved a lot (2013: 88.1%, +3.3 ppts y-o-y) despite risk costs being lower. Net interest income somewhat declined, but the net interest margin remained stable (5.5%). As for FX-adjusted loan volumes, there was a y-o-y 2% decline, only consumer loans could grow by a moderate 1%. Deposits on the other hand increased by 6% despite lower offered rates reflecting the safe operation and good reputation of the bank. The net loan-to-deposit ratio dropped below 90% showing a y-o-y 10 ppts improvement.

After an outstanding result in 2012 (HUF 47.2 billion) the ***Russian subsidiary*** posted a tiny profit of HUF 2.4 billion in 2013. The weak performance was almost exclusively due to elevating risk costs (+99% y-o-y) with loan portfolio deterioration accelerating: DPD90+ volumes grew by HUF 89 billion in 2013 versus HUF 54 billion in 2012 (adjusted for the FX-effect). Furthermore, the DPD90+ coverage had to be increased (4Q 2013: 106.6%, +14.3 ppts y-o-y) since on a yearly base the efficiency of the collection activity worsened. The DPD90+ rate increased only moderately y-o-y (from 16.6% to 18.1%), true, this level was influenced by portfolio write-offs and sales in 4Q. Total income grew by 7% y-o-y, within that the net interest income advanced by 8% while fees and commission grew by 5%. With operating expenses increasing by 16%, the operating profit improved only by 2% y-o-y. The yearly net interest margin grew to 18.7% (+77 bps y-o-y). Against the massive expansion experienced in the last few years, in 2013 FX-adjusted consumer loans advanced only by 10%. It is the reflection of a shift in the management's focus: improving profitability and collection effectiveness instead of seeking volume growth. POS loan sales for the full year of 2013 reached RUB 68 billion (-6.3% y-o-y), while sales performance for the last quarter showed a significant slowdown (4Q 2013: RUB 17.8 billion, -29% y-o-y).

After a profit of HUF 0.5 billion in 2012, the ***Ukrainian subsidiary*** posted decent 2013 net earnings at HUF 6.7 billion. Operating profit advanced by 20% y-o-y supported by higher total income (+13%), while operating expenses grew moderately, by 5%. Risk costs came out 5% below the base period level. Consumer lending activity remained robust and the portfolio grew by 126% y-o-y. Within that cash loans leaped 6-fold and credit card loans advanced two and half times. The loan growth was financed by local deposits, mainly from the corporate sector. As a result of the high-margin consumer business annual net interest margin reached 8.40% (+1.47 ppts y-o-y). The DPD90+ ratio dropped to 34.6% by end-2013 (-1.8 ppts y-o-y), the provision coverage of DPD90+ loans increased to 79.6% (+0.7 ppt y-o-y).

[2] The estimate for volume changes is based on the balance sheet data provision to the National Bank of Hungary, calculated from the „Loans to non-financial and other-financials companies" line, adjusted for FX-effect.

The ***Romanian subsidiary*** managed to decrease its loss with the negative results of HUF 4.1 billion against -HUF 5.5 billion posted a year ago. The lower loss is partly due to the improving operating profit (+10%), but also to lower risk costs (-10% y-o-y). Weaker net interest income was the result of higher interest expenditures on significantly growing deposits. The net loan-to-deposit ratio improved by 48 ppts y-o-y. As for the lending activity, consumer loan growth was in the focus, their volume almost doubled y-o-y with cash loans growing by 104%. The strong lending activity and deposit collection was the main driver behind the substantial increase in fees and commissions (+35% y-o-y). Despite lower risk costs the DPD90+ coverage increased by 2.8 ppts.

The ***Croatian subsidiary*** remained profitable in 2013, though its net earnings of HUF 2.2 billion represented a y-o-y 41% decline. The lower profit was due to weaker operating result (-7%), but higher risk costs (+37%) also took their toll. The latter is a reflection of the ailing macroeconomic performance and the higher DPD90+ ratio. Also, higher risk costs were reasoned by a precautionary provision set aside for ongoing litigations on Swiss franc mortgages. The FX-adjusted loan book increased on the back of strong lending activity towards the municipality sector.

The ***Slovakian subsidiary*** managed to turn its operation into profit: against a loss of HUF 1.2 billion in 2012, the bank posted the same amount of profit in 2013 (without banking tax). The major drivers behind the improvement on one hand were the higher operating profit (+19% y-o-y), and the declining risk costs on the other (-41%). Taking advantage of the improving macroeconomic environment the FX-adjusted loan book advanced by 14% y-o-y with deposits growing by 9%. In both cases the retail segment was the engine of growth: retail loans advanced by 17% and the deposits by 10%, respectively. The DPD90+ ratio moderated by 0.4 ppt y-o-y to 11.5%, the provision coverage stood at 58.1%.

After a loss of HUF 4.9 billion in 2012 the ***Serbian subsidiary*** posted a negative result of HUF 13.2 billion in 2013. The record level of this negative performance was related to elevated risk costs: their yearly burden jumped to HUF 13.6 billion with a sizeable portion made in 4Q (HUF 10.8 billion). One could have a more realistic picture about the bank's operation judged by its operating profit: it turned into positive (HUF 409 million versus -HUF 1.7 billion in the base period) supported by a meaningful increase in net interest income (+48% y-o-y) and lower operating expenses (-11%). The steady increase of the consumer lending portfolio (+26%) was a key driver behind the improving net interest margin (4.35%, +1.84 ppts y-o-y). The DPD90+ ratio dropped to 48.9% (-3.7 ppts), while the coverage jumped to 82.6% (+27 ppts y-o-y) due to the significant risk costs.

The ***Montenegrin subsidiary*** posted HUF 801 million profit in 2013 after three loss-making years. Such favourable turn-around was due to stronger operating profit (+24% y-o-y) and materially lower risk costs (-60%). FX-adjusted loan volumes started growing again and advanced by 9% y-o-y, within that the consumer book grew by 20%. The stable liquidity position of the bank did not require aggressive deposit collection, their volumes dropped by 9%. The DPD90+ ratio increased marginally, the coverage improved (81.2%) despite lower risk costs.

Consolidated and stand-alone capital adequacy ratio (in accordance with BASEL II)

By the end of December 2013 the consolidated capital adequacy ratio of OTP Group under IFRS was at 19.9% (+0.2 ppt y-o-y) with the Tier1 ratio (after deducting goodwill and intangible assets) at 17.4% and the Core Tier1 ratio (further deducting hybrid instruments) at 16.0% (+1.4 ppts y-o-y). The improvement of the consolidated Core Tier 1 ratio y-o-y was supported by the continuous profit generation of the Group and declining risk weighted assets. OTP Bank's stand-alone capital adequacy ratio reached 23.0% by end-2013 showing a 2.5 ppts improvement y-o-y. At the Serbian bank subordinated debt (LT2) of EUR 40 million was converted into ordinary shares in January 2013. The Montenegrin bank obtained EUR 10 million subordinated capital from OTP Hungary in 2Q 2013, the conversion of this subdebt into ordinary shares was executed in 3Q. In November further EUR 7 million subdebt was provided for the subsidiary.

Credit rating, shareholder structure

As for the credit ratings assigned by Moody's, the following changes occured in 2013 related to OTP Bank and its subsidiaries: on 14 February 2013 Moody's Investors Services completed the rating review process started in December 2012. As a result while it confirmed the rating of OTP Bank and OTP Mortgage Bank at 'Ba1' with negative outlook, it downgraded both companies' BFSR rating from 'D+/ba1' into 'D/ba2'. Accordingly OTP Bank (Hungary)'s FX debt carries 'Ba1/BB' ratings, OTP Mortgage Bank's covered bonds are rated at 'Baa3'. On 15 February 2013 Moody's downgraded DSK Bank from 'Baa3' to 'Ba1' (negative outlook), whereas it left unchanged OTP Bank Russia's 'Ba2' rating (negative outlook). OTP Bank Ukraine's 'Caa1' rating was downgraded to 'Caa2' on 25 September following a similar move in case of the sovereign. The ratings were put on review for downgrade. OTP Bank Ukraine's credit ratings were further downgraded in 2014 (see: Post Balance Sheet events). At the end of 2013 the Bulgarian DSK Bank held an unsolicited rating of 'Ba1' from Moody's. The S&P and Fitch ratings of the rated Group members did not change in 2013.

Regarding the ownership structure of the bank, the Hungarian National Asset Management Inc. holding pierced 5% in 2013 (5.10%). Furthermore, another four investors had more than 5% influence (beneficial ownership) in the Company, namely the Rahimkulov family (9.00%), MOL (the Hungarian Oil and Gas Company 8.68%), Groupama Group (8.40%) and Lazard Group (5.58%).

KEY POST BALANCE SHEET EVENTS

Hungary

- On 12 February 2014 EU court adviser gave non-binding opinion on Hungarian FX loans.
- On 14 February Hungarian Central Statistical Office announced that GDP for the last quarter 2013 rose by 2.7% from a year earlier, the strongest dynamics since the fourth quarter of 2006.
- In the last round of municipality debt consolidation, expected to take place on 28 February, the Hungarian central Government is going to take over all the remaining debt of Hungarian municipalities. As a result, at OTP Bank the negative impact on loan volumes is expected to be around HUF 64 billion and will be shown in first quarter of 2014. By end-December 2013 OTP Bank had HUF 211 billion municipality, state and public sector debt of which HUF 102 billion was a direct exposure to the Hungarian State. HUF 102 billion municipality exposure may be affected by consolidation, out of which HUF 64 billion is going to be repaid, while HUF 38 billion is going to be refinanced by a loan originated by OTP Bank for the Government Debt Management Agency.

Russia

- On 21 February 2014 the Russian finance minister announced that Russia will decide on the USD 15 billion financial aid package for Ukraine once a new government is in place, until then the USD 2 billion funding is suspended temporarily.
- On 3 March Central Bank of Russia decided to increase the key policy rate to 7% from 5.5% to protect the rouble.
- On 6 March 2014 OTP Bank Russia repaid RUB 5.7 billion out of a bond with total face value at RUB 6 billion one year before the maturity, due to execution of put option by investors.

Ukraine

- On 28 January 2014 S&P lowered its long- and short-term foreign currency sovereign credit ratings on Ukraine to ‘CCC+/C’, while affirmed the local currency ratings. The outlook is negative.
- On 31 January Moody's downgraded Ukraine's government bond rating to ‘Caa2’ from ‘Caa1’ and assigned a negative outlook.
- On 5 February following the sovereign rating action Moody’s downgraded OTP Bank Ukraine’s foreign currency long-term deposit rating to ’Caa3’ from ’Caa2’, and affirmed the local currency deposit rating. The outlook is negative.
- On 7 February Fitch downgraded Ukraine's Long-term foreign currency Issuer Default Ratings to ‘CCC’ from ‘B-’, and affirmed the Long-term local currency IDR at ‘B-‘. The outlook is negative.
- On 21 February S&P lowered Ukraine’s long-term foreign currency sovereign credit rating ‘CCC’ from ‘CCC+’. At the same time, S&P affirmed the short-term foreign currency sovereign rating at ’C’.
- On 22 February the Ukrainian parliament voted to oust President Viktor Yanukovych and hold early election on 25 May.
- The newly elected chairman of National Bank of Ukraine announced on 26 February that Ukraine asked a new financial aid program from the International Monetary Fund.
- On 28 February National Bank of Ukraine limited daily FX cash withdrawals from banks at UAH 15,000.

Bulgaria

- On 10 January 2014 Fitch affirmed Bulgaria's Long-term foreign currency Issuer Default Rating (IDR) at ‘BBB-‘ and local currency IDR at ‘BBB’. The outlooks are stable.

Romania

- On 8 January 2014 the National Bank of Romania cut minimum reserve requirements for leu liabilities to 12% from 15% and for foreign currency ones to 18% from 20%.

Croatia

- On 24 January 2014 S&P lowered Croatia’s long-term foreign and local currency sovereign credit ratings to ‘BB’ from ’BB+’. At the same time, affirmed the short-term ratings at ‘B’. The outlook is stable.
- On 28 January the European Union launched an Excessive Deficit Procedure against Croatia. Accordingly, Croatia has to reduce the deficit to below the EU’s ceiling by 2016.
- On 31 January OTP banka Hrvatska signed an agreement in Zagreb with the Italian Banco Popolare banking group on the purchase of its 98.37% ownership in its Croatian subsidiary.

- On 14 February Fitch revised the outlook Croatia's rating to Negative from Stable. Its Long-term foreign and local currency Issuer Default Ratings (IDR) have been affirmed at ‘BB+’ and ‘BBB-‘ respectively.

Slovakia

- On 31 January 2014 S&P affirmed Slovakia’s ’A/A-1’ long- and short-term foreign and local currency sovereign credit ratings. The outlook is stable.

Serbia

- On 17 January 2014 Fitch downgraded Serbia's Long-term foreign and local currency Issuer Default Ratings (IDRs) to ’B+’ from ’BB-’. The outlook is stable.
- On 21 January the European Union began entry talks with Serbia.
- On 29 January Serb President Tomislav Nikolic called early elections for 16 March after his Progressive Party said it needs fresh support to overhaul the economy.
- On 26 February OTP Bank Plc. announced that capital increase in the amount of RSD 2.3 billion has been registered at the Serbian subsidiary.

CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[3]

	2012 HUF million	2013 HUF million	Change %/ppts
Consolidated after tax profit	**122,586**	**64,108**	**(48)**
Adjustments (total)	**(27,363)**	**(81,775)**	**199**
Dividend and total net cash transfers (consolidated)	(391)	(406)	4
Goodwill/investment impairment charges (after tax)	3,977	(29,440)	(840)
Special tax on financial institutions and one-timer payment compensating the underperformance of the financial transaction duty (after corporate income tax)	(29,174)	(43,219)	48
Fine imposed by the Hungarian Competition Authority (after tax)	0	(3,177)	
Corporate tax impact of the transfer of general risk reserves to retained earnings	0	(5,533)	
Impact of early repayment of FX mortgage loans in Hungary (after corporate income tax)	(1,775)	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**149,949**	**145,882**	**(3)**
Banks total without one-off items[1]	147,616	143,346	(3)
OTP CORE (Hungary)[2]	94,587	114,879	21
Corporate Centre (after tax)[3]	(7,089)	2,398	(134)
OTP Bank Russia[4]	47,158	2,356	(95)
CJSC OTP Bank (Ukraine)[5]	528	6,716	
DSK Bank (Bulgaria)[6]	24,214	30,223	25
OBR adj. (Romania)[7]	(5,530)	(4,143)	(25)
OTP banka Srbija (Serbia)[8]	(4,934)	(13,246)	168
OBH (Croatia)	3,714	2,210	(41)
OBS (Slovakia)[9]	(1,161)	1,153	(199)
CKB (Montenegro)	(3,872)	801	(121)
Leasing	2,051	2,286	11
Merkantil Bank + Car, adj. (Hungary)[10]	501	1,951	289
Foreign leasing companies (Slovakia, Croatia, Bulgaria, Romania)[11]	1,549	334	(78)
Asset Management	2,042	3,680	80
OTP Asset Management (Hungary)	2,041	3,596	76
Foreign Asset Management Companies (Ukraine, Romania)[12]	2	84	
Other Hungarian Subsidiaries	(934)	(3,442)	269
Other Foreign Subsidiaries (Slovakia, United Kingdom, Cyprus, Romania, Belize)[13]	(756)	(1,487)	97
Eliminations	(65)	1,499	
Total after tax profit of HUNGARIAN subsidiaries[14]	89,041	120,882	36
Total after tax profit of FOREIGN subsidiaries[15]	60,912	25,001	(59)
Share of foreign profit contribution, %	41%	17%	(24)

[3] Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME [4]

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
Consolidated after tax profit	**122,586**	**64,108**	**(48)**
Adjustments (total)	**(27,363)**	**(81,775)**	**199**
Dividends and net cash transfers (after tax)	(391)	(406)	4
Goodwill/investment impairment charges (after tax)	3,977	(29,440)	(840)
Special tax on financial institutions and one-timer payment compensating the underperformance of the financial transaction duty (after corporate income tax)	(29,174)	(43,219)	48
Fine imposed by the Hungarian Competition Authority (after tax)	0	(3,177)	
Corporate tax impact of the transfer of general risk reserves to retained earnings	0	(5,533)	
Impact of early repayment of FX mortgage loans in Hungary (after corporate income tax)	(1,775)	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**149,949**	**145,882**	**(3)**
Before tax profit	**192,192**	**184,894**	**(4)**
Operating profit	**449,664**	**447,710**	**0**
Total income	**844,553**	**864,910**	**2**
Net interest income	**650,319**	**653,126**	**0**
Net fees and commissions	**151,570**	**166,936**	**10**
Other net non-interest income	**42,664**	**44,848**	**5**
Foreign exchange result, net	19,863	18,183	(8)
Gain/loss on securities, net	4,696	11,037	135
Net other non-interest result	18,105	15,627	(14)
Operating expenses	**(394,890)**	**(417,201)**	**6**
Personnel expenses	(188,953)	(204,277)	8
Depreciation	(47,420)	(47,199)	0
Other expenses	(158,517)	(165,725)	5
Total risk costs	**(253,692)**	**(272,459)**	**7**
Provision for loan losses	(242,695)	(262,541)	8
Other provision	(10,997)	(9,918)	(10)
Total one-off items	**(3,779)**	**9,643**	**(355)**
Revaluation result of FX swaps at OTP Core	(2,528)	715	(128)
Gain on the repurchase of own Upper and Lower Tier2 Capital	1,415	6,104	331
Result of the treasury share swap at OTP Core	(2,667)	2,824	(206)
Corporate taxes	**(42,243)**	**(39,012)**	**(8)**
Performance Indicators	2012	2013	ppts
ROE (adjusted)	10.2%	9.6%	(0.6)
ROA (adjusted)	1.5%	1.4%	(0.1)
Operating profit margin	4.43%	4.37%	(0.06)
Total income margin	8.31%	8.44%	0.13
Net interest margin	6.40%	6.37%	(0.03)
Net fee and commission margin	1.49%	1.63%	0.14
Net other non-interest income margin	0.42%	0.44%	0.02
Cost-to-asset ratio	3.89%	4.07%	0.18
Cost/income ratio	46.8%	48.2%	1.5
Risk cost for loan losses-to-average gross loans	3.11%	3.51%	0.40
Risk cost for loan losses-to-average FX adjusted gross loans	3.21%	3.52%	0.31
Total risk cost-to-asset ratio	2.50%	2.66%	0.16
Effective tax rate	22.0%	21.1%	(0.9)
Non-interest income/total income	23%	24%	1
EPS base (HUF) (from unadjusted net earnings)	457	241	(47)
EPS diluted (HUF) (from unadjusted net earnings)	457	240	(47)
EPS base (HUF) (from adjusted net earnings)	563	547	(3)
EPS diluted (HUF) (from adjusted net earnings)	563	546	(3)
Comprehensive Income Statement	2012	2013	%
Consolidated after tax profit	122,586	64,108	(48)
Fair value adjustment of securities available-for-sale (recognised directly through equity)	48,180	-1,721	(104)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	532	531	0
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	4,978	-1,357	(127)
Foreign currency translation difference	(54,104)	-33,159	(39)
Change of actuarial losses (IAS 19)	0	(39)	
Net comprehensive income	**122,172**	**28,363**	**(77)**
o/w Net comprehensive income attributable to equity holders	121,990	29,379	(76)
Net comprehensive income attributable to non-controlling interest	182	-1,016	(658)
Average exchange rate of the HUF	2012 HUF	2013 HUF	Change %
HUF/EUR	289	297	3
HUF/CHF	240	241	0
HUF/USD	225	224	(1)
HUF/100JPY	283	230	(19)

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

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position…

The primary objective of OTP Group in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.

Refinancing sources of the European Central Bank are still available for OTP, thus the refinancing risk of maturing FX mortgage bonds is low. As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising, only refinancing loan of Funding for Growth Scheme was used in the amount of HUF 86.4 billion as at end-2013.

With total maturities of EUR 380 million in 2013 liquidity reserves of OTP Bank remained steadily above the safety level. As of 31 December 2013, the gross liquidity buffer was above EUR 6 billion equivalent, which is significantly higher than the maturing debt within one year (at EUR 205 million equivalent) and the reserves required to protect against possible liquidity shocks. The swiss franc and US dollar liquidity need of the Group stemming from its FX lending activity has further shrunk due to the steady decline of FX loan volumes. The Bank had to refinance only EUR 250 million long term FX-swaps to maintain its FX liquidity reserves at safe levels (by 31 December 2013 at EUR 1.1 billion).

The outstanding volume of issued securities (including retail bonds) dropped by 31% y-o-y. The volume decline was driven by the moderating Hungarian household-targeted bond issuances (HUF 160 billion annual volume decrease). Furthermore, Slovakian and Hungarian covered bonds became due with a face value of HUF 20 billion and further HUF 9.5 billion covered bonds were bought back from the market. The rouble devaluation caused remarkable negative effect on the forint value of rouble denominated bonds issued by the Russian subsidiary (HUF 9.6 billion). Those redemptions were partly off-set by the issuances of institutional investor-targeted Hungarian forint bonds: their outstanding volume reached HUF 92 billion by 2013 (+13% y-o-y).

The volume of Lower Tier2 and Upper Tier2 issues diminished by HUF 24 billion y-o-y. In 2013 the Group repurchased EUR 70.1 million from the Upper Tier2 Perpetual bonds, whereas EUR 12.5 million was repurchased and cancelled from the Lower Tier 2 bond due in 2015.

… and kept its interest-rate risk exposures low.

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank regards the reduction and closing of this exposure as a strategic matter. Consequently it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

The Bank maintains a closed interest-rate position in euro and swiss franc, consequently the recent yield volatility has not caused significant changes in the FX interest income.

Market Risk Exposure of OTP Group

At end-December 2013 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 44.5 billion in total, primarily due to the capital requirement of the FX risk exposure at HUF 31.4 billion.

OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except for the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore the group level FX exposure was concentrated at OTP Bank. Thus the main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position kept to hedge the currency risk of the expected FX-denominated net earnings (EUR 310 million for 2 years) of the main foreign subsidiaries.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE OTP GROUP

Main components of balance sheet closing balances	2012 HUF million	2013 HUF million	Change %
TOTAL ASSETS	**10,113,466**	**10,381,047**	**3**
Cash and amount due from banks	602,521	539,125	(11)
Placements with other banks	356,866	273,479	(23)
Financial assets at fair value	222,874	415,605	86
Securities available-for-sale	1,411,177	1,637,255	16
Net customer loans	6,464,191	6,245,210	(3)
Net customer loans (FX adjusted)	**6,433,930**	**6,245,210**	**(3)**
Gross customer loans	7,618,367	7,480,844	(2)
Gross customer loans (FX adjusted)	**7,579,455**	**7,480,844**	**(1)**
o/w Retail loans	5,037,320	4,991,611	(1)
Retail mortgage loans (incl. home equity)	2,811,648	2,623,097	(7)
Retail consumer loans	1,766,094	1,916,282	9
SME loans	459,577	452,231	(2)
Corporate loans	2,178,439	2,177,149	0
Loans to medium and large corporates	1,872,292	1,904,700	2
Municipal loans[1]	306,147	272,449	(11)
Car financing loans	289,350	240,100	(17)
Bills and accrued interest receivables related to loans	74,346	71,984	(3)
Allowances for loan losses	(1,154,176)	(1,235,634)	7
Allowances for loan losses (FX adjusted)	(1,145,525)	(1,235,634)	8
Equity investments[2]	7,936	23,837	200
Securities held-to-maturity	429,303	580,051	35
Premises, equipment and intangible assets, net	489,142	455,244	(7)
o/w Goodwill, net	189,619	145,564	(23)
Premises, equipment and other intangible assets, net	299,523	309,680	3
Other assets	129,456	211,241	63
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,113,466**	**10,381,047**	**3**
Liabilities to credit institutions and governments	534,324	784,212	47
Customer deposits	6,550,708	6,866,606	5
Customer deposits (FX adjusted)	**6,536,735**	**6,866,606**	**5**
o/w Retail deposits	4,745,716	4,773,981	1
Household deposits	4,135,511	4,120,649	0
SME deposits	610,205	653,332	7
Corporate deposits	1,750,010	2,054,222	17
Deposits to medium and large corporates	1,458,870	1,700,799	17
Municipal deposits	291,140	353,422	21
Accrued interest payable related to customer deposits	41,009	38,403	(6)
Issued securities	643,123	445,218	(31)
o/w Retail bonds	230,626	70,447	(69)
Issued securities without retail bonds	412,497	374,771	(9)
Other liabilities	579,263	508,517	(12)
Subordinated bonds and loans	291,495	267,162	(8)
Total shareholders' equity	**1,514,553**	**1,509,332**	**0**
Indicators	2012	2013	ppts
Loan/deposit ratio (FX adjusted)	116%	109%	(7)
Net loan/(deposit + retail bond) ratio (FX adjusted)	95%	89%	(6)
90+ days past due loan volume	1,442,646	1,463,645	1
90+ days past due loans/gross customer loans	19.1%	19.8%	0.7
Total provisions/90+ days past due loans	80.0%	84.4%	4.4
Consolidated capital adequacy - Basel2	2012	2013	%/ppts
Capital adequacy ratio (consolidated, IFRS)	19.7%	19.9%	0.2
Tier1 ratio	16.0%	17.4%	1.4
Core Tier1 ratio	14.7%	16.0%	1.3
Leverage (Total Assets/Shareholder's Equity)	6.7x	6.9x	
Regulatory capital (consolidated)	1,473,525	1,440,962	(2)
o/w Tier1 Capital	1,203,019	1,264,286	5
o/w Core Tier1 Capital	1,098,882	1,164,261	6
Hybrid Tier1 Capital	104,136	100,025	(4)
Tier2 Capital	270,849	177,043	(35)
Deductions from the regulatory capital	-343	-367	7
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	7,496,894	7,255,192	(3)
o/w RWA (Credit risk)	6,015,748	5,784,649	(4)
RWA (Market & Operational risk)	1,481,146	1,470,543	(1)
Closing exchange rate of the HUF	2012 HUF	2013 HUF	Change %
HUF/EUR	291	297	2
HUF/CHF	241	242	0
HUF/USD	221	216	(2)
HUF/100JPY	257	205	(20)

[1] As of 31 December 2013 on consolidated level out of HUF 272 billion exposure to municipalities the exposure to the Hungarian State amounted to HUF 102 billion.

[2] According to the announcement of OTP Bank Plc. on 28 February 2014 it holds 46.69% indirect ownership in KITE Mezőgazdasági és Szolgáltató Ltd. through the following companies: Inga Kettő Ltd., Összehangoló Ltd., Stabilizáló Ltd. and Bank Center No. 1. Ltd.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognised income (segmented):

Main components of the Statement of recognised income	2012 HUF million	2013 HUF million	Change %
Adjusted after tax profit without the effect of adjustments	94,587	114,879	21
Corporate income tax	(22,933)	(28,957)	26
Pre-tax profit	117,520	143,836	22
Operating profit	211,355	194,390	(8)
Total income	394,243	384,587	(2)
Net interest income	292,570	273,276	(7)
Net fees and commissions	85,820	91,507	7
Other net non-interest income	15,853	19,804	25
Operating expenses	(182,888)	(190,197)	4
Total risk costs	(90,056)	(54,094)	(40)
Provisions for possible loan losses	(86,986)	(48,899)	(44)
Other provisions	(3,070)	(5,194)	69
Total one-off items	(3,779)	3,539	(194)
Revaluation result of FX swaps	(2,528)	715	(128)
Gain on the repurchase of own Upper and Lower Tier2 Capital	1,415	0	(100)
Revaluation result of the treasury share swap agreement	(2,667)	2,824	(206)
Revenues by Business Lines			
RETAIL			
Total income	307,118	293,090	(5)
Net interest income	229,237	214,063	(7)
Net fees and commissions	74,692	75,599	1
Other net non-interest income	3,189	3,429	8
CORPORATE			
Total income	33,182	43,702	32
Net interest income	21,527	27,930	30
Net fees and commissions	10,723	14,770	38
Other net non-interest income	932	1,002	8
Treasury ALM			
Total income	49,061	44,426	(9)
Net interest income	41,806	31,283	(25)
Net fees and commissions	(63)	769	
Other net non-interest income	7,317	12,374	69
Performance Indicators	2012	2013	ppts
ROE	8.1%	9.4%	1.3
ROA	1.5%	1.8%	0.3
Operating profit margin (operating profit / avg. total assets)	3.3%	3.1%	(0.2)
Total income margin	6.17%	6.06%	(0.11)
Net interest margin	4.58%	4.31%	(0.27)
Net fee and commission margin	1.3%	1.4%	0.1
Net other non-interest income margin	0.2%	0.3%	0.1
Operating costs to total assets ratio	2.9%	3.0%	0.1
Cost/income ratio	46.4%	49.5%	3.1
Cost of risk/average gross loans	2.55%	1.56%	(0.99)
Cost of risk/average gross loans (FX adjusted)	2.58%	1.56%	(1.03)
Effective tax rate	19.5%	20.1%	0.6

- ***Accounting profit fell from 68 to 34 billion forint (-50% y-o-y), whereas adjusted after tax profit improved by 21% as a result of diminishing risk costs (-40%), gains on government bonds and one-off profits***
- ***Slowing DPD90+ loan formation y-o-y, the annual increase in the DPD90+ ratio is the lowest since the beginning of the crisis, partly due to recoveries related to real-estates sold to the National Asset Management Company***
- ***The provision coverage ratio increased further (2013: 85.2%, +3.3 ppts y-o-y)***
- ***Due to strong deposit collection the net loan-to-deposit ratio fell further (2013: 66%)***
- ***Corporate loans expanded partly as a result of the Funding for Growth Programme y-o-y (both SME and large company loans grew by 2% and 1%, respectively).***

P&L developments

Without the effect of adjustment items[5] **OTP Core** posted a net profit of HUF 114.9 billion in 2013, underpinning a 21% y-o-y increase. Decelerating portfolio deterioration coupled with a 40% decline in risk cost played a key role in the improvement, in addition gains realised on the available-for-sale government bonds reached HUF 8.3 billion in 2013 (vs. HUF 2.2 billion a year before) boosting the non-interest income line. Furthermore, HUF 3.5 billion one-off profit was realised in 2013 in relation to the treasury share swap agreement and the revaluation of FX swaps. In the base period on the contrary, a loss of HUF 3.8 billion was recognised, mainly on the same items.

The operating profit for the full year deteriorated by 8%. On the income side the net interest result melted down by 7% in parallel with a 27 bps lowering in the net interest margin (2012: 4.58%, 2013: 4.31%). Key reasons behind the smaller net interest income were as follows: deposit margins narrowed amid the declining yield environment, the interest-bearing loan portfolio shrank and the regulatory ceiling for interest rates on loans had an unfavourable effect, too. Furthermore the fixed exchange rate scheme available for FX mortgage borrowers had a negative impact of HUF 2.2 billion on net interest income in 2013 (mostly recognised in the first quarter). By the end of December around 30% of eligible borrowers of OTP Bank, OTP Mortgage Bank and OTP Flat Lease concluded 36,422 FX protection contracts, as a result loan volumes under the FX protection scheme reached HUF 248 billion, an equivalent of 45% of the outstanding FX mortgage portfolio of these companies.[6] The yearly deterioration of the net interest income was partly offset by gains realised on the available-for-sale government bond portfolio in the amount of HUF 8.3 billion versus HUF 2.2 billion realized in 2012. As a result, other net non-interest income expanded by 25% y-o-y. Operating income was hit by operating costs increasing by 4% y-o-y – mostly on the back of rising personnel expenses.

The annual risk cost moderated by 40%. In 2013 the portfolio deterioration was much slower than in 2012 (FX adjusted DPD90+ loan formation in HUF billion in 2012: 76, in 2013: 32). In 4Q 2013 DPD90+ volumes decreased by HUF 9 billion, that is the best reading since the onset of the crisis (2012 1Q: 20, 2Q: 34, 3Q: 12, 2013 1Q: 14, 2Q: 18, 3Q: 9, 4Q -9). Portfolio improvement of the last quarter of 2013 was induced mostly by declining non-performing mortgage loans partly in relation to recoveries from real estates sold to the National Asset Management Company. As an additional positive development, DPD90+ corporate and SME loans declined y-o-y, while the formation of DPD90+ consumer loans slowed from quarter to quarter in 2013. The overall DPD90+ ratio stood at 17.4% by end-2013 with the annual increase of the ratio being the lowest since 2008 (1.3% ppts), while showing the first time quarterly decline since the onset of the crisis (in 4Q 2013: -0.4 ppt q-o-q). The provision coverage of DPD90+ loans increased to 85.2% – up by 3.3 ppts y-o-y. Such high coverage is justified, because a project financing loan with principal amount at HUF 34 billion is expected to reach 90 days of delinquency in the first quarter of 2014. Should this default event materialise, *ceteris paribus* it would lower the provision coverage ratio of OTP Core by 5.1 ppts to 80.1% and the consolidated provision coverage by 1.9 ppts to 82.5%.

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

Main components of the balance sheet (closing balances)	2012 HUF million	2013 HUF million	Change %
Total Assets	6,229,359	6,454,938	4
Net customer loans	2,807,565	2,584,717	(8)
Net customer loans (FX adjusted)	**2,819,478**	**2,584,717**	**(8)**
Gross customer loans	3,234,343	3,034,469	(6)
Gross customer loans (FX adjusted)	**3,248,907**	**3,034,469**	**(7)**
Retail loans	2,186,423	2,017,466	(8)
Retail mortgage loans (incl. home equity)	1,626,829	1,479,182	(9)
Retail consumer loans	438,832	415,155	(5)
SME loans	120,762	123,129	2
Corporate loans	1,062,483	1,017,003	(4)
Loans to medium and large corporates	794,306	806,141	1
Municipal loans[1]	268,177	210,862	(21)
Provisions	(426,779)	(449,752)	5
Provisions (FX adjusted)	**(429,428)**	**(449,752)**	**5**

[5] Special tax on financial institutions, one-timer extra payment of the financial transaction duty, goodwill/investment impairment charges, dividends/net cash transfers, the impact of early repayment of FX mortgage loans in Hungary, the fine imposed by the Hungarian Competition Authority and the tax impact of the transfer of general risk reserves to retained earnings.

[6] From November 2013 borrowers in more than 90 days of delay or participating in other financial relief programme of the banks or having a principal of over HUF 20 million equivalent at the initiation of the contract gained eligibility.

Main components of the balance sheet (closing balances)	2012 HUF million	2013 HUF million	Change %
Deposits from customers + retail bonds	3,863,322	3,903,396	1
Deposits from customers + retail bonds (FX adjusted)	**3,869,974**	**3,903,396**	**1**
Retail deposits + retail bonds	2,571,768	2,345,633	(9)
Household deposits + retail bonds	2,260,959	2,004,269	(11)
o/w: Retail bonds	230,626	70,447	(69)
SME deposits	310,809	341,364	10
Corporate deposits	1,298,206	1,557,763	20
Deposits of medium and large corporates	1,058,307	1,254,574	19
Municipal deposits	239,898	303,189	26
Liabilities to credit institutions	403,947	591,856	47
Issued securities without retail bonds	249,012	276,916	11
Total shareholders' equity	1,195,655	1,244,473	4
Loan Quality	2012	2013	%/ppts
90+ days past due loan volume	521,062	527,591	1
90+ days past due loans/gross customer loans	16.1%	17.4%	1.3
Total provisions/90+ days past due loans	81.9%	85.2%	3.3
Market Share	2012	2013	ppts
Loans	19.0%	19.0%	0.0
Deposits	23.0%	23.7%	0.8
Total Assets	26.6%	26.9%	0.3
Performance Indicators	2012	2013	ppts
Net loans to (deposits + retail bonds) (FX adjusted)	73%	66%	(7)
Leverage (Shareholder's Equity/Total Assets)	19.2%	19.3%	0.1
Leverage (Total Assets/Shareholder's Equity)	5,2x	5,2x	
Capital adequacy ratio (OTP Bank, non-consolidated, HAS)	20.4%	23.0%	2.6
Tier1 ratio (OTP Bank, non-consolidated, HAS)	19.3%	23.0%	3.7

[1] As of 31 December 2013 out of HUF 211 billion exposure to municipalities the exposure to the Hungarian State amounted to HUF 102 billion.

Balance sheet trends

During 2013 FX-adjusted gross loans of OTP Core decreased by 7% y-o-y mainly as a result of further contraction in the mortgage portfolio (-9%) and shrinking consumer loan volumes (-5%).

It was encouraging, however that the Funding for Growth Programme initiated by the Hungarian National Bank gave boost to corporate loan expansion: the volume of OTP Bank's loans[7] to Hungarian companies expanded further (+8% y-o-y), while the portfolio of the Hungarian financial institutions excluding OTP dropped by 8%. Consequently, the market share of OTP Group in loans to Hungarian companies[8] increased to 12.4% (up by 1.8 ppts y-o-y). The 21% y-o-y drop in municipality loans was the result of the debt consolidation of Hungarian local governments[9].

During 2013 in the first phase of the Funding for Growth Programme OTP Group managed to conclude contracts with a principal value of HUF 91 billion. Out of that amount HUF 71 billion was originated under the first pillar, within that new placements represented 62%. The second phase of the Programme was opened for the clients from the beginning of October 2013. The initial size of funding available for banks was set at HUF 500 billion, however this time the funding will not be allocated to banks, but banks can withdraw funding in line with approved client applications.

The erosion of the mortgage loan book continued. Positive though, that mortgage loan applications[10] for the first time since 2010 showed a significant increase y-o-y reflecting the positive impact of the new State subsidized housing loan programme (application in HUF billion, 2012[11]: 74, 2013: 80, +8% y-o-y, loan origination: 2012[12]: 49, 2013: 55, +11% y-o-y). In 2013 at OTP, applications for subsidised housing loans with the amount of HUF 24 billion represented 43% of total housing loan applications and 30% of total mortgage loan applications. OTP's market share in mortgage loan origination remained outstanding (2013: 29%).

Despite the dominant market share in new cash loan sales (2013: 52%) there was no expansion in the volume of these loans either. OTP Bank's sales performance remained close to previous year's level (in HUF billion: 2012: 46, 2013: 45), the cash loan portfolio slightly contracted. Thus the total consumer loan book was down by 5% y-o-y, too.

[7] The calculation is based on the supervisory balance sheet of the Hungarian National Bank: estimated FX adjusted change of the portfolio of „Loans to enterprises – Non-financial and other financial enterprises".

[8] Based on the balance sheet data provision to the Hungarian National Bank (MNB), calculated from the aggregated financials for the „Loans to non-financial companies, other-financials companies and non-profit organisations supporting households" line of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil Bank.

[9] By end-June 2013 out of the total debt of local governments with more than 5 thousands inhabitants HUF 41.5 billion equivalent was prepaid, while HUF 101.2 billion equivalent was refinanced by a loan originated by OTP Bank for the Government Debt Management Agency. The latter exposure continues to be recognised as a municipal loan in the balance sheet of OTP Bank.

[10] Without applications for refinancing forint loans under the early repayment programme of FX mortgage loans.

[11] Without applications for refinancing forint loans under the early repayment programme of FX mortgage loans.

[12] Without loans taken out for refinancing forint loans under the early repayment programme of FX mortgage loans.

Deposits (including retail bonds) grew by 1% y-o-y. On an annual basis only retail deposits melted down to a great extent due to the lower yield environment and the crowding out effect of appealing investment alternatives (e.g. government bonds and mutual funds).

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfer and banking tax	2,040	3,596	76
Corporate income tax	(257)	(603)	135
Profit before income tax	2,297	4,200	83
Operating income	2,262	4,140	83
Total income	4,633	6,314	36
Net interest income	55	0	(100)
Net fee and commission income	4,516	6,393	42
Other net non-interest income	62	(78)	(226)
Operating expenses	(2,371)	(2,174)	(8)
Other provisions	35	59	69
Main components of balance sheet closing balances	2012	2013	%
Total assets	6,617	9,014	36
Total shareholders' equity	5,092	6,808	34
Asset under management	2012 HUF billion	2013 HUF billion	%
Assets under management, total (w/o duplicates)	**1,077**	**1,384**	**28**
Retail investment funds (closing, w/o duplicates)	672	993	48
Volume of managed assets (closing, w/o duplicates)	405	391	(3)
Volume of investment funds (with duplicates)	**771**	**1,085**	**41**
money market	388	429	11
bond	139	318	129
mixed	11	17	55
security	94	83	(12)
guaranteed	89	105	18
other	50	133	166

In 2013 **OTP Fund Management** posted a y-o-y 76% higher, HUF 3.6 billion after tax profit, excluding the special banking tax on financial institutions. The y-o-y 83% improvement of operating income was induced by favourable dynamics in net fees (+42%) in line with the expanding volume of assets under management. Operating expenses were 8% lower compared to the base year.

The series of rate cuts started in August 2012 made investment funds soaring over the last 15 months. The asset of Hungarian investment funds expanded by 36% in the market, with bond funds attracting most of the fresh money, especially short-term constructions turned to be popular. The asset of money market funds – representing the largest fund category – expanded by 18% y-o-y, while private equity funds suffered capital withdrawal.

The volume of asset under management of OTP Fund Management increased by 28% y-o-y, nearly three times higher over the level of increase in the base period. Asset growth represented HUF 280 billion in 2013. The indisputable winners of capital inflow were OTP Premium Money Market Fund, OTP Optima and OTP Supra. At the same time equity funds suffered further asset decline. The company's market share (without duplication) represented 26.9% by end-December 2013 (+1 ppt y-o-y).

The other two consolidated fund management companies within the Group (in Ukraine and Romania) posted HUF 84 million profits in 2013.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	501	1,951	289
Income tax	(11)	(58)	427
Profit before income tax	512	2,009	292
Operating profit	7,956	6,341	(20)
Total income	13,994	12,478	(11)
Net interest income	15,346	14,553	(5)
Net fees and commissions	(3,106)	(2,971)	(4)
Other net non-interest income	1,755	895	(49)
Operating expenses	(6,038)	(6,136)	2
Total risk costs	(7,444)	(4,332)	(42)
Provision for possible loan losses	(7,710)	(4,755)	(38)
Other provision	267	423	58
Main components of balance sheet closing balances	2012	2013	%
Total assets	242,982	282,780	16
Gross customer loans	267,744	257,485	(4)
Gross customer loans (FX-adjusted)	268,578	257,485	(4)
Retail loans	4,042	6,524	61
Corporate loans	39,881	61,676	55
Car financing loans	224,655	189,284	(16)
Allowances for possible loan losses	(47,891)	(34,403)	(28)
Allowances for possible loan losses (FX-adjusted)	(47,925)	(34,403)	(28)
Deposits from customers	4,276	5,945	39
Deposits from customers (FX-adjusted)	4,276	5,945	39
Retail deposits	1,321	2,234	69
Corporate deposits	2,955	3,711	26
Liabilities to credit institutions	172,987	210,004	21
Total shareholders' equity	26,293	27,486	5
Loan Quality	2012	2013	%/ppts
90+ days past due loan volume (in HUF million)	51,414	37,405	(27.2)
90+ days past due loans/gross customer loans (%)	19.2%	14.5%	(4.7)
Cost of risk/average gross loans (%)	2.69%	1.81%	(0.88)
Cost of risk/average gross loans (FX-adjusted) (%)	2.74%	1.81%	(0.93)
Total provisions/90+ days past due loans (%)	93.1%	92.0%	(1.1)
Performance Indicators	2012	2013	ppts
ROA	0.2%	0.7%	0.5
ROE	1.9%	7.3%	5.4
Net interest margin	5.97%	5.54%	(0.43)
Cost/income ratio	43.2%	49.2%	6.0

Merkantil Bank and Car's aggregated 2013 after tax result amounted to HUF 2 billion (excluding special tax on financial institutions), which is almost four times higher than a year ago.

The y-o-y 20% decline in operating result was driven by decreasing total income, operating expenses rose by only 2% on yearly basis.

In 2013 net interest income dropped by 5% compared to the base period. Net interest margin continued eroding: in 2013 it came down by 44 bps to 5.54%. The yearly setback of other revenues in 2013 stems from a one-off accounting entry.[13]

The ratio of DPD90+ loans decreased to 14.5% (-4.7 ppts y-o-y). The provision coverage ratio didn't change notably in 2013.

The FX-adjusted car financing loan book continued eroding: it contracted by 16% y-o-y. The relatively fast pace of the yearly decline is explained by write-off and sales of non-performing loan portfolios with a total amount of HUF 17.8 billion in the last 12 months – adjusted for this effect the reduction would have been only 8%. In 2013 new car financing loan disbursements kept on growing (+19% y-o-y). The 55% growth of corporate loan volumes y-o-y reflects new loan disbursements under the Funding for Growth Scheme.

[13] The yearly setback of other revenues in 2013 can be explained mainly by the sale of receivables 100% covered by provisions. The write-off of those receivables was booked on other revenues line, while the provision release affected other provisions.

IFRS REPORTS OF THE MAIN SUBSIDIARIES

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends and net cash transfer	24,214	30,223	25
Income tax	(3,329)	(3,536)	6
Profit before income tax	27,543	33,760	23
Operating profit	58,927	55,090	(7)
Total income	95,732	92,966	(3)
Net interest income	74,671	72,908	(2)
Net fees and commissions	16,875	18,208	8
Other net non-interest income	4,186	1,849	(56)
Operating expenses	(36,804)	(37,876)	3
Total provisions	(31,384)	(21,330)	(32)
Provision for possible loan losses	(31,153)	(20,723)	(33)
Other provision	(230)	(608)	164
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	1,292,031	1,343,595	4
Gross customer loans	1,143,861	1,138,014	(1)
Gross customer loans (FX-adjusted)	1,165,889	1,138,014	(2)
Retail loans	908,548	899,346	(1)
Corporate loans	257,342	238,668	(7)
Allowances for possible loan losses	(178,538)	(201,300)	13
Allowances for possible loan losses (FX-adjusted)	(181,934)	(201,300)	11
Deposits from customers	979,054	1,054,713	8
Deposits from customer (FX-adjusted)	996,850	1,054,713	6
Retail deposits	877,333	927,122	6
Corporate deposits	119,517	127,591	7
Liabilities to credit institutions	36,356	44,351	22
Subordinated debt	43,901	0	(100)
Total shareholders' equity	209,187	220,752	6
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	210,664	228,539	8
90+ days past due loans/gross customer loans (%)	18.4%	20.1%	1.7
Cost of risk/average gross loans (%)	2.63%	1.82%	(0.81)
Cost of risk/average (FX-adjusted) gross loans (%)	2.67%	1.80%	(0.87)
Total provisions/90+ days past due loans (%)	84.8%	88.1%	3.3
Performance Indicators	**2012**	**2013**	**ppts**
ROA	1.8%	2.3%	0.5
ROE	11.6%	14.1%	2.5
Total income margin	7.22%	7.05%	(0.17)
Net interest margin	5.63%	5.53%	(0.10)
Cost/income ratio	38.4%	40.7%	2.3
Net loans to deposits (FX-adjusted)	99%	89%	(10)
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/BGN (closing)	148.9	151.8	2
HUF/BGN (average)	148.0	151.8	3

- ***The after tax profit grew by 25% in 2013 as a result of lower operating result and smaller risk cost***
- ***Due to weak demand the recovery of lending business is still to come, at the same time the portfolio deterioration slowed down (DPD90+ ratio: 20.1% -1.7 ppts y-o-y) and provision coverage increased further (2013: 88.1%)***
- ***Increasing FX-adjusted deposit book and declining net loans resulted diminishing net loan-to-deposit ratio (2013: 89%, -10 ppts y-o-y)***

DSK Group reached HUF 30.2 billion after tax profit in 2013 underpinning a 25% increase over the base period. Improving annual profitability was stemming mainly from the 32% lower risk cost while operating income deteriorated by 7%.

On the income side net interest result melted down by 2% y-o-y. The change in interest accrual methodology starting from October 2012 played a key role in this setback (the Bank no longer accrues interest on DPD180+ loans and also terminated the related provisioning) and lower interest income was realized on diminishing loan book (-2% y-o-y), whereas net interest margin for the full year decreased to 5.53%.

Net fees grew across the board (+8% y-o-y). Other revenues fell by 56%, driven partly by the non-realized loss on government securities.

Operating expenses grew by 3% on a yearly basis, owing mainly to personnel expenses. The development of other costs was determined mainly by higher deductible taxes and supervisory fees. As for the FX-adjusted formation of DPD90+ loan volumes, after the spike experienced in the second quarter of 2013 relating mainly to corporate loans, in the second half of the year it moderated significantly (quarterly change of DPD90+ loan volumes in HUF billion: 2Q: 9.1, 3Q: 2.9, 4Q: 0.1). Sale or write-down of non-performing loans (in the amount of HUF 1.6 billion) was booked only in the fourth quarter of the year, mainly corporate exposures were involved.

Parallel with the moderate pace of portfolio deterioration risk cost fell back by 32%, whereas the provision coverage ratio improved by 3.3 ppts, standing at 88% by end-2013.

The loan book contracted by 2% y-o-y (adjusted for FX-effect). Retail lending remained sluggish: the mortgage loan portfolio kept slowly eroding on yearly basis (-3%), despite strengthening sales. The new origination of consumer loans decreased gradually with slightly increasing lending rates from 2H.

The FX-adjusted deposit base – despite persistently lower interest rate versus market rate – increased by 3% q-o-q and by 6% y-o-y. In the retail segment the expansion of sight deposit base continued.

The capital position of DSK Bank remained strong: by end-December the capital adequacy ratio stood at 16.3%. The BGN 293 million subordinated loan with original maturity date of 2016 was paid back by DSK Bank to the mother company in the fourth quarter. The purpose of the transaction was to reduce liabilities to the mother company due to the improving liquidity position.

From mid-2013 DSK launched a project targeting SME and corporate clients with the aim of improving efficiency and potentially market share both in lending and deposit collection. That would include network rationalization, as well as product development and target-oriented customer segmentation. The project is to be completed by mid-2014.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	47,158	2,356	(95)
Income tax	(13,690)	(1,051)	(92)
Profit before income tax	60,849	3,409	(94)
Operating profit	121,541	124,223	2
Total income	193,273	207,493	7
Net interest income	170,001	184,041	8
Net fees and commissions	20,998	21,990	5
Other net non-interest income	2,273	1,462	(36)
Operating expenses	(71,732)	(83,270)	16
Total risk costs	(60,692)	(120,814)	99
Provision for possible loan losses	(59,567)	(121,310)	104
Other provision	(1,126)	496	(144)
Main components of balance sheet closing balances	2012	2013	%
Total assets	1,027,763	940,320	(9)
Gross customer loans	843,424	833,223	(1)
Gross customer loans (FX-adjusted)	765,491	833,223	9
Retail and SME loans	730,480	792,928	9
Corporate loans	28,889	36,911	28
Car financing loans	6,122	3,384	(45)
Allowances for possible loan losses	(129,491)	(160,989)	24
Allowances for possible loan losses (FX-adjusted)	(117,150)	(160,989)	37
Deposits from customers	590,958	554,645	(6)
Deposits from customer (FX-adjusted)	542,864	554,645	2
Retail and SME deposits	432,160	429,805	(1)
Corporate deposits	110,703	124,840	13
Liabilities to credit institutions	75,112	56,343	(25)
Issued securities	118,063	101,969	(14)
Subordinated debt	16,399	15,728	(4)
Total shareholders' equity	191,883	177,906	(7)

Loan Quality	2012	2013	%/ppts
90+ days past due loan volume (in HUF million)	140,239	150,982	7.7
90+ days past due loans/gross customer loans (%)	16.6%	18.1%	1.5
Cost of risk/average gross loans (%)	7.57%	14.47%	6.90
Cost of risk/average (FX-adjusted) gross loans (%)	8.46%	15.18%	6.72
Total provisions/90+ days past due loans (%)	92.3%	106.6%	14.3
Performance Indicators	2012	2013	ppts
ROA	5.0%	0.2%	(4.7)
ROE	28.0%	1.3%	(26.7)
Total income margin	20.39%	21.09%	0.70
Net interest margin	17.93%	18.70%	0.77
Cost/income ratio	37.1%	40.1%	3.0
Net loans to deposits (FX-adjusted)	119%	121%	2
FX rates	2012 HUF	2013 HUF	Change %
HUF/RUB (closing)	7.26	6.55	(10)
HUF/RUB (average)	7.25	7.03	(3)

- ***Due to doubling risk cost y-o-y the HUF 2.4 billion net result for 2013 is only a fraction of previous year's profit***
- ***2013 total income grew by 7%***
- ***Further portfolio deterioration, improving DPD90+ coverage (2013: 106.6%)***
- ***Consumer loans grew by 21% y-o-y (adjusted for loan sale/write-off)***
- ***Growing branch network and slightly higher cost/income ratio: 2013 40.1% (+3 ppts y-o-y)***

After tax profit of **OTP Bank Russia** for 2013 amounted to HUF 2.4 billion which is a fraction of the 2012 profit. The significant drop in 2013 profits is attributable partly to higher risk cost due to methodology changes in provisioning, and also the weaker net interest income as a result of the higher provisions on interest on non-performing loans and write-off of interest related to non-performing loans. Combined after-tax effect of these methodological changes on 4Q results was about HUF 13 billion.

Total income in 2013 increased by 7%, within that net interest income grew by 8% while net fees were up by 5%. The increase in total income was fuelled by the growth of the loan portfolio, while net interest margin improved (2013: 18.7%, +0.8 ppt y-o-y) and net fee margin was stable. Net interest income could improve in 2013 despite the fact that non-accrued interest of non-performing loans more than doubled (+135% y-o-y in RUB terms) due to higher volume of non-performing loans and the newly introduced methodological changes to provisioning. Increase in net fees was driven by the still outstandingly strong dynamics of the credit card business. Operating expenses grew in 2013 (+16% y-o-y), mainly due to the stronger business activity, the cost of newly opened 54 branches (number of branches reached 200 by end-2013) and the advisory expenses related to the transformation project since 2Q 2013. In the course of the year number of employees grew by 843 to 6,020. The number of active sales points exceeded 32 thousand by end-2013. Accordingly, 2013 operating profit was higher by only 2% on yearly basis, cost/income ratio grew by 3 ppts to 40.1% y-o-y.

In 4Q the total loan portfolio deteriorated less than in the previous 2 quarters (2Q: +26, 3Q +23, 4Q +22 billion HUF increase in DPD90+ loans adjusted for sales, write-off and FX-effect), nevertheless, on yearly basis new formation of non-performing loans was substantial (2012: +54, 2013: +89 billion HUF). Risk cost almost doubled y-o-y due to changes in provisioning methodology (effect of methodology changes on risk cost: about HUF 11.5 billion) and the deteriorating loan portfolio. In 2013 RUB 10.8 billion non-performing was sold or written-off which improved significantly the DPD90+ ratio and the coverage of the DPD90+ portfolio. DPD90+ ratio increased by 1.5 ppts to 18.1% y-o-y by the end of December, without the portfolio cleaning the ratio would have been 23.7%. The DPD90+ ratio worsened in all segments but corporate loans. Due to the higher risk cost, coverage of DPD90+ loans improved significantly (2013: 106.6%, +14.3 ppts y-o-y).

Consumer loans remained the main products of the bank, however, total volumes are influenced by the effects of internal and external measures, that eventually result in portfolio shrinkage. In the course of 2H 2013 the Bank's main targets were the improvement of the profitability of consumer loan products and improvement of the risk profile of these portfolios. The new measures introduced by the supervisory authorities were aimed at cutting back market growth. The overall consumer lending market was less so characterised by the strong seasonal increase as in the previous years, consequently OTP Russia's consumer loan portfolio grew by 10% in 2013. Adjusted for sale and write-off of non-performing loans, this change was +21%.

In case of POS loan products, the 2013 disbursements were 7% below the last year's performance; but the bank still keeps its second position in the market. With regards to credit card business, the bank showed robust growth (+35% y-o-y adjusted for sales and write-offs). The kept its ranking on the market, currently being the seventh largest player in this segment. Cash loan disbursements were picking up; the adjusted portfolio growth was 42% compared to end-2012.

Other retail and SME lending products sale is still muted. Among the corporate banking products the Russian bank rather focuses on trade finance, bank guarantee, treasury products and documentary businesses.

In 2013 FX-adjusted total deposits grew by 2% y-o-y. Retail deposits grew by 3% y-o-y. FX-adjusted net loan-to-deposit ratio increased by 2 ppts y-o-y to 121%. The Russian bank made no bond issuance in the last 12 months.

The capital adequacy ratio of the Russian bank stood at 14.2% at the end of December 2013, underpinning a 2 ppts decrease y-o-y.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L Account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends and net cash transfer	528	6,716	
Corporate income tax	(2,180)	(4,447)	104
Profit before income tax	2,708	11,163	312
Operating profit	33,511	40,285	20
Total income	64,510	72,811	13
Net interest income	49,586	53,385	8
Net fees and commissions	12,634	17,020	35
Other net non-interest income	2,289	2,406	5
Operating expenses	(30,998)	(32,526)	5
Total risk costs	(30,804)	(29,122)	(5)
Provision for possible loan losses	(30,597)	(27,431)	(10)
Other provision	(207)	(1,692)	717
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	653,603	617,730	(5)
Gross customer loans	683,478	666,425	(2)
Gross customer loans (FX-adjusted)	665,009	666,425	0
Retail loans	301,183	316,443	5
Corporate loans	328,332	313,536	(5)
Car financing loans	35,494	36,447	3
Allowances for possible loan losses	(196,132)	(183,559)	(6)
Allowances for possible loan losses (FX-adjusted)	(191,239)	(183,559)	(4)
Deposits from customers	243,132	240,843	(1)
Deposits from customer (FX-adjusted)	237,188	240,843	2
Retail and SME deposits	163,774	156,150	(5)
Corporate deposits	73,414	84,693	15
Liabilities to credit institutions	242,571	208,352	(14)
Subordinated debt	42,925	41,071	(4)
Total shareholders' equity	112,464	113,236	1
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	248,671	230,744	(7)
90+ days past due loans/gross customer loans (%)	36.4%	34.6%	(1.8)
Cost of risk/average gross loans (%)	4.13%	4.06%	(0.07)
Cost of risk/average (FX-adjusted) gross loans (%)	4.43%	4.12%	(0.31)
Total provisions/90+ days past due loans (%)	78.9%	79.6%	0.7
Performance Indicators	**2012**	**2013**	**ppts**
ROA	0.1%	1.1%	1.0
ROE	0.5%	6.0%	5.5
Total income margin	9.01%	11.45%	2.44
Net interest margin	6.93%	8.40%	1.47
Cost/income ratio	48.1%	44.7%	(3.4)
Net loans to deposits (FX-adjusted)	200%	200%	0
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/UAH (closing)	27.38	26.17	(4)
HUF/UAH (average)	27.85	27.43	(2)

- ***HUF 6.7 billion net profit boosted by y-o-y 20% higher operating results and by 5% lower risk costs***
- ***Dynamic growth of consumer loans with accelerating cash loan and credit card disbursement due to outstanding sales performance and successful cross-sale activity***
- ***The DPD90+ ratio decreased to 34.6% (-1.8 ppts y-o-y) along with stagnating FX-adjusted loan book and decelerating new DPD90+ volumes***
- ***Amid expanding consumer lending the cost-to-income ratio improved (2013: 44.7%, -3.4% ppts y-o-y)***

OTP Bank Ukraine posted HUF 6.7 billion after tax profit in 2013 against HUF 0.5 billion realized in 2012. The outstanding profitability improvement was boosted by strong operating results (+20% y-o-y), while risk costs moderated by 5%. In 4Q the bank reached HUF 1.8 billion net results thus it was already the 6th consecutive quarters when it made profit. As a result, in 2013 the bank's profit contribution to the consolidated earnings represented 5% versus 0.4% in 2012.

As for the main components of net earnings: in line with soaring disbursements of high-margin consumer loans – especially POS and cash loans – and parallel with the decline in interest expense attributable to lower interest rates on stagnating deposit volumes, net interest income grew. Also, in the corporate segment there was a shift into higher margin hryvnia loans, the overall volume of dollar-based loans declined amid lower lending rates. As a result, the yearly net interest margin improved by 1.47% ppts.

The remarkable y-o-y increase (35%) of net fee and commission income was related to the insurance fee income on consumer loans sold with payment protection policies. The overall volume of those loans increased substantially during 2013. Also, in 4Q there was a change in accounting methodology of those insurance fees: against the previous practice of booking those fees by 1 month after the disbursement of the loan, the bank started to recognise the fee income in the month of the disbursement. As a result in 4Q the bank practically recognised 4 months of such fees. Furthermore, stronger fee income was also supported by a pick-up in credit card related transactions.

The 5% y-o-y increase of operating expenses (FX-adjusted) was reasoned by higher costs related to enhanced consumer lending and stronger focus on agent-based distribution. Higher y-o-y other expenses were mainly due to higher collection-related legal advisory fees and supervisory fees related to deposit insurance. In the process of network rationalization 10 branches were closed in 2013, while the number of selling agents (own and contracted) increased further and reached 3.965 people. As a result of those developments the cost-to-income ratio improved by 3.4 ppts y-o-y to 44.7%.

The DPD90+ ratio (34.6%) declined by 1.8 ppts y-o-y supported by higher gross loan volumes, but also by slower portfolio deterioration (FX-adjusted quarterly DPD90+ loan formation in HUF billion: 1Q 2013: 4, 2Q: 18, 3Q: 0, 4Q: 2). The DPD90+ ratio of the consumer portfolio improved substantially (2013: 9.4% versus 11.0% in 2012) on the back of strong lending dynamics and falling default rates of new disbursements. The overall portfolio deterioration decelerated in 2H and DPD90+ volumes shrank due to portfolio write-offs and sales, risk costs decreased by 5% y-o-y. As a result, the coverage ratio of DPD90+ loans improved (79.6%).

The FX-adjusted loan portfolio stagnated on a yearly base. As a result of promotional campaigns and the development of the agent network the consumer portfolio showed a remarkable growth (+126% y-o-y), the share of consumer loans within the retail segment reached 28% (2012: 13%). Out of the total consumer book cash loans represented 40% by December, their volumes increased almost 6-folds y-o-y and especially disbursements for the fourth quarter were strong. Customer demand for POS-loans was more moderate, their book grew "only" by 24% y-o-y. Both the mortgage and the SME sector lacked recovery.

On the liability side the shift from interbank facilities towards deposit-based financing continued. The FX-adjusted deposit base – being the key source of the hryvnia liquidity for the growing need of consumer lending – grew by 2% on a yearly basis. The volume of retail deposits, representing the bulk of total deposit book, diminished further (-5% y-o-y) coupled with a slight decrease in the bank's market share. Corporate deposits, mainly in hryvnia, however kept growing by 15% y-o-y. As a result, the FX-adjusted net loan-to-deposit ratio stood at 200% by end-2013.

During 2013 the Ukrainian subsidiary paid back a substantial part of its intra-group funding in the amount of HUF 30 billion equivalent. The capital adequacy of the bank reached 20.6% by end-2013.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	(5,530)	(4,143)	(25)
Income tax	579	0	(100)
Profit before income tax	(6,109)	(4,143)	(32)
Operating profit	6,495	7,147	10
Total income	19,811	20,375	3
Net interest income	15,916	14,254	(10)
Net fees and commissions	1,677	2,269	35
Other net non-interest income	2,218	3,852	74
Operating expenses	(13,317)	(13,228)	(1)
Total risk costs	(12,604)	(11,290)	(10)
Provision for possible loan losses	(12,440)	(11,109)	(11)
Other provision	(164)	(181)	10
Main components of balance sheet closing balances	2012	2013	%
Total assets	461,458	449,789	(3)
Gross customer loans	392,608	407,380	4
Gross customer loans (FX-adjusted)	396,829	407,380	3
Retail loans	308,877	314,539	2
Corporate loans	87,952	92,841	6
Allowances for possible loan losses	(45,583)	(55,094)	21
Allowances for possible loan losses (FX-adjusted)	(46,026)	(55,094)	20
Deposits from customers	155,348	200,514	29
Deposits from customers (FX-adjusted)	157,090	200,514	28
Retail deposits	130,160	143,342	10
Corporate deposits	26,930	57,172	112
Liabilities to credit institutions	239,464	206,315	(14)
Total shareholders' equity	32,581	29,100	(11)
Loan Quality	2012	2013	%/ppts
90+ days past due loan volume (in HUF million)	62,388	72,595	16
90+ days past due loans/gross customer loans (%)	15.9%	17.8%	1.9
Cost of risk/average gross loans (%)	3.16%	2.78%	(0.38)
Cost of risk/average gross loans (FX-adjusted) (%)	3.23%	2.76%	(0.47)
Total provisions/90+ days past due loans (%)	73.1%	75.9%	2.8
Performance Indicators	2012	2013	ppts
ROA	(1.2%)	(0.9%)	0.3
ROE	(18.2%)	(13.4%)	4.8
Total income margin	4.30%	4.47%	0.17
Net interest margin	3.45%	3.13%	(0.32)
Cost/income ratio	67.2%	64.9%	(2.3)
Net loans to deposits (FX-adjusted)	223%	176%	(47)
FX rates	2012 HUF	2013 HUF	Change %
HUF/RON (closing)	65.7	66.3	1
HUF/RON (average)	65.0	67.2	3

OTP Bank Romania realized HUF 4.1 billion loss in 2013, 25% lower than in the base period.

The annual operating result advanced by 10%, reflecting both the strict cost control pursued by the Bank and the 3% increase in total revenues. Within revenues, the net interest income showed a 10% setback over 2013, explained mainly by the elevated interest expenses on customer deposits. Furthermore, interest revenues were negatively influenced by the deterioration of loan quality. However, in line with the Bank's strategy, the weight of consumer loans (carrying higher interest rates) is gradually increasing in the balance sheet being supportive to the net interest revenues. After the gradual and trend-like decline in net interest margin in the last two years, in the second half of 2013 it showed a turnaround and started improving.

The 35% growth of annual net fee and commission income was mainly due to the strengthening business activity. The other net non-interest income was primarily driven by the improving FX result.

The operating expenses were under control, the 1% cost saving in 2013 reflects lower other expenses, while personnel expenses remained practically unchanged.

Although the ratio of loans with more than 90 days of delay increased further in 2013 (by 1.9 ppts to 17.8%), in the fourth quarter of 2013 it showed a quarterly drop for the first time in two years. The pace of DPD90+ loan formation moderated (adjusted for FX rate changes and loan sales and write-downs). The annual risk cost went down by 10%, still resulting in a 2.8 ppts rise in the provision coverage ratio (to 75.9%).

Gross loans expanded by 3% y-o-y adjusted for the FX-effect. In 2013 cash loans remained in the focus of sales efforts; thanks to disbursements growing to 2.5-fold cash loan volumes doubled in the last 12 months. Mortgage loan volumes kept on eroding (-5% y-o-y), while corporate loans grew by 6%.

Deposits grew by a remarkable 28% pace y-o-y. Household deposits expanded altogether by 17% in the course of 2013, however they stagnated in the second half of 2013. Parallel with general market trends, from the second quarter of 2013 the Bank started to lower household deposit rates. In addition to this, pricing steps have been made in order to bring down funding costs even in the corporate segment. Corporate deposits more than doubled on a yearly basis.

The Bank's capital adequacy ratio came down from 15.6% in December 2012 to 12.7% in December 2013. The number of branches declined by 5 units to 84.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	3,714	2,210	(41)
Income tax	(1,039)	(587)	(44)
Profit before income tax	4,754	2,797	(41)
Operating profit	8,497	7,910	(7)
Total income	22,550	22,697	1
Net interest income	16,220	16,010	(1)
Net fees and commissions	4,660	4,878	5
Other net non-interest income	1,670	1,808	8
Operating expenses	(14,052)	(14,787)	5
Total risk costs	(3,744)	(5,113)	37
Provision for possible loan losses	(2,988)	(5,142)	72
Other provision	(756)	29	(104)
Main components of balance sheet closing balances	2012	2013	%
Total assets	519,570	538,112	4
Gross customer loans	351,410	379,177	8
Gross customer loans (FX-adjusted)	356,608	379,177	6
Retail loans	228,996	232,845	2
Corporate loans	126,802	145,935	15
Car financing loans	810	396	(51)
Allowances for possible loan losses	(23,740)	(29,213)	23
Allowances for possible loan losses (FX-adjusted)	(23,992)	(29,213)	22
Deposits from customers	407,754	421,276	3
Deposits from customer (FX-adjusted)	412,605	421,276	2
Retail deposits	365,764	375,582	3
Corporate deposits	46,841	45,694	(2)
Liabilities to credit institutions	37,832	40,944	8
Subordinated debt	1,489	1,521	2
Total shareholders' equity	59,813	62,880	5
Loan Quality	2012	2013	%/ppts
90+ days past due loan volume (in HUF million)	38,892	47,493	22.1
90+ days past due loans/gross customer loans (%)	11.1%	12.5%	1.4
Cost of risk/average gross loans (%)	0.82%	1.41%	0.59
Cost of risk/average (FX-adjusted) gross loans (%)	0.84%	1.40%	0.56
Total provisions/90+ days past due loans (%)	61.0%	61.5%	0.5
Performance Indicators	2012	2013	ppts
ROA	0.7%	0.4%	(0.3)
ROE	6.3%	3.6%	(2.7)
Total income margin	4.30%	4.29%	(0.01)
Net interest margin	3.09%	3.03%	(0.06)
Cost/income ratio	62.3%	65.1%	2.8
Net loans to deposits (FX-adjusted)	81%	83%	2
FX rates	2012 HUF	2013 HUF	Change %
HUF/HRK (closing)	38.59	38.94	1
HUF/HRK (average)	38.48	39.18	2

OTP banka Hrvatska posted HUF 2.2 billion after tax profit in 2013 against HUF 3.7 billion in the base period. The 7% lower operating result y-o-y and increasing risk costs (+37%) explain the diminishing net earnings.

In 2013 net interest income moderated by 1%. In spite of increasing gross loan book, the pricing of deposits didn't follow changes in reference rates to the same extent as for loans, thus the annual net interest margin shrank by 6 basis points.

Net fees improved by 5% y-o-y mainly due to higher utilization of deposit and money transfer services in the wake of the growing deposit book. Non-interest income increased by 8% compared to the base period. The operating costs in 2013 expanded moderately by 5% y-o-y.

The share of loans with more than 90 days of delay reached 12.5% by the end of 2013, underpinning a y-o-y 1.5 ppts deterioration. Annual risk costs went up by 37% y-o-y, mainly due to ongoing litigations on CHF mortgage loans (litigation related provisioning represented HUF 1.2 billion in 2013). Furthermore, the Croatian authorities prescribed stricter provisioning for banks, which also affected the risk costs of the corporate segment. In 2013 the coverage ratio of DPD90+ loans improved to 61.5%.

The gross loan portfolio advanced by 6% y-o-y FX-adjusted. The yearly increase was mainly stemming from the municipal segment (+62% y-o-y) – the Bank places particular emphasis on lending to state-backed companies with guarantees and adequate collaterals. Retail loans stagnated due to sluggish demand.

The capital adequacy ratio of the Bank reached 16% at the end of December.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance OTP Banka Slovensko:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	(1,161)	1,153	
Income tax	(182)	(351)	93
Profit before income tax	(979)	1,503	
Operating profit	3,440	4,099	19
Total income	13,932	14,908	7
Net interest income	12,019	12,088	1
Net fees and commissions	2,930	3,101	6
Other net non-interest income	(1,017)	(280)	(72)
Operating expenses	(10,491)	(10,810)	3
Total risk costs	(4,420)	(2,595)	(41)
Provision for possible loan losses	(4,420)	(2,594)	(41)
Other provision	1	(2)	
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	374,224	425,219	14
Gross customer loans	291,991	339,602	16
Gross customer loans (FX-adjusted)	297,590	339,602	14
Retail and SME loans	226,616	265,686	17
Corporate loans	70,444	73,497	4
Allowances for possible loan losses	(21,042)	(22,670)	8
Allowances for possible loan losses (FX-adjusted)	(21,448)	(22,670)	6
Deposits from customers	299,014	332,452	11
Deposits from customer (FX-adjusted)	304,624	332,452	9
Retail and SME deposits	280,000	308,624	10
Corporate deposits	24,625	23,827	(3)
Liabilities to credit institutions	6,074	25,821	325
Issued securities	28,296	24,881	(12)
Subordinated debt	8,464	8,627	2
Total shareholders' equity	26,993	27,028	0
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	34,823	39,044	12.1
90+ days past due loans/gross customer loans (%)	11.9%	11.5%	(0.4)
Cost of risk/average gross loans (%)	1.49%	0.82%	(0.67)
Cost of risk/average (FX-adjusted) gross loans (%)	1.51%	0.81%	(0.70)
Total provisions/90+ days past due loans (%)	60.4%	58.1%	(2.3)
Performance Indicators	**2012**	**2013**	**ppts**
ROA	(0.3%)	0.3%	0.6
ROE	(4.0%)	4.3%	8.3
Total income margin	3.66%	3.73%	0.07
Net interest margin	3.16%	3.02%	(0.14)
Cost/income ratio	75.3%	72.5%	(2.8)
Net loans to deposits (FX-adjusted)	91%	95%	5
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/EUR (closing)	291.3	296.9	2
HUF/EUR (average)	289.3	297.0	3

* P&L account lines and indicators are adjusted for banking tax

In 2013 **OTP Banka Slovensko** posted HUF 1.15 billion after tax profit without the banking tax, compared to the similar sized loss in the preceding year. Apart from the 18% improvement of operating income y-o-y, the material increase of the profit was due to the 41% drop in risk cost (without the one-off positive element on this line in 1Q 2013 the risk cost would still have decreased by 24% y-o-y). The special banking tax paid by the bank amounted to HUF 1.1 billion in 2013, which is treated as an adjustment in the consolidated results in this Report.

2013 total income grew by 7% y-o-y, fuelled by the growth of average assets, with total income margin slightly improving. The net interest margin moderated in line with market trends (2013: 3.02%, -14 bps y-o-y). Owing to the outstanding retail disbursement dynamics, net interest income grew by 1%. Net fees advanced by 6% y-o-y; while other net non-interest income showed HUF 737 million less loss compared to the base period. As a result of the stringent cost control, operating expenses grew only moderately. Consequently, operating profit increased by 19% in HUF terms in the course of 2013. Cost/income ratio showed substantial improvement (2013: 72.5%, -2.8 ppts y-o-y).

DPD90+ ratio improved by 0.4 ppt y-o-y, reasoned by the dynamic loan growth. Risk cost for 2013 dropped by 41% y-o-y. The provision coverage of DPD90+ loans stood at 58.1% (-2.4 ppts y-o-y).

FX-adjusted total loans grew substantially, by 14% y-o-y, fuelled by remarkable increase in consumer loans (+175%) and retail mortgage loans (+14%). In both segments average loan size increased during 2013. Corporate and municipal loan growth was more moderate (+4% y-o-y).

The deposit base grew by 9% y-o-y, majority of the growth was provided by retail and SME deposits (+10% y-o-y). Corporate and municipal deposits showed high volatility in 2013, the yearly decline in volumes was 3%. As a result of the significant lending activity in 2013, FX-adjusted net loan-to-deposit ratio grew to 95% by the end of 2013, representing a 5 ppts growth y-o-y.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	(4,934)	(13,246)	168
Income tax	3	(11)	(467)
Profit before income tax	(4,937)	(13,235)	168
Operating profit	(1,708)	409	(124)
Total income	6,322	7,580	20
Net interest income	3,071	4,553	48
Net fees and commissions	1,604	1,671	4
Other net non-interest income	1,648	1,356	(18)
Operating expenses	(8,030)	(7,171)	(11)
Total risk costs	(3,228)	(13,644)	323
Provision for possible loan losses	(3,159)	(13,002)	312
Other provision	(69)	(642)	830
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	122,994	86,136	(30)
Gross customer loans	90,026	91,648	2
Gross customer loans (FX-adjusted)	91,320	91,648	0
Retail loans	38,866	43,010	11
Corporate loans	52,453	48,638	(7)
Allowances for possible loan losses	(26,404)	(36,989)	40
Allowances for possible loan losses (FX-adjusted)	(26,774)	(36,989)	38
Deposits from customers	38,268	43,614	14
Deposits from customers (FX-adjusted)	38,875	43,614	12
Retail deposits	30,175	36,559	21
Corporate deposits	8,699	7,054	(19)
Liabilities to credit institutions	17,088	6,984	(59)
Subordinated debt	37,561	8,349	(78)
Total shareholders' equity	25,171	24,050	(4)
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	47,329	44,793	(5)
90+ days past due loans/gross customer loans (%)	52.6%	48.9%	(3.7)
Cost of risk/average gross loans (%)	3.50%	14.31%	10.81
Cost of risk/average gross loans (FX-adjusted) (%)	3.61%	14.21%	10.60
Total provisions/90+ days past due loans (%)	55.8%	82.6%	26.8

Performance Indicators	2012	2013	ppts
ROA	(4.0%)	(12.7%)	(8.7)
ROE	(18.7%)	(53.8%)	(35.1)
Total income margin	5.17%	7.25%	2.08
Net interest margin	2.51%	4.35%	1.84
Cost/income ratio	127.0%	94.6%	(32.4)
Net loans to deposits (FX-adjusted)	166%	125%	(41)
FX rates	2012 HUF	2013 HUF	Change %
HUF/RSD (closing)	2.56	2.59	1
HUF/RSD (average)	2.56	2.63	3

OTP banka Srbija posted HUF 13.2 billion net loss in 2013 against the negative result of HUF 4.9 billion last year.

The operating profit notably improved in 2013, the HUF 1.7 billion loss of base period was replaced by HUF 0.4 billion positive result. The 2013 total revenues expanded by 20% y-o-y, fuelled by net interest income surging by 48%. The improvement of net interest income was caused by several factors: consumer loans expanded, the interest bearing subordinated loan within the bank's liabilities was converted into equity in 2013 (in the amount of RSD 4.5 billion). The performing loan volumes increased, furthermore with lending interest rate remaining stable deposit rates moderated remarkably. As a result, annual net interest margin improved by 1.8 ppts y-o-y.

Apart from the marginal increase of annual net fees, other net non-interest revenues sank by 18% y-o-y. The drop can be explained by lower suspended interest collection, in addition impairment on collaterals at the factoring company was booked on this line, too.

The 2013 operating expenses diminished by 11% y-o-y, mainly due to the base effect of costs related to litigations in 2012.

The DPD90+ ratio moderated to 48.9% (-3.7 ppts y-o-y), as a result of the write-down of non-performing loans. At end-2013 the Bank revised its provisioning policy and assessed the collaterals of non-performing loans and the expected recovery of loans by adopting statutory regulations conservatively. The review generated notable increase in risk cost. The coverage ratio of DPD90+ loans improved to 82.6% (+26.8 ppts y-o-y).

Performing loans expanded by 10% y-o-y. In the retail segment the Bank focused its lending activity on consumer loans that grew by 26% y-o-y (FX-adjusted) due to the success of new cash loan products introduced in April. Loans in other segments stagnated or eroded marginally y-o-y.

The capital adequacy ratio of the Bank stood at 37.8%.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)[14]

Performance of CKB:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(3,872)	801	(121)
Corporate income tax	(7)	0	(100)
Pre-tax profit	(3,865)	801	(121)
Operating profit	2,830	3,506	24
Total income	10,047	10,516	5
Net interest income	7,238	7,804	8
Net fees and commissions	2,489	2,475	(1)
Other net non-interest income	319	237	(26)
Operating expenses	(7,217)	(7,010)	(3)
Total risk costs	(6,695)	(2,705)	(60)
Provision for possible loan losses	(2,655)	(3,007)	13
Other provision	(4,039)	302	(107)

[14] In 4Q 2010 OTP Groups's Montenegrin collection company (OTP Factoring Montenegro d.o.o.) started its operation, therefore from 4Q 2010 CKB Bank and its subsidiary's consolidated balance sheet and P&L statement are reported.

Main components of balance sheet closing balances	2012	2013	%
Total assets	208,633	196,209	(6)
Gross customer loans	147,244	164,124	11
Gross customer loans (FX-adjusted)	150,085	164,124	9
Retail loans	66,537	69,464	4
Corporate loans	83,548	94,660	13
Allowances for possible loan losses	(46,252)	(49,836)	8
Allowances for possible loan losses (FX-adjusted)	(47,144)	(49,836)	6
Deposits from customers	157,924	145,882	(8)
Deposits from customers (FX-adjusted)	160,736	145,882	(9)
Retail deposits	123,886	119,378	(4)
Corporate deposits	36,851	26,505	(28)
Liabilities to credit institutions	21,671	18,013	(17)
Subordinated debt	2,041	4,173	104
Total shareholders' equity	17,048	21,151	24
Loan Quality	2012	2013	%/ppts
90+ days past due loan volume (in HUF million)	60,034	61,339	2.2
90+ days past due loans/gross customer loans (%)	40.8%	37.4%	(3.4)
Cost of risk/average gross loans (%)	1.70%	1.93%	0.23
Cost of risk/average (FX-adjusted) gross loans (%)	1.72%	1.91%	0.19
Total provisions/90+ days past due loans (%)	77.0%	81.2%	4.2
Performance Indicators	2012	2013	ppts
ROA	(1.8%)	0.4%	2.2
ROE	(23.3%)	4.2%	27.5
Total income margin	4.55%	5.20%	0.65
Net interest margin	3.28%	3.86%	0.58
Cost/income ratio	71.8%	66.7%	(5.1)
Net loans to deposits (FX-adjusted)	64%	78%	14
FX rates	2012 HUF	2013 HUF	Change %
HUF/EUR (closing)	291.3	296.9	2
HUF/EUR (average)	289.3	297.0	3

The Montenegrin **CKB Bank** posted HUF 801 million after tax profit in 2013 versus a loss of HUF 3.9 billion a year ago. This improvement to a large extent was driven by improving operating profit (+24%) and the decline in risk cost, due to the higher base in 2012 caused by a one-off element. Operating profit for 2013 increased by 24% y-o-y, which is the result of advancing incomes and lower operating expenses. Regarding the income side net interest income increased by 8%, since the bank managed to pay lower interest on customer and interbank deposits in the course of the cutback of excess liquidity. Although net fees slightly decreased due to lower deposit base and decreasing number of card related and payment transactions, total income margin improved by 64 basis points y-o-y.

The 6% saving on operating expenses (y-o-y, FX-adjusted) was mainly driven by the 12% saving on personnel expenses. The decline of personnel expenses was partly offset by the 7% y-o-y growth of general and administrative costs. Accordingly, the cost to income ratio of the bank improved by 5.2 ppts to 66.7% in 2013: while the branch network shrank by 2 branches (4Q: 29 branches) and number of active employees slightly increased (4Q 2013: 449 people, +27 people y-o-y).

The total loan book advanced by 9% y-o-y (FX-adjusted), reflecting partly the stronger consumer loan demand supported by successful sales campaigns. Also, there was a one-off loan book growth related to loans to the Montenegrin Government[15], which boosted the annual corporate loan dynamics. Throughout the whole year cash loan sales were spectacular with 31% y-o-y volume increase. The mortgage loan book kept shrinking (-6% y-o-y).

After a significant increase of FX-adjusted DPD90+ loan volumes in 2Q, the new formation was negative in 3Q and 4Q as well, as a result the DPD90+ ratio decreased to 37.4% by the end of December.

The deposit base decreased by 9% y-o-y mainly as a result of lower retail deposit volumes (-5% y-o-y). Due to the strong liquidity position of the bank, deposit rates were cut back in the course of 2013, which resulted in declining deposit volumes.

In order to comply with changes in local regulation, and maintain the stable capital position, CKB received EUR 10 million subordinated loan from OTP Bank in April 2013 (later converted into ordinary shares in 3Q), which was followed by an EUR 7 million subordinated loan from the mother company in 4Q. Accordingly, by the end of 2013 CKB's capital adequacy level grew to 14.4%.

[15] The loan origination to the Montenegrin Government is related to the executed state guarantees provided to the EUR 42 million loans of Podgorica Aluminium Factory (KAP). The KAP exposure was previously included in the loan book of OTP Bank (Hungary) and in 3Q 2013 it was fully repaid.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 37,893 as of 31 December 2013. During 2013 there was an increase in Russia and the Ukraine in the headcount of agents as consumer lending increased further in the wake of partnering up with new retail chains. OTP Group provides services through 1,434 branches and close to 4,000 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 382 branches and 2,017 ATM terminals. The bank (Hungary) has around 52 thousands POS terminals at the same time.

	31/12/2013				31/12/2012			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	382	2,017	51,683	8,615	380	1,956	49,385	8,507
OTP Bank Russia (w/o employed agents)	200	222	3,038	6,020	146	255	2,697	5,177
DSK Group[1]	378	873	4,396	4,514	381	878	4,196	4,736
OTP Bank Ukraine (w/o employed agents)	140	158	353	3,282	150	164	358	3,052
OTP Bank Romania	84	122	1,185	930	89	122	1,323	970
OTP banka Hrvatska	102	223	1,526	993	103	222	1,261	984
OTP Banka Slovensko	68	123	187	655	70	113	193	639
OTP banka Srbija	51	119	2,371	663	51	151	2,959	660
CKB	29	82	4,688	449	31	79	4,272	422
Foreign subsidiaries, total	**1,052**	**1,922**	**17,744**	**17,506**	**1,021**	**1,984**	**17,259**	**16,640**
Other Hungarian and foreign subsidiaries				843				840
OTP Group total (w/o employed agents)				**26,964**				**25,987**
OTP Bank Russia – employed agents				*8,593*				*8,339*
OTP Bank Ukraine – employed agents				*2,336*				*2,107*
OTP Group total (aggregated)	**1,434**	**3,939**	**69,427**	**37,893**	**1,401**	**3,940**	**66,644**	**36,433**

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions of the Hungarian Act on Companies. As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.
Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.
OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (liquidity, market, country, counterparty, credit, operational, compliance), which are in compliance with the legal regulations on prudent banking operations. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results.
To ensure effective auditing, the Company's control system is structured along both vertical and horizontal lines, which is fulfilled on several interdependent control levels on the one hand, while it is arranged along territorial units on the other hand. The system of internal checks and balances includes a combination of process-integrated and management control, independent internal audit organisation and executive information system. The independent internal audit organisation promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient, economical and productive operation of internal control systems, the minimisation of risks, moreover – beside compliance organisation – it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares reports on control actions for the executive boards. The internal audit organisation annually makes reports on risk management operations, internal control mechanisms and corporate governance functions, for the Supervisory Board.
In line with the regulations of the European Union and the applicable Hungarian laws, OTP Bank Plc. established an independent organisational unit with the task of identifying and managing compliance risks.

General meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

Committees

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Dr. Antal Pongrácz – Vice Chairman
Mihály Baumstark
Dr. Tibor Bíró
Péter Braun
Tamás Erdei
Dr. István Gresa
Zsolt Hernádi
Dr. István Kocsis[16]
Dr. László Utassy
Dr. József Vörös

Members of the Supervisory Board
Tibor Tolnay – Chairman
Dr. Gábor Horváth – Vice Chairman
Antal Kovács
András Michnai
Dominique Uzel[17]
Dr. Gellért Vági Márton

[16] Membership suspended since 3 October 2012

[17] Elected on 26 April 2013

The résumés of the committee and board members are available on the website of OTP Bank, in the Corporate Governance Report and in the Annual Report.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive body, while the Supervisory Board performs oversight tasks.
In order to assist the performance of the governance functions the Board of Directors operates, as permanent committees, the Executive Committee, the Subsidiary Integration and Direction Committee and the Remuneration Committee. To ensure effective operation OTP Bank Plc. also has a number of permanent and special committees.
OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.
The Board of Directors held 6 meetings, while the Supervisory Board gathered 7 times in 2013. In addition, there were 112 Board of Directors and 9 Supervisory Board decision-making in written form.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

As a leading provider of financial services within the Central and Eastern European Region and a key player within the Hungarian economy, OTP Bank is committed to preserving the environment and nature and to continuously improving its environmental performance. Sustainability, responsibility and ethical business practice are cornerstones of our company policy, therefore main objectives of the company's environmental policy include prevention, responsible thinking and legally compliant conduct. OTP Bank strives to not only comply with legislation both on a group and parent company level, but also to take the initiative in terms of general social and environmental protection expectations.

Environmental management

Environmental protection affects many areas within the Group, even financial service providers with relatively low direct environmental impact. The parent company employs a dedicated environmental expert and adheres to Environmental Protection Regulations, which coupled with specific measures has allowed the adoption of unified and conscious management of environmental tasks, the integration of environmental aspects into business operations and the strengthening of commitment to environmental protection.

We strive to improve our environmental performance, cut our emissions and apply environmentally-friendly solutions by reviewing and optimising our existing processes, while limiting our investment projects.

Measures

Our measures in 2013 were mainly shaped by the Group-level effort to curb operating costs.

Programmes undertaken for consciously scaling back resource utilisation and costs continued throughout the year. Besides general energy efficiency measures (such as the replacement of energy wasting equipment, the use of energy-efficient computers and monitors and optimised lighting), the increased use of renewable energy sources (heat pumps, solar panels, geothermal energy) also features on our agenda.

Energy management system

OTP Bank rolled out its branch office energy efficiency project in 32 pilot branches in 2012. The metering and monitoring equipment installed at pilot locations provide continuous data, enabling the optimisation of branch office energy use through a central information and remote control system. The project continued in 2013 and was rolled out in another 112 branches that were equipped with metering, monitoring and information systems.

In order to extend the selective waste collection scheme implemented at our headquarters, we have surveyed the current and potential waste storage capacities of our sites and buildings with the implementation scheduled for the first half of 2014.

Environmental protection training and attitude shaping for staff

One of the cornerstones for reaching our environmental protection objectives is staff commitment and participation in efforts. The Bank fosters the accomplishment of new ideas in many forms. "Environmental Guidelines" were published in 2013, giving a comprehensive overview of the main measures and forms of conduct in the field of environmental protection. Series of short films were produced presenting each chapter of the Guidelines in the context of an internal electronic creative campaign to raise awareness and shape attitudes more effectively.

By developing and expanding our range of electronic banking services, our customers and society can also contribute to effectively protecting the environment. In 2013 we introduced the electronic publication of mandatory customer notices in branches and on digital channels. In addition, our notice letters mailed out to customers are printed on recycled paper since April 2013. The change applied to all retail and corporate bank account statements.

Information on our environmental protection efforts is provided continuously to highlight the importance of this cause for our employees and clientele. More information is available on the following webpage:

https://www.otpbank.hu/csr/en/sustainability

SUPPLEMENTARY DATA

FOOTNOTES TO THE TABLE 'CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)'

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

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

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the partially consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financing Netherlands Ltd and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual segment.

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

(4) The profit impact of the repurchase from the perpetual EUR 500 million subordinated Notes series executed in 4Q 2013 was eliminated from the performance of both parties, OTP Bank (Hungary) and OTP Bank Russia, since the transaction had no direct impact on consolidated earnings.

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

(6) From 3Q 2010, statements are based on the aggregated financials of DSK Group and the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC. DSK Group balance sheet contains the loans sold to the factoring company at before sale gross value and the related provisions as well.

(7) Net earnings are adjusted with the result of CIRS swap transactions executed with OTP Bank in relation to interbank financing. Before transfer balance sheet numbers are displayed.

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

(9) From 2011 on Balance Sheet contains consolidated data of OTP Banka Slovensko and OTP Faktor Slovensko s.r.o., adjusted for loans sold to OTP Bank Plc. and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements since 2011. From 2012 on P&L data and related indices are adjusted for the special banking tax.

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

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

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

(13) HIF Ltd. (United Kingdom), OTP Faktoring Slovensko (Slovakia) (until 1Q 2011), OTP Buildings (Slovakia), OTP Real Slovensko (Slovakia), OTP Holding Limited (Cyprus), Velvin Ventures Ltd. (Belize), OTP Faktoring SRL (Romania).

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

(15) Total Foreign subsidiaries: sum of the after tax profits of foreign subsidiaries and one-off items (after tax).

CALCULATION OF ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS PRESENTED IN THE BUSINESS REPORT

In order to present Group level trends in a comprehensive way in the Business Report, the presented consolidated and separate profit and loss statements of the Report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the Financial Data section of the Report.

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction duty in 2013, the fine imposed by the Hungarian Competition Authority in 4Q 2013, the corporate tax impact of the transfer of general risk reserves to retained earnings, the loss from early repayment of FX mortgage loans in Hungary, the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments and the special banking tax refund related to the early repayments.

- Other non-interest income elements stemming from provisioning release in connection with loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.

- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.

- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.

- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations, which are quasi marketing expenses but kept as paid cash transfer on the P&L –, Other non-interest expenses, Special tax on financial institutions and the one-timer payment compensating the underperformance of the financial transaction duty.

- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense in the accounting income statement. Earlier this item had been booked as fee expense. In order to create a comparable time series, since 4Q 2010 dealer fees have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.

- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.

- Cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, the after tax effect of the goodwill write-downs, the effect of special banking tax, the loss from early repayment of FX mortgage loans in Hungary and the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments. Cost/income ratio is calculated from operating costs, excluding other risk costs.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.

- In 3Q 2012 and in 2Q 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies' previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.

- Tax deductible transfers paid by Hungarian group members in 2H 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (ie. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L. Thus these transfers had no material P&L effect in the adjusted P&L in 2H 2012.
- From 2012 credit institutions' contribution tax started to be recognised in the accounting P&L of OTP Group and OTP Core as OTP Core's burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction duty paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fees and commissions.
- The profit impact of the repurchase from the perpetual EUR 500 million subordinated Notes series executed in 4Q 2013 was eliminated from the performance of both parties, OTP Bank (Hungary) and OTP Bank Russia, since the transaction had no direct impact on consolidated earnings.
- Within the report, FX-adjusted statistics for business volumes are disclosed. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier.

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (IFRS)

in HUF million	2012	2013
Net interest income	**645,465**	**653,728**
(-) Agent fees paid to car dealers by Merkantil Group	(2,768)	(2,319)
(+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(442)	(2,206)
Net interest income (adj.) with one-offs	**647,792**	**653,841**
(-) Revaluation result of FX swaps at OTP Core (booked within net interest income)	(2,528)	715
Net interest income (adj.) without one-offs	**650,319**	**653,126**
Net fees and commissions	**154,337**	**201,757**
(+) Agent fees paid to car dealers by Merkantil Group	(2,767)	(2,318)
(+) Financial Transaction Duty	0	(32,503)
Net fees and commissions (adj.)	**151,570**	**166,936**
Foreign exchange result on Consolidated IFRS P&L	**3,171**	**18,279**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	(16,692)	96
Foreign exchange result (adj.) with one-offs	**19,863**	**18,183**
Foreign exchange result (adj.) without one-offs	**19,863**	**18,183**
Gain/loss on securities, net	**(235)**	**11,546**
Gain/loss on securities, net (adj.) with one-offs	**(235)**	**11,546**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj) at OTP Core)	(4,932)	508
Gain/loss on securities, net (adj.) without one-offs	**4,696**	**11,038**
Gains and losses on real estate transactions	**1,131**	**1,552**
(+) Other non-interest income	**23,987**	**24,840**
(-) Received cash transfers	14	43
(-) Non-interest income from the release of pre-acquisition provisions	416	156
(+) Other non-interest expenses	(7,132)	(4,940)
(+) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	307	224
(+) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	1,657	254
Net other non-interest result (adj.) with one-offs	**19,520**	**21,731**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj) at OTP Core and at the Corporate Centre)	1,415	6,104
Net other non-interest result (adj.) without one-offs	**18,105**	**15,627**
(+) Provision for impairment on loan and placement losses	(229,470)	(262,569)
(+) Gains/Losses on loans related to early repayment	2,490	0
Provision for possible loan losses	**(226,980)**	**(262,569)**
(+) Non-interest income from the release of pre-acquisition provisions	416	156
(-) Revaluation result of FX provisions	16,692	(96)
(-) Loss from early repayment of FX mortgage loans in Hungary	4,409	0
(-) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments	(5,278)	0
(-) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	307	224
Provision for possible loan losses (adj.)	**(242,694)**	**(262,541)**
After tax dividends and net cash transfers	**(7,963)**	**(11,909)**
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	(9,837)	(13,819)
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	2,265	2,316
After tax dividends and net cash transfers	**(391)**	**(406)**
Depreciation	**(47,420)**	**(78,017)**
(-) Goodwill impairment charges (OTP Bank JSC (Ukraine))	0	(30,819)
Depreciation (adj.)	**(47,420)**	**(47,198)**
Income taxes	**(23,088)**	**(20,944)**
(-) Corporate tax impact of goodwill/investment impairment charges	3,977	1,379
(-) Corporate tax impact of the special tax on financial institutions	6,580	6,825
(-) Corporate tax impact of the loss from early repayment of FX mortgage loans in Hungary	(838)	0
(-) Corporate tax impact of the special banking tax refund	251	0
(-) Corporate tax impact of the revaluation of FX purchased from the National Bank of Hungary to cover the FX need of early repayments	1,003	0
(+) Tax deductible transfers	(8,182)	(11,562)
(-) Corporate tax impact of the one-timer payment compensating the underperformance of the Financial Transaction Duty Tax	0	3,091
(-) Corporate tax impact of the fine imposed by the Hungarian Competition Authority	0	745
(-) Corporate tax impact of the transfer of general risk reserves to retained earnings	0	(5,533)
Corporate income tax (adj.)	**(42,243)**	**(39,013)**
	0	0
Other operating expense, net	**(35,033)**	**(39,795)**
(+) Provision on securities available-for-sale and securities held-to-maturity	**505**	**11**
(-) Other costs and expenses	(7,276)	(10,756)
(-) Other non-interest expenses	(17,912)	(19,366)
(-) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	1,657	254
Other provisions	**(10,997)**	**(9,916)**
Other administrative expenses	**(187,105)**	**(244,477)**

in HUF million	2012	2013
(+) Other costs and expenses	(7,276)	(10,756)
(+) Other non-interest expenses	(17,912)	(19,366)
(-) Paid cash transfers	(10,780)	(14,426)
(+) Film subsidies and cash transfers to public benefit organisations	(9,837)	(13,819)
(-) Other non-interest expenses	(7,132)	(4,939)
(-) Special tax on financial institutions	(35,754)	(36,867)
(-) Special banking tax refund	(1,323)	0
(-) Tax deductible transfers	(8,182)	(11,562)
(-) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(442)	(2,205)
(-) Financial Transaction DutyTax	0	(32,503)
(-) One-timer payment compensating the underperformance of the Financial Transaction DutyTax	0	(16,267)
(-) Fine imposed by the Hungarian Competition Authority	0	(3,922)
Other non-interest expenses	**(158,517)**	**(165,727)**

STATEMENT OF RECOGNIZED INCOME OF OTP BANK PLC., ACCORDING TO HUNGARIAN ACCOUNTING STANDARDS (UNCONSOLIDATED, AUDITED)

HUF million	2012	2013	Change %
Net interest income	240,915	236,691	**(2)**
Interest received and similar income	716,972	569,465	(21)
Interest paid and similar charges	(476,057)	(332,774)	(30)
Net fee and commission income	**91,433**	**130,819**	**43**
Commissions and fees received or due	117,844	158,788	35
Commissions and fees paid or payable	(26,411)	(27,969)	6
Other income	**43,870**	**96,704**	**120**
Income from securities	43,098	47,283	10
Net profit or net loss on financial operations	(44,488)	(4,268)	(90)
Other operating income	45,260	53,689	19
General administrative expenses	**(127,323)**	**(130,397)**	**2**
Depreciation	**(14,410)**	**(15,370)**	**7**
Other operating charges	**(164,750)**	**(151,416)**	**(8)**
Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**(63,342)**	**(51,706)**	**(18)**
Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**96,592**	**48,322**	**(50)**
Difference between formation and utilization of general risk provisions	**5,810**	**6,305**	**9**
Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**(21,625)**	**(9,831)**	**(55)**
Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**1,117**	**4,782**	**328**
Profit or loss on ordinary activities	**88,287**	**164,903**	**87**
Extraordinary profit or loss	(10,457)	(10,453)	0
Profit or loss before tax	**77,830**	**154,450**	**98**
Taxes on income	(25,257)	(32,265)	28
Profit or loss after tax	**52,573**	**122,185**	**132**
General reserve	(5,257)	(12,218)	132
Profit reserves used for dividends and profit-sharing	0	0	
Dividend and profit-sharing payable	(33,600)	(40,600)	21
Profit or loss for the financial year	**13,716**	**69,367**	**406**

BALANCE SHEET OF OTP BANK PLC., ACCORDING TO HUNGARIAN ACCOUNTING STANDARDS (UNCONSOLIDATED, AUDITED)

HUF million	2012	2013	Change %
Total assets	**6,471,393**	**6,600,634**	**2**
1. Liquid assets	245,099	140,312	(43)
2. Treasury bills and similar securities	1,233,169	1,838,166	49
3. Loans and advances to credit institutions	664,267	639,166	(4)
4. Loans and advances to customers	**2,283,207**	**2,140,217**	**(6)**
5. Debt securities, including fixed-income securities	1,091,490	883,338	(19)
6. Shares and other variable-yield securities	118,666	127,985	8
7. Shares and participations in corporations held as financial fixed assets	935	926	(1)
8. Shares and participating interests in affiliated companies	493,600	496,548	1
9. Intangible assets	121,278	128,552	6
10. Tangible assets	70,140	71,414	2
11. Own shares	4,934	6,731	36
12. Other assets	32,261	30,755	(5)
13. Prepayments and accrued income	112,347	96,524	(14)
Total liabilities	**6,471,393**	**6,600,634**	**2**
1. Amounts owed to credit institutions	823,633	910,780	11
2. Amounts owed to customers	**3,537,044**	**3,730,071**	**5**
3. Debts evidenced by certificates	380,218	215,550	(43)
4. Other liabilities	70,890	82,199	16
5. Accruals and deferred income	204,727	149,066	(27)
6. Provisions for liabilities and charges	91,245	58,314	(36)
7. Subordinated liabilities	327,152	324,656	(1)
8. Subscribed capital	1,036,484	1,129,998	9
Performance indicators			ppts
Loans and advances to customers/amounts owed to customers	65%	57%	(8)

STATEMENT OF RECOGNIZED INCOME OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS (CONSOLIDATED, AUDITED, ACCOUNTING STRUCTURE)

HUF million	2013	2012	Change %
Interest Income:			
Loans	771,542	795,475	(3)
Placements with other banks	207,951	341,071	(39)
Securities available-for-sale	71,743	78,624	(9)
Securities held-to-maturity	33,002	20,204	63
Amounts due from banks and balances with the National Banks	4,207	6,749	(38)
Securities held for trading	924	1,827	(49)
Total Interest Income	***1,089,369***	***1,243,950***	***(12)***
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	189,539	294,631	(36)
Deposits from customers	199,794	237,898	(16)
Liabilities from issued securities	34,896	54,033	(35)
Subordinated bonds and loans	11,412	11,923	(4)
Total Interest Expense	***435,641***	***598,485***	***(27)***
NET INTEREST INCOME	**653,728**	**645,465**	**1**
Provision for impairment on loan and placement losses	262,569	229,470	14
Gains on loans related to early repayment	0	(2,490)	
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	**391,159**	**418,485**	**(7)**
Income from fees and commissions	257,135	203,499	26
Expense from fees and commissions	55,378	49,162	13
Net profit from fees and commissions	**201,757**	**154,337**	31
Foreign exchange gains, net	18,279	3,171	476
Gains / (losses) on securities, net	11,546	(235)	(5,013)
Gains on real estate transactions	1,552	1,131	37
Dividend income	2,474	2,803	(12)
Release of provision on securities available-for-sale and securities held-to-maturity	11	505	(98)
Other operating income	24,840	23,987	4
Other operating expense	(39,795)	(35,033)	14
Net operating result	**18,907**	**(3,671)**	**(615)**
Personnel expenses	204,277	188,952	8
Depreciation and amortization	78,017	47,420	65
Other administrative expenses	244,477	187,105	31
Other administrative expenses	**526,771**	**423,477**	**24**
PROFIT BEFORE INCOME TAX	**85,052**	**145,674**	**(42)**
Income tax	(20,944)	(23,088)	(9)
NET PROFIT FOR THE PERIOD	**64,108**	**122,586**	**(48)**

BALANCE SHEET OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS (CONSOLIDATED, AUDITED)

HUF million	2013	2012	Change %
Cash, amounts due from banks and balances with the National Banks	539,125	602,521	(11)
Placements with other banks, net of allowance for placement losses	273,479	356,866	(23)
Financial assets at fair value through profit or loss	415,605	222,874	86
Securities available-for-sale	1,637,255	1,411,177	16
Loans, net of allowance for loan losses	6,245,210	6,464,191	(3)
Associates and other investments	23,837	7,936	200
Securities held-to-maturity	580,051	429,303	35
Property and equipment	261,523	251,393	4
Intangible assets	193,721	237,749	(19)
Other assets	211,241	129,456	63
TOTAL ASSETS	**10,381,047**	**10,113,466**	**3**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	784,212	534,324	47
Deposits from customers	6,866,606	6,550,708	5
Liabilities from issued securities	445,218	643,123	(31)
Financial liabilities at fair value through profit or loss	87,164	122,032	(29)
Other liabilities	421,353	457,231	(8)

HUF million	2013	2012	Change %
Subordinated bonds and loans	267,162	291,495	(8)
TOTAL LIABILITIES	**8,871,715**	**8,598,913**	**3**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,532,164	1,534,572	0
Treasury shares	(55,599)	(53,802)	3
Non-controlling interest	4,767	5,783	(18)
TOTAL SHAREHOLDERS' EQUITY	**1,509,332**	**1,514,553**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,381,047**	**10,113,466**	**3**

FINANCIAL STATEMENTS ON 2013

HAS (SEPARATED)

OTP BANK PLC. **31 December 2013**

ASSETS

Figures in million HUF

		31 December 2012	31 December 2013
1.	**Liquid assets**	**245,099**	**140,312**
2.	**Treasury bills and similar securities**	**1,233,169**	**1,838,166**
	a) held for trading	828,376	1,282,855
	b) held as financial fixed assets	404,793	555,311
2/A.	Valuation difference on treasury bills	-	-
3.	**Loans and advances to credit institutions**	**664,267**	**639,166**
	a) repayable on demand	23,894	16,961
	b) other loans and advances in connection with financial services	639,741	613,770
	ba) with remaining maturity of less than one year	510,729	544,549
	Showing separately: - to affiliated companies	337,852	385,831
	- to other companies linked by virtue of participating interests	1,150	-
	- to the NBH	-	-
	- to clearing houses	-	-
	bb) with a remaining maturity of more than one year	129,012	69,221
	Showing separately: - to affiliated companies	114,012	69,221
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	-	-
	- to clearing houses	-	-
	c) in connection with investment services	632	8,435
	Showing separately: - to affiliated companies	109	97
	- to other companies linked by virtue of participating interests	-	-
	- to clearing houses	-	-
3/A.	Valuation difference on loans and advances to credit institutions	-	-
4.	**Loans and advances to customers**	**2,283,207**	**2,140,217**
	a) in connection with financial services	2,240,380	2,101,075
	aa) with a remaining maturity of less than one year	869,150	872,931
	Showing separately: - to affiliated companies	351,254	405,489
	- to other companies linked by virtue of participating interests	6,885	17,861
	ab) with a remaining maturity of more than one year	1,371,230	1,228,144
	Showing separately: - to affiliated companies	520,984	359,620
	- to other companies linked by virtue of participating interests	5,047	5,061
	b) in connection with investment services	42,827	39,142
	Showing separately: - to affiliated companies	155	1,566
	- to other companies linked by virtue of participating interests	-	-
	ba) receivables in connection with investment services on the exchange markets	-	-
	bb) receivables in connection with investment services outside the exchange mar	-	-
	bc) receivables from customers in connection with investment services	42,827	39,142
	bd) claims from clearing corporations	-	-
	be) receivables in connection with other investment services	-	-
4/A.	Valuation difference on loans and advances to customers	-	-
5.	**Debt securities, including fixed-income securities**	**1,091,490**	**883,338**
	a) issued by local governments and other public bodies	80,870	22,690
	(not including treasury bills and similar securities)		
	aa) held for trading	4,769	1,754
	ab) held as financial fixed assets	76,101	20,936
	b) securities issued by other borrowers	1,010,620	860,648
	ba) held for trading	313,937	104,356
	Showing separately: - issued by affiliated companies	301,106	61,122
	- issued by other companies linked by virtue of participating interests	-	-
	- own shares repurchased	11,962	41,392
	bb) held as financial fixed assets	696,683	756,292
	Showing separately: - issued by affiliated companies	651,299	709,069
	- issued by other companies linked by virtue of participating interests	5,827	5,939
5/A.	Valuation difference on debt securities	-	-
6.	**Shares and other variable-yield securities**	**118,666**	**127,985**
	a) shares and participations in corporations held for trading	91,757	91,512
	Showing separately: - issued by affiliated companies	-	-
	- issued by other companies linked by virtue of participating interests	91,757	91,512
	b) variable-yield securities	26,909	36,473
	ba) held for trading	9	26
	bb) held as financial fixed assets	26,900	36,447
6/A.	Valuation difference on shares and other variable-yield securities	-	-

		31 December 2012	31 December 2013
7.	**Shares and participations in corporations held as financial fixed assets**	**935**	**926**
	a) shares and participations in corporations held as financial fixed assets	935	926
	Showing separately: - participating interests in credit institutions	-	-
	b) adjusted value of shares and participations in corporations held as financial	-	-
	Showing separately: - participating interests in credit institutions	-	-
7/A.	Valuation difference on shares and participations in corporations held as financial fixed assets	-	-
8.	**8) Shares and participating interests in affiliated companies**	**493,600**	**496,548**
	a) shares and participations in corporations held as financial fixed assets	493,600	496,548
	Showing separately: - participating interests in credit institutions	395,474	397,103
	b) adjusted value of shares and participations in corporations held as financial fixed assets	-	-
	Showing separately: - participating interests in credit institutions	-	-
9.	**Intangible assets**	**121,278**	**128,552**
	a) intangible assets	121,278	128,552
	b) adjusted value of intangible assets	-	-
10.	**Tangible assets**	**70,140**	**71,414**
	a) tangible assets for financial and investment services	67,326	67,932
	aa) land and buildings	49,118	49,966
	ab) machinery, equipment, fittings, fixtures and vehicles	15,795	15,187
	ac) tangible assets in course of construction	2,413	2,765
	ad) payments on account	-	14
	b) tangible assets not directly used for financial and investment services	2,814	3,482
	ba) land and buildings	2,587	2,617
	bb) machinery, equipment, fittings, fixtures and vehicles	227	862
	bc) tangible assets in course of construction	-	3
	bd) payments on account	-	-
	c) adjusted value of tangible assets	-	-
11.	**Own shares**	**4,934**	**6,731**
12.	**Other assets**	**32,261**	**30,755**
	a) stocks	982	1,062
	b) other receivables	31,279	29,693
	Showing separately: - from affiliated companies	19,378	21,579
	- from other companies linked by virtue of participating interests	-	247
12/A.	Valuation difference on other receivables	-	-
12/B.	Positive valuation difference on derivatives	-	-
13.	**Prepayments and accrued income**	**112,347**	**96,524**
	a) accrued income	105,004	91,563
	b) accrued costs and expenses	3,121	3,862
	c) deferred charges	4,222	1,099
	Total assets	**6,471,393**	**6,600,634**
	Showing separately:		
	- CURRENT ASSETS	*2,968,374*	*3,140,319*
	[1+2/a+3/a+3/ba+3/c+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12+		
	+ the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining		
	to the previous items]		
	- FIXED ASSETS	*3,390,672*	*3,363,791*
	[2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10+ the sums from 2/A, 3/A,		
	4/A, 5/A, 6/A, 7/A, 12/A and 12/B as pertaining to the previous items]		

OTP BANK PLC.

LIABILITIES

Figures in million HUF

		31 December 2012	31 December 2013
1.	**Amounts owed to credit institutions**	**823,633**	**910,780**
	a) repayable on demand	94,287	13,867
	b) with agreed maturity dates or periods of notice in connection with financial services	729,346	896,844
	ba) with remaining maturity of less than one year	535,842	701,102
	Showing separately: - to affiliated companies	337,643	306,849
	- to other companies linked by virtue of participating interests	11,852	3,019
	- to the NBH	-	9,406
	- to clearing houses	-	-
	bb) with remaining maturity of more than one year	193,504	195,742
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	-	53,599
	- to clearing houses	-	-
	c) in connection with investment services	0	69
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	- to clearing houses	-	-
1/A.	Valuation difference on amounts owed to credit institutions	-	-
2.	**Amounts owed to customers**	**3,537,044**	**3,730,071**
	a) savings deposits	127,634	117,207
	aa) repayable on demand	74,934	64,315
	ab) with remaining maturity of less than one year	52,700	52,892
	ac) with remaining maturity of more than one year	-	-
	b) other liabilities in connection with financial services	3,402,353	3,609,254
	ba) repayable on demand	1,002,021	1,293,713
	Showing separately: - to affiliated companies	7,716	12,636
	- to other companies linked by virtue of participating interests	3,550	16,926
	bb) with remaining maturity of less than one year	2,376,325	2,291,543
	Showing separately: - to affiliated companies	40,850	37,921
	- to other companies linked by virtue of participating interests	23,837	12,270
	bc) with remaining maturity of more than one year	24,007	23,998
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	c) in connection with investment services	7,057	3,610
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	ca) liabilities in connection with investment services on the stock exchange marke	-	-
	cb) liabilities in connection with investment services outside the stock exchange r	-	-
	cc) liabilities to customers in connection with investment services	7,057	3,610
	cd) liabilities to clearing corporations	-	-
	ce) liabilities in connection with other investment services	-	-
2/A.	Valuation difference on amounts owed to customers	-	-
3.	**Debts evidenced by certificates**	**380,218**	**215,550**
	a) debt securities in issue	372,159	208,441
	aa) with remaining maturity of less than one year	235,874	68,883
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	ab) with remaining maturity of more than one year	136,285	139,558
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	b) other debt securities issued	235	231
	ba) with remaining maturity of less than one year	235	231
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	bb) with remaining maturity of more than one year	-	-
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-

		31 December 2012	31 December 2013
	c) debt instruments treated as securities for accounting purposes, which are not	7,824	6,878
	recognized as debt securities under the Capital Markets Act		
	ca) with remaining maturity of less than one year	3,861	3,394
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	cb) with remaining maturity of more than one year	3,963	3,484
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
4.	**Other liabilities**	**70,890**	**82,199**
	a) with remaining maturity of less than one year	70,890	82,199
	Showing separately: - to affiliated companies	1,278	1,942
	- to other companies linked by virtue of participating interests	50	94
	b) with remaining maturity of more than one year	-	-
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
4/A.	Negative valuation difference on derivatives	-	-
5.	**Accruals and deferred income**	**204,727**	**149,066**
	a) deferred income	3,147	3,897
	b) deferred costs and expenses	201,415	144,997
	c) deferred income	165	172
6.	**Provisions for liabilities and charges**	**91,245**	**58,314**
	a) provisions for pension and severance pay	-	2,500
	b) provisions for contingent liabilities and for (future) commitments	2,835	7,543
	c) general risk provisions	35,428	0
	d) other provisions	52,982	48,271
7.	**Subordinated liabilities**	**327,152**	**324,656**
	a) subordinated loan capital	181,507	176,201
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	b) other contributions received from members in respect of co-operative credit institutic	-	-
	c) other subordinated liabilities	145,645	148,455
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
8.	**Subscribed capital**	**28,000**	**28,000**
	Showing separately: - own shares repurchased on nominal value	219	140
9.	**Subscribed capital called but unpaid (-)**	-	-
10.	**Capital reserve**	**52**	**52**
	a) difference between the par value and the purchase price of shares and securities (pre	-	-
	b) other	52	52
11.	**General reserve**	**141,717**	**153,935**
12.	**Profit reserve (±)**	**845,614**	**870,357**
13.	**Tied-up reserves**	**7,385**	**8,287**
14.	**Revaluation reserve**	**-**	**-**
	a) revaluation reserve on value adjustments	-	-
	b) fair value reserve	-	-
15.	**Profit or loss for the financial year (±)**	**13,716**	**69,367**
	Total liabilities	**6,471,393**	**6,600,634**
	Showing separately:		
	- SHORT-TERM LIABILITIES	4,454,026	4,575,818
	(1/a+1/ba+1/c+1/A+2/aa+2/ab+2/ba+2/bb+2/c+2/A+3/aa+		
	+3/ba+3/ca+4/a+4/A)		
	- LONG-TERM LIABILITIES	684,911	687,438
	(1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)		
	- EQUITY CAPITAL (8-9+10+11±12+13+14±15)	1,036,484	1,129,998

OTP BANK PLC. PROFIT AND LOSS ACCOUNT		31 December 2013	
			Figures in million HUF
		Year ended 31 December 2012	Year ended 31 December 2013
1.	Interest received and similar income	716,972	569,465
	a) interest received and similar income from fixed-income securities	145,679	141,515
	Showing separately: - from affiliated companies	72,918	65,522
	- from other companies linked by virtue of participating interests	-	-
	b) other interest received and similar income	571,293	427,950
	Showing separately: - from affiliated companies	87,818	79,530
	- from other companies linked by virtue of participating interests	366	992
2.	Interest paid and similar charges	476,057	332,774
	Showing separately: - to affiliated companies	50,850	48,286
	- to other companies linked by virtue of participating interests	826	799
	BALANCE (1-2)	**240,915**	**236,691**
3.	Income from securities	43,098	47,283
	a) income held for trading from shares and participations in corporations (dividends and profit-sharing)	2,349	2,383
	b) income from participating interests in affiliated companies (dividends and profit-sharing)	40,396	44,599
	c) income from other securities (dividends and profit-sharing)	353	301
4.	Commissions and fees received or due	117,844	158,788
	a) in connection with other financial services	104,563	139,755
	Showing separately: - from affiliated companies	12,306	13,068
	- from other companies linked by virtue of participating interests	35	358
	b) in connection with investment services (not including trading operations)	13,281	19,033
	Showing separately: - from affiliated companies	6,798	8,816
	- from other companies linked by virtue of participating interests	-	1
5.	Commissions and fees paid or payable	26,411	27,969
	a) in connection with other financial services	25,892	27,420
	Showing separately: - to affiliated companies	1,214	1,101
	- to other companies linked by virtue of participating interests	2,435	1,925
	b) in connection with investment services (not including trading operations)	519	549
	Showing separately: - to affiliated companies	23	24
	- to other companies linked by virtue of participating interests	26	20
6.	Net profit or net loss on financial operations [6.a)-6.b)+6.c)-6.d)]	-44,488	(4,268)
	a) in connection with other financial services	24,407	29,196
	Showing separately: - from affiliated companies	2,233	2,522
	- from other companies linked by virtue of participating interests	0	-
	- valuation difference	-	-
	b) in connection with other financial services	63,078	33,469
	Showing separately: - from affiliated companies	175,896	32,993
	- from other companies linked by virtue of participating interests	763	(1,025)
	- valuation difference	-	-
	c) in connection with investment services (income from trading operations)	38,008	39,091
	Showing separately: - from affiliated companies	1,137	772
	- from other companies linked by virtue of participating interests	1	1
	- value readjustments of transferable securities held for trading	-	-
	- valuation difference	-	-
	d) in connection with investment services (expenses on trading operations)	43,825	39,086
	Showing separately: - to affiliated companies	541	343
	- to other companies linked by virtue of participating interests	1	-
	- value adjustments in respect of securities held for trading	-	-
	- valuation difference	-	-
7.	Other operating income	45,260	53,689
	a) income from operations other than financial and investment services	10,548	12,372
	Showing separately: - from affiliated companies	3,590	4,425
	- from other companies linked by virtue of participating interests	1	3
	b) other income	34,712	41,317
	Showing separately: - from affiliated companies	16,339	10,521
	- from other companies linked by virtue of participating interests	-	-
	- value readjustments in respect of stocks	-	1

Figures in million HUF

		Year ended 31 December 2012	Year ended 31 December 2013
8.	General administrative expenses	127,323	130,397
	a) staff costs	77,048	80,055
	aa) wages and salaries	52,030	53,327
	ab) other employee benefits	7,516	8,102
	Showing separately: - social security costs	2,163	2,245
	= costs relating to pensions	1,498	1,557
	ac) contributions on wages and salaries	17,502	18,626
	Showing separately: - social security costs	16,285	18,193
	= costs relating to pensions	1	1
	b) other administrative expenses (materials and supplies)	50,275	50,342
9.	Depreciation	14,410	15,370
10.	Other operating charges	164,750	151,416
	a) charges on operations other than financial and investment services	7,227	8,567
	Showing separately: - to affiliated companies	160	57
	- to other companies linked by virtue of participating interests	59	2
	b) other charges	157,523	142,849
	Showing separately: - to affiliated companies	28,996	5,301
	- to other companies linked by virtue of participating interests	-	-
	- value adjustments in respect of stocks	32	3
11.	Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	63,342	51,706
	a) value adjustments in respect of loans and advances	58,318	41,324
	b) risk provisions for contingent liabilities and for (future) commitments	5,024	10,382
12.	Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	96,592	48,322
	a) value readjustments in respect of loans and advances	57,788	42,610
	b) risk provisions for contingent liabilities and for (future) commitments	38,804	5,712
12/A.	Difference between formation and utilization of general risk provisions	5,810	6,305
13.	Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other	21,625	9,831
14.	Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	1,117	4,782
15.	**Profit or loss on ordinary activities**	**88,287**	**164,903**
	Showing separately: - PROFIT OR LOSS ON FINANCIAL AND INVESTMENT SERVICES [1-2+3+4-5+6+7.b)-8-9- 10.b)-11+12-13+14]	84,966	161,098
	- PROFIT OR LOSS ON OPERATIONS OTHER THAN FINANCIAL AND INVESTMENT SERVICES [7.a)-10.a)]	3,321	3,805
16.	Extraordinary income	11,537	3,953
17.	Extraordinary charges	21,994	14,406
18.	Extraordinary profit or loss (16-17)	(10,457)	(10,453)
19.	**Profit or loss before tax (+15+18)**	**77,830**	**154,450**
20.	Taxes on income	25,257	32,265
21.	**Profit or loss after tax (+19-20)**	**52,573**	**122,185**
22.	General reserve (±)	(5,257)	(12,218)
23.	Profit reserves used for dividends and profit-sharing	-	-
24.	Dividend and profit-sharing payable	33,600	40,600
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
25.	**Profit or loss for the financial year (+21-/+22+23-24)**	**13,716**	**69,367**

CASH-FLOW STATEMENT

figures in HUF million

	Description	2012	2013
1.	Interest Income	716,972	569,465
2.	Income from other financial services (expect value adjustments in respect of securities and the positive valuation difference of receivables)	128,970	168,951
3.	Other income (except value readjustments in respect of provisions, value adjustments in respect of stocks and readjustments in respect of extraordinary depreciation)	24,835	11,588
4.	+Income from other investment financial services (except value adjustments in respect of securities and positive valuation difference)	51,289	58,124
5.	Income from operations other than financial and investment services	10,548	12,372
6.	Dividend income	43,098	47,283
7.	Extraordinary income	154	23
8.	Interest charges	-476,057	-332,774
9.	Charges on other financial services (except value adjustments in respect of securities and the negative valuation difference of receivables)	-96,808	-59,206
10.	Other charges (except provisions, value adjustments in respect of stocks, and extraordinary depreciation)	-118,983	-114,720
11.	Charges on investment services (except value adjustments in respect of securities and negative valuation difference)	-44,344	-39,635
12.	Charges on operations other than financial and investment services	-7,227	-8,567
13.	General administrative expenses	-127,323	-130,397
14.	Extraordinary charges (not including corporate tax payable for the financial year)	-8,838	-12,882
15.	Corporate tax payable for the financial year	-25,257	-32,265
16.	Dividends paid	-28,140	-33,595
17.	**OPERATING CASH-FLOW**	**42,889**	**103,765**
18.	± Variation in liabilities (increase (+), decrease (-))	-123,064	117,313
19.	± Variation in receivables (increase (-), decrease (+))	618,324	172,111
20.	± Variation in stocks (increase (-), decrease (+))	-175	-82
21.	± Variation in securities shown under current assets (increase (-), decrease (+))	-212,951	-218,813
	Description	**2012**	**2013**
22.	± Variation in securities shown under fixed assets (increase (-), decrease (+))	-150,712	-197,556
23.	± Variation in tangible assets in course of construction (including payments on account) (increase (-), decrease (+))	-412	-369
24.	± Variation in intangible assets (increase (-), decrease (+))	-9,138	-14,993
25.	± Variation in tangible assets (except tangible assets in course of construction and payments on account) (increase (-), decrease (+))	-8,834	-9,131
26.	± Variation in prepayments and accrued income (increase (-), decrease (+))	-1,787	15,822
27.	± Variation in accruals and deferred income (increase (+), decrease (-))	-124,427	-55,661
28.	+ Issue of shares at par value	0	0
29.	+ Non-repayable funds received by virtue of legal regulation	0	0
30.	- Non-repayable funds transferred by virtue of legal regulation*	-11,104	-17,193
31.	- Nominal value of shares and share certificates withdrawn	0	0
32.	**NET CASH-FLOW**	**18,609**	**-104,787**
	Net cash-flow showing separately:		
33.	- variation in cash in hand (HUF and foreign currencies, checks)	7,662	4,790
34.	- variation in account balances (HUF and foreign currency accounts placed with the NBH, deposit accounts with remaining maturity of less than one year, and current deposit accounts maintained in HUF at other credit institutions by virtue of specific other legislation)	10,947	-109,577

* - Supplementary payments covering the losses of the subsidiaries

PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE PARENT COMPANY AND ON DIVIDEND PAYMENT

PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE PARENT COMPANY AND ON DIVIDEND PAYMENT

	HUF million
After-tax profit	122,185
General reserve provisioning	12,218
Use of profit reserves for dividends and participations	0
Dividends	40,600
Retained earnings	69,367

A PART OF THE DRAFT RESOLUTION

The Annual General Meeting approves

the individual balance sheet of OTP Bank for the financial year 2013 with a corresponding HUF 6,600,634 million balance-sheet total and HUF 122,185 million after-tax profit
and the Annual General Meeting will distribute the HUF 122,185 million after-tax profit as follows:
HUF 12,218 million will be set aside for general reserves,
HUF 40,600 million will be paid out as dividend,
thus the retained earnings will amount to HUF 69,367 million.

***Dividends** will be HUF 145 per share, representing 145% of the face value of each share. **The actual amount of dividends** to be paid to the individual shareholders will be calculated and disbursed in accordance with the Company's Bylaws, that is, the Company will distribute the dividend calculated in respect of all the shares qualifying as treasury shares among the shareholders entitled to receive dividends. Dividends will be disbursed from 10 June 2014, in accordance with the procedural order set forth in the Bylaws.*

The Annual General Meeting approves the consolidated balance sheet of OTP Bank for the financial year 2013 with a corresponding HUF 10,381,047 million balance sheet total and HUF 64,108 million after-tax profit. The net profit attributable to equity holders amounted to HUF 64,199 million.

(The above text represents a part of the draft resolution for the Annual General Meeting.)

FINANCIAL STATEMENTS ON 2013

IFRS (CONSOLIDATED)

OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(in HUF mn)

	Note	2013	2012
Cash, amounts due from banks and balances with the National Banks	*4.*	539,125	602,521
Placements with other banks, net of allowance for placement losses	*5.*	273,479	356,866
Financial assets at fair value through profit or loss	*6.*	415,605	222,874
Securities available-for-sale	*7.*	1,637,255	1,411,177
Loans, net of allowance for loan losses	*8.*	6,245,210	6,464,191
Associates and other investments	*9.*	23,837	7,936
Securities held-to-maturity	*10.*	580,051	429,303
Property and equipment	*11.*	261,523	251,393
Intangible assets	*11.*	193,721	237,749
Other assets	*12.*	211,241	129,456
TOTAL ASSETS		**10,381,047**	**10,113,466**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	*13.*	784,212	534,324
Deposits from customers	*14.*	6,866,606	6,550,708
Liabilities from issued securities	*15.*	445,218	643,123
Financial liabilities at fair value through profit or loss	*16.*	87,164	122,032
Other liabilities	*17.*	421,353	457,231
Subordinated bonds and loans	*18.*	267,162	291,495
TOTAL LIABILITIES		**8,871,715**	**8,598,913**
Share capital	*19.*	28,000	28,000
Retained earnings and reserves		1,532,164	1,534,572
Treasury shares	*21.*	(55,599)	(53,802)
Non-controlling interest	*22.*	4,767	5,783
TOTAL SHAREHOLDERS' EQUITY		**1,509,332**	**1,514,553**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,381,047**	**10,113,466**

Budapest, 25 March 2014

....
Dr. Sándor Csányi
Chairman and Chief Executive Officer

OTP BANK Nyrt.
elnök-vezérigazgató

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(in HUF mn)

	Note	2013	2012
Interest Income:			
Loans		771,542	795,475
Placements with other banks		207,951	341,071
Securities available-for-sale		71,743	78,624
Securities held-to-maturity		33,002	20,204
Amounts due from banks and balances with the National Banks		4,207	6,749
Securities held for trading		924	1,827
Total Interest Income		**1,089,369**	**1,243,950**
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		189,539	294,631
Deposits from customers		199,794	237,898
Liabilities from issued securities		34,896	54,033
Subordinated bonds and loans		11,412	11,923
Total Interest Expense		**435,641**	**598,485**
NET INTEREST INCOME		**653,728**	**645,465**
Provision for impairment on loan and placement losses	*5.,8.,23.*	262,569	229,470
Gains on loans related to early repayment	*23.*	-	(2,490)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**391,159**	**418,485**
Income from fees and commissions	*24.*	257,135	203,499
Expense from fees and commissions	*24.*	55,378	49,162
Net profit from fees and commissions		**201,757**	**154,337**
Foreign exchange gains, net		18,279	3,171
Gains / (losses) on securities, net		11,546	(235)
Gains on real estate transactions		1,552	1,131
Dividend income		2,474	2,803
Release of provision on securities available-for-sale and securities held-to-maturity		11	505
Other operating income	*25.*	24,840	23,987
Other operating expense	*25.*	(39,795)	(35,033)
Net operating result		**18,907**	**(3,671)**
Personnel expenses		204,277	188,952
Depreciation and amortization	*11.*	78,017	47,420
Other administrative expenses		244,477	187,105
Other administrative expenses	*25.*	**526,771**	**423,477**
PROFIT BEFORE INCOME TAX		**85,052**	**145,674**
Income tax	*26.*	(20,944)	(23,088)
NET PROFIT FOR THE PERIOD		**64,108**	**122,586**
From this, attributable to:			
Non-controlling interest		**(91)**	**896**
Owners of the company		**64,199**	**121,690**
Consolidated earnings per share (in HUF)			
Basic	*37.*	**241**	**457**
Diluted	*37.*	**240**	**457**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(in HUF mn)

	2013	2012
NET PROFIT FOR THE PERIOD	**64,108**	**122,586**
Fair value adjustment of securities available-for-sale	(1,721)	48,180
Derivative financial instruments designated as Cash-flow hedge	531	532
Net investment hedge in foreign operations	(1,357)	4,978
Foreign currency translation difference	(33,159)	(54,104)
Change of actuarial losses related to employee benefits	(39)	-
NET COMPREHENSIVE INCOME	**28,363**	**122,172**
From this, attributable to:		
Non-controlling interest	(1,016)	182
Owners of the company	29,379	121,990

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH-FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in HUF mn)

OPERATING ACTIVITIES	Note	2013	2012
Profit before income tax		**85,052**	**145,674**
Goodwill impairment	*11.*	30,819	-
Depreciation and amortization	*11.*	47,198	47,420
Release of provision for impairment on securities	*7.,10.*	(11)	(505)
Provision for impairment on loan and placement losses	*5.,8.*	262,569	226,980
Provision for impairment on investments	*9.*	1,370	1,335
Provision for impairment on other assets	*12.*	4,313	6,375
Provision for impairment on off-balance sheet commitments and contingent liabilities	*17.*	3,990	2,135
Share-based payment	*2.,29.*	5,704	4,584
Change of actuarial losses related to employee benefits		(39)	-
Unrealized gains / (losses) on fair value adjustment of securities held for trading		859	(1,938)
Unrealized gains / (losses) on fair value adjustment of derivative financial instruments		4,921	(8,829)
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		(219,517)	20,512
Net (increase) / decrease in loans, net of allowance for loan losses		(113,672)	278,246
(Increase) / decrease in other assets before provisions for impairment		(67,833)	1,585
Net increase in deposits from customers		315,898	151,855
(Decrease) / increase in other liabilities		(1,785)	45,657
Net decrease in compulsory reserves at the National Banks		7,414	10,217
Dividend income		(2,474)	(2,803)
Income tax paid		(21,739)	(25,259)
Net Cash Provided by Operating Activities		**343,037**	**903,241**
INVESTING ACTIVITIES			
Net decrease in placement with other banks before allowance for placements losses		83,761	65,870
Net increase in securities available-for-sale		(227,341)	(216,170)
Net (increase) / decrease in investments in subsidiaries		(14,560)	1,071
Net increase in investments in associates		(2,711)	-
Buy-out of non-controlling interests		(1,124)	-
Dividend income		2,474	2,803
Net increase in securities held-to-maturity		(150,738)	(304,401)
Additions to property, equipment and intangible assets		(59,286)	(63,127)
Disposals of property, equipment and intangible assets		15,190	18,430
Net (increase) / decrease in advances for investments included in other assets		(29)	1,434
Net Cash Used in Investing Activities		**(354,364)**	**(494,090)**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH-FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in HUF mn)
[continued]

FINANCING ACTIVITIES	Note	2013	2012
Net increase / (decrease) in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		249,888	(112,644)
Cash used for redemption of issued securities		(197,905)	(169,740)
Decrease in subordinated bonds and loans		(24,333)	(24,952)
(Decrease) / increase in non-controlling interest		(1,016)	182
Foreign currency translation		(32,270)	(53,391)
Payments to ICES holders[18]		(4,111)	(4,144)
Net change in Treasury shares		(1,316)	430
Dividend paid		(33,592)	(28,140)
Net Cash Used in Financing Activities		**(44,655)**	**(392,399)**
Net (decrease) / increase in cash and cash equivalents		**(55,982)**	**16,752**
Cash and cash equivalents at the beginning of the period		**331,929**	**315,177**
Cash and cash equivalents at the end of the period		**275,947**	**331,929**

Analysis of cash and cash equivalents

Cash, amounts due from banks and balances with the National Banks		602,521	595,986
Compulsory reserve established by the National Banks		(270,592)	(280,809)
Cash and cash equivalents at the beginning of the period		**331,929**	**315,177**
Cash, amounts due from banks and balances with the National Banks	*4.*	539,125	602,521
Compulsory reserve established by the National Banks	*4.*	(263,178)	(270,592)
Cash and cash equivalents at the end of the period		**275,947**	**331,929**

[18] See more details in Note 20.

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2012		**28,000**	**52**	**6,216**	**1,488,296**	**(55,468)**	**(54,387)**	**5,601**	**1,418,310**
Net profit for the period		-	-	-	121,690	-	-	896	122,586
Other Comprehensive Income		-	-	-	300	-	-	(714)	(414)
Share-based payment	*29.*	-	-	4,584	-	-	-	-	4,584
Dividend for the year 2011		-	-	-	(28,000)	-	-	-	(28,000)
Sale of Treasury shares	*21.*	-	-	-	-	-	6,342	-	6,342
Treasury shares									
– loss on sale		-	-	-	(155)	-	-	-	(155)
– acquisition	*21.*	-	-	-	-	-	(5,757)	-	(5,757)
Payments to ICES holders	*20.*	-	-	-	(2,943)	-	-	-	(2,943)
Balance as at 31 December 2012		**28,000**	**52**	**10,800**	**1,579,188**	**(55,468)**	**(53,802)**	**5,783**	**1,514,553**
Net profit for the period		-	-	-	64,199	-	-	(91)	64,108
Other Comprehensive Income		-	-	-	(34,820)	-	-	(925)	(35,745)
Share-based payment	*29.*	-	-	5,704	-	-	-	-	5,704
Dividend for the year 2012		-	-	-	(33,600)	-	-	-	(33,600)
Sale of Treasury shares	*21.*	-	-	-	-	-	17,943	-	17,943
Treasury shares									
– gain on sale		-	-	-	481	-	-	-	481
– acquisition	*21.*	-	-	-	-	-	(19,740)	-	(19,740)
Payments to ICES holders	*20.*	-	-	-	(3,248)	-	-	-	(3,248)
Buy-out of non-controlling interests		-	-	-	(1,124)	-	-	-	(1,124)
Balance as at 31 December 2013		**28,000**	**52**	**16,504**	**1,571,076**	**(55,468)**	**(55,599)**	**4,767**	**1,509,332**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

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

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

These financial statements were approved by the Board of Directors and authorised for issue on 25 March 2014.

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

	2013	2012
Domestic and foreign private and institutional investors	97%	97%
Employees	2%	2%
Treasury shares	1%	1%
Total	**100%**	**100%**

The Bank and its subsidiaries (“Entities of the Group“, together the “Group”) provide a full range of commercial banking services through a wide network of 1,441 branches. The Group has operations in Hungary, Bulgaria, Russia, Ukraine, Croatia, Romania, Slovakia, Serbia and Montenegro.

The number of employees at the Group:

	2013	2012
The number of employees at the Group	38,203	36,366
The average number of employees at the Group	37,487	35,054

1.2. Base of Accounting

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

The Group’s presentation currency is the Hungarian Forint (“HUF”).

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

Certain adjustments have been made to the entities’ statutory accounts in order to present the Consolidated Financial Position and Statement of Recognized and Comprehensive Income of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (“IASB”).

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2013

The following standards, amendments to the existing standards and interpretations issued by the IASB and adopted by the EU are effective for the current period:

- IFRS 13 “Fair Value Measurement”, 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” - 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),
- Amendments to various standards “Improvements to IFRSs (cycle 2009-2011)” resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- 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 these amendments to the existing standards has not led to any changes in the Group’s accounting policies.

1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements, the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue 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),
- 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 10 (Amendment) “Consolidated Financial Statements”, IFRS 11 (Amendment) “Joint Arrangements” and IFRS 12 (Amendment) “Disclosures of Interests in Other Entities” - Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 10 (Amendment) “Consolidated Financial Statements”, IFRS 12 (Amendment) “Disclosures of Interests in Other Entities” and IAS 27 (Amendment) (revised in 2011) “Separate Financial Statements” - Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),

- 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),
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

1.2.3. Standards and Interpretations issued by IASB, but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):

- IFRS 9 “Financial Instruments” and subsequent amendments (effective date was not yet determined),
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- IFRIC 21 “Levies” (effective for annual periods beginning on or after 1 January 2014).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

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

2.2. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's presentation currency are translated into HUF are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary (“NBH”), or if there is no official rate, at exchange rates quoted by OTP as at the date of the Consolidated Financial Statements. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.7. below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in Other Comprehensive Income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into HUF using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Other Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in Other Comprehensive Income and accumulated in equity.

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank exercises control. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 31. However, certain subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.13.).
As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

2.4. Accounting for acquisitions

Business combinations are accounted for using purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.
Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements.

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in Statement of Recognized Income.
Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate. The goodwill is allocated to the cost generating units that are expected to benefit from the synergies of the combinations.
The Group calculates the fair value based on discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.
The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the cautious recovery of 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.

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

2.5. Securities held-to-maturity

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

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

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

2.6.2. Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group 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. The Group 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 the Group has almost all of its open derivative transactions collateralised.
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the Consolidated Statement of Recognized Income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

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

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

2.8. Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the Consolidated Statement of Financial Position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be reported in the Consolidated Statement of Financial Position on a net basis. The Group does not offset any financial assets and financial liabilities.

2.9. Embedded derivatives

Sometimes, a derivative may be a component of a combined financial instrument that includes a host contract and a derivative (the embedded derivative) effecting cash-flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative as a stand-alone instrument; and
- The host instrument is not measured at fair or is measured at fair value but changes in fair value are recognized in Other Comprehensive Income.

2.10. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities available-for-sale are measured at subsequent reporting dates at fair value. Unrealized gains and losses on available-for-sale financial instruments are recognized directly in Other Comprehensive Income, except for interest and foreign exchange gains/losses on monetary items, unless such available-for-sale security is part of an effective hedge. Such gains and losses will be reported when realized in Consolidated Statement of Recognized Income for the applicable period.
Such securities consist of Hungarian and foreign government bonds, bonds issued by NBH, corporate bonds, discounted Treasury bills and other securities. Other securities include shares in investment funds and shares in non-financing companies.

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

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

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

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

Loans and placements with other banks are accounted at amortized cost, stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively. Interest is accounted using effective interest rate method.
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.

According to IAS 39, initially financial asset shall be recognized at fair value which is usually equal to transaction value of loans and receivables. Initial fair value of loans and receivables lent at interest below market conditions is lower than their transaction price. As a consequence the Bank is deferring the difference between the fair value at initial recognition and the transaction price relating to loans and receivables because input data for measuring the fair values are not available on observable markets. (See Note 8., 13. and 43. for Funding for Growth Scheme.)

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

Allowance for loan and placement losses with other banks represent Management assessment for potential losses in relation to these activities.
The allowances for loan and placement losses are maintained to cover losses that have been specifically identified. Collective impairment losses of portfolios of loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date. The expected cash-flows for portfolios of similar assets are estimated based on historical loss experience. Historical loss experience is the basis for calculating the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio at the balance sheet date.

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

2.12. Sale and repurchase agreements, security lending

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

2.13. Associates and other investments

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

Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IAS 39, when appropriate.
Gains and losses on the sale of investments are determined on the basis of the specific identification of the cost of each investment.

2.14. Property and equipment, Intangible assets

Property and equipment and Intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	3.33-50%
Property rights	1-50%
Property	1-50%
Office equipments and vehicles	2.5-67.5%

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

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

The Group may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Group.
Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.
In the case of effective hedge the realised profit or loss of hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognising the asset and it is tightly connecting to the purchasing.

2.15. Financial liabilities

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

2.16. Leases

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

The Group as a lessor

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

The Group as a lessee

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

Payments made under operating leases are charged to the Consolidated Statement of Recognized and Comprehensive Income on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.17. Treasury shares

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

2.18. Interest income and interest expense

Interest income and expenses are recognized in profit or loss in the period to which they relate, using the effective interest rate method. Interest from loans and deposits are accrued on a daily basis. Interest income and expenses include relevant transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.
The Group recognizes interest income when assumes that the interest associated with the transaction will flow to the Group and the amount of the revenue can reasonably be measured. All interest income and expense recognized are arising from loans, placements with other banks, securities held for trading, securities available-for-sale, securities held-to-maturity and amounts due to banks, deposits from customers, liabilities from issued securities, subordinated bond and loans are presented under these lines.

2.19. Fees and Commissions

Fees and commissions are recognized using the effective interest method referring to provisions of IAS 39, when they relate and have to be included in amortized cost model. Certain fees and commissions that are not involved in the amortized cost model are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on IAS 18.

2.20. Dividend income

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

2.21. Income tax

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

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

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

2.22. Off-balance sheet commitments and contingent liabilities

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

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

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

2.23. Share-based payment and employee benefit

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

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

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Group has applied the requirement of IAS 19 Employee Benefits. IAS 19 requires to recognise employee benefits to be paid as a liability and as an expense in the Consolidated Financial Statements.

2.24. Consolidated Statement of Cash-flows

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

2.25. Segment reporting

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

The Group's 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.

2.26. 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 Consolidated Financial Statements for the year ended 31 December 2012 have been restructured within the particular note to conform with the current year presentation and these amounts are not significant.

2.27. Measures related to FX based mortgage loans

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 installments 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 installments 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 installment-proportion non-paid by debtors arising from the difference between the fixed and the exceeding actual spot exchange rate.

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 installment 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 installments 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 utilizing 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, the Bank decided not to employ the state guarantee.

An analysis of main figures related to escrow account loan construction at Group level is the following:

As at 31 December 2013

	OTP	OTP Mortgage Bank	OTP Real Estate Leasing Ltd.	Group
Number of escrow account loans (number of loans)	4,787	31,165	470	36,422
Number of new contracts made after 1 April 2012 (number of contracts)	4,728	31,340	553	36,621
Gross value of escrow account loans (in HUF mn)	320	2,483	50	2,853
Gross amount of fixed FX loans (in HUF mn)	19,422	223,286	5,904	248,612

As at 31 December 2012

	OTP	OTP Mortgage Bank	OTP Real Estate Leasing Ltd.	Group
Number of escrow account loans (number of loans)	3,060	23,817	380	27,257
Number of new contracts made after 1 April 2012 (number of contracts)	2,988	23,324	386	26,698
Gross value of escrow account loans (in HUF mn)	79	831	3	913
Gross amount of fixed FX loans (in HUF mn)	13,444	187,606	5,346	206,396

An analysis of the effect of escrow account loan on financial statement at Group level is the following:

As at 31 December 2013

	OTP	OTP Mortgage Bank	OTP Real Estate Leasing Ltd.	Group
Loss on interest from fixed exchange rate refunded by the State	408	1,084	113	1,605
Contribution paid for the State (50%)	204	542	57	803

As at 31 December 2012

	OTP	OTP Mortgage Bank	OTP Real Estate Leasing Ltd.	Group
Loss on interest from fixed exchange rate refunded by the State	60	824	23	907
Contribution paid for the State (50%)	30	412	12	454

Those debtors were not allowed to enter into the escrow account loan program who complied one of the following conditions or all of them:

a) the total value of the loan exceeded HUF 20 million at conclusion of FX loan contract
b) loan is over 90 days past due
c) debtor is participating in payments facilitating program.

Based on the amendment of Act approved on 5 November 2013 the conditions above **were cancelled**.

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

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

3.1. Impairment on loans and placements

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

3.2. Valuation of instruments without direct quotations

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

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3. Provisions

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

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

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

3.4. Impairment on goodwill

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

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

	2013	2012
Cash on hand		
In HUF	68,063	59,693
In foreign currency	120,069	127,126
	188,132	**186,819**

Amounts due from banks and balances with the National Banks

	2013	2012
Within one year:		
In HUF	51,807	134,828
In foreign currency	298,528	279,755
	350,335	**414,583**
Over one year:		
In HUF	-	-
In foreign currency	435	659
	435	**659**
Accrued interest	223	460
	350,993	**415,702**
Total	**539,125**	**602,521**
Compulsory reserve set by the National Banks	**263,178**	**270,592**

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

	2013	2012
Within one year		
In HUF	32,424	40,882
In foreign currency	235,898	294,509
	268,322	**335,391**
Over one year		
In HUF	-	15,000
In foreign currency	4,911	7,183
	4,911	**22,183**
Accrued interest	277	403
Provision for impairment on placement losses	(31)	(1,111)
Total	**273,479**	**356,866**

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

	2013	2012
Balance as at 1 January	**1,111**	**1,165**
Provision for the period	28	1,479
Release of provision for the period	(367)	(1,375)
Use of provision	(712)	-
Foreign currency translation difference	(29)	(158)
Closing balance	**31**	**1,111**

Interest conditions of placements with other banks:

	2013	2012
In HUF	0.1% - 9.0%	0.1% - 9.4%
In foreign currency	0.01% - 11.9%	0.002% - 10.1%

	2013	2012
Average interest rates on placements with other banks	1.48%	2.28%

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

	2013	2012
Securities held for trading		
Securities issued by the NBH	209,347	1,333
Shares	73,703	90,779
Government bonds	34,817	12,476
Hungarian government discounted Treasury bills	2,159	2,098
Other securities	14,615	7,741
Other non-interest bearing securities	5,912	6,913
	340,553	**121,340**
Accrued interest	987	480
Total	**341,540**	**121,820**

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

	2013	2012
Interest rate swaps classified as held for trading	53,667	73,183
CCIRS and mark-to-market CCIRS[1] classified as held for trading	8,444	10,298
Foreign exchange swaps classified as held for trading	5,357	7,173
Foreign exchange forward contracts classified as held for trading	104	-
Other transactions classified as held for trading	6,493	10,400
	74,065	**101,054**
Total	**415,605**	**222,874**

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

	2013	2012
Denominated in HUF (%)	86.9%	80.2%
Denominated in foreign currency (%)	13.1%	19.8%
Total	**100.0%**	**100.0%**

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 28.)

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

	2013	2012
Denominated in HUF (%)	9.5%	9.9%
Denominated in foreign currency (%)	90.5%	90.1%
Total	**100.0%**	**100.0%**

	2013	2012
Interest rates on securities held for trading	2.9% - 13.0%	1.2% - 12.0%
Average interest rates on securities held for trading	1.46%	5.54%

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

	2013	2012
Within five years		
With variable interest	7,245	2
With fixed interest	249,085	21,587
	256,330	**21,589**
Over five years		
With variable interest	663	-
With fixed interest	3,945	2,059
	4,608	**2,059**
Non-interest bearing securities	79,615	97,692
Total	**340,553**	**121,340**

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

	2013	2012
Securities available-for-sale		
Bonds issued by NBH	1,151,208	860,081
Government bonds	318,263	370,329
Corporate bonds	71,148	51,527
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*67,930*	*45,966*
	67,930	*45,966*
Non-listed securities:		
In HUF	*3,218*	-
In foreign currency	*-*	*5,561*
	3,218	*5,561*
Discounted Treasury bills	38,088	34,853
Mortgage bonds	-	151
Other securities	8,562	44,022
Other non-interest bearing securities	41,702	39,810
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*6,521*	*6,829*
	6,521	*6,829*
Non-listed securities:		
In HUF	*27,013*	*28,647*
In foreign currency	*8,168*	*4,334*
	35,181	*32,981*
	1,628,971	**1,400,773**
Accrued interest	9,250	11,630
Provision for impairment on securities available-for-sale	(966)	(1,226)
Total	**1,637,255**	**1,411,177**

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

	2013	2012
Denominated in HUF (%)	82.6%	81.4%
Denominated in foreign currency (%)	17.4%	18.6%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency (%):

	2013	2012
Denominated in HUF (%)	47.1%	64.1%
Denominated in foreign currency (%)	52.9%	35.9%
Total	**100.0%**	**100.0%**

	2013	2012
Interest rates on securities available-for-sale denominated in HUF	2.9% - 8.0%	6.0% - 8.0%
Interest rates on securities available-for-sale denominated in foreign currency	0.3% - 22.0%	0.8% - 20.0%

	2013	2012
Average interest rates on securities available-for-sale denominated in HUF	4.10%	7.92%
Average interest rates on securities available-for-sale denominated in foreign currency	9.12%	3.99%

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

	2013	2012
Within five years		
With variable interest	1,026,084	9,518
With fixed interest	478,490	1,282,459
	1,504,574	**1,291,977**
Over five years		
With variable interest	3,730	2,521
With fixed interest	78,965	66,465
	82,695	**68,986**
Non-interest bearing securities	41,702	39,810
Total	**1,628,971**	**1,400,773**

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

	2013	2012
Balance as at 1 January	**1,226**	**1,930**
Provision for the period	1	61
Release of provision	(1)	(551)
Use of provision	(265)	(83)
Foreign currency translation difference	5	(131)
Closing balance	**966**	**1,226**

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

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

	2013	2012
Short-term loans and promissory notes (within one year)	2,537,167	2,573,893
Long-term loans and promissory notes (over one year)	4,875,633	4,973,154
	7,412,800	**7,547,047**
Accrued interest	68,044	71,320
Provision for impairment on loan losses	(1,235,634)	(1,154,176)
Total	**6,245,210**	**6,464,191**

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

	2013	2012
In HUF	27%	26%
In foreign currency	73%	74%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	2013	2012
Short-term loans denominated in HUF	0.3% - 40.4%	4.5% - 43%
Long-term loans denominated in HUF	0.3% - 40.4%	2.7% - 43%
Short-term loans denominated in foreign currency	0.01% - 66%	1% - 66%
Long-term loans denominated in foreign currency	0.01% - 64.9%	0.1% - 58.6%

	2013	2012
Average interest rates on loans denominated in HUF	4.94%	5.27%
Average interest rates on loans denominated in foreign currency	16.54%	15.44%

	2013	2012
Gross loan portfolio on which interest to customers is not being accrued	18.4%	18.2%

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

	2013		2012	
Consumer loans	2,838,144	38%	2,673,929	35%
Corporate loans	2,251,096	30%	2,319,747	31%
Housing loans	2,050,026	28%	2,248,435	30%
Municipality loans	273,534	4%	304,936	4%
from this completed by the State	*102,152*	*1%*	-	-
Total	**7,412,800**	**100%**	**7,547,047**	**100%**

Through debt consolidation the central government provided a non-refundable subsidy to municipalities with less than five thousands inhabitants for the total repayment of their outstanding obligations (loans, bonds, bills of exchange) as at 12 December 2012. In case of the Bank HUF 28.8 billion total debt of 957 municipalities was repaid (at exchange rates as at 27 December 2012).
Furthermore the debt consolidation of municipalities with more than five thousands inhabitants was completed by end of June 2013, which was carried out from three sources: subsidy provided by the Hungarian Treasury, funds of the Government Debt Management Agency ("GDMA"), long-term loan originated by OTP for the GDMA.
At the Bank the total amount of loans to 192 municipalities with more than five thousands inhabitants represented HUF 245 billion by the end of 2012. Out of this portfolio the debt consolidation covered volumes of HUF 142.6 billion equivalent (at exchange rates as at 31 December 2012). HUF 41.5 billion equivalent of debt was prepaid, while HUF 101.2 billion equivalent was refinanced by a loan originated by OTP for the GDMA.
By the end of 2013 the principal of the loan to the GDMA amounted to HUF 101.6 billion in the financial statements of the Bank.

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

	2013	2012
Balance as at 1 January	**1,154,176**	**1,061,452**
Provision for the period	514,614	602,194
Release of provision	(328,859)	(472,154)
Use of provision	(79,996)	2,111
Foreign currency translation difference	(24,301)	(39,427)
Closing balance	**1,235,634**	**1,154,176**

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

	2013	2012
(Release of provision) / Provision for impairment on placement losses	(374)	41
Provision for impairment on loan losses	262,943	226,939
Total	**262,569**	**226,980**

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

	2013	2012
Investments		
Unconsolidated subsidiaries	8,296	7,159
Associated companies (non-listed)	15,583	337
Other investments (non-listed)[1]	4,189	3,408
	28,068	**10,904**
Provision for impairment on investments	(4,231)	(2,968)
Total	**23,837**	**7,936**

[1] These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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

	2013	2012
Balance as at 1 January	**2,968**	**1,654**
Provision for the period	1,370	1,335
Use of provision	(132)	(22)
Foreign currency translation difference	25	1
Closing balance	**4,231**	**2,968**

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

	2013	2012
Government bonds	564,522	407,853
Foreign bonds	1,070	1,236
Mortgage bonds	493	2,142
Discounted Treasury bills	457	6,432
	566,542	**417,663**
Accrued interest	14,284	12,410
Provision for impairment on securities held-to-maturity	(775)	(770)
Total	**580,051**	**429,303**

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

	2013	2012
Within five years		
With variable interest	16,457	32,619
With fixed interest	212,112	230,287
	228,569	**262,906**
Over five years		
With variable interest	-	252
With fixed interest	337,973	154,505
	337,973	**154,757**
Total	**566,542**	**417,663**

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

	2013	2012
Denominated in HUF (%)	89.8%	85.7%
Denominated in foreign currency (%)	10.2%	14.3%
Total	**100%**	**100%**

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

	2013	2012
Interest rates of securities held-to-maturity with variable interest	0.02% - 4.25%	0.3% - 7.1%
Interest rates of securities held-to-maturity with fixed interest	2.6% - 10.9%	3.5% - 30%

	2013	2012
Average interest rates on securities held-to-maturity	6.71%	7.47%

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

	2013	2012
Balance as at 1 January	**770**	**889**
Provision for the period	21	15
Release of provision	(32)	(30)
Use of provision	-	(34)
Foreign currency translation difference	16	(70)
Closing balance	**775**	**770**

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

For the year ended 31 December 2013

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**363,524**	**214,736**	**187,618**	**18,928**	**784,806**
Additions	32,622	11,394	22,509	29,217	95,742
Foreign currency translation differences	(7,438)	(901)	(893)	97	(9,135)
Disposals	(13,939)	(2,605)	(20,562)	(22,755)	(59,861)
Change in consolidation scope	142	10	234	854	1,240
Balance as at 31 December	**374,911**	**222,634**	**188,906**	**26,341**	**812,792**

Depreciation and Amortization	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**125,775**	**44,867**	**125,022**	**-**	**295,664**
Charge for the period	22,192	5,644	19,362	-	47,198
Goodwill impairment	30,819	-	-	-	30,819
Foreign currency translation differences	6,164	173	(776)	-	5,561
Disposals	(3,818)	(963)	(17,135)	-	(21,916)
Change in consolidation scope	58	78	86	-	222
Balance as at 31 December	**181,190**	**49,799**	**126,559**	**-**	**357,548**
Net book value					
Balance as at 1 January	**237,749**	**169,869**	**62,596**	**18,928**	**489,142**
Balance as at 31 December	**193,721**	**172,835**	**62,347**	**26,341**	**455,244**

An analysis of the changes in the goodwill for the year ended 31 December 2013 is as follows:

Cost	Goodwill
Balance as at 1 January	**189,619**
Additions	-
Foreign currency translation difference	(13,236)
Impairment for the current period	(30,819)
Balance as at 31 December	**145,564**
Net book value	
Balance as at 1 January	**189,619**
Balance as at 31 December	**145,564**

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

List of units	HUF mn
OAO OTP Bank	61,534
DSK Bank EAD	28,541
OTP Bank JSC	26,179
OTP banka Hrvatska d.d.	17,236
OTP Bank Romania S.A.	5,900
OTP Banka Slovensko a.s.	88
Other[1]	6,086
Total	**145,564**

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

The Bank applied a cash-flow model with an explicit period between 2014-2018 where for 2014 the actual, accepted annual financial plans are included and the actual financial strategic plans were used as forecasts for the period between 2015 and 2018.

[1] Other category includes: Monicomp Ltd., OTP Real Estate Leasing Ltd., Nimo 2002 Ltd., POK DSK-Rodina a.d.

Present value calculation with the DCF method
The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. For calculating the discount factor it was considered the base rates of the national banks in the actual macro forecasts as risk free rates and the Group calculated risk premiums by modifying the country risk premiums that are published on damodaran.com with the CDS of the different countries spread as of 31 December 2013.
The values of the subsidiaries in the DCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

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

Summary of the impairment test for the year ended 31 December 2013
Based on the valuations of the subsidiaries HUF 30,819 million consolidated IFRS goodwill impairment was recorded for OTP Bank JSC.

For the year ended 31 December 2012

Cost	**Intangible assets and goodwill**	**Property**	**Office equipments and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	**381,658**	**199,654**	**187,460**	**16,343**	**785,115**
Additions	30,937	16,753	24,635	27,309	99,634
Foreign currency translation differences	(12,047)	(7,311)	(6,465)	(571)	(26,394)
Disposals	(37,048)	(2,871)	(18,117)	(24,155)	(82,191)
Change in consolidation scope	24	8,511	105	2	8,642
Balance as at 31 December	**363,524**	**214,736**	**187,618**	**18,928**	**784,806**
Depreciation and Amortization					
Balance as at 1 January	**131,789**	**40,102**	**121,558**	**-**	**293,449**
Charge for the period	22,372	6,140	18,908	-	47,420
Foreign currency translation differences	(1,557)	(1,532)	(3,815)	-	(6,904)
Disposals	(26,838)	(1,076)	(11,692)	-	(39,606)
Change in consolidation scope	9	1,233	63	-	1,305
Balance as at 31 December	**125,775**	**44,867**	**125,022**	**-**	**295,664**
Net book value					
Balance as at 1 January	**249,869**	**159,552**	**65,902**	**16,343**	**491,666**
Balance as at 31 December	**237,749**	**169,869**	**62,596**	**18,928**	**489,142**

An analysis of the changes in the goodwill for the year ended 31 December 2012 is as follows:

Cost	Goodwill
Balance as at 1 January	**198,896**
Additions	-
Foreign currency translation difference	(9,277)
Current year impairment	-
Balance as at 31 December	**189,619**
Net book value	
Balance as at 1 January	**198,896**
Balance as at 31 December	**189,619**

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

List of units	HUF mn
OAO OTP Bank	68,205
OTP Bank JSC	64,003
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	16,910
OTP Bank Romania S.A.	5,788
OTP Banka Slovensko a.s.	86
Other[1]	6,086
Total	**189,619**

Summary of the 2012 year end impairment test
Based on the valuations of the subsidiaries there wasn't recorded any consolidated IFRS goodwill impairment.

[1] Other category includes: Monicomp Ltd., OTP Real Estate Leasing Ltd., Nimo 2002 Ltd., POK DSK-Rodina a.d.

NOTE 12: OTHER ASSETS[1] (in HUF mn)

	2013	2012
Inventories	63,136	50,751
Fair value of derivative financial instrument designated as fair value hedge	26,803	13,694
Prepayments and accrued income	19,305	10,100
Trade receivables	14,581	12,465
Receivable from the National Asset Management	12,295	-
Other advances	8,426	5,838
Current income tax receivable	6,938	13,313
Deferred tax receivables	5,286	159
Other receivables from Hungarian Government	5,042	8,752
Receivables from investment services	3,155	1,431
Receivables due from pension funds and investment funds	2,115	1,544
Receivables from leasing activities	976	1,108
Advances for securities and investments	664	635
Other	65,766	30,931
	234,488	**150,721**
Provision for impairment on other assets[2]	(23,247)	(21,265)
Total	**211,241**	**129,456**

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

	2013	2012
CCIRS and mark-to-market CCIRS designated as fair value hedge	15,472	9,318
Interest rate swaps designated as fair value hedge	9,733	4,224
Foreign exchange swaps designated as fair value hedge	1,520	136
Forward security agreements designated as fair value hedge	44	6
Other transactions designated as fair value hedge	34	10
Total	**26,803**	**13,694**

[1] Other assets – except income tax receivable and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Income tax receivable will be enforced in the tax return for the year 2014. Unrealised gains/losses on derivative financial instruments is recovering in accordance with their maturity.

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

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

	2013	2012
Balance as at 1 January	**21,265**	**16,558**
Provision for the period	4,313	6,375
Use of provision	(2,422)	(1,300)
Foreign currency translation difference	91	(368)
Closing balance	**23,247**	**21,265**

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

	2013	2012
Within one year		
In HUF	352,641	78,602
In foreign currency	162,714	200,599
	515,355	**279,201**
Over one year		
In HUF	139,958	110,267
In foreign currency	127,436	142,424
	267,394	**252,691**
Accrued interest	1,463	2,432
Total[1]	**784,212**	**534,324**

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

	2013	2012
Within one year		
In HUF	0.2% - 5.8%	0.2% - 7.6%
In foreign currency	0.02% - 8.9%	0.01% - 10.1%
Over one year		
In HUF	0.2% - 5.2 %	0.2% - 8.1 %
In foreign currency	0.1% - 18%	0.1% - 9%

	2013	2012
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	2.13%	3.25%

[1] It contains loans lent among the frame of Funding for Growth Scheme, which are accounted as government grant regulated by IAS 20 standard. See more details in Note 43.

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2013	2012
Within one year		
In HUF	3,045,371	2,864,536
In foreign currency	3,518,242	3,381,095
	6,563,613	**6,245,631**
Over one year		
In HUF	140,582	131,023
In foreign currency	124,008	133,045
	264,590	**264,068**
Accrued interest	38,403	41,009
Total	**6,866,606**	**6,550,708**

Interest rates on deposits from customers are as follows:

	2013	2012
Within one year		
In HUF	0.01% - 10.3%	0.1% - 11%
In foreign currency	0.01% - 27%	0.01% - 25.5%
Over one year		
In HUF	0.01% - 5%	0.2% - 7.8%
In foreign currency	0.01% - 28.5%	0.01% - 20%

	2013	2012
Average interest rates on deposits from customers denominated in HUF	1.62%	2.57%
Average interest rates on deposits from customers denominated in foreign currency	6.98%	6.94%

An analysis of deposits from customers by type, is as follows[1]:

	2013		2012	
Retail deposits	4,269,711	62%	4,286,153	66%
Corporate deposits	2,235,522	33%	1,961,543	30%
Municipality deposits	322,970	5%	262,003	4%
Total	**6,828,203**	**100%**	**6,509,699**	**100%**

[1] Without accrued interest liability.

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

	2013	2012
With original maturity		
Within one year		
In HUF	50,795	207,826
In foreign currency	163,580	59,632
	214,375	**267,458**
Over one year		
In HUF	175,889	185,893
In foreign currency	43,806	169,564
	219,695	**355,457**
Accrued interest	11,148	20,208
Total	**445,218**	**643,123**

Interest rates on liabilities from issued securities are as follows:

	2013	2012
Issued securities denominated in HUF	0.25% - 10.0%	0.25% - 12.0%
Issued securities denominated in foreign currency	0.44% - 4%	0.3% - 10.9%

	2013	2012
Average interest rates on issued securities	6.61%	7.66%

Issued securities denominated in HUF as at 31 December 2013 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP 2014/I	11/01/2013-25/01/2013	11/01/2014	3,406	5	fixed	
2	OTP 2014/II	01/02/2013-15/02/2013	01/02/2014	1,467	5	fixed	
3	OTP 2014/III	01/03/2013-22/03/2013	01/03/2014	2,822	4.5	fixed	
4	OTP 2014/IV	05/04/2013-19/04/2013	05/04/2014	1,529	4	fixed	
5	OTP 2014/V	26/04/2013-10/05/2013	26/04/2014	1,152	3.5	fixed	
6	OTP 2014/VI	24/05/2013-31/05/2013	24/05/2014	1,279	3.5	fixed	
7	OTP 2014/VII	14/06/2013-28/06/2013	14/06/2014	768	3	fixed	
8	OTP 2014/VIII	16/08/2013-30/08/2013	16/08/2014	626	3	fixed	
9	OTP 2014/IX	13/09/2013-27/09/2013	13/09/2014	537	3	fixed	
10	OTP 2014/X	11/10/2013-31/10/2013	11/10/2014	295	2.75	fixed	
11	OTP TBSZ 2014/I	14/01/2011-05/08/2011	15/12/2014	1,915	5.5	fixed	
12	OTP TBSZ 2014/II	26/08/2011-29/12/2011	15/12/2014	730	5.5	fixed	
13	OTP TBSZ 2015/I	26/02/2010-17/12/2010	30/12/2015	5,564	5.5	fixed	
14	OTP TBSZ 2016_I	14/01/2011-05/08/2011	15/12/2016	1,197	5.5	fixed	
15	OTP TBSZ 2016/II	26/08/2011-29/12/2011	15/12/2016	647	5.5	fixed	
16	OTP TBSZ 4 2015/I	13/01/2012-22/06/2012	15/12/2015	473	6.5	fixed	
17	OTP TBSZ 4 2015/II	21/12/2012	15/12/2015	48	6	fixed	
18	OTP TBSZ 4 2016/I	18/01/2013-15/02/2013	15/12/2016	158	5	fixed	
19	OTP TBSZ 6 2017/I	13/01/2012-22/06/2012	15/12/2017	234	6.5	fixed	
20	OTP 2014/Ax	25/06/2009	30/06/2014	2,666	indexed	floating	hedged
21	OTP 2014/Bx	05/10/2009	13/10/2014	3,512	indexed	floating	hedged
22	OTP 2014/Cx	14/12/2009	19/12/2014	3,381	indexed	floating	hedged
23	OTP 2014/Dx	01/04/2011	03/04/2014	466	indexed	floating	hedged
24	OTP 2014/Ex	17/06/2011	20/06/2014	1,146	indexed	floating	hedged
25	OTP 2014/Fx	20/10/2011	21/10/2014	346	indexed	floating	hedged
26	OTP 2014/Gx	21/12/2011	30/12/2014	320	indexed	floating	hedged
27	OTP 2015/Ax	25/03/2010	30/03/2015	4,717	indexed	floating	hedged
28	OTP 2015/Bx	28/06/2010	30/03/2015	4,220	indexed	floating	hedged
29	OTP 2015/Dx	19/03/2012	23/03/2015	427	indexed	floating	hedged
30	OTP 2015/Ex	18/07/2012	20/07/2015	390	indexed	floating	hedged
31	OTP 2015/Gx	08/11/2012	16/11/2015	435	indexed	floating	hedged
32	OTP 2015/Hx	28/12/2012	27/12/2015	170	indexed	floating	hedged
33	OTP 2016/Ax	11/11/2010	03/11/2016	3,981	indexed	floating	hedged
34	OTP 2016/Bx	16/12/2010	19/12/2016	2,987	indexed	floating	hedged
35	OTP 2016/Ex	28/12/2012	27/12/2016	395	indexed	floating	hedged
36	OTP 2016/Fx	22/03/2013	24/03/2016	670	indexed	floating	hedged
37	OTP 2017/Ax	01/04/2011	31/03/2017	4,598	indexed	floating	hedged
38	OTP 2017/Bx	17/06/2011	20/06/2017	4,489	indexed	floating	hedged
39	OTP 2017/Cx	19/09/2011	25/09/2017	3,369	indexed	floating	hedged
40	OTP 2017/Dx	21/10/2011	19/10/2017	505	indexed	floating	hedged
41	OTP 2017/Ex	21/12/2011	28/12/2017	3,716	indexed	floating	hedged
42	OTP 2018/Ax	03/01/2012	09/01/2018	745	indexed	floating	hedged
43	OTP 2018/Bx	22/03/2012	22/03/2018	4,335	indexed	floating	hedged
44	OTP 2018/Cx	16/07/2012	18/07/2018	3,707	indexed	floating	hedged
45	OTP 2018/Dx	29/10/2012	26/10/2018	3,073	indexed	floating	hedged
46	OTP 2018/Ex	28/12/2012	28/12/2018	3,250	indexed	floating	hedged
47	OTP 2019/Ax	25/06/2009	01/07/2019	269	indexed	floating	hedged
48	OTP 2019/Bx	05/10/2009-05/02/2010	14/10/2019	397	indexed	floating	hedged
49	OTP 2019/Cx	14/12/2009	20/12/2019	344	indexed	floating	hedged
50	OTP 2019/Dx	22/03/2013	21/03/2019	4,500	indexed	floating	hedged
51	OTP 2019/Ex	28/06/2013	24/06/2019	3,550	indexed	floating	hedged
52	OTP 2020/Ax	25/03/2010	30/03/2020	355	indexed	floating	hedged
53	OTP 2020/Bx	28/06/2010	09/07/2020	382	indexed	floating	hedged
54	OTP 2020/Cx	11/11/2010	05/11/2020	249	indexed	floating	hedged
55	OTP 2020/Dx	16/12/2010	18/12/2020	225	indexed	floating	hedged
56	OTP 2021/Ax	01/04/2011	01/04/2021	330	indexed	floating	hedged
57	OTP 2021/Bx	17/06/2011	21/06/2021	370	indexed	floating	hedged
	Subtotal			**97,834**			

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
58	OTP 2021/Cx	19/09/2011	24/09/2021	320	indexed	floating	hedged
59	OTP 2021/Dx	21/12/2011	27/12/2021	395	indexed	floating	hedged
60	OTP 2022/Ax	22/03/2012	23/03/2022	280	indexed	floating	hedged
61	OTP 2022/Bx	16/07/2012	18/07/2022	265	indexed	floating	hedged
62	OTP 2022/Cx	29/10/2012	28/10/2022	310	indexed	floating	hedged
63	OTP 2022/Dx	28/12/2012	27/12/2022	350	indexed	floating	hedged
64	OTP 2023/Ax	22/03/2013	24/03/2023	395	indexed	floating	hedged
65	OTP 2023/Bx	28/06/2013	26/06/2023	295	indexed	floating	hedged
66	OTP 2014/RA/A	25/03/2011	24/03/2014	945	indexed	floating	hedged
67	OTP 2014/RA/Bx	16/09/2011-	15/09/2014	1,126	indexed	floating	hedged
68	OTP 2020/RF/A	12/07/2010	20/07/2020	1,934	indexed	floating	hedged
69	OTP 2020/RF/B	12/07/2010	20/07/2020	970	indexed	floating	hedged
70	OTP 2020/RF/C	11/11/2010	05/11/2020	1,798	indexed	floating	hedged
71	OTP 2021/RF/A	05/07/2011	13/07/2021	1,264	indexed	floating	hedged
72	OTP 2021/RF/B	20/10/2011	25/10/2021	1,385	indexed	floating	hedged
73	OTP 2021/RF/C	21/12/2011	30/12/2021	212	indexed	floating	hedged
74	OTP 2021/RF/D	21/12/2011	30/12/2021	147	indexed	floating	hedged
75	OTP 2021/RF/E	21/12/2011	30/12/2021	37	indexed	floating	hedged
76	OTP 2022/RF/A	22/03/2012	23/03/2022	615	indexed	floating	hedged
77	OTP 2022/RF/B	22/03/2012	23/03/2022	211	indexed	floating	hedged
78	OTP 2022/RF/C	28/06/2012	28/06/2022	238	indexed	floating	hedged
79	OTP 2022/RF/D	28/06/2012	28/06/2022	114	indexed	floating	hedged
80	OTP 2022/RF/E	29/10/2012	31/10/2022	66	indexed	floating	hedged
81	OTP 2022/RF/F	28/12/2012	28/12/2022	56	indexed	floating	hedged
82	OTP 2023/RF/A	22/03/2013	24/03/2023	51	indexed	floating	hedged
83	OTP DNT HUF 140108	12/07/2013	08/01/2014	2,916	indexed	floating	hedged
84	OTP EK 2015/I	29/07/2013	29/01/2015	5,619	4.25	fixed	
85	OTP OVK 2014/I	31/01/2012-	27/01/2014	224	6.75	fixed	
86	OTP OJK 2016/I	26/08/2011-	26/08/2016	171	5.75	fixed	
87	OTP OJK 2017/I	27/01/2012-	27/01/2017	32	7	fixed	
88	OJB 2014/I	14/11/2003	12/02/2014	13,483	8	fixed	
89	OJB 2014/J	17/09/2004	17/09/2014	102	8.69	fixed	
90	OJB 2015/I	10/06/2005	10/06/2015	3,242	7.7	fixed	
91	OJB 2015/J	28/01/2005	28/01/2015	80	8.69	fixed	
92	OJB 2016/I	03/02/2006	03/02/2016	1,249	7.5	fixed	
93	OJB 2016/II	31/08/2006	31/08/2016	4,671	10	fixed	
94	OJB 2016/J	18/04/2006	28/09/2016	173	7.59	fixed	
95	OJB 2019/I	17/03/2004	18/03/2019	31,514	9.48	fixed	
96	OJB 2019/II	25/05/2011	18/03/2019	1,079	9.48	fixed	
97	OJB 2020/I	19/11/2004	12/11/2020	5,503	9	fixed	
98	OJB 2020/II	25/05/2011	12/11/2020	1,487	9	fixed	
99	Other[1]			35,288			
	Subtotal			**120,612**			
	Subtotal issued securities in HUF			**218,446**			
	Unamortized premium			(56)			
	Fair value adjustment			8,294			
	Total issued securities in HUF			**226,684**			

[1] From the total amount HUF 34,862 million is mobil deposits of Merkantil Bank.

Issued securities denominated in foreign currency as at 31 December 2013 (in HUF mn)

	Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged
					(FX mn)	(HUF mn)			
1	OTP EUR 1 2014/I	11/01/201	11/01/201	EUR	3.35	994	2.75	fixed	
2	OTP EUR 1 2014/II	25/01/201	25/01/201	EUR	2.54	753	2.5	fixed	
3	OTP EUR 1 2014/III	01/02/201	01/02/201	EUR	2.68	796	2.5	fixed	
4	OTPEUR 1 2014/IV	15/02/201	15/02/201	EUR	4.06	1,205	2.5	fixed	
5	OTP EUR 1 2014/V	01/03/201	01/03/201	EUR	3.81	1,130	2.5	fixed	
6	OTP EUR 1 2014/VI	22/03/201	22/03/201	EUR	3.19	948	2.5	fixed	
7	OTP EUR 1 2014/VII	05/04/201	05/04/201	EUR	1.37	405	2.25	fixed	
8	OTP EUR 1 2014/VIII	19/04/201	19/04/201	EUR	3.01	894	2.25	fixed	
9	OTP EUR 1 2014/IX	10/05/201	10/05/201	EUR	5.80	1,721	2.25	fixed	
10	OTP EUR 1 2014/X	24/05/201	24/05/201	EUR	2.37	704	2	fixed	
11	OTP EUR 1 2014/XI	07/06/201	07/06/201	EUR	2.59	770	2	fixed	
12	OTP EUR 1 2014/XII	21/06/201	21/06/201	EUR	2.20	653	2	fixed	
13	OTP EUR 1 2014/XIII	28/06/201	28/06/201	EUR	1.38	411	2	fixed	
14	OTP EUR 1 2014/XIV	12/07/201	12/07/201	EUR	2.79	828	2	fixed	
15	OTP EUR 1 2014/XV	26/07/201	26/07/201	EUR	5.15	1,529	2	fixed	
16	OTP EUR 1 2014/XVI	16/08/201	16/08/201	EUR	10.35	3,071	2	fixed	
17	OTP EUR 1 2014/XVII	30/08/201	30/08/201	EUR	6.89	2,046	2	fixed	
18	OTP EUR 1 2014/XVIII	13/09/201	13/09/201	EUR	7.9	2,346	2	fixed	
19	OTP EUR 1 2014/XIX	27/09/201	27/09/201	EUR	8.31	2,466	2	fixed	
20	OTP EUR 1 2014/XX	11/10/201	11/10/201	EUR	6.75	2,003	2	fixed	
21	OTP EUR 1 2014/XXI	31/10/201	31/10/201	EUR	8.11	2,406	1.75	fixed	
22	OTP EUR 1 2014/XXII	15/11/201	15/11/201	EUR	4.6	1,366	1.75	fixed	
23	OTP EUR 1 2014/XXIII	29/11/201	13/12/201	EUR	5.9	1,752	1.65	fixed	
24	OTP EUR 1 2015/I	20/12/201	10/01/201	EUR	7.10	2,107	1.65	fixed	
25	OTP EUR 2 2014/I	13/01/201	13/01/201	EUR	0.05	15	4	fixed	
26	OTP EUR 2 2014/II	27/01/201	27/01/201	EUR	0.19	57	4	fixed	
27	OTP EUR 2 2014/III	10/02/201	10/02/201	EUR	0.24	72	4	fixed	
28	OTP EUR 2 2014/IV	24/02/201	24/02/201	EUR	0.44	132	4	fixed	
29	OTP EUR 2 2014/V	09/03/201	09/03/201	EUR	0.09	28	4	fixed	
30	OTP EUR 2 2014/VI	23/03/201	14/09/201	EUR	0.10	31	4	fixed	
31	OTP EUR 2 2014/VII	06/04/201	06/04/201	EUR	0.15	44	4	fixed	
32	OTP EUR 2 2014/VIII	20/04/201	20/04/201	EUR	0.25	74	4	fixed	
33	OTP EUR 2 2014/IX	04/05/201	04/05/201	EUR	0.32	95	4	fixed	
34	OTP EUR 2 2014/X	11/05/201	11/05/201	EUR	0.05	15	3.75	fixed	
35	OTP EUR 2 2014/XI	25/05/201	25/05/201	EUR	0.10	28	3.75	fixed	
36	OTP EUR 2 2014/XII	08/06/201	08/06/201	EUR	0.13	38	3.75	fixed	
37	OTP EUR 2 2014/XIII	22/06/201	22/06/201	EUR	0.20	59	3.75	fixed	
38	OTP EUR 2 2014/XIV	13/07/201	13/07/201	EUR	0.17	51	3.75	fixed	
39	OTP EUR 2 2014/XV	03/08/201	03/08/201	EUR	0.22	64	3.75	fixed	
40	OTP EUR 2 2014/XVI	17/08/201	17/08/201	EUR	0.17	50	3.5	fixed	
41	OTP EUR 2 2014/XVII	31/08/201	31/08/201	EUR	0.46	135	3.5	fixed	
42	OTP EUR 2 2014/XVIII	14/09/201	14/09/201	EUR	0.31	91	3.25	fixed	
43	OTP EUR 2 2014/XIX	28/09/201	28/09/201	EUR	0.25	74	3.25	fixed	
44	OTP EUR 2 2014/XX	12/10/201	12/10/201	EUR	0.22	64	3.25	fixed	
45	OTP EUR 2 2014/XXI	26/10/201	26/10/201	EUR	0.36	108	3.25	fixed	
46	OTP EUR 2 2014/XXII	09/11/201	09/11/201	EUR	0.20	61	3.25	fixed	
47	OTP EUR 2 2014/XXIII	23/11/201	23/11/201	EUR	0.37	111	3.25	fixed	
48	OTP EUR 2 2014/XXIV	07/12/201	07/12/201	EUR	0.41	122	3.25	fixed	
49	OTP EUR 2 2014/XXV	21/12/201	21/12/201	EUR	0.36	108	3	fixed	
50	OTP EUR 2 2015/I	11/01/201	11/01/201	EUR	0.16	48	3	fixed	
51	OTP EUR 2 2015/II	25/01/201	25/01/201	EUR	0.17	51	2.75	fixed	
52	OTP EUR 2 2015/III	01/02/201	01/02/201	EUR	0.16	47	2.75	fixed	
53	OTP EUR 2 2015/IV	15/02/201	15/02/201	EUR	0.15	45	2.75	fixed	
54	OTP EUR 2 2015/V	01/03/201	01/03/201	EUR	0.26	78	2.75	fixed	
55	OTP EUR 2 2015/VI	22/03/201	22/03/201	EUR	0.20	59	2.75	fixed	
56	OTP EUR 2 2015/VII	05/04/201	05/04/201	EUR	0.38	114	2.75	fixed	
57	OTP EUR 2 2015/VIII	19/04/201	19/04/201	EUR	0.30	90	2.75	fixed	
	Subtotal					**35,563**			

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
58	OTP EUR 2 2015/IX	10/05/201	10/05/201	EUR	0.74	219	2.75	fixed	
59	OTP EUR 2 2015/X	24/05/201	24/05/201	EUR	0.36	108	2.5	fixed	
60	OTP EUR 2 2015/XI	07/06/201	07/06/201	EUR	0.39	116	2.5	fixed	
61	OTP EUR 2 2015/XII	21/06/201	21/06/201	EUR	0.21	63	2.5	fixed	
62	OTP EUR 2 2015/XIII	28/06/201	28/06/201	EUR	0.27	81	2.5	fixed	
63	OTP EUR 2 2015/XIV	12/07/201	12/07/201	EUR	0.12	37	2.25	fixed	
64	OTP EUR 2 2015/XV	26/07/201	26/07/201	EUR	0.63	187	2.25	fixed	
65	OTP EUR 2 2015/XVI	16/08/201	16/08/201	EUR	0.79	235	2.25	fixed	
66	OTP EUR 2 2015/XVII	30/08/201	30/08/201	EUR	0.42	126	2.25	fixed	
67	OTP EUR 2 2015/XVIII	13/09/201	13/09/201	EUR	0.65	193	2.25	fixed	
68	OTP EUR 2 2015/XIX	27/09/201	27/09/201	EUR	0.51	151	2.25	fixed	
69	OTP EUR 2 2015/XX	11/10/201	11/10/201	EUR	0.30	89	2.25	fixed	
70	OTP EUR 2 2015/XXI	31/10/201	31/10/201	EUR	2.35	698	2.25	fixed	
71	OTP EUR 2 2015/XXII	15/11/201	15/11/201	EUR	1.18	349	2.25	fixed	
72	OTP EUR 2 2015/XXIII	29/11/201	29/11/201	EUR	1.30	387	2	fixed	
73	OTP EUR 2 2015/XXIV	20/12/201	20/12/201	EUR	1.55	461	2	fixed	
74	OTP 2015/Cx	27/12/201	29/12/201	EUR	0.97	288	indexed	floating	hedged
75	OTP 2015/Fx	21/12/201	23/12/201	EUR	2.07	616	indexed	floating	hedged
76	OTP 2016/Cx	22/04/201	22/04/201	EUR	1.56	463	indexed	floating	hedged
77	OTP 2016/Dx	22/12/201	29/12/201	EUR	1.25	370	indexed	floating	hedged
78	OTP 2017/Fx	14/06/201	16/06/201	EUR	0.78	231	indexed	floating	hedged
79	OTP 2018/Fx	19/12/201	21/12/201	EUR	0.62	183	indexed	floating	hedged
80	OMB2014_I	15/12/200	15/12/201	EUR	198.24	58,859	4	fixed	
81	OMB2014_II	02/08/201	10/08/201	EUR	15.5	4,602	3.23	floating	hedged
82	OMB2015_I	30/08/201	06/03/201	EUR	5	1,485	4.24	floating	hedged
83	Mortgage bonds OTP VII	21/12/200	21/12/201	EUR	22.47	6,672	0.44	floating	
84	Mortgage bonds OTP	23/11/201	23/11/201	EUR	7.88	2,339	3.33	fixed	
85	Mortgage bonds OTP	28/09/201	28/09/201	EUR	7.96	2,364	4.0	fixed	
86	OTPRU 14/03	29/03/201	25/03/201	RUB	2,500	16,375	8.55	fixed	
87	OTPRU 14/07	02/08/201	29/07/201	RUB	5,000	32,750	8.21	fixed	
88	OTPRU 14/10	03/11/201	30/10/201	RUB	4,000	26,200	10.88	fixed	
89	OTPRU 15/03	06/03/201	03/03/201	RUB	4,940	32,095	10.84	fixed	
90	Other[1]					11,340			
	Subtotal					**200,732**			
	Subtotal issued securities in FX					**236,295**			
	Unamortized premium					(28,958)			
	Fair value adjustment					49			
	Total issued securities in FX					**207,386**			
	Accrued interest					11,148			
	Total issued securities					**445,218**			

The Bank's EUR 500 billion EMTN Programme for the year of 2012/2013

The prospectus and the disclosure of term note program in the value of HUF 500 billion was initiated by the Bank on 5 July 2012, was approved by the Authority (NBH acting as Authority) on 1 August 2012. During the year 2012 the Authority approved 1st – 5th addition of the prospectus of the program. The Authority approved the 6th – 11th addition of the prospectus on 23 January, 1 and 22 March, 5 April, 10 and 24 May 2013.

Term Note Program in the value of HUF 500 billion for the year of 2013/2014

On 9 July 2013 the Bank initiated term note program in the value of HUF 500 billion with the intention of issuing registered dematerialized bonds in public. The Authority approved on 30 July 2013 the prospectus of Term Note Program and the disclosure as at 17 July 2013. The prospectus is valid for 12 months following the disclosure.

On 30 August and 27 September 2013 the Authority approved the 1st and 2nd addition of the prospectus of the program.

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

[1] Other category includes promissory notes issued by OTP Banka Slovensko a.s. in the amount of HUF 975 million and by OAO OTP Bank in the amount of HUF 10,365 million.

Certain structured bonds are hedged by interest rate swaps ("IRS") which may transfer to a transferee a fixed rate and enter into an interest rate swap with the transferee to receive a fixed interest rate and pay a variable interest rate and amount of the structure if any based on a notional amount which is equal to the notional amount of the hedged bond. In certain cases amount of the structure is hedged by options which give the owner the right to get amount of the structure which is equal to the structure 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 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.

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

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

	2013	2012
Interest rate swaps classified as held for trading	67,881	75,332
CCIRS and mark-to-market CCIRS classified as held for trading	7,521	31,594
Foreign exchange swaps classified as held for trading	5,316	6,388
Option contracts classified as held for trading	3,047	1,954
Foreign exchange forward contracts classified as held for trading	1,989	1,350
Forward security agreements classified as held for trading	394	219
Forward rate agreements classified as held for trading (FRA)	369	4,857
Other transactions classified as held for trading	647	338
Total	**87,164**	**122,032**

NOTE 17: OTHER LIABILITIES[1] (in HUF mn)

	2013	2012
Fair value of derivative financial instruments designated as fair value hedge	74,695	119,027
Financial liabilities from OTP-MOL share swap transaction[2]	71,548	89,308
Liabilities from investment services	53,068	26,264
Accrued expenses	32,701	20,048
Salaries and social security payable	26,111	29,835
Provision for impairment on off-balance sheet commitments and contingent liabilities	22,180	19,727
Current income tax payable	21,786	15,982
Liabilities connected to Cafeteria benefits	21,475	23,696
Accounts payable	18,231	16,474
Deferred tax liabilities	17,559	17,454
Clearing, settlement and pending accounts	8,135	14,595
Giro clearing accounts	7,964	11,725
Advances received from customers	2,546	2,904
Liabilities connected to leasing activities	1,235	1,212
Liabilities connected to loans for collection	1,044	1,006
Loans from government	774	3,008
Dividend payable	133	127
Liabilities related to housing loans	105	177
Other	39,892	43,804
	421,182	**456,373**
Accrued interest	171	858
Total	**421,353**	**457,231**

[1] Other liabilities – except financial liabilities from OTP-MOL share swap transaction, deferred tax liabilities and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealised gains/losses on OTP-MOL share swap transaction is settled in June of each year until the maturity date. The fair value of amount being settled in 2014 is HUF 979 million as at 31 December 2013. Unrealised gains/losses on derivative financial instruments is recovering in accordance with their maturity. Besides the total other liabilities mentioned above which are expected to be recovered or settled more than twelve months after the reporting period it should be mentioned accrued contractual liabilities, compulsory pension reserve, guarantee deposits in relation with leasing activities, loans from government and liabilities from preferential dividend shares.

[2] 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 2013 and 2012 HUF 71,548 and HUF 89,308 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.

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

	2013	2012
Provision for losses on other off-balance sheet commitments and contingent liabilities related to lending	10,189	9,080
Provision for other liabilities	7,471	5,421
Provision for litigation	3,267	4,089
Provision for expected pension commitments	1,253	1,137
Total	**22,180**	**19,727**

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

	2013	2012
Balance as at 1 January	**19,727**	**18,434**
Provision for the period	3,990	2,135
Use of provision	(1,498)	(223)
Foreign currency translation differences	(39)	(619)
Closing balance	**22,180**	**19,727**

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

	2013	2012
CCIRS and mark-to-market CCIRS designated as fair value hedge	71,512	113,915
Interest rate swaps designated as fair value hedge	2,639	5,033
Foreign exchange swaps designated as fair value hedge	499	-
Forward security agreements designated as fair value hedge	45	78
Other transactions designated as fair value hedge	-	1
Total	**74,695**	**119,027**

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

	2013	2012
Within one year:		
In HUF	-	5,000
In foreign currency	72	8
	72	**5,008**
Over one year:		
In HUF	-	-
In foreign currency	263,884	283,397
	263,884	**283,397**
Accrued interest	3,206	3,090
Total	**267,162**	**291,495**

Interest rates on subordinated bonds and loans are as follows:

	2013	2012
Denominated in HUF	-	3.3%
Denominated in foreign currency	0.8% - 8.25%	0.7% - 8.0%

	2013	2012
Average interest rates on subordinated bonds and loans	4.13%	3.97%

Partial cancellation of EUR 125 million subordinated notes

The Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 4 March 2015 in the total notional amount of EUR 12.5 million. The Bank initiated the cancellation of the Notes. Following the cancellation on 30 August 2013 the total outstanding amount of Notes decreased to EUR 93,450,000.

Purchase from EUR 500 million subordinated Notes series

With a value date of 23 December 2013, the Bank purchased from OAO OTP Bank (Russia) Notes from the perpetual EUR 500 million subordinated Notes series, in the total notional amount of EUR 80 million, at an average price of 80% of the notional price. The transaction has no direct impact on the consolidated profit or loss. Following the transaction the total notional amount of Notes owned by the Issuer is EUR 146.888 million.

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

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 2013
Subordinated bond	EUR 93.45 million	04/03/2005	04/03/2015	100%	Three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 353.1 million	07/11/2006	Perpetual, but callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	-
Subordinated bond (under EMTN[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond	USD 65 million	21/04/2008	13/10/2015	100%	Variable, six-month LIBOR + 1.4%	1.76%
Subordinated bond	RUB 15.2 million	30/12/2003	21/06/2015	100%	Variable monthly, based on the Russian National Bank's interest rate	8.25%
Subordinated bond	EUR 5.113 million	23/12/1997	15/11/2014	100%	Variable, six-month EURIBOR + 1.3%	1.62%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	2013	2012
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

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

The reserves of the Bank under Hungarian Accounting Standards (“HAS) are as follows (the reserves under IFRS are detailed in consolidated statement of changes in equity):

	2013	2012
Capital reserve	52	52
General reserve	153,935	141,717
Retained earnings	870,357	845,614
Tied-up reserve	8,287	7,385
Total	**1,032,631**	**994,768**

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

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in April 2014.
In 2014 dividend of HUF 40,600 million are expected to be proposed by the Management from the profit of the year 2013, which means 145 HUF payable dividend by share to the shareholders. In 2013 the Bank paid dividend of HUF 33,600 million from the profit of the year 2012, which meant 120 HUF payable dividend by share.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 664,856 million and HUF 701,935 million) and reserves (HUF 867,308 million and HUF 832,637 million) as at 31 December 2013 and 31 December 2012 respectively. The reserves include mainly net profit for the year attributable to the owners of the company, the fair value adjustment of securities available-for-sale, additional reserves of Income Certificates Exchangeable for Shares (“ICES”), changes in equity accumulated in the previous year at the subsidiaries, changes due to consolidation and exchange differences.
In the Consolidated Financial Statement the Group presents the difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, among the shareholders’ equity as difference of translation. The accumulated amounts of exchange differences were HUF 14,381 million and HUF 17,889 million as at 31 December 2013 and 31 December 2012 respectively.

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2013	2012
Nominal value (Ordinary shares)	1,797	1,876
Carrying value at acquisition cost	55,599	53,802

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

Change in number of shares:

	2013	2012
Number of shares as at 1 January	**18,755,373**	**19,218,344**
Additions	4,247,043	1,490,134
Disposals	(5,030,011)	(1,953,105)
Closing number of shares	**17,972,405**	**18,755,373**

Change in carrying value:

	2013	2012
Balance as at 1 January	**53,802**	**54,386**
Additions	19,740	5,758
Disposals	(17,943)	(6,342)
Closing balance	**55,599**	**53,802**

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

	2013	2012
Balance as at 1 January	**5,783**	**5,601**
Non-controlling interest included in net profit for the period	(91)	896
Changes due to ownership structure	(423)	(784)
Foreign currency translation difference	(502)	70
Closing balance	**4,767**	**5,783**

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

	2013	2012
Provision for impairment on loan losses		
Provision for the period	514,614	602,194
- *from this: release of provision for impairment on loan losses related to early repayment*	-	*(35,264)*
Release of provision	(328,859)	(472,154)
Provision for impairment on loan losses	77,188	96,899
- *from this: provision on loan losses related to early repayment*	-	*32,774*
	262,943	**226,939**
(Release of provision) / Provision for impairment on placement losses		
Provision for the period	28	1,479
Release of provision	(367)	(1,375)
Release of provision for impairment on placement losses	(35)	(63)
	(374)	**41**
Provision for impairment on loan and placement losses	**262,569**	**226,980**
Gains on loans related to early repayment	-	(2,490)
Losses from early repayment recognizing in interest income from loans	-	127
Total gains related to early repayment	**-**	**(2,363)**

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

Income from fees and commissions	2013	2012
Deposit and account maintenance fees and commissions	98,726	76,622
Fees and commissions related to the issued bank cards	50,757	43,880
Fees related to cash withdrawal	32,757	24,488
Fees and commissions related to lending	21,336	19,056
Fees and commissions related to fund management	15,168	10,842
Fees and commissions related to security trading	10,961	7,412
Other	27,430	21,199
Total	**257,135**	**203,499**

Expense from fees and commissions	2013	2012
Fees and commissions paid on loans	14,023	12,104
Interchange fees	10,356	9,157
Fees and commissions related to issued bank cards	8,780	7,523
Fees and commissions related to lending	5,601	5,112
Cash withdrawal transaction fees	2,970	2,552
Fees and commissions related to deposits	2,428	2,618
Insurance fees	1,860	1,741
Fees and commissions related to security trading	1,152	810
Money market transaction fees and commissions	1,074	1,293
Postal fees	836	779
Other	6,298	5,473
Total	**55,378**	**49,162**
Net profit from fees and commissions	**201,757**	**154,337**

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

Other operating income	2013	2012
Other income from non-financial activities	24,840	23,987
Total	**24,840**	**23,987**

Other operating expenses	2013	2012
Provision for impairment on other assets	4,313	6,375
Provision for off-balance sheet commitments and contingent liabilities	3,990	2,135
Provision for impairment on investments[1]	1,370	1,335
Other expense from non-financial activities	19,366	17,912
Other operating costs	10,756	7,276
Total	**39,795**	**35,033**

[1] See details in Note 9.

Other administrative expenses	2013	2012
Personnel expenses		
Wages	150,462	139,386
Taxes related to personnel expenses	40,677	36,881
Other personnel expenses	13,138	12,685
Subtotal	**204,277**	**188,952**

Other administrative expenses	2013	2012
Depreciation and amortization[1]	**78,017**	**47,420**
Other administrative expenses		
Taxes, other than income tax [2,3]	121,002	69,858
Administration expenses, including rental fees	50,775	49,147
Services	44,831	41,700
Professional fees	14,490	13,416
Advertising	13,379	12,984
Subtotal	**244,477**	**187,105**
Total	**526,771**	**423,477**

NOTE 26: INCOME TAX (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 25% of taxable income. Deferred tax is calculated at the income tax rate of 9% in Montenegro, 10% in Bulgaria, 15% in Serbia, 16% in Romania, 19% in Hungary and Ukraine, 20% in Croatia and Russia, 23% in Slovakia, 24.5% in the United Kingdom and 25% in the Netherlands.

The breakdown of the income tax expense is:

	2013	2012
Current tax expense	24,542	20,527
Deferred tax (benefit) / expense	(3,598)	2,561
Total	**20,944**	**23,088**

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

	2013	2012
Balance as at 1 January	**(17,295)**	**(2,140)**
Deferred tax benefit / (expense)	3,598	(2,561)
Deferred tax related to items recognized directly in equity and in Other Comprehensive Income	1,173	(12,894)
Foreign currency translation difference	251	300
Closing balance	**(12,273)**	**(17,295)**

[1] See details in Note 11.

[2] Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by the Group. The total tax amount for the year 2013 and 2012 was HUF 36.9 billion and HUF 37.1 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.

[3] In 2013 HUF 32 billion financial transaction duty was only paid by the Bank. Also the Bank paid as one-off contribution of financial transaction duty HUF 16 billion for the year 2013.

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

	2013	2012
Fair value adjustment of securities held for trading and securities available-for-sale	6,626	6,285
Adjustment from effective interest rate method	5,572	-
Repurchase agreement and security lending	4,458	4,191
Tax loss carry forward	3,114	2,935
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	313	427
Difference in accounting for leases	306	423
Fair value adjustment of derivative financial instruments	8	-
Difference in depreciation and amortization	-	18
Other	6,176	9,630
Deferred tax asset	**26,573**	**23,909**

	2013	2012
Fair value adjustment of securities held for trading and securities available-for-sale	(10,255)	(8,905)
Difference in depreciation and amortization	(8,835)	(6,223)
Net effect of treasury share transactions	(2,934)	(3,824)
Adjustment from effective interest rate method	(2,063)	(2,869)
Fair value adjustment of derivative financial instruments	(1,987)	(6,071)
Accounting of equity instrument (ICES)	(1,912)	(2,775)
Temporary differences arising on consolidation	(1,741)	(1,636)
Premium and discount amortization on bonds	(215)	(1,161)
Difference in accounting for leases	(66)	(67)
Other	(8,838)	(7,673)
Deferred tax liabilities	**(38,846)**	**(41,204)**
Net deferred tax liability	**(12,273)**	**(17,295)**

A reconciliation of the income tax expense is as follows:

	2013	2012
Profit before income tax	85,052	145,674
Income tax at statutory tax rates	22,603	33,073

Income tax adjustments due to permanent differences are as follows:

	2013	2012
Amount removed from statutory general provision to retained earnings	5,533	-
Differences in carrying value of subsidiaries	3,267	2,110
Revaluation of investments denominated in foreign currency to historical cost	3,243	(4,325)
Reversal of statutory general provision	1,198	1,150
Share-based payment	1,084	871
Treasury share transactions	113	(36)
Difference of accounting of equity instrument (ICES)	49	370
Reclassification of direct charges to reserves (self-revision)	-	(96)
OTP-MOL share swap transaction	(186)	871
Deferred use of tax allowance[1]	(459)	(5,945)
Use of tax allowance in the current year	(9,523)	-
Other	(5,978)	(4,955)
Income tax expense	**20,944**	**23,088**
Effective tax rate	**24.62%**	**15.85%**

[1] From year 2011 legal regulation has allowed to account the support provided to sight-team sport as extraordinary expense in the financial statements prepared on the base of HAS and recognizing the support as corporate tax allowance. The Bank couldn't apply this tax allowance in the financial statements prepared according to the HAS in 2012, since the tax base for year 2012 was negative. In IFRS financial statements this amount was recognized as deferred tax.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1. Credit risk

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical and loan types. Such risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.
Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is managed by obtaining collateral, corporate and personal guarantees.

27.1.1. Analysis by loan types and by DPD categories

Classification into DPD categories

The Group presents the performing loan portfolio according delay of payment above 90 days past due. When determining the impairment beside the delay of payment other information available for the Group is also taking into consideration. The foreseeable risks and expected losses are considered, when the Group during determining the result of the current year, calculates and accounts impairment and credits provisions. The impairments and provisions are accounted notwithstanding whether the result recognized in the current year is gain or loss. The Group when calculates the impairment of the loans applies the requirement of IFRS and the principles defined in the impairment policy of the Group.

Exposures with small amounts are subject to **collective valuation** method, which is a simplified assessment. The exposures subject to collective valuation method are classified – instead of the previously used risk classes – into five valuation groups which have been formed based on past due days from which there classes were presented (A: 0-90 days past due - DPD, B: 91-360 DPD, C: over 360 days past due). The three 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.
The Group intends – where enough large number of items and enough long experiences are available – applying models on statistical bases. The impairment is calculated according to the possibility of listing the loan into default categories examined on the base of objective valuation criteria (delay of payment, change of exchange) and the expected recovery from the collecting. If the loss of the exposure can't be modelled reliably, the impairment is determined by expert keys.

Impairment on **claims above the limit** are under **individual assessment** method. Depending on 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, regularity of the fulfillment of payment obligations;
- the status of the restructuring (renegotiating) of risk taking contracts;
- 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.

The expected future losses of the individually assessed item are determined by taking into considerations the above listed objective valuation aspects. The expected loss, the volume of the necessary reserve is defined by taking into account the value of the collaterals, comparing with the value of the collaterals relating to the exposure. The expected recovery is calculated by applying the effective interest rate method and the discounted cash-flow method. The impairment accounted for the item before should be completed to this level by increasing the amount of the impairment or by releasing the provision accounted before.

An analysis of the gross loan portfolio by loan types and DPD categories is as follows:

As at 31 December 2013

Loan type	**Up to 90 days**	**91-360 days**	**Above 360 days**	**Total carrying amount / allowance**
Mortgage loans	2,061,992	97,883	463,222	**2,623,097**
Corporate loans	1,566,018	49,897	288,784	**1,904,699**
Consumer loans	1,550,838	108,550	256,894	**1,916,282**
SME loans	306,767	11,967	133,497	**452,231**
Municipal loans[1]	271,379	106	965	**272,450**
Car-finance loans	188,221	13,286	38,594	**240,101**
Gross portfolio	**5,945,215**	**281,689**	**1,181,956**	**7,408,860**
Placement with other banks	273,224	-	9	**273,233**
Bill of exchange	3,940	-	-	**3,940**
Total gross portfolio	**6,222,379**	**281,689**	**1,181,965**	**7,686,033**
Allowance for loans	(198,928)	(156,362)	(880,344)	**(1,235,634)**
Allowance for placements	(23)	-	(8)	**(31)**
Total allowance	**(198,951)**	**(156,362)**	**(880,352)**	**(1,235,665)**
Total net portfolio	**6,023,428**	**125,327**	**301,613**	**6,450,368**
Accrued interest				
for loans				68,044
for placements				277
Total accrued interest				**68,321**
Total net loans				**6,245,210**
Total net placements				**273,479**
Total net exposures				**6,518,689**

[1] As at 31 December 2013 out of the HUF 272,450 million consolidated exposure to municipalities HUF 102,152 million equivalent was an exposure to the Hungarian State.

As at 31 December 2012

Loan type	Up to 90 days	91-360 days	Above 360 days	Total carrying amount / allowance
Mortgage loans	2,256,182	116,538	424,374	**2,797,094**
Corporate loans	1,519,795	69,654	274,019	**1,863,468**
Consumer loans	1,495,067	87,182	249,048	**1,831,297**
SME loans	308,058	13,531	136,252	**457,841**
Municipal loans	302,829	724	1,113	**304,666**
Car-finance loans	219,443	17,114	53,098	**289,655**
Gross portfolio	**6,101,374**	**304,743**	**1,137,904**	**7,544,021**
Placement with other banks	356,787	-	787	**357,574**
Bill of exchange	3,026	-	-	**3,026**
Total gross portfolio	**6,461,187**	**304,743**	**1,138,691**	**7,904,621**
Allowance for loans	(195,941)	(156,810)	(801,425)	**(1,154,176)**
Allowance for placements	(324)	-	(787)	**(1,111)**
Total allowance	**(196,265)**	**(156,810)**	**(802,212)**	**(1,155,287)**
Total net portfolio	**6,264,922**	**147,933**	**336,479**	**6,749,334**
Accrued interest				
for loans				71,320
for placements				403
Total accrued interest				**71,723**
Total net loans				**6,464,191**
Total net placements				**356,866**
Total net exposures				**6,821,057**

The Group's loan portfolio decreased by 2.8% in year 2013. Analysing the contribution of loan types to the loan portfolio, the share of the consumer and corporate loan type slightly increased, the SME loans types remained almost the same while the other types of loan portfolios slightly decreased as at 31 December 2013 comparing with the previous year. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the more than 90 days past due to the above 360 days past due loans compared to the gross loan portfolio increased from 18.3% to 19%. Among the qualified loan portfolio, the loans classified to the risk class of "Above 360 days" expanded at the fastest level.

The Group has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as "Above 360 days", the indicator was 70.5% and 74.5% as at 31 December 2013 and 31 December 2012 respectively.

Not impaired loan portfolio

The loan portfolio analysis of the gross values of the loans that are not impaired, not past due and past due is as follows:

As at 31 December 2013

Loan type	Not past due	Up to 90 days	91-360 days	Above 360 days	Total
Mortgage loans	1,227,900	174,115	6,044	6,134	1,414,193
Corporate loans	822,027	18,792	406	1,205	842,430
Consumer loans	402,625	62,689	494	201	466,009
Placement with other banks	246,744	20	-	-	246,764
Municipal loans	210,005	-	14	33	210,052
SME loans	191,023	10,848	1,328	2,130	205,329
Car-finance loans	34,343	25,179	236	1	59,759
Total	**3,134,667**	**291,643**	**8,522**	**9,704**	**3,444,536**

As at 31 December 2012

Loan type	Not past due	Up to 90 days	91-360 days	Above 360 days	Total
Mortgage loans	1,273,614	191,946	8,696	6,896	1,481,152
Corporate loans	729,687	39,145	1,287	4,951	775,070
Consumer loans	371,529	61,571	646	685	434,431
Placement with other banks	335,292	-	-	-	335,292
Municipal loans	196,365	11,026	-	1	207,392
SME loans	167,836	22,627	1,807	5,856	198,126
Car-finance loans	41,431	5,619	7	3	47,060
Total	**3,115,754**	**331,934**	**12,443**	**18,392**	**3,478,523**

Loans not past due or past due, but not impaired cover only balance sheet items.
The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio increased from 39.4% to 40.8% as at 31 December 2013 compared to the end of the prior year. The ratio of the corporate and consumer loans compared to the portfolio of loans neither past due nor impaired increased during year 2013, while the ratio of the placements with other banks and municipal loans decreased.

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

Loans individually assessed for provision

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.
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 2013 and 31 December 2012 is as follows:

As at 31 December 2013

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	246,409	152,413	170,825	54	1
Legal proceedings	179,831	132,950	55,927	190	94
Decrease of client classification	158,892	39,529	61,319	7,510	328
Loan characteristics	54,200	7,448	-	-	-
Restructuring	1,716	243	561	-	4,040
Cross default	12,906	5,695	2,356	1,396	219
Business lines risks	12,062	3,130	1,547	5,399	143
Country risk	3,425	1,224	2,687	-	-
Regularity of payment	472	196	5	-	-
Other	22,159	7,399	9,509	6,000	379
Corporate total	**692,072**	**350,227**	**304,736**	**20,549**	**5,204**
Delay of payment	1,695	517	4,053	-	-
Legal proceedings	856	460	996	-	-
Decrease of client classification	3,170	164	-	99	1
Restructuring	4,746	47	3,667	-	-
Cross default	882	124	-	-	-
Regularity of payment	1,221	12	-	-	-
Other	14,583	456	-	1,044	10
Municipal total	**27,153**	**1,780**	**8,716**	**1,143**	**11**
Placements with other banks	**-**	**-**	**-**	**-**	**-**
Total	**719,225**	**352,007**	**313,452**	**21,692**	**5,215**

As at 31 December 2012

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	263,085	147,220	178,223	22	1
Legal proceedings	114,549	75,976	56,381	52	47
Decrease of client classification	173,809	56,133	41,440	6,090	475
Loan characteristics	65,141	4,761	-	10	5
Cross default	24,462	9,145	4,357	878	120
Business lines risks	14,696	5,821	1,975	3,512	156
Regularity of payment	530	246	39	-	-
Other	36,971	5,876	2,435	3,843	458
Corporate total	**693,243**	**305,178**	**284,850**	**14,407**	**1,262**
Delay of payment	6,657	474	4,049	-	-
Legal proceedings	1,082	709	-	-	-
Decrease of client classification	18,288	1,381	-	433	68
Cross default	300	27	-	-	-
Other	31,755	2,907	-	6,287	402
Municipal total	**58,082**	**5,498**	**4,049**	**6,720**	**470**
Placements with other banks	**761**	**761**	**-**	**-**	**-**
Total	**752,086**	**311,437**	**288,899**	**21,127**	**1,732**

By 31 December 2013 the volume of the individually rated portfolio only slightly decreased in the corporate loan type. Among the rating factors of the corporate loan type, the decrease is mostly based on the cross default, but the ratio of the carrying value of loans classified due to “legal proceedings classification” increased by 57% as at 31 December 2013 due to clients under liquidation process who have with significant loan portfolio. The decrease is more significant in the municipal loan portfolio, where the decrease is mostly based on the improving client classification and the decrease of the delay of payment.

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 a business line which was most exposed to the financial crisis (vehicle industry, building industry, real estate services, metal processing, financial services).

Loan portfolio by countries

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

Country	2013 Carrying amount of gross loan and placement with other banks portfolio	2013 Allowance	2012 Carrying amount of gross loan and placement with other banks portfolio	2012 Allowance
Hungary	3,216,051	436,238	3,357,030	434,240
Bulgaria	1,183,984	202,410	1,195,475	179,544
Russia	859,917	163,704	889,162	132,242
Ukraine	673,677	183,574	696,921	197,099
Romania	474,080	63,308	449,843	49,324
Croatia	417,850	30,892	385,520	25,292
Slovakia	335,866	22,824	291,881	21,648
Montenegro	200,175	80,312	204,957	83,637
Serbia	108,274	36,998	117,117	26,435
United Kingdom	54,179	1,867	89,855	1,801
Cyprus	50,082	10,412	46,455	1,854
Germany	28,289	81	63,604	75
France	14,772	-	29,485	-
United States of America	11,611	33	32,576	131
Belgium	11,506	1	4,154	-
Austria	8,655	4	10,264	-
Switzerland	6,480	2	11,210	-
Czech Republic	6,299	-	4,062	-
The Netherlands	4,828	4	149	1
Seychelles	4,624	2,317	4,912	1,473
Poland	3,417	-	290	-
Sweden	1,759	8	212	-
Norway	1,404	2	2,204	-
Turkey	1,228	-	1,708	-
Denmark	1,062	-	276	-
Egypt	685	480	664	332
Ireland	209	66	216	52
Kazakhstan	191	25	224	34
Italy	180	1	118	-
Canada	128	-	429	-
Japan	126	-	1,417	-
Australia	107	-	242	-
Latvia	44	28	38	26
Island	39	27	57	19
Spain	28	-	25	-
Luxembourg	3	2	11,361	-
Other[1]	284	45	508	28
Total[2]	**7,682,093**	**1,235,665**	**7,904,621**	**1,155,287**

The loan portfolio decreased mostly in Serbia and Hungary and increased in the Netherlands, Slovakia and Croatia but there were no significant changes in the other countries. Their stock of provision increased mostly in Cyprus, the Netherlands and Serbia but there were no significant decreases in none of the countries.

In some countries the stock of provision increased due to local regulations on the base of which it is compulsory to account fix rate of provision on the non-qualified portfolio.

[1] Other category in year 2013 includes e.g.: Greece, Hong Kong, Vietnam, Macedonia, Moldova, United Arab Emirates, Israel, Brazil, Slovenia, South Korea, Georgia, Bosnia and Herzegovina, Finland.

[2] Without the amount of bill of exchange.

27.1.2. Total off-balance sheet liabilities connected to the lending activity

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

Off-balance sheet liabilities	2013	2012
Carrying value	1,577,997	1,474,832
Provision for impairment	(3,670)	(4,608)
Net value	**1,574,327**	**1,470,224**

The off-balance sheet liabilities connected to the lending activity increased by 7.1% and 14.16% as at 31 December 2013 and 2012 respectively.

27.1.3. Collaterals

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

Types of collaterals	2013	2012
Mortgages	5,899,371	6,647,610
Assignments (revenue or other receivables)	380,540	247,449
Guarantees of state or organizations owned by state	273,258	171,464
Guarantees and warranties	109,589	191,789
Cash deposits	83,890	155,169
Securities	56,813	132,965
Other	842,311	932,442
Total	**7,645,772**	**8,478,888**

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

Types of collaterals	2013	2012
Mortgages	2,765,664	3,092,824
Assignments (revenue or other receivables)	319,035	312,839
Guarantees of state or organizations owned by state	110,495	117,308
Guarantees and warranties	68,052	165,399
Cash deposits	26,776	117,778
Securities	9,599	65,864
Other	524,051	538,266
Total	**3,823,672**	**4,410,278**

The coverage level of the loan portfolio (total collaterals) decreased by 7.9%, as well as the coverage level to the extent of the exposures decreased by 5.7% as at 31 December 2013.

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

An analysis of the fair value of collaterals related to past due, but not impaired loans, total collaterals and to the extent of the exposures as at 31 December 2013 and 31 December 2012 is as follows:

Fair value of the collaterals (total collaterals)	**2013**	**2012**
Mortgage loans	310,271	352,674
Corporate loans	53,944	117,933
SME loans	51,357	78,007
Car-finance loans	20,507	4,151
Consumer loans	3,367	5,610
Municipal loans	64	8
Placements with other banks	-	-
Total	**439,510**	**558,383**

Fair value of the collaterals (to the extent of the exposures)	**2013**	**2012**
Mortgage loans	173,702	193,186
Corporate loans	18,728	37,965
SME loans	13,747	22,815
Car-finance loans	16,115	3,405
Consumer loans	760	1,461
Municipal loans	32	8
Placements with other banks	-	-
Total	**223,084**	**258,840**

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

27.1.4. Restructured loans

	2013		**2012**	
	Gross portfolio	**Allowance**	**Gross portfolio**	**Allowance**
Corporate loans	266,418	80,658	296,104	69,711
Retail loans	95,370	9,094	119,369	11,720
SME loans	16,381	1,954	15,292	1,498
Municipal loans	1,386	28	8,401	152
Total	**379,555**	**91,734**	**439,166**	**83,081**

Restructured loan portfolio as at 31 December 2012 is not comparable with the base data published in annual report for the year 2012 by reason of applying different definition.

Restructured portfolio definition:

Restructured portfolio for **retail business line** contains every loan which is relevant restructured and less than 91 delinquent. Loan is considered as relevant restructured if:

- it was restructured in the last 12 months, or
- it was restructured more than 12 months ago, but the connected preferential period is not expired or expired in the last 12 months.

Hungarian FX mortgage loans in the fixed exchange rate scheme are not included.
In case of loans that have been restructured more than once the last restructuring is considered.

Restructured portfolio for **corporate / SME / municipal business line** contains every loan which is relevant restructured and less than 91 delinquent. Loan is considered as relevant restructured if:

- independently from the date of the restructuring the following restructuring tool was applied:
    - o cancellation of principal outstanding (cancelled or partially cancelled principal receivables);

- it was restructured in the last 12 months or the loan was restructured more than 12 months ago, but the connected preferential period is not expired or expired in the last 12 months, and any of the following restructuring tools were applied:
    - cancellation of interest rate (final or temporary reduction of the interest margin, cancellation of due interest), or
    - restructuring of interest payments (postponement of the interest payment, capitalization of the interest), or
    - restructuring of principal repayment (partial or full postponement of repayment of a given instalment, rescheduling one or more instalments within the original term or with extension of the term simultaneously).

Other modifications of contract not mentioned above are not considered as restructuring (i.e. modifying the collateral structure, modification of the credit purpose).
In case of loans that have been restructured more than once the last restructuring is considered.

27.1.5. Financial instruments by rating categories[1]

Securities held for trading as at 31 December 2013

	Aaa	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba3	Not rated	Total
Securities issued by the NBH	-	-	-	-	-	-	209,347	-	-	-	-	209,347
Shares	447	12	14	10	37	21	-	-	-	-	73,162[2]	73,703
Government bonds	-	-	-	-	-	1,515	16,112	13,093	4,097	-	-	34,817
Hungarian government discounted Treasury bills	-	-	-	-	-	-	-	-	2,159	-	-	2,159
Other securities	-	-	-	-	-	-	-	-	6,560	612	7,443	14,615
Other non-interest bearing securities	-	-	-	-	-	-	-	4,870	-	-	1,042	5,912
Total	**447**	**12**	**14**	**10**	**37**	**1,536**	**225,459**	**17,963**	**12,816**	**612**	**81,647**	**340,553**
Accrued interest												987
Total												**341,540**

Securities available-for-sale as at 31 December 2013

	Aaa	A2	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B2	Caa1	Caa2	Not rated	Total
Bonds issued by NBH	-	-	-	1,109,098	-	42,110	-	-	-	-	-	-	1,151,208
Government bonds	-	324	23,209	34,822	-	234,920	-	-	-	19,464	-	5,524	318,263
Corporate bonds	312	-	5,374	7,928	6,951	-	1,488	12,452	1,299	373	2,310	32,661	71,148
Discounted Treasury bills	-	-	-	-	-	38,088	-	-	-	-	-	-	38,088
Other securities	-	-	-	-	8,365	-	-	-	-	-	-	197	8,562
Other non-interest bearing securities	43	-	-	-	445	-	-	-	-	-	-	41,214	41,702
Total	**355**	**324**	**28,583**	**1,151,848**	**15,761**	**315,118**	**1,488**	**12,452**	**1,299**	**19,837**	**2,310**	**79,596**	**1,628,971**
Accrued interest													9,250
Total													**1,638,221**

[1] Moody's ratings
[2] Corporate shares listed on Budapest Stock Exchange

Securities held-to-maturity as at 31 December 2013

	Aaa	A1	A2	Baa2	Baa3	Ba1	B2	Not rated	Total
Government bonds	5,196	-	20,475	2,157	9,126	526,916	-	652	564,522
Foreign bonds	-	-	-	-	-	-	1,063	7	1,070
Mortgage bonds	-	493	-	-	-	-	-	-	493
Discounted Treasury bills	-	-	-	-	-	341	-	116	457
Total	**5,196**	**493**	**20,475**	**2,157**	**9,126**	**527,257**	**1,063**	**775**	**566,542**
Accrued interest									14,284
Total									**580,826**

27.2. Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a 'Value-at-Risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk is detailed in Note 34.)

27.2.1. Market Risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	**Average**	
	2013	**2012**
Foreign exchange	241	335
Interest rate	488	217
Equity instruments	14	26
Diversification	(181)	(171)
Total VaR exposure	**562**	**407**

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

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.
The strategic open position related to the foreign operations was short, amounted to EUR 310 million as at 31 December 2013. High portion of strategic positions is considered as effective hedge of future profit inflows of investment of foreign subsidiaries, and so FX risk affects the Group capital and not its earnings.

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

Probability	Effects to the Consolidated Statement of Recognized Income in 3 months period	
	2013	2012
	In HUF billion	In HUF billion
1%	(12.7)	(12.7)
5%	(8.7)	(8.8)
25%	(3.6)	(3.6)
50%	(0.3)	(0.3)
25%	2.8	2.8
5%	7.0	7.2
1%	9.9	10.2

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 2013, but the asymmetric shape of the price change distribution remained, so potential losses on weakening are higher than potential gains.
(3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2013.

27.2.3. Interest rate sensitivity analysis

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

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing 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.
- Assets and liabilities with an interest rate lower than 0.3% were assumed to be unchanged for the whole period.

The simulations were prepared by assuming two scenarios:
(1) HUF base rate decreases gradually to 2% (probable scenario)
(2) HUF base rate decreases gradually to 1.5% (alternative scenario)

The net interest income in a one year period after 31 December 2013 would be decreased by HUF 2,208 million (probable scenario) and HUF 3,432 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 2,076 million (probable scenario) and HUF 9,847 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2012.
This effect is counterbalanced by capital gains (HUF 1,344 million for probable scenario, HUF 1,978 million for alternative scenario) as at 31 December 2013 and (HUF 3,867 million for probable scenario, HUF 5,284 million for alternative scenario) as at 31 December 2012 on the government bond portfolio held for hedging.

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

Description	2013		2012	
	Effects to the net interest income (one-year period)	Effects to capital (Price change of AFS government bonds)	Effects to the net interest income (one-year period)	Effects to capital (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(410)	240	(638)	592
EUR (0.1%) parallel shift	(451)	-	(576)	-
USD (0.1%) parallel shift	(3)	-	(42)	-
Total	**(864)**	**240**	**(1,256)**	**592**

27.2.4. Equity price sensitivity analysis

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

Description	2013	2012
VaR (99%, one day, HUF million)	14	26
Stress test (HUF million)	(60)	(14)

27.2.5. Capital management

Capital management

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

Capital adequacy

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

The Group has entirely complied with the regulatory capital requirements in 2013 as well as in 2012.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the advanced method (AMA) in case of the operational risk.

The Capital Requirements Directive package (CRDIV/CRR) which transposes the new global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The new rules will be applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new framework will make institutions in the EU more solid and will strengthen their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.

The consolidated Capital adequacy ratio of the Group was 20.1% and 19.4% as at 31 December 2013 and 31 December 2012 respectively. The Regulatory capital was HUF 1,455,741 million and HUF 1,457,378 million, the Total eligible regulatory capital was HUF 580,415 million and HUF 599,752 million as at 31 December 2013 and 31 December 2012 respectively.

Calculation on HAS basis

	2013	2012
Core capital	1,269,168	1,221,476
Supplementary capital	186,940	236,245
Deductions	(367)	(343)
due to investments	*(367)*	*(343)*
Regulatory capital	**1,455,741**	**1,457,378**
Credit risk capital requirement	462,772	481,260
Market risk capital requirement	37,295	38,090
Operational risk capital requirement	80,348	80,402
Total requirement regulatory capital	**580,415**	**599,752**
Surplus capital	**875,326**	**857,626**
Tier 1 ratio	17.5%	16.3%
Capital adequacy ratio	**20.1%**	**19.4%**

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

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

Subsidiary bank	Country	2013	2012
OAO OTP Bank	Russia	14.2%	16.2%
OTP Bank JSC	Ukraine	20.6%	19.6%
DSK Bank EAD	Bulgaria	16.3%	18.9%
OTP Bank Romania S.A.	Romania	12.7%	15.6%
OTP banka Srbija a.d.	Serbia	37.8%	16.5%
OTP banka Hrvatska d.d.	Croatia	16.0%	16.0%
OTP Banka Slovensko a. s.	Slovakia	10.6%	12.8%
Crnogorska komercijalna banka a.d.	Montenegro	14.4%	12.4%

The ratios of the foreign subsidiaries exceed the requirements of the local regulations in every cases.
For international comparison purposes, the Group calculates the Regulatory capital in accordance with the Basel II directive based on IFRS data, and the consolidated Capital adequacy ratio based on this. The Capital adequacy ratio of the Group was 19.9% as at 31 December 2013 and 19.7 % as at 31 December 2012. The Regulatory capital was HUF 1,440,962 million and HUF 1,473,525 million, the Total regulatory capital requirement was HUF 580,415 million and HUF 599,752 million as at 31 December 2013 and 31 December 2012 respectively.

Calculation on IFRS basis

	2013	2012
Core capital (Tier 1)	***1,264,286***	***1,203,019***
Positive components	*1,513,448*	*1,494,427*
Issued capital	28,000	28,000
Reserves	1,385,423	1,362,290
Other issued capital components	100,025	104,137
Negative components	*(249,162)*	*(291,408)*
Treasury shares	(55,599)	(53,802)
Goodwill and other intangible assets	(193,563)	(237,606)
Supplementary capital (Tier 2)	***177,043***	***270,849***
Fair value corrections	12,650	13,688
Subordinated bonds and loans	164,393	257,161
Deductions	***(367)***	***(343)***
Regulatory capital	**1,440,962**	**1,473,525**
Credit risk capital requirement	462,772	481,260
Market risk capital requirement	37,295	38,090
Operational risk capital requirement	80,348	80,402
Total requirement regulatory capital	**580,415**	**599,752**
Surplus capital	**860,547**	**873,773**
Tier 1 ratio	16.0%	16.0%
Capital adequacy ratio	**19.9%**	**19.7%**

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

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

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

Contingent liabilities

	2013	2012
Commitments to extend credit	1,266,185	1,156,876
Guarantees arising from banking activities	312,994	316,159
Legal disputes (disputed value)	66,988	1,945
Confirmed letters of credit	25,919	13,721
Other	138,422	117,316
Total	**1,810,508**	**1,606,017**

Legal disputes

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

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash-flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 3,267 million and HUF 4,089 million as at 31 December 2013 and 31 December 2012, respectively. (See Note 17.)

On 19 November 2013 the Competition Council of the Hungarian Competition Authority established that OTP – together with eleven other financial institutions involved in the investigation – committed a violation of law, therefore the company was obliged to pay a fine in the amount of HUF 3,922 million, which was paid out by the Bank till 20 December 2013. The Bank considers the resolution as unfounded and is going to resort to the available legal redress.

On 28 October 2011 the Bank initiated liquidation process against a company in Montenegro. The court of first instance made order for winding-up the company, as follows the Bank as a creditor handed in its claim. The liquidation is done and ordered in 2012. The official receiver however handed in a petition against the Bank, claiming that the demand of the Bank had been revoked, consequently the Bank missed to properly justify its claim, thereby the receiver disputes that the Bank had adequate ground for handing in the petition, as follows sued the Bank. As at 31 December 2013 EUR 161,545,629 (47,965 million HUF) had been accounted as amount in dispute among the contingent liability. On 24 September 2013 the Bank sent in an answer to the request, in which it disputed the jurisdiction of the court, the ground of the claim and the amount, as the petition is fully unfounded.

Commitments to extend credit, guarantees and letters of credit

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

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

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

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

Guarantees, payment undertakings arising from banking activities

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

subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal.
If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Derivatives

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

Cross-currency interest rate swaps

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

Equity and commodity swaps

Equity swaps obligate two parties to exchange more payments calculated with reference periodically reset rates of interest and performance of indexes. A specific notional principal amount is the base of the interest calculation. The payment of index return is calculated on the basis of current market price compared to the previous market price. In case of commodity swaps payments are calculated on the basis of the strike price of a predefined commodity compared to its average market price in a period.

Forward rate agreements (FRA)

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

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

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right 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. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

NOTE 29: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS

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.
The Bank ensures the share-based payment part for the management personnel of the Group members.
The value of the discounted share-based payment at the performance assessment is determined by Board of Directors based on the average of the three previous trade day's middle rate of the Bank's equity shares fixed on the Budapest Stock Exchange.
Discounted share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is determined by Board of Directors, maximum HUF 4,000.

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

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies. In case of the jubilee benefits both standards contain regulations.
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

Board of Directors determined the parameters for the share-based payment relating to the year 2010-2012 for periods of each year as follows:

Year	Exercise price per share	Maximum earnings per share	Exercise price per share	Maximum earnings per share	Exercise price per share	Maximum earnings per share
	for the year 2010		for the year 2011		for the year 2012	
2011	3,946	2,500	-	-	-	-
2012	3,946	3,000	1,370	3,000	-	-
2013	4,446	3,500	1,870	3,000	2,886	3,000
2014	4,946	3,500	1,870	4,000	2,886	3,000
2015	-	-	1,870	4,000	2,886	3,000
2016	-	-	-	-	2,886	3,500

Based on parameters accepted by Board of Directors relating to the year **2010** effective pieces are follows as at 31 December 2013:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2013
Share purchasing period started in 2012	-	735,722	735,722
Share purchasing period started in 2013	410,572	419,479	8,907
Share purchasing period starting in 2014	512,095	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2011** as at 31 December 2013:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2013
Share purchasing period started in 2012	-	471,240	471,240
Share purchasing period started in 2013	31,699	1,264,173	1,232,474
Share purchasing period starting in 2014	654,064	-	-
Share purchasing period starting in 2015	724,886	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2012** as at 31 December 2013:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2013
Share purchasing period started in 2013	307,122	450,861	143,739
Share purchasing period starting in 2014	1,187,647	-	-
Share purchasing period starting in 2015	649,653	-	-
Share purchasing period starting in 2016	688,990	-	-

Effective pieces relating to the periods starting in 2014-2016 can be modified based on pieces settled during valuation of performance of year 2010-2012, risk assessment and personal changes.

In connection with shares as a part of the Bank Group Policy on Payments modified by 7/2013 resolution of Annual General Meeting and the share-based compensation for Board of Directors detailed in 8/2013 resolution of Annual General Meeting and connecting compensation based on performance assessment accounted as equity-settled share based transactions, HUF 5,704 million was recognized as expense as at 31 December 2013.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Compensations	2013	2012
Short-term employee benefits	9,534	8,720
Share-based payment	3,297	2,711
Other long-term employee benefits	965	1,050
Termination benefits	89	218
Redundancy payments	-	10
Total	**13,885**	**12,709**

	2013	2012
Loans provided to companies owned by the Management (normal course of business)	38,828	36,130
Commitments to extend credit and guarantees	1,221	690
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	559	432

	2013	2012
Loans provided to unconsolidated subsidiaries	1,124	1,526

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 175.4 million and HUF 181.6 million as at 31 December 2013 and as at 31 December 2012.

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

	2013	2012
Members of Board of Directors and their close family members	26	23
Members of Supervisory Board	4	4

An analysis of credit limit related to Visa Card is as follows:

	2013	2012
Members of Board of Directors and their close family members	51	45
Members of Supervisory Board	3	3

One member of Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million as at 31 December 2013 and 2012, respectively.

Chief executives owned AMEX Gold credit card loan in the amount of HUF 3.5 million as at 31 December 2013 and HUF 2.5 million as at 31 December 2012, respectively.

Members of Board of Directors, members of Supervisory Board and chief executives owned other kinds of credit card loan, which are not listed above in the amount of HUF 35.4 and 32.6 million as at 31 December 2013 and 2012, respectively.

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

	2013	2012
Members of Board of Directors	545	284
Members of Supervisory Board	71	70
Total	**616**	**354**

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

NOTE 31: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

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

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	2013	2012	
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia)	97.81%	97.78%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	97.56%	96.79%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	99.21%	98.94%	commercial banking services
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (the Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)/ OTP Financing Cyprus	100.00%	100.00%	refinancing activities
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Kettő Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd. (previously OTP Flat Lease Ltd.)	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services

Significant associates

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

As at 31 December 2013

	KITE Mezőgazdasági Szolgáltató és Kereskedelmi Ltd.	*D-ÉG Thermoset Ltd.*	*Company for Cash Services Ltd.*	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Total*
Total assets	48,717	5,961	2,130	636	**57,444**
Total liabilities	18,774	4,540	83	9	**23,406**
Shareholders' equity	29,943	1,421	2,047	627	**34,038**
Reserves	25,127	(254)	-	567	**25,440**
Total revenues	221,461	6,412	1,017	37	**228,927**
Profit before income tax	3,999	(156)	86	18	**3,947**
Profit after income tax	3,326	(156)	86	16	**3,272**

As at 31 December 2012

	Company for Cash Services Ltd	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Total*
Total assets	1,924	629	**2,553**
Total liabilities	82	12	**94**
Shareholders' equity	1,842	617	**2,459**
Reserves	(59)	552	**493**
Total revenues	869	46	**915**
Profit before income tax	44	27	**71**
Profit after income tax	39	25	**64**

NOTE 32: TRUST ACTIVITIES (in HUF mn)

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

	2013	**2012**
The amount of loans managed by the Group as a trustee	42,345	43,260

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

	2013	**2012**
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	21.0%	15.9%

There were no other significant concentrations of the assets or liabilities of the Group as at 31 December 2013 or as at 31 December 2012.

The Group continuously provides the Authority with reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards the Group.

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

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

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

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations prescribed by the NBH.

The essential of the liquidity risk management strategy is to identify all relevant systemic and idiosyncratic sources of liquidity risk and to measure the probability and severity of such events. During liquidity risk management the Group considers the effect of liquidity risk events caused by reasons arising in the bank business line (deposit withdrawal), the national economy (exchange rate shock yield curve shock) and the global financial system (capital market shock).

In line with the Group's risk management policy liquidity risks are measured and managed on multiply hierarchy levels and applying integrated unified VaR based methodology. The basic requirement is that the Group must keep high quality liquidity reserves by means it can fulfill all liabilities when they fall due without material additional costs.

The liquidity reserves can be divided to two parts. There are separate decentralized liquid asset portfolios at subsidiary level and a centralized flexible liquidity pool at Group's level. The reserves at subsidiary levels are held to cover the relevant shocks of the subsidiaries which may arise in local currencies (deposit withdrawal, local capital market shock, unexpected business expansion), while the centralized liquidity pool is held to cover the Bank's separate shocks (deposit-, yield curve- and exchange rate shocks) and all group member's potential shocks that may arise in foreign currencies (deposit withdrawal, capital market shock).

The recalculation of shocks is made at least quarterly while the recalibration of shock measurement models and review of the risk management methodology is an annual process. The monitoring of liquidity reserves for both centralized and decentralized liquid asset portfolio has been built in the daily reporting process.

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Group increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of risk liquidity risk exposure by high quality liquid assets is in all-time record highs. In 2013 there were no material changes in liquidity risk management process.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash-flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash-flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash-flows are exchanged; gross loan commitments.
Such undiscounted cash-flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash-flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

The following tables provide an analysis of liabilities about the non-discounted cash-flow 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.

As at 31 December 2013	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	467,393	60,220	197,362	84,786	-	809,761
Deposits from customers	5,515,729	1,110,320	264,421	23,144	-	6,913,614
Liabilities from issued securities	65,351	211,232	111,567	65,940	-	454,090
Other liabilities[1]	329,973	15,572	12,223	1,222	-	358,990
Subordinated bonds and loans	3,211	4,311	178,764	-	104,842[2]	291,128
TOTAL LIABILITIES	**6,381,657**	**1,401,655**	**764,337**	**175,092**	**104,842**	**8,827,583**
Receivables from derivative financial instruments classified as held for trading	741,284	103,784	56,205	14,920	-	916,193
Liabilities from derivative financial instruments classified as held for trading	(772,367)	(114,122)	(94,783)	(32,048)	-	(1,013,320)
Net notional value of financial instruments classified as held for trading	**(31,083)**	**(10,338)**	**(38,578)**	**(17,128)**	**-**	**(97,127)**
Receivables from derivative financial instruments designated as fair value hedge	250,813	249,030	688,987	3,942	-	1,192,772
Liabilities from derivative financial instruments designated as fair value hedge	(261,502)	(264,224)	(735,838)	(2,579)	-	(1,264,143)
Net notional value of financial instruments designated as fair value hedge	**(10,689)**	**(15,194)**	**(46,851)**	**1,363**	**-**	**(71,371)**
Net notional value of derivative financial instruments total	**(41,772)**	**(25,532)**	**(85,429)**	**(15,765)**	**-**	**(168,498)**
Commitments to extend credit	652,949	379,707	158,340	69,161	6,028	1,266,185
Bank guarantees	53,902	78,177	154,536	25,876	503	312,994
Off-balance sheet commitments	**706,851**	**457,884**	**312,876**	**95,037**	**6,531**	**1,579,179**

[1] Without derivative financial instruments designated as fair value hedge.
[2] See Note 18.

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
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	134,024	154,010	132,778	129,183	-	549,995
Deposits from customers	5,184,325	1,144,699	418,969	22,403	-	6,770,396
Liabilities from issued securities	126,493	147,946	360,370	60,971	-	695,780
Other liabilities[1]	326,193	14,449	41,963	4,670	-	387,275
Subordinated bonds and loans	3,703	6,730	177,128	-	137,845[2]	325,406
TOTAL LIABILITIES	**5,774,738**	**1,467,834**	**1,131,208**	**217,227**	**137,845**	**8,728,852**
Receivables from derivative financial instruments classified as held for trading	430,448	272,371	400,724	48,369	-	1,151,912
Liabilities from derivative financial instruments classified as held for trading	(457,854)	(292,415)	(432,755)	(60,878)	-	(1,243,902)
Negative fair value of financial instruments classified as held for trading	**(27,406)**	**(20,044)**	**(32,031)**	**(12,509)**	**-**	**(91,990)**
Receivables from derivative financial instruments designated as fair value hedge	189,804	68,952	997,234	11,350	-	1,267,340
Liabilities from derivative financial instruments designated as fair value hedge	(228,775)	(83,899)	(1,059,369)	(8,295)	-	(1,380,338)
Negative fair value of financial instruments designated as fair value hedge	**(38,971)**	**(14,947)**	**(62,135)**	**3,055**	**-**	**(112,998)**
Negative fair value of derivative financial instruments total	**(66,377)**	**(34,991)**	**(94,166)**	**(9,454)**	**-**	**(204,988)**
Commitments to extend credit	614,296	359,498	166,576	15,079	1,427	1,156,876
Bank guarantees	81,699	74,012	148,142	11,199	1,107	316,159
Off-balance sheet commitments	**695,995**	**433,510**	**314,718**	**26,278**	**2,534**	**1,473,035**

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

As at 31 December 2013

	USD	EUR	CHF	Others	Total
Assets	490,095	1,523,379	934,116	2,620,053	5,567,643
Liabilities	(423,536)	(1,477,154)	(209,899)	(2,312,443)	(4,423,032)
Off-balance sheet assets and liabilities, net	44,933	(2,758)	(743,924)	(109,072)	(810,821)
Net position	**111,492**	**43,467**	**(19,707)**	**198,538**	**333,790**

As at 31 December 2012

	USD	EUR	CHF	Others	Total
Assets	570,169	1,603,605	1,060,445	2,591,153	5,825,372
Liabilities	(429,247)	(1,732,041)	(124,747)	(2,160,224)	(4,446,259)
Off-balance sheet assets and liabilities, net	(49,684)	206,904	(971,435)	(152,508)	(966,723)
Net position	**91,238**	**78,468**	**(35,737)**	**278,421**	**412,390**

[1] Without derivative financial instruments designated as fair value hedge.
[2] See Note 18.

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

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

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

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

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

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

As at 31 December 2013

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**51,834**	**51,999**	**208**	**143**	**-**	**54**	**-**	**84**	**-**	**-**	**68,122**	**366,681**	**120,164**	**418,961**	**539,125**
fixed rate	*49,234*	*15,062*	*14*	*9*	*-*	*54*	*-*	*84*	*-*	*-*	*-*	*-*	*49,248*	*15,209*	*64,457*
variable rate	*2,600*	*36,937*	*194*	*134*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*2,794*	*37,071*	*39,865*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*68,122*	*366,681*	*68,122*	*366,681*	*434,803*
Placements with other banks, net of allowance for placements losses	**32,423**	**189,021**	**-**	**27,182**	**-**	**919**	**-**	**-**	**-**	**4,804**	**1,033**	**18,097**	**33,456**	**240,023**	**273,479**
fixed rate	*32,423*	*168,781*	*-*	*7,059*	*-*	*919*	*-*	*-*	*-*	*4,677*	*-*	*-*	*32,423*	*181,436*	*213,859*
variable rate	*-*	*20,240*	*-*	*20,123*	*-*	*-*	*-*	*-*	*-*	*127*	*-*	*-*	*-*	*40,490*	*40,490*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,033*	*18,097*	*1,033*	*18,097*	*19,130*
Securities held for trading	**211,318**	**81**	**2,515**	**2,104**	**4,629**	**6,019**	**604**	**2,019**	**3,562**	**28,279**	**73,201**	**7,209**	**295,829**	**45,711**	**341,540**
fixed rate	*211,318*	*81*	*2,327*	*2,104*	*4,484*	*5,808*	*604*	*2,019*	*3,562*	*28,279*	*-*	*-*	*222,295*	*38,291*	*260,586*
variable rate	*-*	*-*	*188*	*-*	*145*	*211*	*-*	*-*	*-*	*-*	*-*	*-*	*333*	*211*	*544*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*73,201*	*7,209*	*73,201*	*7,209*	*80,410*
Securities available-for-sale	**1,152,169**	**38,649**	**10,449**	**36,614**	**26,967**	**52,259**	**37,793**	**48,589**	**87,696**	**96,282**	**30,794**	**18,994**	**1,345,868**	**291,387**	**1,637,255**
fixed rate	*1,152,169*	*36,443*	*10,449*	*35,109*	*26,967*	*52,259*	*37,793*	*48,066*	*87,696*	*96,282*	*-*	*-*	*1,315,074*	*268,159*	*1,583,233*
variable rate	*-*	*2,206*	*-*	*1,505*	*-*	*-*	*-*	*523*	*-*	*-*	*-*	*-*	*-*	*4,234*	*4,234*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30,794*	*18,994*	*30,794*	*18,994*	*49,788*
Loans, net of allowance for loan losses	**927,001**	**2,354,717**	**267,460**	**884,164**	**58,677**	**401,809**	**38,844**	**193,812**	**305,968**	**496,783**	**53,295**	**262,680**	**1,651,245**	**4,593,965**	**6,245,210**
fixed rate	*2,349*	*336,096*	*8,559*	*136,371*	*13,891*	*350,547*	*4,400*	*191,254*	*31,227*	*461,702*	*-*	*-*	*60,426*	*1,475,970*	*1,536,396*
variable rate	*924,652*	*2,018,621*	*258,901*	*747,793*	*44,786*	*51,262*	*34,444*	*2,558*	*274,741*	*35,081*	*-*	*-*	*1,537,524*	*2,855,315*	*4,392,839*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*53,295*	*262,680*	*53,295*	*262,680*	*315,975*
Securities held-to-maturity	**-**	**1,653**	**10,682**	**2,692**	**5,368**	**25,977**	**57,681**	**1,301**	**434,086**	**26,693**	**12,782**	**1,136**	**520,599**	**59,452**	**580,051**
fixed rate	*-*	*1,429*	*-*	*2,199*	*341*	*25,946*	*57,681*	*1,301*	*434,086*	*26,693*	*-*	*-*	*492,108*	*57,568*	*549,676*
variable rate	*-*	*224*	*10,682*	*493*	*5,027*	*31*	*-*	*-*	*-*	*-*	*-*	*-*	*15,709*	*748*	*16,457*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*12,782*	*1,136*	*12,782*	*1,136*	*13,918*
Derivative financial instruments	**577,139**	**1,217,265**	**473,140**	**1,004,215**	**75,883**	**100,740**	**12,228**	**28,152**	**30,284**	**21,430**	**-**	**666**	**1,168,674**	**2,372,468**	**3,541,142**
fixed rate	*255,095*	*787,732*	*30,759*	*189,203*	*52,259*	*97,755*	*12,149*	*28,152*	*30,284*	*21,430*	*-*	*-*	*380,546*	*1,124,272*	*1,504,818*
variable rate	*322,044*	*429,533*	*442,381*	*815,012*	*23,624*	*2,985*	*79*	*-*	*-*	*-*	*-*	*-*	*788,128*	*1,247,530*	*2,035,658*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*666*	*-*	*666*	*666*

As at 31 December 2013

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**328,326**	**169,044**	**10,336**	**60,570**	**67,457**	**11,223**	**798**	**10,264**	**85,647**	**26,184**	**12,323**	**2,040**	**504,887**	**279,325**	**784,212**
fixed rate	*315,291*	*135,680*	*6,548*	*1,839*	*1,041*	*9,822*	*798*	*10,171*	*85,647*	*25,541*	-	-	*409,325*	*183,053*	*592,378*
variable rate	*13,035*	*33,364*	*3,788*	*58,731*	*66,416*	*1,401*	-	*93*	-	*643*	-	-	*83,239*	*94,232*	*177,471*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*12,323*	*2,040*	*12,323*	*2,040*	*14,363*
Deposits from customers	**1,485,295**	**1,972,383**	**483,898**	**472,617**	**208,557**	**727,571**	**106,210**	**85,970**	**900,609**	**239,337**	**9,022**	**175,137**	**3,193,591**	**3,673,015**	**6,866,606**
fixed rate	*1,119,266*	*917,332*	*463,338*	*463,968*	*208,450*	*595,679*	*106,210*	*73,423*	*16,490*	*29,523*	-	-	*1,913,754*	*2,079,925*	*3,993,679*
variable rate	*366,029*	*1,055,051*	*20,560*	*8,649*	*107*	*131,892*	-	*12,547*	*884,119*	*209,814*	-	-	*1,270,815*	*1,417,953*	*2,688,768*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*9,022*	*175,137*	*9,022*	*175,137*	*184,159*
Liabilities from issued securities	**6,767**	**3,510**	**17,874**	**33,748**	**21,372**	**126,792**	**26,578**	**39,431**	**153,519**	**3,610**	**8,556**	**3,461**	**234,666**	**210,552**	**445,218**
fixed rate	*6,436*	*3,510*	*17,729*	*21,524*	*20,713*	*126,792*	*25,040*	*39,431*	*121,923*	*3,610*	-	-	*191,841*	*194,867*	*386,708*
variable rate	*331*	-	*145*	*12,224*	*659*	-	*1,538*	-	*31,596*	-	-	-	*34,269*	*12,224*	*46,493*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*8,556*	*3,461*	*8,556*	*3,461*	*12,017*
Derivative financial instruments	**434,554**	**1,368,756**	**64,868**	**1,459,170**	**44,510**	**129,093**	**28,699**	**28,541**	**22,221**	**21,096**	**-**	**624**	**594,852**	**3,007,280**	**3,602,132**
fixed rate	*434,025*	*593,255*	*63,836*	*155,299*	*40,519*	*106,518*	*28,699*	*28,541*	*22,221*	*21,096*	-	-	*589,300*	*904,709*	*1,494,009*
variable rate	*529*	*775,501*	*1,032*	*1,303,871*	*3,991*	*22,575*	-	-	-	-	-	-	*5,552*	*2,101,947*	*2,107,499*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*624*	-	*624*	*624*
Subordinated bonds and loans	**-**	**100**	**-**	**27,746**	**-**	**15,117**	**-**	**-**	**-**	**221,041**	**-**	**3,158**	**-**	**267,162**	**267,162**
fixed rate	-	-	-	-	-	-	-	-	-	*221,041*	-	-	-	*221,041*	*221,041*
variable rate	-	*100*	-	*27,746*	-	*15,117*	-	-	-	-	-	-	-	*42,963*	*42,963*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*3,158*	-	*3,158*	*3,158*
Net position	**696,942**	**339,592**	**187,478**	**-96,737**	**-170,372**	**-422,019**	**-15,135**	**109,751**	**-300,400**	**163,003**	**209,326**	**491,043**	**607,839**	**584,633**	**1,192,472**

As at 31 December 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**133,502**	**81,269**	**1,461**	**310**	**2**	**90**	**-**	**58**	**-**	**-**	**60,026**	**325,803**	**194,991**	**407,530**	**602,521**
fixed rate	*128,672*	*45,128*	*1,460*	*96*	*2*	*90*	*-*	*58*	*-*	*-*	*-*	*-*	*130,134*	*45,372*	*175,506*
variable rate	*4,830*	*36,141*	*1*	*214*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*4,831*	*36,355*	*41,186*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*60,026*	*325,803*	*60,026*	*325,803*	*385,829*
Placements with other banks, net of allowance for placements losses	**55,842**	**87,510**	**-**	**165,347**	**-**	**12,810**	**-**	**12,631**	**-**	**8,319**	**319**	**14,088**	**56,161**	**300,705**	**356,866**
fixed rate	*38,564*	*76,734*	*-*	*108*	*-*	*12,652*	*-*	*12,631*	*-*	*7,507*	*-*	*-*	*38,564*	*109,632*	*148,196*
variable rate	*17,278*	*10,776*	*-*	*165,239*	*-*	*158*	*-*	*-*	*-*	*812*	*-*	*-*	*17,278*	*176,985*	*194,263*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*319*	*14,088*	*319*	*14,088*	*14,407*
Securities held for trading	**1,635**	**208**	**1,731**	**10**	**2,839**	**68**	**458**	**5,542**	**288**	**10,863**	**90,473**	**7,705**	**97,424**	**24,396**	**121,820**
fixed rate	*1,635*	*208*	*1,731*	*10*	*2,838*	*67*	*458*	*5,542*	*288*	*10,863*	*-*	*-*	*6,950*	*16,690*	*23,640*
variable rate	*-*	*-*	*-*	*-*	*1*	*1*	*-*	*-*	*-*	*-*	*-*	*-*	*1*	*1*	*2*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*90,473*	*7,705*	*90,473*	*7,705*	*98,178*
Securities available-for-sale	**861,854**	**16,876**	**17,746**	**32,433**	**25,402**	**85,054**	**23,502**	**48,912**	**180,843**	**65,667**	**35,426**	**17,462**	**1,144,773**	**266,404**	**1,411,177**
fixed rate	*861,854*	*14,316*	*17,746*	*25,850*	*25,402*	*84,506*	*23,502*	*48,912*	*180,843*	*65,667*	*-*	*-*	*1,109,347*	*239,251*	*1,348,598*
variable rate	*-*	*2,560*	*-*	*6,583*	*-*	*548*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*9,691*	*9,691*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*35,426*	*17,462*	*35,426*	*17,462*	*52,888*
Loans, net of allowance for loan losses	**992,970**	**2,763,790**	**230,159**	**807,943**	**85,808**	**364,470**	**97,393**	**263,170**	**174,702**	**389,931**	**34,193**	**259,661**	**1,615,225**	**4,848,965**	**6,464,191**
fixed rate	*10,735*	*317,510*	*2,122*	*120,045*	*1,104*	*339,519*	*3,266*	*241,134*	*5,058*	*276,050*	*-*	*-*	*22,285*	*1,294,258*	*1,316,543*
variable rate	*982,235*	*2,446,281*	*228,037*	*687,898*	*84,704*	*24,951*	*94,127*	*22,036*	*169,644*	*113,881*	*-*	*-*	*1,558,747*	*3,295,046*	*4,853,794*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*34,193*	*259,661*	*34,193*	*259,661*	*293,854*
Securities held-to-maturity	**19,297**	**1,231**	**9,888**	**15,916**	**54,888**	**7,890**	**675**	**22,786**	**278,539**	**5,783**	**10,966**	**1,444**	**374,253**	**55,050**	**429,303**
fixed rate	*5,947*	*967*	*2,677*	*15,433*	*44,764*	*7,854*	*675*	*22,786*	*278,539*	*5,783*	*-*	*-*	*332,602*	*52,823*	*385,425*
variable rate	*13,350*	*264*	*7,211*	*483*	*10,124*	*36*	*-*	*-*	*-*	*-*	*-*	*-*	*30,685*	*783*	*31,468*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*10,966*	*1,444*	*10,966*	*1,444*	*12,410*
Derivative financial instruments	**919,552**	**1,047,446**	**768,810**	**1,407,927**	**31,161**	**188,345**	**27,230**	**15,442**	**29,813**	**33,488**	**80**	**1,819**	**1,776,646**	**2,694,467**	**4,471,113**
fixed rate	*390,418*	*339,102*	*72,075*	*173,000*	*31,133*	*180,283*	*27,230*	*15,442*	*29,813*	*33,488*	*-*	*-*	*550,669*	*741,315*	*1,291,984*
variable rate	*529,134*	*708,344*	*696,735*	*1,234,927*	*28*	*8,062*	*-*	*-*	*-*	*-*	*-*	*-*	*1,225,897*	*1,951,333*	*3,177,230*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*80*	*1,819*	*80*	*1,819*	*1,899*

As at 31 December 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**59,636**	**127,333**	**10,609**	**83,053**	**118,696**	**22,358**	**73**	**103,082**	**478**	**3,331**	**96**	**5,579**	**189,588**	**344,736**	**534,324**
fixed rate	*51,596*	*102,663*	*2,730*	*5,732*	*542*	*15,258*	*23*	*101,444*	*397*	*3,331*	-	-	*55,288*	*228,428*	*283,716*
variable rate	*8,040*	*24,670*	*7,879*	*77,321*	*118,154*	*7,100*	*50*	*1,638*	*81*	-	-	-	*134,204*	*110,729*	*244,933*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*96*	*5,579*	*96*	*5,579*	*5,675*
Deposits from customers	**1,435,223**	**1,930,614**	**649,539**	**478,089**	**172,472**	**711,795**	**102,808**	**87,577**	**633,666**	**146,083**	**13,412**	**189,430**	**3,007,120**	**3,543,588**	**6,550,708**
fixed rate	*1,042,679*	*825,021*	*633,649*	*478,089*	*172,472*	*604,827*	*102,808*	*87,577*	*14,392*	*26,670*	-	-	*1,966,000*	*2,022,184*	*3,988,184*
variable rate	*392,544*	*1,105,593*	*15,890*	-	-	*106,968*	-	-	*619,274*	*119,413*	-	-	*1,027,708*	*1,331,974*	*2,359,682*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*13,412*	*189,430*	*13,412*	*189,430*	*202,842*
Liabilities from issued securities	**30,498**	**7,229**	**52,031**	**17,900**	**85,478**	**36,609**	**52,604**	**160,111**	**175,857**	**3,857**	**17,077**	**3,872**	**413,545**	**229,578**	**643,123**
fixed rate	*30,169*	*7,229*	*50,595*	*6,524*	*84,653*	*36,609*	*30,779*	*160,111*	*164,395*	*3,857*	-	-	*360,591*	*214,330*	*574,921*
variable rate	*329*	-	*1,436*	*11,376*	*825*	-	*21,825*	-	*11,462*	-	-	-	*35,877*	*11,376*	*47,253*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*17,077*	*3,872*	*17,077*	*3,872*	*20,949*
Derivative financial instruments	**103,114**	**1,924,409**	**43,868**	**2,099,382**	**33,570**	**152,268**	**14,961**	**18,715**	**125,471**	**35,659**	**1,679**	**1,408**	**322,663**	**4,231,841**	**4,554,504**
fixed rate	*102,630*	*640,675*	*42,109*	*202,255*	*33,565*	*144,147*	*14,961*	*18,470*	*125,471*	*34,688*	-	-	*318,736*	*1,040,235*	*1,358,971*
variable rate	*484*	*1,283,734*	*1,759*	*1,897,127*	*5*	*8,121*	-	*245*	-	*971*	-	-	*2,248*	*3,190,198*	*3,192,446*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*1,679*	*1,408*	*1,679*	*1,408*	*3,087*
Subordinated bonds and loans	**-**	**-**	**5,000**	**26,009**	**-**	**15,706**	**-**	**80**	**-**	**241,673**	**-**	**3,027**	**5,000**	**286,495**	**291,495**
fixed rate	-	-	-	-	-	-	-	-	-	*241,632*	-	-	-	*241,632*	*241,632*
variable rate	-	-	*5,000*	*26,009*	-	*15,706*	-	*80*	-	*41*	-	-	*5,000*	*41,836*	*46,836*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*3,027*	-	*3,027*	*3,027*
Net position	**1,356,181**	**8,746**	**268,748**	**(274,547)**	**(210,116)**	**(280,009)**	**(21,188)**	**(1,024)**	**(271,287)**	**83,448**	**199,219**	**424,666**	**1,321,557**	**(38,721)**	**1,282,837**

NOTE 37: CONSOLIDATED EARNINGS PER SHARE

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

	2013	**2012**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	64,199	121,690
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	266,914,990	266,239,227
Basic Earnings per share (in HUF)	**241**	**457**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	64,199	121,690
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	267,148,860	266,307,792
Diluted Earnings per share (in HUF)	**240**	**457**

	2013	**2012**
	Number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	13,085,020	13,760,783
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**266,914,990**	**266,239,227**
Dilutive effects of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares	233,870	68,565
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**267,148,860**	**266,307,792**

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.

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

As at 31 December 2013

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	4,207	-	-	-
Placements with other banks, net of allowance for placements losses	5,151	-	374	-
Securities held for trading	924	313	-	-
Securities available-for-sale	71,743	7,936	-	(2,125)
Loans, net of allowance for loan losses	765,042	7,312	(262,943)	-
Securities held-to-maturity	33,002	(87)	11	-
Derivative financial instruments	25,307	(1,569)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(13,826)	-	-	-
Deposits from customers	(191,514)	157,707	-	-
Liabilities from issued securities	(34,896)	-	-	-
Subordinated bonds and loans	(11,412)	-	-	-
	653,728	**171,612**	**(262,558)**	**(2,125)**

As at 31 December 2012

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	6,749	-	-	-
Placements with other banks, net of allowance for placements losses	9,457	-	(40)	-
Securities held for trading	1,827	(3,546)	-	-
Securities available-for-sale	78,624	2,798	490	59,481
Loans, net of allowance for loan losses	787,646	6,952	(226,940)	-
Securities held-to-maturity	20,204	(87)	15	-
Derivative financial instruments	56,302	(7,376)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(18,814)	-	-	-
Deposits from customers	(230,574)	123,141	-	-
Liabilities from issued securities	(54,033)	-	-	-
Subordinated bonds and loans	(11,923)	-	-	-
	645,465	**121,882**	**(226,475)**	**59,481**

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

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

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

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

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,

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

Classes of assets and liabilities not measured at fair value in the statement of financial position, income approach was used to convert future cash-flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates, fair value of other classes not measured at fair value of the statement of financial position measured at discounted cash-flow method. Fair value of loans, net of allowance for loan losses measured at discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.
Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2 of the fair value hierarchy.

a) Fair value of financial assets and liabilities

	2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Banks	539,125	539,125	602,521	602,521
Placements with other banks, net of allowance for placements losses	273,479	280,984	356,866	359,463
Financial assets at fair value through profit or loss	415,605	415,605	222,874	222,874
Securities held for trading	*341,540*	*341,540*	*121,820*	*121,820*
Fair value of derivative financial instruments classified as held for trading	*74,065*	*74,065*	*101,054*	*101,054*
Securities available-for-sale	1,637,255	1,637,255	1,411,177	1,411,177
Loans, net of allowance for loan losses	6,245,210	6,635,614	6,464,191	7,490,502
Securities held-to-maturity	580,051	588,899	429,303	154,517
Fair value of derivative financial instruments designated as fair value hedge	26,803	26,803	13,694	13,694
Financial assets total	**9,717,528**	**10,124,285**	**9,500,626**	**10,254,748**

	2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	784,212	765,467	534,324	495,497
Deposits from customers	6,866,606	6,874,230	6,550,708	6,548,734
Liabilities from issued securities	445,218	461,956	643,123	614,156
Fair value of derivative financial instruments designated as fair value hedge	74,695	74,695	119,027	119,027
Fair value of derivative financial instruments classified as held for trading	87,164	87,164	122,032	122,032
Subordinated bonds and loans	267,162	247,605	291,495	241,268
Financial liabilities total	**8,525,057**	**8,511,117**	**8,260,709**	**8,140,714**

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	2013	**2012**	**2013**	**2012**
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	53,667	73,183	59,566	49,524
Negative fair value of interest rate swaps classified as held for trading	(67,881)	(75,332)	(74,603)	(56,534)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	5,357	7,173	5,512	7,147
Negative fair value of foreign exchange swaps classified as held for trading	(5,316)	(6,388)	(5,876)	(6,025)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated as fair value hedge	9,733	4,224	5,836	(4,488)
Negative fair value of interest rate swaps designated as fair value hedge	(2,639)	(5,033)	682	140
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	8,133	9,674	8,883	9,808
Negative fair value of CCIRS classified as held for trading	(7,521)	(30,948)	(9,126)	(31,625)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	311	624	171	376
Negative fair value of mark-to-market CCIRS classified as held for trading	-	(646)	-	(320)
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated as fair value hedge	13,934	9,035	13,826	9,099
Negative fair value of CCIRS designated as fair value hedge	(68,742)	(103,845)	(70,004)	(106,792)

	Fair value		Notional value, net	
	2013	**2012**	**2013**	**2012**
Mark-to-market CCIRS designated as fair value hedge				
Positive fair value of mark-to-market CCIRS designated as fair value hedge	1,538	283	1,295	(577)
Negative fair value of mark-to-market CCIRS designated as fair value hedge	(2,770)	(10,070)	(3,339)	(12,275)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated as fair value hedge	1,598	152	4,714	41,073
Negative fair value of other derivative contracts designated as fair value hedge	(544)	(79)	(1,134)	(1)
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	6,597	10,400	2,845	7,205
Negative fair value of other derivative contracts classified as held for trading	(6,446)	(8,718)	(15,041)	(5,810)
Derivative financial assets total	**100,868**	**114,748**	**102,648**	**119,167**
Derivative financial liabilities total	**(161,859)**	**(241,059)**	**(178,441)**	**(219,242)**
Derivative financial instruments total	**(60,991)**	**(126,311)**	**(75,793)**	**(100,075)**

c) Hedge accounting

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

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

As at 31 December 2013

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 7,095 million	Interest rate
3) Net investment hedge in foreign operations	CCIRS and issued securities	HUF (1,743) million	Foreign exchange

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	CCIRS and issued securities	HUF 3,737 million	Foreign exchange

d) Fair value hedges

1. Deposits from customers

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

	2013	2012
Fair value of the hedging instruments	101	298

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in foreign currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates.
In order to hedge the interest rate risk of the cash-flows the Group 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.

	2013	2012
Fair value of the hedging instruments	(879)	(1,267)

3. Loans to customers

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

	2013	**2012**
Fair value of the hedging instruments	(518)	(1,058)

4. Issued securities

The cash-flows of the fixed rate securities issued by the Group 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.
Certain structured bonds are hedged by options which give the owner the right to get amount of the structure which is equal to the structure of the hedged bond.

	2013	**2012**
Fair value of the hedging IRS instruments	8,379	1,739
Fair value of the hedging index option instruments	12	4

As at 31 December 2013

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 23,629 million	HUF (879) million	HUF (388) million	HUF 388 million
Loans to customers	IRS	HUF 12,866 million	HUF (518) million	HUF (540) million	HUF 540 million
Deposits from customers	IRS	HUF 5,224 million	HUF 101 million	HUF (197) million	HUF 197 million
Liabilities from issued securities	IRS	HUF 94,344 million	HUF 8,379 million	HUF (6,640) million	HUF 6,640 million
Liabilities from issued securities	Index option	HUF 644 million	HUF 12 million	HUF (8) million	HUF 8 million

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	
				on the hedged items	on 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

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. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- 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 2013

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	414,618	321,194	93,424	-
from this: securities held for trading	340,553	321,133	19,420	-
from this: positive fair value of derivative financial instruments classified as held for trading	74,065	61	74,004	-
Securities available-for-sale	1,628,005	1,474,724	153,254	27
Positive fair value of derivative financial instruments designated as fair value hedge	26,803	7	26,796	-
Financial assets measured at fair value total	**2,069,426**	**1,795,925**	**273,474**	**27**
Negative fair value of derivative financial instruments classified as held for trading	87,164	18	87,146	-
Negative fair value of derivative financial instruments designated as fair value hedge	74,695	-	74,695	-
Financial liabilities measured at fair value total	**161,859**	**18**	**161,841**	**-**

As at 31 December 2012

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	222,394	107,840	114,554	-
from this: securities held for trading	121,340	107,450	13,890	-
from this: positive fair value of derivative financial instruments classified as held for trading	101,054	390	100,664	-
Securities available-for-sale	1,399,547	1,319,425	80,094	28
Positive fair value of derivative financial instruments designated as fair value hedge	13,694	11	13,683	-
Financial assets measured at fair value total	**1,635,635**	**1,427,276**	**208,331**	**28**
Negative fair value of derivative financial instruments classified as held for trading	122,032	1,110	120,922	-
Negative fair value of derivative financial instruments designated as fair value hedge	119,027	83	118,944	-
Financial liabilities measured at fair value total	**241,059**	**1,193**	**239,866**	**-**

There were no transfers from and to Level 3 among the financial instruments in year 2013 and 2012.

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

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

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

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

Goodwill / investment impairment and their tax saving effect:

HUF 30,819 million goodwill impairment was recognized at the end of 2013 for OTP Bank JSC, while in 2012 there wasn't any effect of goodwill impairment after tax.
The tax saving effect of investment impairment was HUF (29,440) million in relation with investment impairment of OTP Bank JSC in year 2013, the same effect was recognized in the amount of HUF 3,977 million in relation with Crnogorska komercijalna banka a.d. and OTP banka Srbija a.d. in year 2012.

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

As at 31 December 2013

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**64,108**		**64,108**																
Adjustments (total)		**(81,775)**	**(81,775)**																
Dividends and net cash transfers (after income tax)		(406)	(406)																
Goodwill/investment impairment (after income tax)		(29,440)	(29,440)																
Bank tax on financial institutions (after income tax)		(43,219)	(43,219)																
Fine imposed by the Hungarian Competition Authority (after income tax)		(3,177)	(3,177)																
Corporate tax impact of the transfer of general risk reserves to retained earnings		(5,533)	(5,533)																
Consolidated adjusted net profit for the year	**64,108**	**81,773**	**145,882**	**114,879**	**26,066**	**2,356**	**6,715**	**30,222**	**(4,143)**	**(13,246)**	**2,209**	**1,152**	**801**	**1,038**	**2,286**	**3,681**	**(4,929)**	**2,398**	**1,501**
Profit before income tax	**85,052**	**99,841**	**184,894**	**143,836**	**36,051**	**3,409**	**11,162**	**33,758**	**(4,143)**	**(13,235)**	**2,796**	**1,503**	**801**	**2,005**	**2,357**	**4,284**	**(4,636)**	**2,832**	**170**
Adjusted operating profit	**347,621**	**100,088**	**447,710**	**194,390**	**242,667**	**124,223**	**40,285**	**55,089**	**7,147**	**409**	**7,909**	**4,099**	**3,506**	**12,688**	**6,566**	**4,226**	**1,896**	**(3,272)**	**1,237**
Adjusted total income	874,392	(9,482)	864,910	384,587	449,345	207,493	72,811	92,965	20,375	7,580	22,696	14,909	10,516	46,423	17,447	6,692	22,284	(3,105)	(12,340)
Adjusted net interest income	653,728	(602)	653,126	273,276	365,043	184,041	53,385	72,908	14,254	4,553	16,010	12,088	7,804	20,042	15,490	66	4,486	(3,105)	(2,130)
Adjusted net profit from fees and commissions	201,757	(34,821)	166,936	91,507	71,612	21,990	17,020	18,208	2,269	1,671	4,878	3,101	2,475	3,876	(2,555)	6,690	(259)	0	(59)
Adjusted other net non-interest income	18,907	25,941	44,848	19,804	12,690	1,462	2,406	1,849	3,852	1,356	1,808	(280)	237	22,505	4,512	(64)	18,057	0	(10,151)
Adjusted other administrative expenses	(526,771)	109,570	(417,201)	(190,197)	(206,678)	(83,270)	(32,526)	(37,876)	(13,228)	(7,171)	(14,787)	(10,810)	(7,010)	(33,735)	(10,881)	(2,466)	(20,388)	(167)	13,576
Total risk costs	**(262,569)**	**(9,890)**	**(272,459)**	**(54,093)**	**(206,616)**	**(120,814)**	**(29,123)**	**(21,331)**	**(11,290)**	**(13,644)**	**(5,113)**	**(2,596)**	**(2,705)**	**(10,683)**	**(4,209)**	**58**	**(6,532)**	**0**	**(1,067)**
Adjusted provision for impairment on loan and placement losses (without the effect of revaluation of FX)	(262,569)	28	(262,541)	(48,899)	(204,318)	(121,310)	(27,431)	(20,723)	(11,109)	(13,002)	(5,142)	(2,594)	(3,007)	(7,544)	(4,413)	0	(3,131)	0	(1,780)
Other provision (adjustment)	0	(9,918)	(9,918)	(5,194)	(2,298)	496	(1,692)	(608)	(181)	(642)	29	(2)	302	(3,139)	204	58	(3,401)	0	713
Total other adjustments (one-off items)[1]	**0**	**9,643**	**9,643**	**3,539**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,104**	**0**
Income tax	**(20,944)**	**(18,068)**	**(39,012)**	**(28,957)**	**(9,985)**	**(1,053)**	**(4,447)**	**(3,536)**	**0**	**(11)**	**(587)**	**(351)**	**0**	**(967)**	**(71)**	**(603)**	**(293)**	**(434)**	**1,331**
Total Assets	**10,381,047**	**0**	**10,381,047**	**6,454,938**	**4,597,110**	**940,320**	**617,730**	**1,343,595**	**449,789**	**86,136**	**538,112**	**425,219**	**196,209**	**552,425**	**325,716**	**9,742**	**216,967**	**1,561,552**	**(2,784,978)**
Total Liabilities	**8,871,715**	**0**	**8,871,715**	**5,210,465**	**3,921,006**	**762,414**	**504,495**	**1,122,843**	**420,689**	**62,086**	**475,231**	**398,191**	**175,057**	**444,291**	**294,859**	**2,315**	**147,117**	**865,010**	**(1,569,057)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF 715 million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 6,104 million; result of the treasury share swap agreement in the amount of HUF 2,824 million.

As at 31 December 2012

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**122,586**		**122,586**																
Adjustments (total)		**(27,363)**	**(27,363)**																
Dividends and net cash transfers (after income tax)		(391)	(391)																
Goodwill /investment impairment (after income tax)		3,977	3,977																
Bank tax on financial institutions (after income tax)		(29,174)	(29,174)																
Total impact of early repayment (after income tax)		(1,775)	(1,775)																
Consolidated adjusted net profit for the year	**122,586**	**27,363**	**149,949**	**94,587**	**60,119**	**47,156**	**527**	**24,216**	**(5,531)**	**(4,932)**	**3,715**	**(1,160)**	**(3,872)**	**2,401**	**2,050**	**2,042**	**(1,691)**	**(7,089)**	**(69)**
Profit before income tax	**145,674**	**46,518**	**192,192**	**117,520**	**79,965**	**60,847**	**2,707**	**27,545**	**(6,110)**	**(4,935)**	**4,754**	**(978)**	**(3,865)**	**3,028**	**2,189**	**2,299**	**(1,460)**	**(8,752)**	**431**
Adjusted operating profit	**372,654**	**77,009**	**449,664**	**211,355**	**233,534**	**121,540**	**33,511**	**58,928**	**6,494**	**(1,707)**	**8,498**	**3,441**	**2,829**	**13,841**	**9,619**	**2,267**	**1,955**	**(8,752)**	**(314)**
Adjusted total income	796,131	48,422	844,553	394,243	426,175	193,272	64,509	95,732	19,811	6,323	22,550	13,932	10,046	43,841	20,049	4,913	18,879	(8,610)	(11,096)
Adjusted net interest income	645,465	4,854	650,319	292,570	348,722	170,001	49,586	74,671	15,916	3,071	16,220	12,019	7,238	19,500	16,900	101	2,499	(8,610)	(1,863)
Adjusted net profit from fees and commissions	154,337	(2,767)	151,570	85,820	63,867	20,998	12,634	16,875	1,677	1,604	4,660	2,930	2,489	1,974	(2,616)	4,728	(138)	0	(91)
Adjusted other net non-interest income	(3,671)	46,335	42,664	15,853	13,586	2,273	2,289	4,186	2,218	1,648	1,670	(1,017)	319	22,367	5,765	84	16,518	0	(9,142)
Adjusted other administrative expenses	(423,477)	28,587	(394,890)	(182,888)	(192,641)	(71,732)	(30,998)	(36,804)	(13,317)	(8,030)	(14,052)	(10,491)	(7,217)	(30,000)	(10,430)	(2,646)	(16,924)	(142)	10,781
Total risk costs	**(226,980)**	**(26,712)**	**(253,692)**	**(90,056)**	**(153,569)**	**(60,693)**	**(30,804)**	**(31,383)**	**(12,604)**	**(3,228)**	**(3,744)**	**(4,419)**	**(6,694)**	**(10,813)**	**(7,430)**	**32**	**(3,415)**	**0**	**746**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(226,980)	(15,715)	(242,695)	(86,986)	(146,979)	(59,567)	(30,597)	(31,153)	(12,440)	(3,159)	(2,988)	(4,420)	(2,655)	(8,449)	(7,194)	0	(1,255)	0	(281)
Other provision (adjustment)	0	(10,997)	(10,997)	(3,070)	(6,590)	(1,126)	(207)	(230)	(164)	(69)	(756)	1	(4,039)	(2,364)	(236)	32	(2,160)	0	1,027
Total other adjustments (one-off items)[1]	**0**	**(3,779)**	**(3,779)**	**(3,779)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax	**(23,088)**	**(19,155)**	**(42,243)**	**(22,933)**	**(19,846)**	**(13,691)**	**(2,180)**	**(3,329)**	**579**	**3**	**(1,039)**	**(182)**	**(7)**	**(627)**	**(139)**	**(257)**	**(231)**	**1,663**	**(500)**
Total Assets	**10,113,466**	**0**	**10,113,466**	**6,229,359**	**4,660,276**	**1,027,763**	**653,603**	**1,292,031**	**461,458**	**122,994**	**519,570**	**374,224**	**208,633**	**481,262**	**287,527**	**7,245**	**186,490**	**1,636,529**	**(2,893,960)**
Total Liabilities	**8,598,913**	**0**	**8,598,913**	**4,833,227**	**3,985,137**	**835,880**	**541,139**	**1,082,845**	**428,877**	**97,823**	**459,757**	**347,231**	**191,585**	**394,960**	**258,229**	**1,585**	**135,146**	**980,395**	**(1,594,806)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF (2,527) million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 1,415 million; result of the treasury share swap agreement in the amount of HUF (2,667) million.

NOTE 41: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2013

1) Term Note Program

See details in Note 15.

2) Subordinated bonds and loans

See details in Note 18.

3) Judgment of the Competition Council of the Hungarian Competition Authority

See details in Note 28.

NOTE 42: POST BALANCE SHEET EVENTS

1) Acquisition in Croatia

On 31 January OTP banka Hrvatska signed an agreement in Zagreb with the Italian Banco Popolare banking group on the purchase of its 98.37% ownership in its Croatian subsidiary.

2) Economic situation in Ukraine

- The newly elected chairman of National Bank of Ukraine announced on 26 February that Ukraine asked a new financial aid program from the International Monetary Fund.
- On 28 February National Bank of Ukraine limited daily FX cash withdrawals from banks at UAH 15,000.

NOTE 43: STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn)

Hungary's economy may have grown by 1.1% in 2013 according to preliminary data, higher than government's projection of 0.9%. At the end of the year, growth was seen accelerating in a number of CEE countries, which may be attributable to the recovery of external demand. From the production side, the strongest engine of growth was agriculture, which may have added one percentage point to last year's economic performance. After many years of contraction, construction could expand in 2013, mostly benefiting from the upsurge in EU-funded and co-funded projects. The performance of industry, which was the economy's powerhouse in recent years, may have lost steam in 2013. On the expenditure side, it is mostly the increase in public sector related investments that brought a turnaround in gross fixed capital formation, while households' consumption stayed flat, following a decline in 2012. The government remained committed to maintain a low budget deficit: the 2013 budget gap remained below 3%, as it did in 2012; based on preliminary financial accounts data, it reached 2.5% of GDP, after the 2% deficit in 2012. The favourable international investment environment and the disinflation process (2013 annual average CPI: 1.3%) created room for the NBH to cut the base rate by altogether 275 basis points to 3.0% in the course of 2013.

In 2013 the economic growth decelerated both in Russia and Ukraine, in countries where subsidiaries contribute significantly to the overall financial performance of the Group. According to the Economic Ministry's data, Russia's economy grew by 1.4% in 2013, less than expected. To some extent, the slow growth may originate from the adverse external circumstances. Because of the high inflation (annualized 6.8%), the central bank has been applying a tight monetary policy. Investments stagnated. Fiscal policy cannot support economic growth, because the economic policy target is to attain a low, near-zero deficit. The government is planning to help growth by boosting infrastructural investments and by supporting small and medium-sized enterprises; the idea of using fiscal reserves has also surfaced. Credit markets' growth is still considerable, albeit decelerating. New loan flow to households amounted to 3.2% of GDP in 2013, an outstanding rate in regional comparison.

In recent years OTP Bank JSC (Ukraine) adjusted its business strategy in order to become less vulnerable to potential economic shocks. FX mortgage origination was stopped in 2008, the share of US dollar denominated mortgage loans has been declining in the loan portfolio since then. Local deposit collection strengthened lowering the loan to deposit ratio as well as the intra-group funding to the Ukrainian subsidiaries. Retail lending activity is currently focused on local currency denominated short-maturity consumer loans financed entirely from local deposits. The high margin consumer lending increased the revenue margin and the profitability of the operation. The increasing operating income is considered to be a buffer against potential negative shocks.
As for business developments since the end of 2013, deposit volumes in local currency and in FX were broadly unchanged till the end of February 2014, furthermore no material change in loan portfolio quality was witnessed. The Bank experienced an increase in foreign currency exchange activity of clients. However, this client behaviour has no negative effect on the company's FX reserves since OTP Bank JSC can exchange US dollars with the central bank, it even bolsters fee revenues. As of the end of February 2014 the face value of government bonds held in the balance sheet of OTP Bank JSC was approximately UAH 0.7 billion, the overwhelming majority of the portfolio being denominated in UAH. The government bonds are mostly maturing in March 2014, leaving the Bank with no material exposure to the Ukrainian government.
Given the current crisis there is a likelihood of extreme developments. However, according to the base-case expectation of the management, the formation of a government with strong political support and legitimacy is likely, the exchange rate of the hryvnia against the US dollar is expected to stabilize below 10, fiscal and economic consolidation potentially helped by the assistance of international institutions seems to be forthcoming. Under this scenario OTP Bank JSC is expected to remain profitable.
Under an overly negative scenario, which is considered by the management as low probability, long-lasting political crisis with constant uncertainty about debt refinancing, severe set-back of GDP and further devaluation of the hryvnia would take their tolls and the Ukrainian subsidiary would become loss making in 2014. These potential losses are expected to come from the following sources: weaker hryvnia may trigger the deterioration of the currently performing FX mortgage loan book and may require the increase of provisioning level behind non-performing FX mortgages. Furthermore a considerable GDP decline and a recession would negatively influence the quality of corporate and consumer loan portfolios.

Funding for Growth Scheme

During the summer in 2013 the NBH started its Funding for Growth Scheme ('FGS') to alleviate disruptions in lending to small and medium-sized enterprises ("SME") by providing the NBH financing at preferential terms.

- The first phase of the FGS took place between 1 June and 30 September. Under the programme the NBH provided collateralized, local currency denominated refinancing loans with zero interest rate and a maximum 10-year tenor to Banks. Banks could lend out this funding to SMEs by charging an interest rate margin of maximum 2.5%. The interest rate margin must have included all fees and commissions as well as the costs of potential credit guarantee. The maturity of refinancing loans provided to credit institutions was equal to the term of the loans to be provided to SMEs. The first phase of the FGS comprised two pillars:
  - the first pillar was available to provide new forint loans and refinancing loans for forint liabilities assumed earlier,
  - while the second pillar was to refinance foreign currency denominated liabilities of SMEs. Under the first two pillars Hungarian credit institutions concluded contracts for 94% of the overall refinancing facility of HUF 750 billion, which means approximately HUF 701 billion principal amount.
- Out of the total contracted amount at HUF 701 billion HUF 472 and 229 billion were concluded under the first and the second pillar, respectively. The share of non-refinancing, new loans within the first pillar reached 61%.

On 11 September 2013 the NBH decided on extending the FGS with a second phase, that is to be open from 1 October 2013 till 31 December 2014.

- The total amount of refinancing available for banks in the second phase was originally set at HUF 500 billion, while this limit may be increased to a maximum of HUF 2.000 billion by the Monetary Council. Similarly to the first phase, the NBH refinancing carries zero interest rate, a maximum 10-year tenor and can be lend over to SMEs by applying a maximum interest margin of 2.5%.
- The goal of the first pillar is to originate new loans, whereas the second pillar is for refinancing forint or foreign currency denominated liabilities of SMEs. The share of loan contracts concluded under the second pillar must not surpass 10% of the total amount of contracts concluded under the two pillars. The maximum available amount of loans for SMEs is limited at HUF 10 billion in each pillar.

By the end of September, that was the end of the first phase, the Group managed to conclude loan contracts with principal value of HUF 91 billion under the FGS. Out of HUF 91 billion HUF 71 billion was originated under the first pillar, within that new placements represented 61%. Until the end of December, 2013 the gross volume of loans originated under the first and the second phase of the FGS amounted to HUF 84 and 3 billion, respectively, in the Group’s balance sheet.

REPORT OF THE SUPERVISORY BOARD ON THE ANNUAL FINANCIAL STATEMENTS FOR 2013 AND ITS PROPOSAL REGARDING THE USE OF THE AFTER-TAX PROFIT

In 2013 the Supervisory Board conducted its activity and performed its duties in compliance with the procedures regulated in Act CXII of 1996 on Credit Institutions and Financial Enterprises, as amended several times, and in Act IV of 2006 on Companies, as well as in its own procedural rules as amended on several occasions.

The Supervisory Board continued to perform its **controlling function** in 2013, protecting the assets of the credit institution and of its clients, as well as its shareholders' interests.

The Supervisory Board met and passed resolutions on a total of seven occasions last year, in accordance with its approved work schedule, and ensured that its body was represented at meetings of the Bank's Board of Directors.

The Supervisory Board continuously

- monitored the business operations of OTP Bank Plc.,
- called upon management to submit reports, and
- requested information regarding current issues related to the Bank's operation, the proceeding by the Hungarian Competition Authority in relation to loan redemptions, and the Competition Council hearing.

Based on the reports, it monitored:

- the development of the Bank's interim results,
- the content of the interim reports approved by the bank's auditor,
- the development of the quality of the Bank Group's portfolio,
- compliance with the provisions of the Act on Credit Institutions and Financial Enterprises,
- the control activity of the members of the bank group that are included in its scope of supervisory control, and
- the fulfilment of the resolutions passed by the Supervisory Board.

The Supervisory Board was briefed regarding

- OTP Bank Plc.'s profit for 2012, the Company's business operations,
- responsible corporate governance in 2012,
- the activity of the Remuneration Committee in 2012, the group-level implementation of the remuneration policy of OTP Bank Plc. and the Bank Group, and the report on the annual review of its operation.
- OTP Bank Plc.'s statement on remuneration,
- the authorisation from the Board of Directors pertaining to the acquisition of own shares,
- the briefings on the security situation of OTP Bank Plc. and the foreign subsidiary banks,
- OTP Bank Plc.'s compliance activities in 2012, and the proposed program of compliance activities for 2013,
- the status of the group-level implementation of the Unified Internal Audit System and the improvement of the system, and
- the lessons learnt from customer feedback regarding the Bank's services, the HFSA's consumer protection auditing practice, and
- customer complaints received by subsidiary banks in 2012.

The Supervisory Board accepted the internal audit reports on the audit of the implementation of tasks stipulated in the Resolution issued upon completion of the **audit** conducted by the **Hungarian Financial Supervisory Authority** in 2012.

The Supervisory Board approved, in its capacity determined in its rules of procedure, the content of the annual report with respect to **risk management, internal control mechanisms and the operation of corporate governance functions**.

The Supervisory Board conducted its **audit of the practical implementation of the Remuneration Policy of OTP Bank and the Bank Group in 2012**, in compliance with its Procedural Rules. It established that the Bank Group's Remuneration Policy, elaborated in compliance with the relevant EU directives and the requirements set out by law, gives preference to the achievement of long-term objectives, is consistent with the Bank's risk profile, and promotes effective and prudent risk management practices. The statutory provisions relating to the form of performance-based benefits were complied with as a general rule. The Bank notified the relevant persons concerned, in compliance with the Regulations, of the fact the scope of the Remuneration Policy applied to them, and of the proportion of performance-based remuneration individually determined for them.

Prior to the General Meeting, the Supervisory Board reviewed all key business policy reports on the agenda of the General Meeting, as well as all proposals that relate to matters falling within the exclusive competence of the company's supreme body. The Supervisory Board studied the audited annual report and consolidated annual report, and was briefed by the auditor.

The Supervisory Board commented on and approved the **Corporate Governance Report** prior to its proposal to the General Meeting.

The Supervisory Board evaluated **the performance of the senior office-holders during the business year** and made a proposal – to the General Meeting – on whether to grant the senior office-holders exemption from any further liability.

The Supervisory Board made a proposal at the General Meeting – based on prior agreement with the Board of Directors – regarding the identity and remuneration of the **auditor** to be selected.

The Supervisory Board fulfilled its **governance role** in accordance with the stipulations of the Credit Institutions Act, by commenting on and subsequently approving the regulations on "OTP Bank Plc.'s Internal Audit Procedures", which determines the operating conditions of the internal audit organisation (Internal Audit Directorate) under its professional supervision, as well as the directive issued by the Internal Audit Directorate defining the auditing tasks of units in the network.

Pursuant to the Act on Credit Institutions and Financial Enterprises, the Supervisory Board of a credit institution subject to **consolidated supervision** is **obliged to ensure** the appropriate functioning of the internal audit of credit institutions, financial enterprises and investment companies that are under its control.
At OTP Bank Plc. and the group members subject to consolidated supervision a **Unified Internal Audit System** is in operation, which is a framework system that is founded on statutory compliance, the expectations of the Bank's management and the strategic objectives at Bank Group level, ensuring that the members of the Bank Group provide high-quality internal auditing services on the basis of a unified approach and consistent methodology, in keeping with the expectations of owners and the standards set by the management.

The Supervisory Board has commented on and subsequently approved the **annual audit plan** based on the risk analyses of the Internal Audit Directorate and the Bank Group members subject to consolidated supervision. It has designated the areas to be audited in the context of a group-level audit, which are compliance with the provisions of the remuneration policy, the audit of the operation of IT projects and the audit of the compliance of the collection, registration and reporting of loss data relating to operational risks, which was commenced in the previous year. The Internal Audit Directorate of OTP, in accordance with its annual plan, conducted audits not only at the organisational units of OTP Bank Plc., but also at other companies in the OTP Group. It continued the series of group-level audits launched previously with respect to a check on the settlement of employee expenses, the controlling of activities performed under contract, and the quality assurance of internal audit.

Based on the audit plan for 2013 and other, unscheduled tasks, the Internal Audit Directorate completed **196 audits** and commenced **35 audits** during the year.

To ensure legal compliance, the internal audit departments of the subsidiaries under supervision sent

- their annual report prepared in respect of their annual activities and their operating conditions related to 2012, and
- their audit plan for 2013 to the Bank's Supervisory Board.

It is through the bank group-level quarterly, annual and ad-hoc **reports** that the internal audit unit summarises, for the Supervisory Board of OTP – in addition to the Executive Bodies of the Bank – the internal audit activities performed within the group, the findings of group-level theme audits of key importance, completion of the tasks undertaken in action plans drawn up by the audited departments, as well as extraordinary events and findings that came to light in the course of internal audit activities and which are also of significance at group level.

The Supervisory Board of OTP Bank Plc. **debated and evaluated** the group-level **annual business plan** and **reports**. From then onward, the Supervisory Board monitored implementation of the recommendations of the reports that had been accepted.

The **Hungarian Financial Supervisory Authority** conducted supervisory audits of the Bank on several occasions in 2013, both in response to individual customer complaints and in the context of a comprehensive audit. In the resolutions issued upon completion of the audits, in addition to the recommendations and compulsory stipulations, supervisory fines were also imposed. Thus, owing to breaches of the consumer protection rules, the rules on unfair commercial practices, and the complaints handling requirements, fines were imposed in ten cases, in a total amount of three million six hundred and fifty thousand forints.

Based on the documentation made available to it, the Supervisory Board has concluded that OTP Bank Plc. prepared its **annual report** in accordance with the provisions of Act CXII of 1996 on Credit Institutions and Financial Enterprises, Act C of 2000 on Accounting, and Government Decree 250/2000. (XII.24.) on the characteristics of credit institutions' and financial enterprises' obligation with respect to the preparation of annual financial statements and bookkeeping.

The Bank accounted for impairment and set aside risk provisions in accordance with the provisions of the government decree on the specific requirements to be met by credit institutions and financial enterprises in respect of the preparation of annual reports and bookkeeping, as well as with the Bank's Accounting Policy, by applying the regulations, agreed with its auditor, on rating and measurement, impairment and provisioning. The Bank also set aside general risk provisions in line with the provisions of the Act on Credit Institutions and Financial Enterprises.

The Supervisory Board, on the basis of the documentation placed at its disposal regarding the **consolidated annual report** of OTP Bank Plc., has ascertained that the Bank prepared it in accordance with Act C of 2000 on Accounting and in compliance with the International Financial Reporting Standards (IFRS), which are also accepted by the European Union.

The Supervisory Board of OTP Bank Plc. judges that in the course of OTP Bank Plc.'s activity throughout the year, the principles legality and shareholder interests were observed, and the profit ratios developed favourably in accordance with the management's preliminary profit expectations.

The Supervisory Board of OTP Bank Plc., in concordance with the auditor's report,

- accepting the non-consolidated report on the 2013 business year prepared in accordance with Hungarian Accounting Standards
  with a balance sheet total of HUF 6,600,634 million, *and*

- the consolidated annual report on the 2013 business year prepared in accordance with International Financial Reporting Standards
  with a balance sheet total of HUF 10,381,047 million, *and*

- the recommendation pertaining to the distribution of the HAS **after-tax profit of HUF 122,185 million**, and

- the Board of Directors' **report on business operations**,

recommends that the Company's General Meeting approve the above.

The Supervisory Board agrees with the proposal of the Board of Directors that **dividend in an amount of HUF 145** per share be paid from the 2013 after-tax profit, in accordance with the Company's By-Laws.

REPORTS OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE 2013 FINANCIAL REPORTS

FREE TRANSLATION OF THE HUNGARIAN ORIGINAL

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Company Registration Number: 01-09-071057

Translation of the Hungarian original

INDEPENDENT AUDITORS' REPORT

on the financial statements submitted for the forthcoming General Meeting of OTP Bank Plc.

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

Report on the Financial Statements

We have audited the accompanying financial statements of OTP Bank Plc. (the "Bank") for the year 2013, which comprise the balance sheet as at December 31, 2013 - which shows total assets of 6,600,634 million HUF and a retained profit for the year of 69,367 million HUF-, and the related profit and loss account for the year then ended and the supplement comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Act, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the financial position of OTP Bank Plc. as at December 31, 2013, and its financial performance for the year then ended in accordance with the Accounting Act.

Other Reporting Obligation: Report on the Business Report

We have examined the accompanying business report of OTP Bank Plc., for the year 2013.

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

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

In our opinion, the business report of OTP Bank Plc., for the year 2013. corresponds to the figures included in the financial statements of OTP Bank Plc., for the year 2013.

Budapest, March 25, 2014

The original Hungarian version has been signed.

Gábor Gion

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1068 Budapest, Dózsa György út 84/C.
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dr. Attila Hruby

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OTP Bank Plc. (the "Bank") and its subsidiaries for the year 2013, which financial statements comprise the consolidated statement of financial position as at December 31, 2013 - which shows total assets of 10,381,047 million HUF, - and the related consolidated statement of recognized and consolidated statement of comprehensive income – which shows a net profit for the year of 64,108 million HUF -, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of OTP Bank Plc. and its subsidiaries as at December 31, 2013, 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.

Other Reporting Obligation: Report on the Consolidated Business Report

We have examined the accompanying consolidated business report of OTP Bank Plc. for the year 2013.

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

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

In our opinion, the consolidated business report of OTP Bank Plc. for the year 2013. corresponds to the figures included in the consolidated financial statements of OTP Bank Plc. for the year 2013.

Budapest, March 25, 2014

....	....
Gábor Gion	dr. Attila Hruby
Deloitte Auditing and Consulting Ltd.	registered statutory auditor
1068 Budapest, Dózsa György út 84/C.	007118
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DRAFT RESOLUTION

The Annual General Meeting accepts the Board of Directors' Business Report on 2013 business activities of the Company, as well as the proposal for the Bank's separate – in accordance with Hungarian Accounting Standards – and consolidated financial statements – in accordance with International Financial Reporting Standards (IFRS) – for the year 2013, together with the proposal for distribution of profit after tax, based on the reports of the Supervisory Board and the Auditor.

The Annual General Meeting approves

> *<u>the individual balance sheet of OTP Bank</u> for the financial year 2013 with a corresponding HUF 6,600,634 million balance-sheet total and HUF 122,185million <u>after-tax profit</u>*
> *and the Annual General Meeting will distribute the HUF 122,185 million after-tax profit as follows:*
> *HUF 12,218 million will be set aside for <u>general reserves</u>,*
> *HUF 40,600 million will be paid out as <u>dividend</u>,*
> *thus the <u>retained earnings</u> will amount to HUF 69,367 million.*

***Dividends** will be HUF 145 per share, representing 145% of the face value of each share. **The actual amount of dividends** to be paid to the individual shareholders will be calculated and disbursed in accordance with the Company's Bylaws, that is, the Company will distribute the dividend calculated in respect of all the shares qualifying as treasury shares among the shareholders entitled to receive dividends. Dividends will be disbursed from 10 June 2014, in accordance with the procedural order set forth in the Bylaws.*

The Annual General Meeting approves the consolidated balance sheet of OTP Bank for the financial year 2013 with a corresponding HUF 10,381,047 million balance sheet total and HUF 64,108 million after-tax profit. The net profit attributable to equity holders amounted to HUF 64,199 million.

CORPORATE GOVERNANCE REPORT

Corporate Governance Report

Introduction

OTP Bank Plc. treats the development and maintenance of an **advanced corporate governance system**, conforming to Hungarian and international standards, as a key priority. A reliable governance system, accurate financial planning, responsible management and the appropriate control mechanisms are what form the basis for efficient and profitable operation. To this end, OTP Bank Plc. is continuously reviewing and developing its corporate governance practices.

Our corporate governance practice is an important means of ensuring the **fulfilment of our strategic objectives**. Accordingly, within the effective statutory frameworks, we have developed a corporate governance system that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and our socially responsible corporate conduct. There is no perfect, universally applicable corporate governance solution through which every goal can be achieved as efficiently as possible. For this reason we continuously monitor our governance practices, identifying any deficiencies arising as the result of external and internal changes, and effect those modifications that best serve the fulfilment of our objectives.

The resulting governance structure, optimised to suit our objectives, takes into account the special characteristics of our operations as well as the statutory, supervisory and stock-market requirements that apply to the Bank, while also endeavouring to comply with the related Budapest Stock Exchange (BSE) guidelines. The purpose of the BSE's corporate governance guidelines is for the governance and operating structures of stock exchange-listed companies to be **transparent, and comparable** based on a uniform set of criteria. This enables investors, taking into consideration the special characteristics of a given company's operations, the complexity of its activities, and the statutory requirements related to its risk management and financial reporting, to make a well-founded judgement regarding the extent to which the given corporate governance practice ensures reliable and profitable operation.

Like all organisations that provide financial and investment services, the operations of OTP Bank Plc. are, to a high degree, regulated in statutory provisions. As a consequence, not only certain business activities, but our operations as a whole are regulated in detail and monitored by the authorities on a continuous basis. The individual internal control functions (risk management, compliance, and internal audit) have to conform to strict standards, and their effectiveness must be attested not only within the internal corporate governance system, but also to the satisfaction of the external supervisory authorities. All these factors guarantee purposeful, comprehensive and verified risk management procedures, as well as reliable and appropriately supervised data reporting. Therefore, our status as a financial and investment service provider requires us to implement complex and effective corporate governance practices that simultaneously ensure **responsible conduct towards clients and shareholders, reliable operation, and long-term profitability**.

1.) Statement on Corporate Governance Practice

OTP Bank Plc.'s operation fully complies with the provisions of the relevant statutory regulations, the decrees of the supervisory authorities and the regulations of the Budapest Stock Exchange (BSE). The structure and operating conditions of the Company are contained in the Bylaws, which are approved by the General Meeting.

1.1. Management bodies

Board of Directors

The Company's executive body is the Board of Directors. In its objectives and activities, particular emphasis is placed on increasing shareholder value, profitability and efficiency, and on managing risks and complying fully with external requirements – in other words on ensuring the most effective enforcement of business, ethical and internal control policies.
The scope of its authority is defined in the effective statutory provisions, the Company's Bylaws, General Meeting resolutions, and the procedural rules of the Board of Directors. The procedural rules set out the structure of the Board of Directors, the tasks relating to the preparation, implementation and drafting of resolutions of its meetings, as well as all other issues relating to the operation of the Board of Directors.
The members of the Board of Directors are elected by the General Meeting for a term of five years. All the obligations and prohibitions specified for executive officers under Act CXII of 1996 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.
The Board of Directors has an executive role in the governance of the Bank, so it is appropriate and conducive to successful operation if the board members have a personal stake in ensuring the Company's profitable operation. However, the remuneration of the members of the Board of Directors is not tied to whether or not the Company was profitable. Moreover, since the Board of Directors also has an important role in overseeing the work of the management, it is consequential that **the Board of Directors, by principle, has a majority of non-executive members**. The makeup of the Board of Directors ensures that professional expertise, experience, and a degree of impartiality that goes beyond the above-mentioned independence requirement, are brought to bear in equal measure in the decision-making processes.

The employer's rights towards the executive officers of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance for the appointment or withdrawal of appointment of deputy CEOs. The Chairman & CEO is empowered to decide in all matters that do not, pursuant to the Bylaws, fall within the scope of authority of the General Meeting or the Board of Directors.

Members of the Board of Directors of OTP Bank Plc.:

Executive members:

Dr. Sándor Csányi
Chairman & CEO

Dr. Sándor Csányi (61) graduated from the College of Finance and Accountancy in 1974 with a bachelor's degree in business administration and in 1980 from the Budapest University of Economic Sciences with a degree in economics. He is an economist with a specialisation in finance, and is also a qualified pricing specialist and certified auditor. After graduation he worked at the Revenue Directorate and then at the Secretariat of the Ministry of Finance, after which, between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a head of department at Magyar Hitel Bank. He was deputy CEO of K&H Bank from 1989 to 1992. Since 1992 he has been Chairman & CEO of OTP Bank Plc., where he is responsible for the Bank's strategy and overall operation. He is a member of the European Board of Directors for MasterCard, one of the world's leading payment card companies, and is Vice Chairman of the Board of Directors of MOL Plc., Co-Chairman of the National Association of Entrepreneurs and Employers (VOSZ), and until April 2011 was a member of the Board of Directors of the Hungarian Banking Association. He has been Chairman of the Hungarian Football Association (MLSZ) since July 2010.
As of 31 December 2013 he held 10,000 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 500,000).

Dr. Antal Pongrácz
Deputy Chairman Deputy CEO
Staff Division

Dr. Antal Pongrácz (68) graduated from the Budapest University of Economic Sciences and earned a PhD in 1971. From 1969 he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various executive positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports. Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he was CEO, and then Chairman & CEO, of the European Commercial Bank Rt. Between 1994 and 1998 he was Chairman & CEO of Szerencsejáték Rt, then in 1998-99 he served as CEO of Hungarian flagship carrier, Malév. Since 2001 he has been executive director of OTP Bank's Staff Division and more recently, Deputy CEO. He has been a member of OTP Bank Plc.'s Board of Directors since 2002, and its Chairman since 9 June 2009. Since 12 April 2012 he has been Chairman of the Supervisory Board of OTP Banka Hrvatska d.d.
As of 31 December 2013 he held 14,400 ordinary OTP shares.

Dr. István Gresa
Deputy CEO
Credit Approval and Risk Management Division

Dr. István Gresa (61) graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Budapest University of Economic Sciences in 1980. He earned a PhD from the same establishment in 1983. He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank's Zalaegerszeg branch. From 1993 he was director of OTP Bank's Zala County Directorate, and from 1998 he served as the executive director of the bank's West Transdanubian

Region. Since 1 March 2006 he has been Deputy CEO of OTP Bank, as well as the head of the Credit Approval and Risk Management Division and Chairman of the Board of Directors at OTP Factoring Ltd. He has been a member of OTP Bank's Board of Directors since 27 April 2012.
As of 31 December 2013 he held 71,935 ordinary OTP shares.

Non-executive members:

Mihály Baumstark
Agricultural engineer, economist

Mr. Mihály Baumstark (65) holds degrees in agricultural engineering and agricultural economics. He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was deputy head of the Investment Policy Department. After this he was managing director of Hubertus Rt., and from 1999 to 2012 he was deputy CEO and then Chairman & CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He is currently retired. He was a member of OTP Bank's Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank's Board of Directors since 1999.
As of 31 December 2013 he held 16,000 ordinary OTP shares.

Dr. Tibor Bíró
College Associate Professor
Budapest Business School

Dr. Tibor Bíró (62) graduated from the Budapest University of Economic Sciences with a degree in business administration. He is a certified auditor and chartered accountant. He was head of the Finance Department of Tatabánya City Council's Executive Committee between 1978 and 1982, then from 1982 a professor at the College of Finance and Accounting, and between 1990 and 2013 head of department at the Budapest Business School.
From 2000 to 2010 he was a member of the Presidium of the Budapest branch of the Chamber of Hungarian Auditors, and currently works as a member of the Chamber's Education Committee. He has been a non-executive member of OTP Bank's Board of Directors since 1992.
As of 31 December 2013 he held 39,158 ordinary OTP shares.

Péter Braun
Electrical Engineer
Former Deputy CEO, OTP Bank Plc.

Péter Braun (78) earned a degree in electrical engineering from the Technical University of Budapest. Between 1954 and 1989 he worked for the Research Institute for Electrical Energy, with his last position there being head of department. After that, he was the managing director of K&H Bank Rt., working in its Computer and Information Centre. He is a member of GIRO Rt.'s Board of Directors, and was Deputy CEO of OTP Bank Plc. from 1993 until his retirement in 2001. Since the second half of 2009 he has been the chairman of the Chief Information Officers' Association (VISZ). He has been a member of OTP Bank's Board of Directors since 1997.
As of 31 December 2013 he held 343,905 ordinary OTP shares.

Tamás Erdei

Tamás Erdei (60) graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.
Since 1983 he has been employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed deputy CEO, then in 1994 he was made CEO, and from 1997 until the end of March 2012 he was chairman and CEO.
Between 1997 and 2008 he was the elected president of the Hungarian Banking Association.
He is the chairman of the Supervisory Board of the International Children's Safety Service.
He has been a member of OTP Bank's Board of Directors since 27 April 2012.
As of 31 December 2013 he held 6,439 ordinary OTP shares.

Zsolt Hernádi
Chairman & CEO
MOL Plc.

Zsolt Hernádi (54) graduated in 1986 from the department of industrial planning at the Karl Marx University of Economic Science. Between 1989 and 1994 he held a number of positions at Kereskedelmi és Hitelbank Rt., where from 1992 to 1994 he was deputy CEO of the financial institution. Between 1994 and 2001 he was CEO and a member of the Board of Directors at Magyar Takarékszövetkezeti Bank Rt. He has been a member of MOL's Board of Directors since 1994, and its Chairman since 2000, while since 11 June 2001 he has been the company's Chairman and CEO. He is also a member of the Corporate Governance and Remuneration Committee of MOL's Board of Directors. He has been a member of OTP Bank's Board of Directors since 29 April 2011.
As of 31 December 2013 he held 16,000 ordinary OTP shares.

Dr. István Kocsis
Managing Director
Merkantil Bank Zrt.

Dr. István Kocsis (62) obtained his degree in mechanical engineering from the Mechanical Engineering Faculty of the Technical University of Budapest in 1976, and earned his PhD in 1985. Career highlights: 2002-2005 Paks Nuclear Power Plant, CEO; 2005-2008 Hungarian Power Companies Ltd. (MVM Zrt.), CEO; 2008-2011, CEO of Budapest Transport Corporation (BKV Zrt.); since 2011 Managing Director of Merkantil Bank Zrt. Offices held: Chairman of the Ányos Jedlik Society; chairman of the Scientific Society For Measurement, Automation and Informatics; member of the Social Senate of the University of Pecs; member of the national Presidium of the Hungarian Chamber of Commerce and Industry; chairman of the endowment advisory board of the Duna-Mecsek Regional Development Foundation.
Non-executive member of OTP Bank's Board of Directors since 1997. Membership suspended since 3 October 2012.
As of 31 December 2013 he held 13,670 ordinary OTP shares.

Dr. László Utassy
Chairman & CEO
Merkantil Bank Zrt.

Dr. László Utassy (62) graduated from the Faculty of Law of ELTE University in Budapest in 1978.
He held various positions at the State Insurance Company between 1978 and 1995 and then went on to work at ÁB-Aegon Rt. He was Chairman & CEO of OTP Garancia Insurance from 1996 to 2008. He was managing director of OTP Bank Plc. between 2009 and 2010. Since 1 January 2011 he has been Chairman & CEO of Merkantil Bank Ltd. He has been a member of OTP Bank's Board of Directors since 2001.
As of 31 December 2013 he held 281,000 ordinary OTP shares.

Dr. József Vörös
Professor, Head of Institute
University of Pécs

Dr. József Vörös (63) earned a degree in economics from the Budapest University of Economic Science in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013. Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University. From 1994 he was a professor at JPTE, and was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was chairman of the Board of Trustees. Non-executive member of OTP Bank's Board of Directors since 1992
As of 31 December 2013 he held 133,200 ordinary OTP shares.

Meetings of the **Board of Directors** are convened by the Chairman & CEO by means of a written invitation, in accordance with the prevailing work schedule.

The Chairman & CEO must convene a meeting of the Board of Directors if
- a resolution has been passed by the Board of Directors to hold an extraordinary meeting of the Board;
- At least three Board members requests a meeting in writing by designating the reason and the purpose, and the items of the agenda, and by submitting a written proposal in respect of the decision to be made;
- The Supervisory Board or the auditor initiates such a meeting in writing;
- The Supervisory Board requires it;
- Under the law, a decision must be made about whether to convene an extraordinary General Meeting.

Minutes must be taken of the meetings of the Board of Directors, and its resolutions must be documented.

The table below provides a brief overview of the number of Board of Directors meetings held in 2013, and of the attendance at these meetings:

Board of Directors meetings
2013

Date	*Present*	*Absent*
*11 Feb.**	*9*	*1*
29 Mar.	*10*	*-*
10 Jun.	*8*	*2*
16 Sept.	*10*	*-*
11 Nov.	*10*	*-*
11 Dec.	*10*	*-*

Note:
In 2013 the Board of Directors met on a total of 6 occasions. In addition, resolutions were passed on 112 occasions by written vote.
***With effect from 3 October 2012 the board membership of Dr. István Kocsis was suspended, and thus the Board of Directors continued its work with 10 full members.*

The items on the agenda of the Board of Directors included, among other things, the tasks stipulated by law, such as making a decision on convening, and specifying the agenda of, the General Meeting, the acceptance of the documents submitted to the annual ordinary General Meeting, preparing a proposal concerning the annual report prepared in accordance with the Accounting Act and the use of the after-tax profit, preparation of the report on the management, on the Company's asset/liability position and on its business policy, measures taken to ensure the appropriate management of the Bank's trading books.
Additional, strategic tasks are, for example, the approval and annual review of the Bank's strategy, determination of its business plan, a review of the Bank's asset/liability position based on the quick reports, review of the Bank's liquidity situation, evaluation of changes in the qualified receivables portfolio, approval and review of the regulations that fall within the Board of Director's scope of authority (collateral evaluation, risk assumption, customer rating, etc.), regular review of compliance with the Credit Institutions Act and the Capital Markets Act, compliance, and customer complaints management. Furthermore, the Board of Directors is informed of any undertaking of obligations in excess of HUF 3 billion.
In addition, as part of its operative duties, the Board of Directors may make case-by-case decisions in respect of transactions that exceed the threshold value limit.

Supervisory Board

At the Bank, in line with the two-tier governance structure, the Supervisory Board performs the oversight of the Company's management and business activity. For this reason – and in accordance with the legal provisions – the principle of a majority of independent (non-executive) members is fully enforced in respect of the composition of the Supervisory Board.

Supervisory Board members are elected by the General Meeting for a term of three years. The ratio of independent (non-executive) Supervisory Board members (4 persons) to the total number of Supervisory Board members (6 persons) is 67%.

In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board. The rules pertaining to the election and recall of the employee-representative member of the Board of Directors are determined by the Workers' Council operating at the Company, and this member is not considered to be independent by the Company.

The Supervisory Board establishes its own procedural rules, which are approved by the General Meeting.

The Company's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises the right of prior approval in respect of the establishment, termination and remuneration of the managers and employees of the internal audit organisation.

Members of the Supervisory Board of OTP Bank Plc.:

Tibor Tolnay
Chairman of the Supervisory Board
Chairman & CEO
Magyar Építő Zrt.

Tibor Tolnay (63) graduated from the Budapest University of Technology with a degree in civil engineering and then in economic engineering, and subsequently received a degree in economics from the Budapest University of Economics.
In 1994 he was appointed Chairman & CEO of Magyar Építő Rt. He has been Chairman of OTP Bank's Supervisory Board since 1999. He was a member of the Audit Committee between 27 April 2007 and 29 April 2011.
As of 31 December 2013 he held 54 ordinary OTP shares.

Dr. Gábor Horváth
Deputy Chairman of the Supervisory Board
Lawyer

Dr. Gábor Horváth (58) earned a degree in law from ELTE University in Budapest. From 1983 he worked for the Hungarian State Development Bank. He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance. He has been a member of the Supervisory Board of OTP Bank Plc since 1995, and a member of MOL Plc's Board of Directors since 1999. He has been a member of OTP Bank's Board of Directors since 27 April 2007. He was a member of the Audit Committee between 27 April 2007 and 29 April 2011.
He has been a member of the Supervisory Board of BKV Holding Ltd. since 29 January 2014.
As of 31 December 2013 he held no ordinary OTP shares.

Antal Kovács
Deputy CEO, Retail Division
OTP Bank Plc.

Mr. Antal Kovács (61) graduated from the Budapest University of Economics with a degree in economics in 1985. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has served as OTP Bank's Deputy CEO. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute. He has been a member of OTP Bank's Supervisory Board since 2004.
He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012.
As of 31 December 2013 he held 44,074 ordinary OTP shares.

András Michnai
Executive Director, Compliance Directorate
OTP Bank Plc.

András Michnai (59), who represents the employees of OTP Bank, graduated from the College of Finance and Accounting with a degree in business economics.
He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. From 1981 he held a management position in the central network coordination department and then in the network. From 1994, as deputy management director, he participated in the central coordination of the branch network. Since 2005 he has headed the Bank's independent Compliance Department (since 2011 a Directorate) as executive director. He further expanded his professional skills, earning a masters degree at the College of Finance and Accounting, and is a registered tax advisor. He has been a member of OTP Bank's Supervisory Board since 25 April 2008.
As of 31 December 2013 he held 14,400 ordinary OTP shares.

Dominique Uzel
Director
Groupama International SA

Dominique Uzel (46) graduated as an agricultural development engineer, then obtained a Masters degree in agricultural and food industry management at the ESSEC Business School. He joined Gan in 1991 as head of the agricultural division. Five years later he left France to join Gan España, where he headed the subsidiary's department responsible for planning and auditing, then became technical director of the newly established Groupama Seguros. In 2008 he was appointed managing director of the insurance business, in which capacity he was instrumental in the launch and roll-out of Click Seguros, a direct marketing tool on the Spanish insurance market. In July 2010 he joined the international board of Groupama S.A. as Managing Director for direct insurance, but he also continued to be responsible for the management of the direct insurance division in Spain and Poland. Since 1 October 2011 he has worked as the Chief Operating Officer.
He has been a member of OTP's Supervisory Board since 26 April 2013.
As of 31 December 2013 he held no ordinary OTP shares.

Dr. Márton Gellért Vági
General Secretary
Hungarian Football Association

Dr. Márton Gellért Vági (52) graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science (today the Corvinus University of Budapest), where he also earned his doctorate in 1994. Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Zrt.), as managing director, deputy CEO and then CEO. Between 2006 and 2010 he was Chairman of the National Development Agency. From July 2002 until 1 January 2011 he was a member of the Board of Directors of FHB Nyrt., during which period he also spent four years as Chairman of the Board. Since 2010 he has been general secretary of the Hungarian Football Association. He has authored or co-authored more than 80 research papers, essays and books. He has been a member of OTP's Supervisory Board since 29 April 2011.
As of 31 December 2013 he held no ordinary OTP shares.

The **Supervisory Board** meets at least six times a year.

The meetings of the Supervisory Board are convened by the chairman. The meetings must also be convened if a member of the Supervisory Board or at least two members of the Board of Directors, or the auditor, requests it in writing, indicating the objectives and reasons for the meeting.
Minutes are taken of the meetings of the Supervisory Board and its resolutions are documented.
The table below provides a brief overview of the number of Supervisory Board meetings held in 2013, and of the attendance at these meetings:

Supervisory Board Meetings
2013

Date	*Present*	*Absent*
15 Feb.	*5*	*-*
22 Mar.	*5*	*-*
29 Mar.	*5*	*-*
*14 Jun.**	*5*	*1*
20 Sept.	*5*	*1*
15 Nov.	*5*	*1*
11 Dec.	*6*	*-*

Note:
In 2013 the Supervisory Board met on a total of 7 occasions. In addition, resolutions were passed on 9 occasions by written vote.
**On 26 September 2012 the General Meeting elected a new Supervisory Board member Dominique Uzel and thereafter the Supervisory Board continued its work with six persons (four non-executive and two executive members).*

The main function of the Supervisory Board is to see to it that the Bank has a comprehensive and effectively operating system of oversight and control. The agendas of the meetings included, among other things, the review of documents to be submitted to the annual ordinary General Meeting, a report on the annual financial statements and on the proposal concerning the use of the after-tax profit, the review of the Bank's annual and interim financial reports, and the proposal to the General Meeting regarding the auditor to be elected as well as his/her remuneration.
The tasks concerning the management of the internal audit unit includes the acceptance of the audit plan at the bank-group level, and the discussion of the report at the bank-group level of the audits performed by the internal audit units and of the performance of the audit tasks at the bank-group level. Additional agenda items include compliance with the provisions of the Credit Institutions Act, the situation in terms of implementation at group level of the Unified Internal Audit System and the further development of the system, a review of the implementation of the resolutions that close the audits performed by the authorities, a review of the volume and composition of the qualified receivables portfolio, changes in impairment and the risk provisioning obligations, report on compliance activity, etc.

Determining the remuneration of the Board of Directors and the Supervisory Committee is in the competence of the Company's supreme body, the General Meeting. The principles and frameworks of the long-term remuneration and incentives system for employees in senior positions are also determined by the General Meeting. Accordingly – on the basis of the provisions on remuneration policy set forth in the Act on Credit Institutions, which complies with the relevant EU directives – the Bank's Annual General Meeting of 2011, in its resolution no. 9/2011, approved for the first time the principles and rules of the remuneration policy of OTP Bank Plc. and the Bank Group, and the Board of Directors issued the internal regulations and procedures necessary for their implementation, which documents have been amended several times by the Bank's General Meeting and Board of Directors in recent years. At the Annual General Meetings the Board of Directors gives a briefing on the annual and medium-term objectives providing the basis for performance-based remuneration, and on their fulfilment.

1.2. The operation of the committees

a) **Permanent committees** established by the Bank's Management in support of management functions:

Management Committee
The Management Committee is a permanent committee established by the Board of Directors. It is a forum that directly supports the work of the Chairman & CEO and is the supreme management body of the Bank. It has decision making power in the issues that are relegated into its scope of authority by the Organisational and Operational Regulations, it takes a preliminary position and prepares decisions in the majority of issues that are discussed by the General Meeting, the Board of Directors and the Supervisory Board, and plays a coordinating role in the senior management of the Bank.

Subsidiary Integration and Direction Committee
Following acquisitions implemented by the Bank, this committee directs and coordinates the approval of action plans related to issues of the various individual companies and their relation to the group, and this is the committee to which the subsidiaries report. It is responsible for disseminating best practises across the Group, and for managing conflicts that arise between the subsidiaries and the headquarters. It requires and approves reports regarding the annual action plans of the subsidiaries. It makes individual decisions in respect of issues that are currently being discussed in relation to the subsidiaries.

The Management Committee and the Subsidiary Integration and Direction Committee perform their work in accordance with a semi-annual work plan accepted by them and meet once a month and once every quarter (or as many times as necessary), respectively. Their work is regulated by their rules of procedure.

Management Coordination Committee
The primary function of the committee is to act as an operative decision-making forum to ensure that the Bank can respond flexibly and effectively to market and regulatory factors and that the Bank as a whole can act in a coordinated fashion. The committee does not diminish the competence of the Bank's related standing committees (TÉÁB, ALCO, HLB, LIIB) and acts as an operative forum of coordination between the special areas in order to resolve complex questions. Similarly to the Management Committee, it fulfils a coordination and decision-making function in the Bank as a whole, but its role – unlike the strategic role of the MC – is operative in nature. Owing to the operative nature of the committee, it holds its meetings on an ad hoc basis, without a preliminary work plan, generally on a monthly basis.

The following additional permanent committees operate within the Company for the performance of specific tasks:
Asset-liability Committee, Credit-Limit Committee; Product Development, Sales and Pricing Committee; Work Out Committee; Information Technology Control Committee; Investment Committee, Group Operational Risk Management Committee and Real Estate Advisory Committee.

Decisions to establish permanent committees are made by the Bank's Board of Directors, and the scope and rules of their operation are contained in their respective rules of procedure approved by the MC. In respect of resolutions, permanent committees operate on the principle that grants decision-making power to the chairman with the exception of the Asset-Liability Committee, the Credit-Limit, Group-Level Operational Risk Management Committee and the Work-Out Committee, which operate on the principle of simple majority.

b) **Other committees:**

Ethics Committee
A special committee of the Bank that is elected by the Board of Directors and operates under the management of one of the external members of the Board of Directors.

Remuneration Committee
The Remuneration Committee is a committee that was established by the Board of Directors and meets on a continuous basis, which assists in elaborating the principles for the remuneration of the CEO and the deputy CEOs (hereinafter: Management) and the members of the Board of Directors and Supervisory Board (hereinafter: Office Holders), makes a recommendation in respect of the system or remuneration, and monitors it.
The Remuneration Committee exercises its authority as a body.

Communication Consultation Committee
The task of this committee, which was established in 2011, is to coordinate the processes related to communication work at group level, and to ensure fulfilment of the objectives and principles articulated in the communication strategy. Its chairperson and composition are determined by the Management Committee, and its rules of procedure are approved by the Management Coordination Committee.

A Nomination Committee has not been established at the Bank.

1.3. Members of OTP Bank Plc.'s senior management *(with CV)****:***

Dr. Sándor Csányi
Chairman & CEO

Dr. Antal Pongrácz
Deputy Chairman Deputy CEO
Staff Division

Dr. István Gresa
Member of the Board of Directors Deputy CEO
Credit Approval and Risk Management Division

Antal Kovács
Member of the Supervisory Board CFO, Deputy CEO
Retail Division

(For their CVs, see the section entitled ‘Management bodies')

László Bencsik
Chief Strategic and Financial Officer, Deputy CEO
Strategy and Finance Division

Mr. László Bencsik (44) has been deputy CEO of OTP Bank Plc., and head of the Strategy and Finance Division, since August 2009.
He joined OTP Bank in September 2003, when he became executive director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning.
From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company.
Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture). In 1996 he graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Masters in Business Administration (MBA) from INSEAD Business School in France.
Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Bank.
As of 31 December 2013 he held 4,780 ordinary OTP shares.

Dániel Gyuris
Deputy CEO
Real Estate, Small Enterprises and Agriculture Division

Mr. Dániel Gyuris (55) obtained a post-graduate degree in agricultural engineering from Gödöllő University of Agricultural Sciences in 1998. Two years earlier he graduated in economics from the Budapest University of Economic Sciences, where he majored in bank management. In the same year he obtained a post-graduate diploma from the College of Finance and Accountancy. He is a certified accountant and property valuation specialist. He began his career as an agricultural engineer at an industrial cooperative, where as deputy production manager he was responsible for the overall management of the production processes.
In 1989 he was appointed a head of department at Agrobank Ltd., and then from 1991 he held a similar position at Inter-Europe Bank Ltd. From 1999 he was CEO of FHB Land Credit and Mortgage Bank Plc., and was the executive director responsible for the operation of the bank group. Since 1 November 2010 he has been deputy CEO of OTP Bank Plc., and is also the head of the Real Estate, Small Enterprises and Agriculture Division, as well as Chairman & CEO of OTP Mortgage Bank Ltd. and OTP Building Society Ltd.
As of 31 December 2013 he held no ordinary OTP shares.

Ákos Takáts
Deputy CEO
IT and Bank Operations Division

Ákos Takáts (54) graduated from the University of Horticulture and Food Industry in 1982 and earned a degree in engineering in 1985. He has worked in the banking sector since 1987. From 1993 he served as a deputy head of department at OTP Bank Plc., then, from 1995, he was managing director of the Bank’s IT Development Directorate. Since 1 October 2006 he has served as OTP Bank’s Deputy CEO and the head of the IT and Logistics Division.
As of 31 December 2013 he held 184,963 ordinary OTP shares.

László Wolf
Deputy CEO
Commercial Banking Division

László Wolf (54) graduated from the Budapest University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993. From April 1993 he was executive director of OTP Bank's Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division.
As of 31 December 2013 he held 587,182 ordinary OTP shares.

1.4 Internal control system

The appropriate functioning of the internal control system is provided for, at bank-group level, in accordance with the relevant statutory regulations and in keeping with the relevant Recommendations.
The internal control system, alongside responsible corporate governance, is a cornerstone of the internal lines of defence that promote prudent, reliable and effective operation in accordance with the statutory regulations and internal regulations, protects the economic interests and social objectives of the customers and the owners and ensures continued trust in the Company.
The internal control functions are independent of each other and of the areas they supervise and audit. A significant aspect of their operation is management support; however, internal control functions are also expected to provide support to the senior management in making sound decisions.

Internal audit

The main function of the internal audit system is to protect customers, the company's assets and shareholder's interests, as well as to facilitate and monitor operation in compliance with the statutory provisions.

The internal audit system extends to all of the company's organisational units, business lines and activities, including outsourced activities. To ensure effective auditing, the system's structure is subdivided both vertically and horizontally. On the one hand, the system consists of several modular control levels, while on the other it is segmented in line with the departmental structure of the organisation. The elements of the internal audit system are comprised of in-process and management controls, and an independent internal audit unit and management information system.

The independent internal audit unit assists in the legally compliant and effective management of assets and liabilities and the protection of property; it supports secure business operation, the effectiveness, cost-efficiency and success of internal control systems, the minimisation of risks, and moreover – alongside the compliance unit – it detects and reports departures from the provisions of the statutory regulations and internal policies, makes recommendations for the elimination of deficiencies, and monitors the implementation of the measures. It performs its activities independently, objectively and professionally. Its independence is ensured by the fact that it is professionally overseen by the Supervisory Board, within the framework set out by the Credit Institutions Act.

The independent internal audit organisation has an annual audit plan which is approved by the Supervisory Board. The annual plan is prepared using a risk-based methodology and, in addition to focusing on the areas that entail regulatory, business and operational risk, and the other main risk exposures, it also takes into account the company's prevailing strategic priorities.

The internal audit system, which is applied consistently throughout the Bank Group, includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the Bank Group's subsidiaries, which are subject to consolidated supervision as specified in the Act on Credit Institutions. Uniform internal audit methods are created, continuously developed and implemented in respect of the operation and activities of the bank group members' internal audit units. Internal audit also liaises regularly and cooperates with external auditing bodies.

The internal audit organisation makes independent reports on its auditing activities for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a group-level, summary account of the audits conducted in the given quarter, the risks identified in the course of its own audits and audits conducted by the authorities, and the success of any action taken to eliminate them. In exceptional cases that require immediate intervention, it provides the management with extraordinary briefings. The audit organisation reports annually on the performance of the tasks stipulated in the group-level annual audit schedule, the audits conducted and other activities, and on the circumstances of the organisation's operation, as well as on any changes to the internal audit system.

The organisation annually prepares, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions.

Risk management

The basis for effective group-level risk management is the introduction of a standardised, "OTP-compatible" organisational structure as well as regulations and procedures at the subsidiaries concerned. The Company has detailed risk management rules for each of the various types of risk (liquidity, market, country, counterparty, credit risk, operational risk, and compliance risk), and these rules are in harmony with the statutory regulations pertaining to prudential banking operations. The annual report describes the risk management practices, the limits, and compliance with these limits.

Within the Company, the Credit Approval and Risk Management Division and the Strategy and Finance Division exercise functional control over the guidelines, methodology and infrastructure of the Bank Group's risk management strategy, the purpose of which is to create a clearly defined, transparent, standardised credit, country, counterparty, market and operational risk management system at group level which complies with the Basel requirements, the expectations of the supervisory authority and local conditions. The OTP Group's Risk Strategy, as well and the rules on risk prescribed by the Credit Institutions Act, are approved by the Bank's Board of Directors.
The Risk Strategy determines, with respect to the entire Group, the framework for risk management and the principles and guidelines of risk assumption.

With respect to the cornerstones of the risk management methodologies, and the main risk topics for group members, the final decision-making competence is held by the Group members' risk committees (Credit and Limit Committee, Workout Committee, Group Operational Risk Committee).
The Bank's risk management system encompasses the identification of the risks, assessment of their impact, elaboration of the necessary action plans, and the monitoring of their effectiveness and results. The management make their business decisions in a knowledge of all the key risks. All significant risks related to internal and external operations,

or to compliance with financial and legal requirements, as well as numerous other risks, are evaluated and managed using a clearly-defined and transparent internal mechanism.

Compliance

In accordance with EU regulations and with the Hungarian statutory provisions an independent organisational unit (the Compliance Directorate) operates at the Company, with the task of exploring and managing compliance risks. This function is supported by the appropriate regulatory documents: the compliance policy, strategy and work plan. The purpose of the compliance policy is to establish the framework of compliance activities in respect of the entire OTP Bank Group, to determine the definition, purpose of compliance and the tasks and scope of the function. Another important document of the compliance policy is the OTP Bank Group's compliance strategy. The compliance policy is approved by the Board of Directors of OTP Bank Plc. The Compliance Directorate prepares a comprehensive report each year about the Bank Group's compliance activities and position, which is approved by the Bank's Board of Directors. The OTP Bank Group's senior management is responsible for the implementation in practice of the compliance policy.

Auditor

The General Meeting has the authority to elect the company performing the audit, and to approve the nomination of the member responsible for the audit.

Our Company is audited by Deloitte Auditing and Advisory Kft. (Cg. 01-09-071057). Last year the auditor did not perform any activity that was not related to its auditing tasks.
The Board of Directors must inform the Company's General Meeting and Supervisory Board if the auditor is given any other material mandates. In addition, if warranted, the Company's Board of Directors, Supervisory Board and other boards may use the services of an external consultant as well.

1.5. Disclosure of information

Providing regular, authentic information is essential if the shareholders and the other participants in the capital market are to make sound decisions, and the way in which the Company discloses information also has an impact on its reputation.

The Company discloses information in strict compliance with the provisions of the Companies Act, the Capital Market Act, the Credit Institutions Act and the Investment Services Act, the Accounting Act and Ministry of Finance Decree 24/2008 (VIII. 15), as well as the relevant regulations of the Budapest Stock Exchange. In addition, the Company has effective internal regulations that ensure compliance with the obligation to disclose information.

The aforementioned regulations ensure that all material information pertaining to the Company and having a bearing on the price of the Company's shares is published accurately, in full, and in good time.

The Board of Directors describes its business and strategic goals of the given year at every ordinary General Meeting. The proposal to the General Meeting is published by the Company on the website of the Budapest Stock Exchange in accordance with its rules of disclosure and the provisions of the relevant regulations of the BSE.

The Company, in accordance with the statutory regulations, publishes on the Company's website and in its Annual Report the professional careers of the members of the Board of Directors, the Supervisory Board and the management.

The proposal pertaining to the remuneration of the chairman and members of the Board of Directors and the chairman and members of the Supervisory Board constitute a part of the proposals of the General Meeting.

The Company has detailed risk management regulations that include every type of risk (liquidity, market and credit risk) which are consistent with the statutory regulations pertaining to prudential banking operation. The Annual Report provides information about the Company's risk management practices, the relevant limits and compliance with the limits.

The Company has detailed internal regulations pertaining to insiders and potential insiders that fully comply with the restrictions and prohibitions regulated in detail by the Capital Market Act. In addition, the guidelines pertaining to securities trading by insiders are also available on the website. All transactions involving the Company's shares performed by the members of the Board of Directors and the Supervisory Board are published by the Company in accordance with the rules on disclosure, and the shareholdings in the Company of the officers of the Company (number of shares) are published in the Company's Annual Report.

The Board of Directors has assessed the effectiveness of information disclosure processes in 2013, and found them to be satisfactory.

1.6. Overview of the exercising of shareholders' rights

<u>Participation in the General Meeting and voting rights</u>

Shareholders may exercise their right of participation and their voting rights at the General Meeting, in person or by proxy.

The letters of proxy must be set forth in a notarised deed or a private document of full probative force. In the event that a shareholder is represented at the General Meeting by its legal representative (e.g. director, managing director, mayor etc.), the deed issued by the court or court of registration concerning the right of representation, or a certificate testifying to the election of the mayor, must be presented at the venue of the General Meeting.

The letters of proxy must be handed over during the period and at the location specified in the invitation to the General Meeting. If the letter of proxy was issued outside Hungary, it must satisfy, in terms of its form, the statutory provisions pertaining to the authentication or counter-authentication of documents issued outside Hungary. Information on the subject can be obtained from the Hungarian representation offices abroad.

A condition of participation and voting in the General Meeting is that

- the shareholding as at the time of the shareholder matching procedure is corroborated by the result of the shareholder matching procedure;
- the holder of the shares has been effectively entered into the Company's Share Register;
- the voting right associated with ownership of the shares does not violate the provisions of the Company's Bylaws, which the Company ascertains through a check following receipt of the result of a holder matching procedure from KELER Zrt;

The rules on participation in the General Meeting and the exercising of voting rights on the part of GDR holders are contained in the Custody Agreement concluded between the Bank of New York and OTP Bank Plc.

Further details are contained in the Company's Bylaws on our website.

1.7. Brief description of the rules related to the conducting of the General Meeting

The Company requests a shareholder-matching procedure for the date of the General Meeting, as a corporate event, from the Central Clearing House and Depository (Budapest) Ltd. (KELER Zrt.). The shareholder-matching procedure may take place only in the period between the 7th and 5th trading day at the stock exchange prior to the General Meeting. The rules pertaining to the shareholder-matching procedure are contained in the effective regulations of KELER.

The Company deletes all data from the Share Register that are effective at the time of the holder matching procedure, and at the same time the data resulting from the holder matching procedure are entered into the Share Register and the Share Register is closed after the data of the holder matching procedure are entered, at 12 o'clock noon Budapest time on the second working day prior to the day of the General Meeting. Afterwards entries regarding the shareholding of any shareholder may be made at the earliest on the working day after the General Meeting is closed.

The General Meeting must be announced in the manner specified in respect of announcements made by the Company, at least 30 days before the projected date of the General Meeting, unless otherwise stipulated in the Companies Act.

The invitation must contain the following

a) the Company's official name and registered seat;
b) the date and place of the General Meeting;
c) the manner in which the General Meeting is to be held;
d) the agenda of the General Meeting;
e) the provisions contained in section 8.5 of the Bylaws, with the reminder that shareholders may participate in and vote at the General Meeting only in compliance therewith;
f) information about the place and date of the handing over of the letters of proxy;
g) in the event that there is no quorum, the place and date of the reconvened General Meeting
h) the time of ownership verification and closure of the Share Register,
i) the fact that in order to exercise shareholder's rights the shareholder must be listed in the Share Register at the time of its closure, but subsequent to this the shares may be freely traded without this affecting the ability to exercise shareholder's rights,
j) the conditions, stipulated in the Bylaws, for exercising the shareholder's right to request information,
k) the conditions, stipulated in the Bylaws, for exercising the shareholder's right to supplement the agenda of the General Meeting, and
l) information regarding the time, place and means (including the address of the Company's website) of accessing the motions and proposed resolutions on the agenda of the General Meeting.

Questions not listed on the agenda may be discussed by the General Meeting only if all shareholders are present and they give their unequivocal consent thereto.

The General Meeting is regarded as having a quorum if the votes of the attending shareholders represent more than half of the total votes embodied by shares entitling the holder to vote.

If a duly convened General Meeting still does not have a quorum an hour after the time specified in the invitation, the General Meeting that is reconvened at this time – that is, an hour after the original time – shall have a quorum in respect of the agenda items set forth in the invitation regardless of the number of people attending.
If a General Meeting that has a quorum cannot pass a resolution in respect of all the items on the agenda, it may decide to suspend the meeting and to convene a follow-up General Meeting, while indicating the new time and place. The General Meeting may only be suspended once, and the follow-up General Meeting must be held within 30 days of the suspension.

In respect of the quorum of a suspended and then reconvened General Meeting (follow-up General Meeting), the general rules apply. The follow-up General Meeting may pass decisions only in respect of the announced agenda items of the original General Meeting in respect of which the original General Meeting did not make a decision.

The General Meeting is chaired by the Chairman of the Board of Directors or another person designated by the Board of Directors who

- opens the General Meeting;
- appoints the person responsible for taking minutes;
- determines whether the General Meeting has a quorum;
- gives and revokes the right to speak;
- formulates resolution proposals and puts them to the vote;
- announces the result of the vote on the basis of the results indicated by the vote counters;
- announces the intermission; and
- closes the General Meeting.

Prior to the opening of the General Meeting, shareholders who have voting devices may notify the Chairman of the General Meeting in writing if they would like to speak in relation to any of the agenda items. The comments made by the shareholders may not be on a topic that is different from the designated agenda item. The Chairman of the General Meeting must grant the right to speak to persons who have indicated their desire to speak in accordance with the above.

The Chairman of the General Meeting may determine the order in which the comments on the given agenda item will be heard, may grant any person the right to speak or may retract such right, with the proviso that the right to speak may be retracted from a shareholder who has indicated his/her wish to speak in writing only if the shareholder's comments depart from the given agenda item despite a warning in this regard. The Chairman of the General Meeting may prohibit the recording in the minutes of comments that are made after the right to speak is retracted, and may terminate the availability of the technical conditions (microphone) for making such comments.

The Chairman of the General Meeting may decide to hold the General Meeting in private, and, with the exception of the members of the Board of Directors, the executives specified in the Credit Institutions Act, the members of the Supervisory Board, the auditor, shareholders with voting terminals, and the representatives of such shareholders as well as the representatives of the State Financial Supervisory Authority and the Budapest Stock Exchange, he may exclude anyone from attending the General Meeting.

The General Meeting passes its resolutions, unless the Company's Bylaws stipulate otherwise, through a simple majority of the votes of the attending shareholders.

Decisions at the General Meeting are made by open vote.

In its first resolution, the General Meeting selects, from the list proposed by the Chairman of the General Meeting, the attending shareholders who will act as the authenticator of the minutes and the vote counters. In the case of an unsuccessful vote the Chairman of the Meeting must submit a new proposal.

Minutes must be taken of the General Meeting, which must include the following:

- the Company's official name and registered seat;
- the date and place of the General Meeting and the manner in which it is held;
- data necessary for determining whether the General Meeting has a quorum and changes in the number of persons attending;
- the name of the Chairman of the General Meeting, the person taking the minutes, the authenticator of the minutes and the name of the vote counters;
- the most important events at the General Meeting and the proposals made;
- the resolution proposals, the number of votes for and against the proposals and the number of those who abstained;
- objections to a resolution by any shareholder and any member of the Board of Directors or the Supervisory Board if the person objecting requests it himself.

The minutes are signed by the Chairman of the General Meeting and the person taking the minutes and are authenticated by an attending shareholder who has been selected for this purpose.

The Board of Directors must send the Company Court an authenticated copy of the minutes of the General Meeting within 30 days after the General Meeting is adjourned, together with the attendance register and the documents that certify that the General Meeting was properly convened.

For further details, please consult the Company's Bylaws, which you can download from our website.

1.8. Declaration on Remuneration

In compliance with the applicable European Union directive (CRD III) and the provisions of the Act on Credit Institutions and Financial Enterprises, the Bank's General Meeting of 2011 and its Board of Directors have provided for the elaboration of a new Remuneration Policy for OTP Bank Plc. and the Bank Group, resulting in a significant modification to the existing remuneration structure.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at OTP Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of OTP Bank Plc's Board of Directors and Supervisory Board, and – among the staff in an employment relationship with OTP Bank Plc – the members of the Bank's Management (Chairman & CEO and the deputies thereof), and managers who materially influence the Bank's risk profile and its profit, managers performing special executive functions, managers with control functions, all managers whose salaries are in the same pay scale as that of the managers who are subject to the Remuneration Policy due to their function, and dealers in the treasury trading department. Among the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision, the subsidiaries' chief executive officers, and in the case of certain subsidiaries their level-2 (deputy) managers, and the managers of certain foreign subsidiary banks with special management and decision-making authority determined under national statutory provisions. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Board of Directors.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Board of Directors based on the function, size and complexity of the unit being managed.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with OTP Bank Plc., the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Board of Directors on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – a preferentially-priced share package, in equal proportions. As a main rule, the share-based part of the variable remuneration is provided by OTP Bank Plc to the employees concerned at the various members of the Bank Group.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, OTP Bank complies with its public disclosure obligation in accordance with the provisions of Govt. Decree 234/2007 (IX.4.).

2.) CG Report on compliance with the Corporate Governance Recommendations

As part of the Corporate Governance (CG) Report, the Company states, by completing the following tables, the extent to which it has implemented the recommendations and proposals specified in the specific sections of the Corporate Governance Recommendations (“CGR”) of the Budapest Stock Exchange in its own corporate governance.
By looking at the tables, market participants are able to gain a quick insight into the extent to which the corporate governance practices of particular companies comply with certain requirements specified in the CGR, and to quickly compare the practices of various companies.

Level of compliance with the Recommendations

The company specifies whether it has applied the relevant recommendation or not, and if not, it describes briefly the reasons why a particular recommendation has not been implemented.

1.1.1 The Board of Directors has ensured that shareholders have access, in a timely manner, to the information required for exercising their rights.
Yes

1.1.2 The Company follows the "one share – one vote" principle
No
Each of the Company’s ordinary shares ensures one voting right. In keeping with the stipulations of the Company’s Bylaws, voting rights depend specifically on the size of the shareholding.

1.2.8 The Company ensures that owners may participate in the General Meeting if they meet the same conditions.
Yes

1.2.9 Only those issues may be put on the General Meeting’s agenda that are accurately defined and described.
Yes

The resolution proposals comprised the recommendation of the Supervisory Board and included a detailed explanation of the effects that the decision would have if taken.
Yes

1.2.10 Shareholders’ comments and addenda to the agenda items were published no later than two days before the General Meeting.
Yes

1.3.8 Comments made in respect of the agenda items of the General Meeting were available to the shareholders no later than at the time of registration.
Yes

Written comments in respect of the agenda items were published two working days before the General Meeting.
Yes

1.3.10 The election and recall of senior office-holders is made in a separate resolution in respect of each person.
Yes

2.1.1 The tasks of the Board of Directors include those specified in point 2.1.1.
Yes

2.3.1 The Board of Directors held meetings at pre-specified, regular intervals.
Yes

The Supervisory Board held meetings at pre-specified, regular intervals.
Yes

The rules of procedure of the Board of Directors contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.
Yes

The rules of procedure of the Supervisory Board contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.
Yes

A 2.5.1 The Company's Board of Directors / Supervisory Board has a sufficient number of independent members to ensure impartiality.
Yes

A 2.5.4 The Board of Directors / Supervisory Board regularly (in relation to the annual CG report) asked its members who are considered to be independent to confirm that they are independent.
Yes

A 2.5.6 The Company has published on its website its guidelines concerning the independence of the Board of Directors / Supervisory Board and the applied criteria of independence.
Yes

2.6.1 Members of the Board of Directors notified the Board of Directors (supervisory board / Audit Committee) if he/she (or a person who is closely related to him/her) had a material personal stake in any transaction of the Company (or any of its subsidiaries).
Yes

2.6.2 Transactions concluded between board and management members (and persons related to them) and the Company (or its subsidiary) were conducted in accordance with the regular business practices of the Company but on the basis of stricter rules of transparency than is customary in the course of regular business practices.
Yes

Transactions, specified in 2.6.2, which depart from regular business practices and the conditions thereof were accepted by the Supervisory Board (Audit Committee).
No
The Company prepared procedural rules for approving transactions that depart from usual business practices, and this ensures adequate control.

2.6.3 The board member informed the Supervisory Board / Audit Committee (Nomination Committee) if he/she was asked to act as a member on the board or in the management of a company that does not belong to the Group.
Yes

2.6.4 The Board of Directors created guidelines pertaining to the flow of information within the Company as well as the management of insider information and supervises compliance therewith.
Yes

The Board of Directors created guidelines pertaining to insider trading of securities and supervises compliance therewith.
Yes

2.7.1 The Board of Directors created remuneration guidelines for the remuneration and evaluation of the work of the Board of Directors, the Supervisory Board and the management.
Yes

The Supervisory Board commented on the remuneration guidelines.
Yes

The General Meeting approved the remuneration guidelines and the amendments thereto pertaining to the Board of Directors and the Supervisory Board in a separate agenda item.
Yes

A 2.7.2 The Board of Directors must evaluate its own performance in a given business year.
No
The annual report of the Company contains the overall evaluation of the activity, which includes a description of the work of the management bodies, and therefore the personal appraisal of the members is performed in the course of the work of the bodies.

A 2.7.2.1 The Board of Directors evaluated its own performance in a given business year.
No
The annual report of the Company contains the overall evaluation of the activity, which includes a description of the work of the management bodies, and therefore the personal appraisal of the members is performed in the course of the work of the bodies.

2.7.3 The supervision of the performance of the management and the remuneration of the management falls within the competence of the Board of Directors.
Yes

The framework of and changes in benefits that are due to the members of the management and are different from what is customary are approved by the General Meeting in a separate agenda item.
Yes

2.7.4 The General Meeting approved the principles of share-based remuneration schemes.
Yes

Prior to the decision by the General Meeting concerning share-based remuneration schemes the shareholders received detailed information (at least as described in point 2.7.4)
Yes

2.7.7 The Company has prepared a Declaration on Remuneration and presented it to the General Meeting.
No
The amendment to the Act on Credit Institutions and Financial Enterprises – in line with the relevant European Union directive – introduced a number of provisions that placed tighter restrictions on the freedom to make decisions on remuneration than under the previous legislation, and credit institutions were obliged to comply with these requirements by 31 May 2011 at the latest. Accordingly, the Bank's General Meeting and Board of Directors provided for the drafting of a Remuneration Policy for OTP Bank Plc. and the Bank Group, which brought about a significant change to the existing remuneration structure.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at OTP Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of OTP Bank Plc's Board of Directors and Supervisory Board, and – among the staff in an employment relationship with OTP Bank Plc – the members of the Bank's Management (Chairman & CEO and the deputies thereof), and managers who materially influence the Bank's risk profile and its profit, managers who perform special executive functions, managers with control functions, all managers whose salaries are in the same pay scale as that of the managers who are subject to the Remuneration Policy due to their function, and dealers in the treasury trading department. Among the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision, the subsidiaries' chief executive officers, and in the case of certain subsidiaries their level-2 (deputy) managers, and the managers of certain foreign subsidiary banks with special management and decision-making authority determined by the provisions of relevant national legislation. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Board of Directors.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Board of Directors based on the function, size and complexity of the unit being managed.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with OTP Bank Plc., the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank’s Board of Directors on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – a preferentially-priced share package, in equal proportions. At all the members of the Bank Group, the share-based part of the variable remuneration is provided to the employees concerned by OTP Bank Plc.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, OTP Bank complies with its public disclosure obligation in accordance with the provisions of Govt. Decree 234/2007 (IX. 4.).

The Declaration on Remuneration contains the remuneration of certain members of the Board of Directors, the Supervisory Board, and the management.
No
See the previous point.

2.8.1 The Board of Directors or the committee operated by it is responsible for the supervision and direction of the Company’s entire risk management operations.
Yes

The Board of Directors verifies the efficiency of risk management procedures at specific intervals.
Yes

The Board of Directors took the necessary steps to identify key risk areas.
Yes

2.8.3 The Board of Directors formulated the principles pertaining to the internal control system.
Yes

The internal control system, which has been established by the management, ensures that the risks to which the Company is exposed are managed and that the Company’s objectives are attained.
Yes

2.8.4 When formulating the internal control system, the Board of Directors took into account the criteria specified in point 2.8.4.
Yes

2.8.5 The management is responsible for establishing and maintaining the internal control system.
Yes

A 2.8.6 2.8.6 The company created an independent internal audit function, which is under obligation to report to the Audit Committee / Supervisory Board.
Yes

The internal audit group reported, at least once, to the Audit Committee / Supervisory Board about the operation of risk management, the internal control mechanisms, and the corporate governance functions.
Yes

A 2.8.7 The internal audit activity is performed by internal audit on the basis of a mandate given by the Audit Committee / Supervisory Board.
Yes

Internal audit is organisationally separate from operative management.
Yes

2.8.8 The internal audit plan was approved by the Board of Directors (Supervisory Board) upon the recommendation of the Audit Committee.
Yes

2.8.9 The Board of Directors prepared a report for shareholders on the operation of internal controls.
Yes

The Board of Directors formulated its rules of procedure in respect of receiving and processing reports on the operation of internal controls and preparing its own reports.
Yes

2.8.11 The Board of Directors identified the key deficiencies of internal controls and reviewed and re-evaluated the relevant activities.
Yes

2.9.2 The Board of Directors, the Supervisory Board and the Audit Committee were notified when the auditor's mandate, by its nature, may have incurred considerable expenditure, may have given rise to a conflict of interest or may have had any other material impact on business operations.
Yes

2.9.3 The Board of Directors notified the Supervisory Board if it gave a mandate to an audit company or an external audit expert in respect of an event that has a material impact on the Company's operation.
Yes

The Board of Directors specified in advance, in a resolution, the events that may be considered to have a material impact on the Company's operation.
Yes

A 3.1.6 The company published on its website the tasks delegated to the Audit Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
No
The Audit Committee supported the work of OTP Bank Plc.'s Supervisory Board and performed the functions of formulating opinions, making evaluations and making recommendations.

However, in view of the exceptions specified in the Credit Institutions Act and the Capital Market Act, and based on experience gained over the past few years, at the General Meeting held on 29 April 2011 a proposal was made to dissolve the Committee. Experience has shown that under the dual governance system the Supervisory Board has the authority and duties necessary for fully performing the tasks of the Audit Committee, and therefore, in the interest of simplifying operation and rendering it more efficient the General Meeting resolved to formally terminate operation of the Committee. At the same time, it made a rule on the separate recording of votes cast by the independent members of the Supervisory Board in decisions made when exercising the powers ascribed to the Audit Committee in the Companies Act and the Capital Market Act.

A 3.1.6.1 The company published on its website the tasks delegated to the Nomination Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
No
A Nomination Committee has not been established at the Bank.
See also: point 3.3.1.

A 3.1.6.2 The company published on its website the tasks delegated to the Remuneration Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
Yes

A 3.2.1 The Audit Committee / Supervisory Board oversaw the effectiveness of risk management, the operation of the internal control system and the internal audit activity.
Yes

A 3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information about the work schedule of the internal auditor and the independent auditor, and received a copy of the report by the auditor on the problems identified during the audit.
Yes

A 3.2.4 The Audit Committee / Supervisory Board asked the new nominee for auditor to submit a disclosure declaration as specified in 3.2.4.
Yes

A 3.3.1 The Company has a Nomination Committee.
No
The Company does not have a Nomination Committee; however, in respect of the members of the management – the Chairman & CEO and the deputy CEOs – the Bank's Board of Directors exercises control partly because it exercises employer's rights in respect of the Chairman & CEO and – in accordance with the Bylaws of the Company – the Board of Directors exercises the employer's rights by way of the Chairman & CEO in respect of the deputy CEOs, with the proviso that the Board of Directors must receive prior notice of the appointment and dismissal of such persons.
In addition, Act CXII of 1996 (Credit Institutions Act) contains strict requirements in respect of persons who are appointed to an executive position, and compliance therewith is verified by the State Financial Supervisory Authority within the scope of its right to exercise preliminary approval, which is necessary for the appointment.

3.3.2 The Nomination Committee prepares the way for changes in personnel.
No
See the comments under point 3.3.1 above.

The Nomination Committee reviewed the procedures pertaining to the selection and appointment of the members of the management.
No
See the comments under point 3.3.1 above.

The Nomination Committee evaluated the activities of board members and the members of the management.
No
See the comments under point 3.3.1 above.

The Nomination Committee examined all proposals concerning the nomination of board members that were proposed by the shareholders or by the Board of Directors.
No
See the comments under point 3.3.1 above.

3.4.1 The Company has a Remuneration Committee.
Yes

3.4.2 The Remuneration Committee has submitted a proposal regarding the remuneration system of the boards and the management (amount and structure of remuneration for each person), and oversees this process.
Yes

3.4.3 The remuneration of the management has been approved by the Board of Directors based on the proposal of the Remuneration Committee.
Yes

The remuneration of the Board of Directors is approved by the General Meeting upon the recommendation of the Remuneration Committee.
Yes

The Remuneration Committee has also checked the system of share options, cost reimbursements and other contributions.
Yes

A 3.4.4 The Remuneration Committee formulated proposals with regard to the principles of remuneration.
Yes

A 3.4.4.1 The Remuneration Committee formulated proposals with regard to the remuneration of individual persons.
Yes

A 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts that were concluded with the management.
No
A review of the terms of contracts concluded with members of the management does not fall within the remit of the Remuneration Committee.

A 3.4.4.3 The Remuneration Committee checked if the Company has satisfied the obligation of disclosure regarding executive remuneration issues.
Yes

3.4.7 The majority of the members of the Remuneration Committee are independent.
Yes

3.5.1 The Board of Directors has disclosed its reasons for merging the Remuneration and the Nomination Committee.
No
The Company operates a Remuneration Committee; it does not operate a Nomination Committee.
See the comments under point 3.3.1 above.

A 3.5.2 The Board of Directors performed the tasks of the Nomination Committee and issued a statement on its reasons for doing so.
No
The Company operates a Remuneration Committee; it does not operate a Nomination Committee.
See the comments under point 3.3.1 above.

A 3.5.2.1 The Board of Directors performed the tasks of the Remuneration Committee and issued a statement on its reasons for doing so.
No
The Remuneration Committee performed its own tasks.

4.1.1 The Board of Directors, in its disclosure guidelines, has determined the principles and procedures that ensure that all material information that has a significant bearing on the Company and on the price of its shares is published and is accessible accurately, in full and in good time.
Yes

A 4.1.2 In the course of providing information, the Company has ensured that all shareholders and market participants receive equal treatment.
Yes

4.1.3 The Company's disclosure guidelines include electronic and internet disclosure procedures.
Yes

The Company's website has been created with due regard to the disclosure guidelines, and with a view to providing appropriate information to investors.
Yes

4.1.4 The Board of Directors has assessed the effectiveness of disclosure processes.
Yes

4.1.5 The Company publishes its corporate events calendar on its website.
Yes

4.1.6 The Company, in its annual report and on its website, has provided information to the public about its strategic goals and about its guidelines related to its core activity, business ethics and its various stakeholders.
Yes

4.1.8 The Board of Directors has stated in its annual report the other mandates, together with the type and volume of such mandates, that the entity that audits the Company's annual financial statements has received from the Company and its subsidiaries.
Yes

4.1.9 The Company, in its annual report and on its website, has disclosed information pertaining to the professional careers of members of the Board of Directors, the Supervisory Board and the management.
Yes

A 4.1.10 The Company provided information about the internal organisation and operation of the Board of Directors and the Supervisory Board.
No
The Company's website provides information about the operation of its management bodies in the Bylaws.
See also: point 2.7.2.

A 4.1.10.1 The Company provided information about the work of the Board of Directors and the Management Committee, and the criteria applied when evaluating the individual members.
No
See above.

4.1.11 The Company has published in its annual report and on its website a Declaration on Remuneration, which describes the remuneration guidelines used and, specifically, the guidelines pertaining to the remuneration of members of the Board of Directors, the Supervisory Board and the management.
No
See the comments under point 2.7.7 above.

4.1.12 The Board of Directors has published risk management guidelines which discuss the internal control system, and the risk management principles and rules, and provide an overview of major risks.
Yes

4.1.13 In order to provide information to market participants, the Company publishes its report on corporate governance once a year, when the annual report is published.
Yes

4.1.14 The Company publishes on its website the guidelines pertaining to securities trading in respect of the Company's shares by persons classified as insiders.
Yes

The Company, in its annual report and on the Company's website, has disclosed information about the stakes held in the Company's securities and in its share-based incentive system by members of the Board of Directors, the Supervisory Board and the management.
Yes

4.1.15 The Company has published in the annual report and on the Company's website the relationship of members of the Board of Directors and the management with any third parties that may have an impact on the Company's operation.
Yes

Level of compliance with the recommendations

The Company must specify whether it applies the relevant recommendation of the FTA or not.
Yes

J 1.1.3 The Company has an organisational unit that deals with investor relations.
Yes

J 1.2.1 The Company has published on its website the summary related to its General Meetings and shareholder voting rights (including voting by proxy).
Yes

J 1.2.2 The Company's Bylaws are accessible on the Company's website.
Yes

J 1.2.3 The Company's website contains the information specified in point 1.2.3 (regarding the cut-off date in respect of corporate events).
Yes

J 1.2.4 The Company has published on its website the information and documents regarding the General Meeting as specified in point 1.2.4 (invitation, proposals, resolution proposals, resolutions, minutes).
Yes

J 1.2.5 The Company held its General Meeting by ensuring that as many shareholders can attend as possible.
Yes

J 1.2.6 The Company published the addenda to the agenda items within five days of their receipt, in a manner that is identical to the manner of publishing the original invitation to the General Meeting.
Yes

J 1.2.7 The voting procedure used by the Company ensured that the decision by the owners is determined unequivocally, clearly and quickly.
Yes

J 1.2.11 The Company, upon the shareholders' request, forwarded information pertaining to the General Meeting electronically as well.
Yes

J 1.3.1 The Company's General Meeting accepted the chairman of the General Meeting prior to the actual discussion of the agenda items.
No

J 1.3.2 The Board of Directors and the Supervisory Board were represented at the General Meeting.
Yes

J 1.3.3 The Company's Bylaws allow the invitation of a third party to the Company's General Meetings upon the initiative of the Chairman of the Board of Directors or the shareholders of the Company, and such third party may participate with advisory right and comment on the relevant agenda item.
Yes

J 1.3.4 The Company did not restrict the right of owners who participate in the General Meeting to ask for information, to comment and to submit a motion and did not set any preconditions in respect of such right.
Yes

J 1.3.5 The Company published on its website within three days its responses to questions that it was unable to answer satisfactorily at the General Meeting. The Company published an explanation in respect of questions that it refused to answer.
Yes

J 1.3.6 The chairman of the General Meeting and the Company ensured that responses to questions asked at the General Meeting did not violate any statutory or stock exchange regulations pertaining to the provision of information and disclosure and ensured that such provisions are observed.
Yes

J 1.3.7 The Company published a press release and/or held a press conference about the decisions of the General Meeting.
Yes

J 1.3.11 The Company's General Meeting makes decisions about amendments to the Bylaws in separate resolutions.
Yes

J 1.3.12 The Company published the minutes of the General Meeting containing the Company's resolutions, the description of the resolution proposals and all material questions and answers concerning the resolution proposals within 30 days after the General Meeting.
Yes

J 1.4.1 The Company, within 10 working days, paid dividends to shareholders who have provided all necessary information and documents.
Yes

J 1.4.2 The Company published its guidelines concerning solutions for preventing hostile takeovers directed at the Company.
No

J 2.1.2 The rules of procedure of the Board of Directors contain the organisational structure of the Board of Directors, tasks related to the preparation and execution of the meetings and the formulation of resolutions and other issues related to the operation of the Board of Directors.
Yes

J 2.2.1 The Supervisory Board provides a detailed description in its rules of procedure and work plan of the operation and tasks of the board, as well as of the administrative rules and procedures that the Supervisory Board follows.
Yes

J 2.3.2 The board members had access to the proposals of the given meeting at least five days before the given meeting.
Yes

J 2.3.3 The rules of procedure stipulate the regular and occasional participation in the board meetings of non-board members.
Yes

J 2.4.1 The members of the Board of Directors were selected in a transparent manner, and information pertaining to the candidates were disclosed at least five days before the General Meeting.
Yes

J 2.4.2 The composition and headcount of the boards complies with the stipulations of point 2.4.2.
Yes

J 2.4.3 In the orientation program of the Company, newly elected non-executive board members were able to learn about the structure and operation of the Company and their tasks as board members.
Yes

J 2.5.2 The division of the tasks of the chairman and the CEO is stipulated in the key documents of the Company.
Yes

J 2.5.3 The Company provided information about how it ensures that the Board of Directors remains objective in its evaluation of the management activities in the event that the position of Chairman & CEO is combined.
No

J 2.5.5 No member of the Company's Supervisory Board held a position on the Company's Board of Directors or in the management in the three years prior to his/her nomination.
No

J 2.7.5 The remuneration policy of the Board of Directors, the Supervisory Board and the management serves the purposes of the Company and therefore the strategic objectives of shareholders.
Yes

J 2.7.6 Members of the Supervisory Board receive a fixed remuneration no portion of which is tied to the share price.
Yes

J 2.8.2 The Board of Directors elaborated risk management principles and basic rules together with the members of the management who are responsible for planning, operating and supervising risk management processes and for the incorporation thereof into the Company's daily operation.
Yes

J 2.8.10 When evaluating the internal control system, the Board of Directors took into account the criteria specified in 2.8.10.
Yes

J 2.8.12 The Company's auditor assessed and evaluated the Company's risk management systems and the risk management activities of the management and submitted a relevant report to the Audit Committee / Supervisory Board.
Yes

J 2.9.1 The rules of procedure of the Board of Directors include the procedure to be followed when the services of an external consultant are used.
Yes

J 2.9.1.1 The rules of procedure of the Supervisory Board include the procedure to be followed when the services of an external consultant are used.
Yes

J 2.9.1.2 The rules of procedure of the Audit Committee include the procedure to be followed when the services of an external consultant are used.
No

J 2.9.1.3 The rules of procedure of the Nomination Committee include the procedure to be followed when the services of an external consultant are used.
No

J 2.9.1.4 The rules of procedure of the Remuneration Committee include the procedure to be followed when the services of an external consultant are used.
No

J 2.9.4 The Board of Directors may invite the Company's auditor to attend its meetings where the agenda items of the General Meeting are discussed, with advisory right.
Yes

J 2.9.5 The Company's internal audit organisation cooperated with the auditor in order to ensure the effective execution of the audit.
Yes

J 3.1.2 The chairman of the Audit Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
No

J 3.1.2.1 The chairman of the Nomination Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
No

J 3.1.2.2 The chairman of the Remuneration Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
Yes

J 3.1.4 The Company's committees consist of members who have appropriate abilities, expertise and experience for carrying out their tasks.
Yes

J 3.1.5 The rules of procedure of the Company's committees contain the stipulations specified in point 3.1.5.
Yes

J 3.2.2 The members of the Audit Committee / Supervisory Committee received comprehensive information on the Company's accounting, financial and operating characteristics.
Yes

J 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Board of Directors about the operation of the Board of Directors and the work and performance of individual members of the Board of Directors.
No

J 3.3.4 The majority of the members of the Nomination Committee is independent.
No

J 3.3.5 The Nomination Committee’s rules of procedure include the stipulations specified in 3.3.5.
No

J 3.4.5 The Remuneration Committee ensures that a declaration on remuneration is prepared.
No

J 3.4.6 The Remuneration Committee consists only of the non-executive members of the Board of Directors.
Yes

J 4.1.4 The Company’s disclosure guidelines include at least the stipulations set out in point 4.1.4.
Yes

In the annual report the Board of Directors informs shareholders of the results of its study concerning the effectiveness of disclosure processes.
Yes

J 4.1.7 The Company prepares its financial statements in accordance with IFRS principles.
Yes

J 4.1.16 The Company prepares and publishes its statements in English as well.
Yes

DRAFT RESOLUTION

The General Meeting accepts OTP Bank Plc.'s 2013 Report on Corporate Governance.

EVALUATION OF THE ACTIVITY OF THE EXECUTIVE OFFICERS PERFORMED IN THE PAST BUSINESS YEAR; DECISION ON THE GRANTING OF DISCHARGE OF LIABILITY

Based on Act IV of 2006 on Companies, and in accordance with the provisions of the Bylaws approved by the General Meeting of OTP Bank Plc., the supreme governance body of the company each year puts on the agenda the evaluation of the work performed by the senior office-holders in the previous business year, and passes a resolution as to whether to grant the office-holders exemption in respect of any further liability.

The executive management of OTP Bank Plc. is performed by a body that consists of the senior office-holders, namely the **Board of Directors**.

In 2013 OTP Bank Plc.'s Supervisory Board, in fulfilment of its duties stipulated in the Companies Act and in the Bylaws of OTP Bank Plc., monitored the activities of the Board of Directors, ensured that it was represented at meetings of the Board of Directors, and called upon the executive management to submit regular reports.

The Supervisory Board of OTP Bank Plc. makes the following statements:

In the past year, the Board of Directors of OTP Bank Plc. regularly met and made decisions and passed resolutions, and subsequently monitored their implementation.
At the Annual General Meeting of 2013 it presented a report on the Bank's activities and results in 2012.
The Board of Directors, in compliance with its statutory obligation, submitted its Corporate Governance Report, together with the financial statements prepared in accordance with the Accounting Act, to the Annual General Meeting. In its report the Board of Directors summarised the corporate governance practice applied in the previous business year, and made a declaration on any deviations from the Corporate Governance Recommendations of the Budapest Stock Exchange.

The Bank's Board of Directors continuously monitored:

- the statements contained in the reports of the management,
- development of the Bank's results, based on the quarterly interim reports and the reports prepared in accordance with the Hungarian accounting regulations and approved by the auditor,
- compliance with the provisions of the Credit Institutions Act,
- the changes in the quality of the bank group's portfolio,
- new commitments where the transaction value exceeded three billion forints,
- placements exceeding HUF 300 million and their positions,
- the capital position of the subsidiaries,
- current and likely future impacts of the deteriorating economic environment on the bank group,
- current issues concerning the operation of the Bank.

The Board of Directors discussed proposals relating to the following:

- OTP Bank Plc.'s business results for 2012,
- the reports presented to the Annual General Meeting,
- the Bank's financial statements and auditor's reports for 2012,
- the Corporate Governance Report (2012),
- the implementation of the remuneration policy of OTP Bank Plc and the Bank Group in 2012, and a proposal for the remuneration principles of OTP Bank and the Bank Group in 2013,
- a review of the remuneration policy of OTP Bank Plc and the Bank Group,
- decisions relating to the implementation of the Remuneration Policy,
- the Board of Directors' authorisation to buy back shares,

- modification of the group-level RORAC target for the year 2013,
- OTP Bank Plc.'s lending policy for 2013,
- the determination of the sector limits for 2013,
- the monitoring of the performance of tasks specified in the resolution on the 2012 audit by the Hungarian Financial Supervisory Authority (HFSA),
- the OTP Group's operational risk management activity in 2012,
- an overview of group-level exposure to sovereign risk,
- OTP Bank Plc.'s compliance activities in 2012, the annual program of compliance activities in 2013,
- the Bank Group's internal audit schedule for 2013,
- the security situation of OTP Bank Plc. and the foreign subsidiary banks, and
- every quarter, the consolidated and group-member controlling reports,
- the 2014 business and financial plan of OTP Bank Plc. and the Bank Group, and
- amendment of the regulations that fall under the authority of the Board of Directors, the issuance of new regulations, and reviews of the risk management regulations and related limits prescribed in the statutory provisions and existing regulations, determination of the sector limits for 2013.*(Organisational and Operational Regulations; Operational Risk Management Regulations; Regulations on valuation procedures; the policy on insider status and on certain obligations and prohibitions related thereto; the approval of the Investment, Service and Divisional Terms of Business of OTP Bank Plc; Regulations on the conditions applicable with respect to the personal transactions of senior executives and employees of OTP Bank Plc and other interested persons in relation to the investment service provision activity of OTP Bank Plc; the framework system for Risk Assumption, Customer Rating, Collateral Evaluation and OTP Group Credit Risk; the Banking Book Interest and Liquidity Risk Management Regulations of OTP Bank Plc; the regulations on the keeping of OTP Bank Plc's trading book and determination of the capital requirement; regulations on capital investments by members of the Bank Group in which OTP Bank has a controlling interest; the share option risk management regulations of OTP Bank Plc; the Regional Treasury Sales Business Regulations; the Disclosure Regulations of OTP Bank Plc.)*

The Board of Directors regularly made decisions regarding

- the capital positions of the individual subsidiaries and companies within its scope of interest, and
- reviews of existing limits,
- the modification of counterparty limits,
- internal loans,
- the granting of authorisations to sign on behalf of the Company.

OTP Bank Plc. treats the maintenance of a sophisticated corporate governance system, conforming to Hungarian and international standards, as a key priority. A reliable governance system, accurate financial planning, responsible management and the appropriate control mechanisms are what form the basis for efficient and profitable operation. OTP Bank Plc. continuously monitors, reviews and develops its corporate governance practices, identifying any deficiencies arising as the result of external and internal changes, and effects those modifications that best serve the fulfilment of our objectives.
Within the effective statutory frameworks, a corporate governance system has been developed that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and our socially responsible corporate conduct.
The resulting governance structure, optimised to suit our objectives, takes into account the special characteristics of our operations as well as the statutory, supervisory and stock-market requirements that apply to the Bank; besides which it also aims to comply with the related Budapest Stock Exchange (BSE) guidelines.

Compliance with the BSE's corporate governance guidelines enables investors, taking into consideration the special characteristics of the Company's operations, the complexity of its activities, and the statutory requirements related to its risk management and financial reporting, to make a well-founded judgement regarding the extent to which OTP Bank's corporate governance practice ensures reliable and profitable operation.

The individual internal control functions (risk management, compliance, and internal audit) conform to strict standards, and the Bank is capable of attesting to their effectiveness both within the internal corporate governance system, and also to the satisfaction of the external supervisory authorities. All these factors guarantee purposeful, comprehensive and verified risk management procedures, as well as reliable and appropriately supervised data reporting. In the course of its provision of financial and investment services OTP Bank pursues complex and effective corporate governance practices that simultaneously ensure responsible conduct towards clients and shareholders, reliable operation, and long-term profitability.

The Supervisory Board ascertained that OTP Bank Plc.'s operation is in full compliance with the applicable laws and supervisory provisions, and with the regulations of the Budapest Stock Exchange (BSE).

In keeping with the Corporate Governance Recommendations of the Budapest Stock Exchange, the Board of Directors of OTP Bank Plc. held a review of the effectiveness of its public disclosure processes. The Board of Directors found that the effectiveness of information disclosure processes in 2012 was satisfactory, and that they ensured the publication of information intended for public disclosure.

OTP Bank Plc., in accordance with section 312/A of Act IV of 2006 on Companies, published details of all benefits received by the members of the Company's Board of Directors and the Supervisory Board, in their capacity as such, in respect of the year 2012.

The Supervisory Board has found that the Board of Directors of OTP Bank Plc. has, as prescribed by the provisions of the Act on Credit Institutions and Financial Enterprises and the accounting laws, and in accordance with the said statutory provisions, drafted, and prepared for submission to the General Meeting, the Bank's annual report and consolidated annual report.

In Hungary, OTP Bank made considerable efforts in the interests of ensuring profitable operation.

Factors in the development of the profit was the decline in risk cost that accompanied the slowing in the rate of portfolio deterioration, as well as the price gain realised in 2013 on the portfolio of government securities available for sale. Annual operating profit was primarily influenced by the decline in net interest income, which was accompanied by a narrowing of the interest margin. The interest-bearing loan portfolio shrank, and the regulatory interest ceiling applied in the case of loans had an unfavourable impact, while the exchange rate cap scheme available to foreign currency borrowers also reduced annual interest income.

Owing to the improving income position of households in 2013, household consumption began to increase. Despite this, the banking sector as a whole was typified by restrained loan disbursements, but even with these factors OTP's share of the retail market was consistently high, both in terms of newly disbursed mortgage loans and in the case of personal loans.
A favourable development during the year was that, partly due to the Funding for Growth scheme of the National Bank of Hungary, the portfolio of loans provided to Hungarian

businesses increased further at OTP Bank, and as a consequence the OTP Group's market share of lending to Hungarian companies grew.

The loan portfolio shrank at annual level, and with it the portfolio of problem mortgage loans and problem corporate loans also decreased, while the rate of deterioration in consumption loans slowed from one quarter to the next. The fall in municipality loans was primarily due to the process of state debt consolidation.

The volume of deposits at OTP Bank Plc. increased together with that of retail bonds. The volume of retail deposits declined, however, which was a consequence of the displacing effect of alternative forms of investment offered to households (government securities, investment funds). The negative figures were offset by the increase in corporate deposits.

Notwithstanding the bank tax, the one-off payment made in compensation for unpaid transaction duty, the depreciation of goodwill/shareholdings, the received dividend and net cash transfers and the impact of the redemption of foreign currency mortgage loans at a fixed exchange rate, as well as the fine imposed by the Hungarian Competition Authority and the one-off tax liability resulting from the transfer from general risk provisions into the profit reserve, the Company closed another profitable year in 2013, a fact that is certified by the annual report data and the Company's profit ratios. The Bank's liquidity and capital position is strong.

In the assessment of the Supervisory Board, the Board of Directors has conducted its activities with a view to preserving shareholder value and by keeping the Company's interests at the fore.

Based on the above summary, the Supervisory Board proposes to the General Meeting that exemption from any further liability be granted to the senior office-holders of the Company.

DRAFT RESOLUTION

The General Meeting, based on its assessment of the work of the executive management in the 2013 business year, certifies that the executive management gave priority to the interests of the Company when performing its work during the business year.

ELECTION OF THE COMPANY'S AUDITOR, APPROVAL OF THE PERSON NOMINATED TO BE RESPONSIBLE FOR THE AUDIT, DETERMINATION OF THE REMUNERATION

ELECTION OF THE COMPANY'S AUDITOR, APPROVAL OF THE PERSON NOMINATED TO BE RESPONSIBLE FOR THE AUDIT, DETERMINATION OF THE REMUNERATION

Based on Section 3 Para 152 Act CCXXXVII of 2013 (Act on Credit Institutions and Financial Enterprises) it is proposed on behalf of the Supervisory Board proposed – concerning the audit of the OTP Bank Plc.'s separated and consolidated 2014 accounts – that the General Meeting:

1. elects **Deloitte Auditing and Consulting Ltd.** (000083)
   H-1068 Budapest, Dózsa Gy. u. 84/c

   and approves the appointment of **dr. Attila Hruby** (007118) chartered auditor, as the individual in charge of auditing.

   In the event any circumstance should arise which ultimately precludes the activities of as appointed auditor in this capacity, proposes the appointment of **Zoltán Nagy** (005027) chartered auditor, to be the individual in charge of auditing.

2. The General Meeting establishes the total amount of sixty-three million seven-sixty thousand Hungarian Forint **(HUF 63,760,000) + VAT** as the auditor's remuneration for the audit of the annual accounts of 2014, prepared pursuant to Act C of 2000 on Accounting as applicable to credit institutions and the audit of the consolidated annual accounts, of which **HUF 50,700,000 + VAT** shall be paid in consideration of the audit of the unconsolidated annual accounts, and **HUF 13,060,000 + VAT** shall be the fee payable for the audit of the consolidated annual accounts.

DRAFT RESOLUTION

Concerning the audit of OTP Bank Plc.'s 2014 separated annual accounts prepared in accordance with Hungarian Accounting Standards and consolidated 2014 annual financial statements the AGM is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2014 until 30 April 2015.

The AGM approves the nomination of dr. Attila Hruby (No. 007118 chartered auditor) as the person responsible for auditing. In case any circumstance should arise which ultimately precludes the activities of dr. Attila Hruby as appointed auditor in this capacity, the Annual General Meeting proposes the appointment of Zoltán Nagy (No. 005027 chartered auditor) to be the individual in charge of auditing.

The General Meeting establishes the total amount of HUF 63,760,000 + VAT as the Auditor's remuneration for the audit of the 2014 annual accounts, prepared in accordance with Hungarian Accounting Standards as applicable to credit institutions, and for the audit of the consolidated annual accounts prepared pursuant Act on Accounting. Out of total remuneration HUF 50,700,000 + VAT shall be paid in consideration of the audit of the separated annual accounts and HUF 13,060,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.

DECISION ON THE CONTINUED OPERATION OF OTP BANK PLC. IN LINE WITH THE PROVISIONS OF THE NEW CIVIL CODE, AND PROPOSAL ON THE AMENDMENT OF THE BYLAWS

Decision on the continued operation of OTP Bank Plc. in line with the provisions of the new Civil Code, and proposal on the amendment of the Bylaws

Act CLXXVII of 2013 on the transitional and authorising provisions related to the enactment of Act V of 2013 on the Civil Code (hereinafter: "Civil Code") provide as follows:

"*Article 12 (1) Upon enactment of the Civil Code the […] economic entity registered in the companies register shall, as of the amendment of the first founding deed following the enactment of the Civil Code, be obliged to decide on its continued operation in line with the provisions of the Civil Code, and to submit the resolution of its supreme governing body to the company court.*

We propose that the General Meeting decide on the Company's continued operation in line with the provisions of the new Civil Code and on bringing the Company's Bylaws into line with the provisions of the new Civil Code.

Summary of amendment proposals

The amendments affect the sections of the Bylaws listed below:

1.) Amendments related to Act V of 2013 on the Civil Code (Bylaws [sections 1.2; 5.6; 8.11; 8.18; 8.33; 8.35; 9.5; 9.12; 11.2; 11.3; 11.8; 12.2; 12.5; 12.7; Article 12/A.5])

2.) Amendments related to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Bylaws [sections 8.33; 9.13; 11.11, as well as Article 11/A.])

3.) Other amendments that are of a clarifying nature or that are advisable for practical reasons ([Bylaws Preamble, and sections 5.6; 5.7; 5.12; 5.13; 6.1; 6.5; 6.6; 6.7; 8.4; 8.11; 8.12; 8.13; 8.15; 8.16; 8.33; 9.7; 9.12; 9.13; 9.18; 11.2; 11.5; 11.6; 11.12; 12.1; 12.6; 12/A.2; 12/A.3; 13.6; 13.8; 13.12, as well as Articles 16, 17 and 18])

Marking of the amendment proposals

The text of the Bylaws is written in Times New Roman font; the <u>new parts of the text</u> are indicated by underlining, and the ~~deleted parts~~ by cross-through.

We propose that the General Meeting decide on the resolution proposal relating to the amendment of the Bylaws by way of a vote.

Detailed amendment proposals

1.) Amendments related to Act V of 2013 on the Civil Code (Bylaws [sections 1.2; 5.6; 8.11; 8.18; 8.33; 8.35; 9.5; 9.12; 11.2; 11.3; 11.8; 12.2; 12.5; 12.7; Article 12/A.5])

Bylaws, subsection 1.2

> "1.2. The registered office of the Company: 1051 Budapest, Nádor u. 16.
>
> The list of the Company's permanent establishments and branch offices is contained in annex 2 of the Bylaws."

Reasoning: Based on the new Civil Code, the company's permanent establishment and branch office must be stated in the founding deed, if the company requests that these be recorded in the register. The company states its permanent establishment and branch office in the companies register, and therefore the stating of these in the founding deed is also legally necessary.

New paragraph of subsection 5.6 of the Bylaws:

> "Anyone may inspect the contents of the Share Register. The possibility of inspection – in the case of a specific, prior written request to this effect, at a time agreed on in advance – is assured by the Company, on a continuous basis during working hours, at its head office. Any person in relation to whom the share register contains existing or deleted data may request a copy of the part of the share register that relates to him or her. The copy shall be released to the person entitled thereto within five days, free of charge."

Reasoning: The act – in contrast to the previous provision of the Companies Act ("Gt.") – now makes it possible for anyone to inspect the contents of the share register.

First paragraph of subsection 8.11 of the Bylaws:

> "8.11 Shareholders representing at least 1% of the votes may ~~–provided they indicate the reason,~~ – subject to observation of the rules pertaining to the level of detail of the agenda – request, in writing, that the Board of Directors put a particular issue on the agenda of the convened General Meeting. The minority shareholders may exercise this right within eight days after the announcement of the General Meeting. The Board of Directors must put the motion on the agenda of the General Meeting and publish it within eight days in accordance with Article 15."

Reasoning: Shareholders no longer have the option of adding something to the agenda by simply indicating the reason for it; they can now only do so provided that the rules related to the degree of detail required of the agenda are observed.

Section 8.18 of the Bylaws:

> "8.18 If the duly convened General Meeting is ~~still does~~ not quorate, ~~after one hour has passed since the starting time indicated in the invitation~~, ~~the General Meeting that is reconvened for this – one hour later – point in time~~ the repeat General Meeting shall be quorate in respect of the matters listed on the original agenda, ~~regardless of the number of persons attending~~ regardless of the extent of the voting rights represented by the attendees. If a proposal is on the agenda of the General Meeting regarding the delisting of the shares on all regulated markets (hereinafter: total delisting) the reconvened General Meeting shall have a quorum with regard to this agenda item if the shareholders holding more than half of the votes represented by the voting shares are presented thereat."

Reasoning: The rules on holding a repeat general meeting have become stricter under the new Civil Code, in the sense that the repeat general meeting may now no longer be held on the day of the (original) general meeting; it may only be convened for a point in time at least ten days, and at most twenty-one days, after the (original) general meeting.

Subsection 20 and new subsection 23 of section 8.33 of the Bylaws:

> "20. a ~~non-mandatory~~ decision concerning the guidelines and framework for a long-term salary and incentive scheme for executive officers, supervisory board members and executive employees (Remuneration Guidelines);"
>
> "23. provision of financial assistance to a third party for the acquiring of shares issued by the company; (qualified majority)."

Reasoning: There has been a slight change under the new Civil Code, and a new element has been added, with regard to the matters that belong to the exclusive competence of the general meeting.

Section 8.35 of the Bylaws:

> "8.35. The request for a judicial review of an unlawful resolution shall be lodged against the Company ~~within thirty days after such resolution has been learned of~~ within thirty days from the learning of the resolution, or from the time when the person lodging such request could have learnt of the resolution. After the expiry of a one-year ~~ninety-day~~ forfeiture deadline from the passing of the resolution, ~~the resolution may not be contested even if it has not been communicated to the person entitled to lodge a claim or he has not learned thereof~~ a suit may not be launched."

Reasoning: The rules on the judicial review of potentially unlawful company resolutions have become stricter, with the – previously 90-day – objective (forfeiture) deadline available for contesting the resolution having been extended to 1 year.

Second paragraph of section 9.5 of the Bylaws:

> "In connection with the approval of the financial statements the Supervisory Board makes a proposition to the General Meeting on the evaluation of the work of the members of the Board of Directors in the previous financial year, and on the granting of any discharge of liability to the members of the Board of Directors. Granting a discharge from liability constitutes the General Meeting's verification that the members of the Board of Directors in question have performed their work during the period ~~under review by giving priority to~~ in accordance with the interests of the Company.

Reasoning: The legal substance related to the concept of discharge from liability has changed, in the sense that the discharge from liability will from now on testify to the fact that the members of the board of directors have performed their work 'in accordance with' the interests of the company.

Section 9.12, subsection a), of the Bylaws:

> "a.) The Board of Directors shall pass its resolutions – with the exception of qualified cases specified in the Credit Institutions Act and in the Board of Directors' rules of procedure – ~~by simple majority vote~~ by a simple majority vote of the attendees. ~~In case of a tie vote, the vote of the Chairman-Chief Executive shall decide.~~

Reasoning: The rules on the passing of resolutions by the board of directors have become stricter, to wit the board of directors may take its decisions by way of a simple majority vote of the attendees, and the provision of the bylaws that stipulates a ratio for the passing of resolutions that is lower than this (e.g. the chairperson's vote has the power to carry the motion in the case of a tied vote) would be rendered null and void.

Section 11.2 of the Bylaws:

> "11.2.The members of the Supervisory Board shall be elected by the General Meeting upon its decision uniformly either for an indefinite period or for three years; in the latter case the mandate will end with the general meeting closing the third economic year following the election. The period of office of a new member elected during this time shall last until the election of the Supervisory Board. The members of the Board of Directors, their ~~close~~ relatives, and the employees of the Company may not be elected as members of the Supervisory Board by the General Meeting.

Reasoning: The rules on exclusion with regard to the members of the Supervisory Board have become stricter.

Section 11.3 of the Bylaws:

> "11.3 In the absence of a provision of the Bylaws to the contrary, approved by the Works Council operating at the Company, ~~and, in the absence of an agreement to the contrary between it and the Board of Directors~~, the employees~~,~~ shall be entitled to participate, via the Supervisory Board, in the supervision of the Company's operation. In this case 1/3 of the members of the Supervisory Board shall be the representatives of the employees. Rules pertaining to the nomination of employee members of the Supervisory Board and the initiation of their removal shall be defined by the Works Council operating within the Company."

Reasoning: While previously it was possible for an agreement to be entered into between the works council and the board of directors that limited the controlling rights of employees in respect of the controlling of the Company's operation, under the new Civil Code such limiting provision must henceforth be provided for in the bylaws subject to the express approval of the works council.

Section 11.8 of the Bylaws:

> "11.8.The Supervisory Board shall control the management of the Company. In the framework of this activity, the Supervisory Board may request reports or information to be provided by members of the Board of Directors and ~~executive~~ employees of the Company, which request shall be complied with in a reasonable time but within eight days at the latest. The Supervisory Board may inspect, or cause to be inspected by an expert, the Company's books and documents. The General Meeting shall make a decision on the report prepared according to the Accounting Act and the use of the profit after tax only in possession of the written report of the Supervisory Board."

Reasoning: The powers of the Supervisory Board have been extended; from now on it may request a report or clarifying information not only from the executive employees, but from any employee.

Section 12.2 of the Bylaws:

> "12.2 No shareholder of the Company, and no member of the Board of Directors or Supervisory Board, nor his or her ~~close~~ relative (Civil Code~~, Article 685 b~~ Article 8:1 para. (2)) ~~or life partner, or~~ may be elected as auditor, and nor, furthermore, may any ~~staff member~~ employee of the Company, during the existence of such legal relationship, and for a period of 3 years following the termination of this capacity of ~~theirs~~ his/hers."

Reasoning: The rules on exclusion with regard to the person of the auditor have become stricter.

Section 12.5 of the Bylaws:

> "12.5. The auditor may inspect the Company's ~~books, financial documents, contracts, and bank accounts, and may request information to be provided by members of the Board of Directors and of the Supervisory Board and the Company's employees~~ documents, accounting records, and books, may request additional information from the members of the Board of Directors and the Supervisory Board and from the Company's employees, and may examine the Company's payment account, cash desk, securities and commodity holdings, as well as its contracts. The auditor shall exercise this entitlement in co-operation with the Company's independent internal audit unit."

Reasoning: The range of documents that may be examined by the auditor has expanded.

Section 12.7 of the Bylaws:

> "12.7. The auditor shall inform the Supervisory Board and initiate a convening of the General Meeting via the Board of Directors if he/she detects
> a.) ~~that a significant decrease~~ a change in the assets of the Company of such an extent as to jeopardise the satisfaction of claims against the Company ~~may be expected~~;
> b.) any fact that entails the liability of the members of the Board of Directors, or of the members of the Supervisory Board.

Reasoning: The range of cases when the auditor is obliged to notify the Supervisory Board and to initiate, at the Board of Directors, the convening of the General Meeting, has been defined more precisely.

Section 12.A.5 of the Bylaws:

> "12/A 5. An executive officer, or ~~direct~~ relative of his/hers ~~or his life partner~~ may, subject to the conditions stipulated in the Civil Code,, the Credit Institutions Act and the Capital Markets Act, conclude a contract for the use of the services offered by the Company.

Reasoning: The range of persons that may use the services offered by the company subject to the special statutory provisions has expanded.

2.) Amendments related to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Bylaws [sections 8.33; 9.13; 11.11, as well as Article 11/A.])

Subsections 7. and 8. of section 8.33 of the Bylaws:

> "7. the election of the members of the Board of Directors, the Supervisory Board and of the Audit Committee, as well as of the permanent auditor (hereinafter: auditor), the determination of their remuneration, as well as the determination of the material content of the contract to be concluded with the auditor;
>
> In the event that the minimum number, determined in the Bylaws, of members of one of the governing bodies is not elected, a decision shall be made, pursuant to section 8.19. of the Bylaws, to hold a continued General Meeting with regard to this point of the agenda."
>
> "8. The recall of members of the Board of Directors ~~and~~, the Supervisory Board, and the Audit Committee, as well as of the auditor; (qualified majority);
>
> More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if a shareholder holds more than 33% of the shares issued by the Company that have been obtained by the shareholder by way of a public purchase offer."

Reasoning: The provisions of the new Credit Institutions Act (Hpt.) that came into effect on 15 March 2014 – after a few years, again – make it compulsory for credit institutions that are classed as public interest entities to set up a separate Audit Committee, as a result of which the fact of the establishment of the Audit Committee and the requisite provisions related to its operation have been included in the Bylaws.

New sub-subsection iv) of subsection a) of Section 9.13 of the Bylaws:

> "iv) perform the tasks referred to its authority by the Credit Institutions Act."

Reasoning: The scope of authority of the Board of Directors has expanded under the new Credit Institutions Act (Hpt.). However, in order to avoid over-complicating the Bylaws, instead of a detailed enumeration of these powers it is recommended that these simply be referred to in the form of a brief note. The scope of authority of the Board of Directors has expanded to include the following in accordance with the new Hpt.:

The Board of Directors is obliged to

- ensure the integrity of the accounting and financial reporting system, including the financial and operative control thereof, and to ensure appropriate compliance with the related statutory regulations and standards;
- ensure statutory data reporting, public disclosures of information and the related communication;

- develop an appropriate strategy and define risk-tolerance thresholds for all affected business lines in the interest of the development of procedures, adapted to individual business lines, currencies and the legal entities of the group, for the identification, management and monitoring – over an appropriate time horizon, of as little as one day – of liquidity risk, including the related liquidity cost-, profit- and risk-allocation procedures;
- approve strategies aimed at eliminating any possible liquidity gaps, as well as plans containing the related implementation measures;
- approve, regularly review and evaluate the strategies and internal regulations related to the separation of tasks within the organisation, the avoidance of conflicts of interest, the undertaking, measurement and monitoring of risks (which includes risks stemming from changes in the macroeconomic environment and the status of the economic cycle), and ensure their implementation;
- define the risk-assumption limits;
- appraise, and at least once a year, review, the assumptions underpinning decisions related to the funding position;
- assure the necessary resources for the management of risks, the evaluation of assets, the utilisation of external credit ratings, and the application of the related internal models;
- monitor observation of the principles of the remuneration policy.

Section 11.11 of the Bylaws:

“11.11. Minutes must be taken of the meetings of the Supervisory Board. ~~With respect to the decisions that are made when exercising the competences that are stipulated for the Audit Committee in Article 311 (2) of the Companies Act and Article 62 (3) of the Capital Markets Act, the votes of the independent members of the Supervisory Board must also be recorded in the minutes separately and they must be disclosed to the shareholders with respect to the matters on the agenda of the General Meeting.~~ The Supervisory Board must hold meetings on at least 6 occasions each year. A meeting must also be convened if this is requested by one member of the Supervisory Board, at least two members of the Board of Directors, or by the auditor, in writing, with an indication of the reason and the purpose.”

Reasoning: The provisions of the new Credit Institutions Act (Hpt.) that come into effect on 15 March 2014 – after a few years, again – make it compulsory for credit institutions that are classed as public interest entities to set up a separate Audit Committee, as a result of which the fact of the establishment of the Audit Committee and the requisite provisions related to its operation have been included in the Bylaws.

New Article 11/A of the Bylaws:

"Article 11/A

Audit Committee

11/A.1. The Company's General Meeting elects a minimum 3-member Audit Committee from among the independent members of the Supervisory Board. At least one member of the Audit Committee must have a professional accounting or auditing qualification.

11/A.2. The Audit Committee assists the Supervisory Board in the auditing of the financial reporting system, in the selection of an auditor and in cooperating with the auditor.

11/A.3. The Audit Committee is deemed quorate if more than half of its members are present. The Audit Committee passes its resolutions with a simple majority of votes of the attendees. The detailed rules governing the operation of the Audit Committee are contained in its rules of procedure, which is approved by the Supervisory Board.

11/A.4. The personal composition of the Audit Committee effective at the time of the incorporation in a unified format of the Bylaws-amendment is contained in annex 1 of the Bylaws, which is drawn up by the legal representative performing the incorporation in a unified format.

Reasoning: The provisions of the new Credit Institutions Act (Hpt.) that come into effect on 15 March 2014 – after a few years, again – make it compulsory for credit institutions that are classed as public interest entities to set up a separate Audit Committee, as a result of which the fact of the establishment of the Audit Committee and the requisite provisions related to its operation have been included in the Bylaws.

3.) Other amendments that are of a clarifying nature or that are advisable for practical reasons

[Bylaws Preamble, and sections 5.6; 5.7; 5.12; 5.13; 6.1; 6.5; 6.6; 6.7; 8.4; 8.11; 8.12; 8.13; 8.15; 8.16; 8.33; 9.7; 9.12; 9.13; 9.18; 11.2; 11.5; 11.6; 11.12; 12.1; 12.6; 12/A.2; 12/A.3; 13.6; 13.8; 13.12, as well as Articles 16, 17 and 18])

Preamble of the Bylaws:

> "concerning the main rules of the structure and operation of OTP Bank Plc. (hereinafter: "Company") provided for in Act ~~IV of 2006 on Economic Associations (hereinafter: "Companies Act")~~, , V of 2013 on the Civil Code (hereinafter: Civil Code) in Act ~~CXII of 1996~~CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter: "Credit Institutions Act") and in Act CXX of 2001 on the Capital Market (hereinafter: "Capital Markets Act") as well as in Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the Regulations Governing their Activities (hereinafter: "Investment Services Act") established in accordance with the decision of the Founders of the Company, and on the decisions taken with a qualified majority of its General Meetings, as well as on the decision of the Board of Directors.

Reasoning: The legislative references have changed.

Subsection f) of the first paragraph of section 5.6 of the Bylaws:

> f)~~the date of the share purchase~~(deleted)";

Reasoning: The relevant provision of Act CXX of 2001 on the Capital Market that is effective from 15 March 2014 no longer contains the obligation to the effect that the date of the share purchase be indicated in the Share Register, and thus this particular content element can be deleted from the Bylaws.

Fourth paragraph of section 5.6 of the Bylaws:

> "As an annex to the Share Register, the Company's Board of Directors shall keep the information required to identify the indirect interest – calculated as defined in Schedule ~~4~~ 3 of the Credit Institutions Act – held in the Company by shareholders possessing at least a 5% ownership share ~~or voting right~~."

Reasoning: According to the new Civil Code it is no longer compulsory to record, as a separate annex to the share register, the owners that have 5% or more of the voting rights (see treasury shares); only the shareholder whose *ownership share* reaches or exceeds 5% need to be indicated.

Section 5.7 of the Bylaws:

"5.7. The entry into the Share Register of the shares may be requested by the transferee from the Board of Directors in a private deed bearing full probative force in accordance with Act III of 1952 on Civil Proceedings – with a request containing the data referred in 5.6. – at any time after the share transfer in its favour. The ~~written~~ application shall be accompanied with a certificate of ownership issued with a content in accordance with the applicable laws by the investment firm or credit institution holding the securities account of the shareholder, certifying the ownership of the shares, and furthermore, if the share transfer requires the prior approval of the ~~Hungarian Financial Supervisory Authority~~ National Bank of Hungary (hereinafter: ***Supervisory Authority***), then the prior approval of the Supervisory Authority."

Reasoning: In accordance with the intention of the legislators, the former Hungarian Financial Supervisory Authority (HFSA) has merged with the national bank (MNB). Article 2 of Govt. Decree 67/2014. (III.13.) on certain matters related to the keeping of the share register by joint-stock companies clearly states under what formal conditions an application for registration in the share register may be submitted (by post, in person, and also electronically), and therefore we recommend that the word "written", until now used as a stipulated restrictive condition in respect of form, be deleted.

Section 5.12 of the Bylaws:

"5.12. No one may have a shareholding in the Company on the basis of shares existing or acquired in spite of the restrictions stipulated in the law or in the Bylaws; no shareholder's rights may be enforced with such shares in respect of the Company.

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be supplemented.

Section 5.13 of the Bylaws:

"5.13. Treasury shares may be acquired by the Company in accordance with the rules of the ~~Companies Act~~ Civil Code. Authorisation by the General Meeting is not required for the acquisition of treasury shares if such is necessary in order to prevent imminent injury to which the Company is directly exposed (this provision is not applicable in the case of a public purchase offer aimed at buying up the Company's shares), as well as if the Company acquires the treasury shares as part of a judicial procedure aimed at the settlement of a claim to which the Company is entitled or in the course of transformation."

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be supplemented.

Section 6.1 of the Bylaws:

"6.1. In the absence of a provision of these Bylaws to the contrary, the shareholders may exercise their rights and shall fulfil their obligations in accordance with the ~~Companies Act~~ Civil Code and the other applicable laws."

Reasoning: The legislative reference has changed.

Section 6.5 of the Bylaws:

"6.5. The minutes prepared on the general Meeting shall be published as is set out in Article 15, concurrently with the submission thereof to the Court of Registration. Any shareholder may require from the Board of Directors a copy or an excerpt of such minutes. ~~Upon the written request of the shareholder, the Company shall send the shareholder the individual documents related to the General Meeting (invitation, proposal, comments, resolutions, and minutes) electronically.~~"

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this latter provision be deleted; the provision was unnecessary, since the Civil Code also provides in respect of this, and it only stipulates this entitlement in respect of documents that precede the general meeting, and therefore this earlier provision was also broader in scope than the legal requirement (e.g. minutes, resolutions).

Section 6.6 of the Bylaws:

"6.6. The shareholders and the capital market shall be informed on the operation and business activity of the Company at the general meetings and through the documentation prepared on the general meetings and any other announcements under the Capital Markets Act, Investment Services Act and regulations of the Budapesti Értéktőzsde Zrt. (Budapest Stock Exchange, hereinafter: "BSE"). Business books and other documents of the Company qualify as business secrets under the ~~Companies Act~~ Civil Code and the shareholders may not inspect them.

Reasoning: The legislative reference has changed.

Section 6.7 of the Bylaws:

"6.7.~~Shareholders shall have the right to inspect the Share Register and may request copies of the section which pertains to them. The request for inspection and/or the issue of the copies shall be fulfilled by the Company within three working days from the receipt of the written request.~~ (deleted)"

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision – in line with the provisions of the new Civil Code – be placed in the new section 5.6 of the Bylaws.

Section 8.4 of the Bylaws:

> "8.4. The Company requests Központi Elszámolóház és Értéktár Zártkörűen Működő Részvénytársaság (Central Clearinghouse and Depository Budapest Ltd.) (hereinafter: Keler Zrt.) to identify the owners for the purposes of the General Meeting (including any repeated General Meeting), which is a corporate event. The date of identifying the owners may fall only between the 7th (seventh) and 5th (fifth) trading days prior to the General Meeting (including any repeated General Meeting). The rules of ownership identification are contained in the effective regulations of Keler Zrt.
>
> The Company, at ~~12 o'clock noon~~ 18.00 hours Budapest time on the second working day before the General Meeting (including any repeated General Meeting), deletes all data in the Share Register and at the same time registers the results of the owner verification in the Share Register and closes it with the results of the owner verification. Thereafter any note related to the holding of the shareholder may be made at the earliest on the working day following the closure of the General Meeting, or following the day of the non-quorate General Meeting.

Reasoning: In view of the fact that the rules on holding a repeated general meeting have become stricter under the new Civil Code, in the sense that the repeated general meeting may now no longer be held on the day of the (original) general meeting, but may only be convened for a point in time at least ten days, and at most twenty-one days, after the (original) general meeting, it is recommended that a new owner verification procedure be requested for such repeated meeting. Article 4, paragraph (1) of Govt. Decree 67/2014. (III. 13.) on certain matters related to the keeping of the share register by joint-stock companies clearly states that on the second working day preceding the initial day of the general meeting the keeper of the share register is obliged to ensure, until 18.00 hours, that the shareholders are able to exercise their shareholder rights regarding registration in the share register, and therefore we recommend amending the time of 12 o'clock noon that has until now been stipulated by the second paragraph of section 8.4 of the Bylaws to 18.00 hours.

Second paragraph of section 8.11 of the Bylaws:

> Shareholders representing at least 1% of the votes may submit in writing a draft resolution ~~motion~~ to the Board of Directors in respect of the agenda item that was announced in the invitation or was submitted by the shareholders in writing to the Board of Directors in accordance with the provisions of this section. The minority shareholders may exercise this right within eight days after the announcement of the General Meeting is published. The Board of Directors announces the draft resolution ~~motion~~ in accordance with Article 15, and the Chairman of the General Meeting puts it to a vote at the General Meeting under the relevant agenda item. If the General Meeting accepts one of the conflicting draft resolutions ~~motions~~ pertaining to the same agenda item, the other draft resolutions ~~motions~~ that contradict the accepted draft resolutions ~~motions~~ do not have to be put to a vote.

Reasoning: It is recommended that the wording of the Bylaws be amended in line with the wording of the new Civil Code.

Section 8.12 of the Bylaws:

> "8.12. The General Meeting shall be convened by the Board of Directors. The Supervisory Board shall convene the General Meeting in the cases specified in the ~~Companies Act~~ Civil Code.

Reasoning: The legislative reference has changed.

Section 8.13 of the Bylaws:

> "8.13. The convocation of the General Meeting – in the absence of a provision to the contrary in the ~~Companies Act~~ the Civil Code and the Credit Institutions Act – shall be published in the manner specified with respect to the notices of the Company at least 30 days prior to the starting date of the planned General Meeting.

Reasoning: The legislative reference has changed.

Section 8.15 of the Bylaws:

> "8.15 The agenda of the General Meeting shall be determined by the Board of Directors, but it shall put on the agenda the proposal of the shareholders submitted in accordance with section 8.11. Any issues not included in the announced agenda may be discussed by the General Meeting only if all the shareholders are present and it they give their unanimous consent to such."

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be inserted into the Bylaws.

Section 8.16 of the Bylaws:

> "8.16 The Company shall publish the total number of shares and voting rights at the date of the convocation, and its proposals related to the matters on the agenda and the Supervisory Board reports related to them, as well as the resolution proposals, on the Company's website, at least twenty-one days prior to the general meeting."

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that the legal provision be inserted into the Bylaws.

Subsections 1, 5, 6, 10, 11 and 17 of section 8.33 of the Bylaws:

> "1.~~Unless the Companies Act provides otherwise~~ with the exception of cases referred by these Bylaws to the authority of the Board of Directors, the determination and amendment of the Bylaws (qualified majority); the General Meeting shall make a decision about the proposals concerning the amendment of the Bylaws – either individually or en masse – based on the resolution of the shareholders passed with a simple majority;
>
> "5. the reduction of the capital, unless the ~~Companies Act~~ Civil Code provides otherwise; (qualified majority);"
>
> "6. deciding on the Company's transformation, merger or termination without legal successor with the proviso that in the case stipulated in subsection iv) of section 9.13. c) decision on merger falls within the exclusive competence of the Board of Directors (qualified majority);"
>
> "10. decision – unless the ~~Companies Act~~ Civil Code provides otherwise – on the issuance of convertible bonds or of bonds embodying subscription rights;"
>
> "11.~~approval of the Rules of Procedure of the Supervisory Board~~ (deleted)~~;~~"
>
> "17. with the exceptions specified in the ~~Companies Act~~ Civil Code, decision on the acquisition of the Company's own shares;"

Reasoning: The new Civil Code no longer refers the approval of the Supervisory Board's rules of procedure to the exclusive authority of the General Meeting, and thus from now on the Supervisory Board may determine its own rules of procedure. The legislative references have also changed, and also to improve the textual harmonisation of the Bylaws, the supplementing of subsections 1. and 6. of the Bylaws is recommended. Based on the possibility provided by the provisions of the Act CLXXVI of 2013 on the transformation, merger and demerger of certain legal entities it is recommended to make the potential merger procedure of the Company and its certain subsidiary – which subsidiary is determined by the above referred Act – more flexible, according to subsection 6.

Section 9.7 of the Bylaws:

> "9.7. The meetings of the Board of Directors shall be held as necessary, but at least ~~8~~6 times a year.

Reasoning: The new Civil Code does not stipulate any cogent rule with regards to the frequency of board meetings, and for this reason – and also in view of the fact that OTP Bank Plc.'s Board of Directors already passes resolutions without holding meetings on multiple occasions during the year – the number of board meetings to be held on a compulsory basis each year may be reduced.

Subsection b) and new subsection e) of section 9.12 of the Bylaws:

"b.) The Board of Directors may pass valid resolutions ~~via telephone, telex and by means similar to these~~ without holding a meeting if the board members document their vote – given in respect of the draft resolution sent to them – ~~in a private deed of full conclusive force~~ and forward it in writing to the registered office of the Company within 15 days.

"e.) Instead of through personal participation in the meetings, the members of the Board of Directors may exercise their members' rights at board meetings by using an electronic communication device suitable for identifying the member and for assuring mutual and unrestricted communication between the members."

Reasoning: In accordance with the provisions of the new Civil Code, the provision of the Bylaws pertaining to the Board of Directors' method of operation, in view of developments that have taken place over time in the technology of electronic communication devices, may be rendered more precise and, in terms of actual practice, simplified.

Sub-subsection xi) of subsection b) of section 9.13 of the Bylaws:

"xi.) decision on the approval of regulations that determine banking operations at a fundamental level, and/or that are referred to its authority by the Credit Institutions Act. Such regulations shall in particular include:

- the collateral evaluation regulations,
- the risk-assumption regulations,
- the customers rating regulations,
- the counterparty rating regulations,
- the investment regulations,
- the regulations on asset classification, impairment recognition and provisioning,
- the organisational and operational regulations, which contain the regulations on the procedure for assessing requests related to large loans,
- the regulations on the transfer of signatory rights;

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be supplemented.

Sub-subsections i), iii) and iv) of subsection c) of section 9.13 of the Bylaws:

"i.) to decide, in the cases specified in the ~~Companies Act~~ Civil Code, to accept the Company's interim balance sheet, with the prior approval of the Supervisory Board;"

"iii.) to make decisions regarding any change in the Company's name, registered office, sites, branches and the Company's activities – with the exception of its core activity – and in relation to this, to modify the Bylaws if it is necessary to do so on the basis of the ~~Companies Act~~ Civil Code or the Bylaws;"

> "iv.) to decide on the merger of the Company (if according to the provisions of the law the approval of the General Meeting is not required to the merger)"

Reasoning: The legislative reference has changed. With regard to the provision of subsection 6 of the section 8.33. – pertaining to the merger of the Company – the subsection c) of section 9.13. shall be complemented with the new sub-subsection iv).

Section 9.18 of the Bylaws:

> "9.18 The personal composition of the Board of Directors effective at the time of the incorporation in a unified format of the Bylaws-amendment is contained in ~~the~~ annex 1 of the Bylaws, which is drawn up by the legal representative performing the incorporation in a unified format.

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be amended.

Third paragraph of section 11.2 of the Bylaws:

> "The majority of the members of the Supervisory Board shall be independent. Those persons shall be deemed independent who meet the requirements set out in ~~309. § (2) and (3) of Companies Act~~ Article 3:286-287 of the Civil Code."

Reasoning: The legislative reference has changed.

Section 11.5 of the Bylaws:

> "11.5. The Supervisory Board shall determine its rules of procedure~~, which shall be approved by the General Meeting~~."

Reasoning: The new Civil Code no longer refers the approval of the Supervisory Board's rules of procedure to the exclusive authority of the General Meeting, and thus from now on the Supervisory Board may determine its own rules of procedure.

New third paragraph of section 11.6 of the Bylaws:

> "The Supervisory Board is obliged to add the matters that the auditor has recommended for discussion to the agenda."

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be amended.

Section 11.12 of the Bylaws:

> "11.12 The personal composition of the Supervisory Board effective at the time of the incorporation in a unified format of the Bylaws-amendment is contained in ~~the~~ annex 1 of the Bylaws, which is drawn up by the legal representative performing the incorporation in a unified format.

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be amended.

Section 12.1 of the Bylaws:

> "12.1. The General Meeting of the Company shall choose, for each year, an auditor or an auditing firm, from among the sworn auditors registered in Hungary that satisfy the provisions of the Credit Institutions Act. In the case of the selection of an auditing company, the General Meeting shall be entitled to approve as a part of the main element of the agreement entered into with the auditor the appointment of the member, senior officer or employee by the auditing company, who shall be personally responsible for auditing. The specification of the auditing organisation and of the approved person is contained in ~~the~~ annex 1 of the Bylaws, which is drawn up by the legal representative performing the incorporation of these Bylaws in a unified format.

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be amended.

Section 12.6 of the Bylaws:

> "12.6. The auditor shall be invited to the General Meetings of the Company. The auditor may participate in the meetings of the Supervisory Board in an advisory capacity, and shall be obliged to participate in such meetings if called upon to do so by the Supervisory Board."

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be amended.

Sections 12/A.2. and 12/A.3. of the Bylaws:

> "12/A.2. Senior officers must immediately notify the Chairman & CEO if:
> a.) they have a ~~qualified influence~~ qualifying holding or a controlling influence in any company as defined in the Credit Institutions Act;
> b.) any of his/her close relatives has a ~~qualified influence~~ qualifying holding or a controlling influence in any company as defined in the Credit Institutions Act;
> c.) after his/her appointment, an event occurred that disqualifies him/her from serving as a senior officer.

12/A.3. A senior executive may be elected a senior officer or member of the Supervisory Board in a company whose designated core activity is the same as the Company's core activity if the Company holds a ~~qualified influence~~ qualifying holding as defined in the Credit Institutions Act, in the business entity concerned.

Reasoning: The expression "qualified influence" in the old Credit Institutions Act (Hpt.) has changed to "qualifying holding", and therefore the amendment of the Bylaws has become necessary.

Section 13.6, subsection c) of the Bylaws:

"c) the share ownership of the shareholder shall not violate the provisions of the relevant statutory provisions and of the Bylaws, which circumstance shall be established through inspection by the Company prior to the payment of dividends.

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be amended.

Section 13.8 of the Bylaws:

"13.8. The Company shall treat the dividend that is to be paid on shares classed as treasury shares as a share that is due to the shareholders who are entitled to receive dividends, in proportion to the ratio of the shares held by them (i.e. the Company shall distribute this among the shareholders who are entitled to receive dividends). At least 10 working days must pass between the publication of the announcement regarding the procedure of dividend payment and containing the ~~dividend per share which has been adjusted by the dividend paid on the shares that qualify as own shares and which is based on the resolution concerning the amount of the dividend and the~~ starting day of dividend payment on the one hand, and the first day of dividend payment on the other. The announcement specifying the extent of the dividend per share, adjusted by the extent of the dividend paid on shares that are classed as treasury shares, and which is based on the resolution that provides for the extent of the dividend, shall be published by the Company, at the latest, on the day of receipt of the result of the shareholder verification procedure related to the dividend payment as a corporate event."

Reasoning: It is recommended that the procedure related to announcements on dividends be amended to bring it more into line with market practice. More specifically, following the general meeting that decides on dividends, not one, but two announcements should be issued: i) the first would give information on the procedure for payment of the dividend and on the starting day of dividend payment (with at least 10 working days between the publication of this announcement and the starting day of dividend payment), while the second announcement would give information on the concrete extent of the dividend, adjusted by the dividend due on treasury shares. (This announcement will be published by the Company, at the latest, on the day of receipt of the result of the shareholder identification procedure related to the dividend payment as a corporate event.)

Section 13.12 of the Bylaws:

"13.12 If the conditions for such as stipulated by the law are in place, the Company may pay an advance dividend in accordance with the provisions of the Bylaws. ~~If the shareholder accepts such dividend disbursement, and does not return it to the Company within 5 calendar days from the crediting thereof on his bank account, this act is considered as commitment to repay the interim dividend, if based on the annual report prepared according to the Accounting Act the disbursement of such dividend would be illegal.~~"

Reasoning: To improve the textual harmonisation of the Bylaws, it is recommended that this provision be amended.

Article 16 of the Bylaws:

"Article 16

Legal disputes

In any legal disputes between the Company and the shareholder based on the corporate legal relationship between them, as well as in any procedure aimed at a judicial review of a resolution of the General Meeting, the ~~Metropolitan Court~~ Metropolitan Court of Budapest shall have exclusive competence. In respect of any legal disputes, the prevailing laws of Hungary shall be applicable."

Reasoning: The name of the institution has changed.

Article 17 of the Bylaws:

"Article 17

Miscellaneous

The issues not regulated in these Bylaws shall be governed by the provisions of the ~~Companies Act~~ Civil Code, the Capital Markets Act, the Credit Institutions Act and the Investment Services Act.

Reasoning: The legislative reference has changed.

The article specification is deleted from Article 18 of the Bylaws and the annexes of the Bylaws will be listed without an article specification, as follows:

“~~Article 18~~

~~“Annexes~~

~~Members of the Board of Directors:~~

~~Dr. Csányi Sándor (an.: Ballagó Amália)~~
~~1121 Budapest, Laura út 26.~~
~~Baumstark Mihály (an.: Engler Anna)~~
~~8640 Fonyód, Magay u. 32.~~
~~Dr. Bíró Tibor (an.: Szakál Margit)~~
~~1028 Budapest, Szamorodni u. 13.~~
~~Braun Péter (an.: Lusztig Hermin)~~
~~1124 Budapest, Fodor u. 76.~~
~~Erdei Tamás György (an.: Hüller Éva Terézia)~~
~~1221 Budapest, Gerinc u. 64.~~
~~Dr. Gresa István (an.: Lajos Teréz)~~
~~1025 Budapest, Szalamandra köz 2/A.~~
~~Hernádi Zsolt (an.: Farkas Zsuzsanna)~~
~~2024 Kisoroszi, Széchenyi út 169.~~
~~Dr. Kocsis István (an.: Hajdú Anna)~~
~~2016 Leányfalu, Móricz Zs. út 163/c.~~
~~Dr. Pongrácz Antal (an.: Hazslinszky-Krull Edit)~~
~~1037 Budapest, Vízmosás lejtő 3.~~
~~Dr. Utassy László (an.: Zay Ilona)~~
~~1121 Budapest, Hangya u. 7.~~
~~Dr. Vörös József (an.: Musza Julianna)~~
~~7627 Pécs, Bittner Alajos út 61.~~

~~Members of the Supervisory Board:~~

~~Tolnay Tibor (an.: Ignácz Erzsébet)~~
~~1028 Budapest, Kazinczy u. 56.~~
~~Dr. Horváth Gábor (an.: Fachet Magdolna)~~
~~1013 Budapest, Váralja u. 15.~~
~~Kovács Antal (an.: Kecskés Ilona)~~
~~7400 Kaposvár, Vöröstelek u. 32.~~
~~Michnai András (an.: Szabó Éva)~~
~~1172 Budapest, XIX. u. 34.~~
~~Dr. Vági Márton Gellért (an.: Jónás Anna)~~
~~2051 Biatorbágy, Szily Kálmán út 8.~~
~~Dominique Uzel (an.: Elisabeth Clerc)~~
~~5 Rue Davioud, 75016 Párizs, Franciaország~~

~~Auditor:~~

~~Deloitte Könyvvizsgáló és Tanácsadó Kft. (1068 Budapest, Dózsa György út 84/c.; registration number: 01-09-071057). Person responsible for the audit: dr. Hruby Attila (an.: dr. Szerdahelyi Katalin, 1174 Budapest, Ősrepülő u. 21/2.)~~

Annex 1 Data on the members of the Company's Board of Directors, Supervisory Board and Audit Committee, as well as on the Company's auditor

Members of the Board of Directors:

Dr. Csányi Sándor
Baumstark Mihály
Dr. Bíró Tibor
Braun Péter
Erdei Tamás György
Dr. Gresa István
Hernádi Zsolt
Dr. Kocsis István (under suspension)
Dr. Pongrácz Antal
Dr. Utassy László
Dr. Vörös József

Members of the Supervisory Board:

Members of the Audit Committee:

Auditor:

Annex 2: List of the Company's permanent establishments and branch offices

The company's permanent establishment(s)

HU-1013 Budapest, Alagút u. 3.
HU-1011 Budapest, Iskola u. 38-42.
HU-1027 Budapest, Margit krt. 8-10.
HU-1052 Budapest, Deák F. u. 7-9.
HU-1051 Budapest Nádor u. 6.
HU-1062 Budapest, Andrássy u. 83-85.
HU-1073 Budapest, Erzsébet krt. 41.
HU-1074 Budapest, Rákóczi út 84.
HU-1085 Budapest, József krt. 33.
HU-1085 Budapest, József krt. 53.
HU-1095 Budapest, Tinódi u. 9-11.
HU-1094 Budapest, Ferenc krt. 13.
HU-1102 Budapest, Körösi Csoma sétány 6.
HU-1105 Budapest, Román u. 2.
HU-1113 Budapest, Bartók Béla u. 92-94.
HU-1117 Budapest, Móricz Zsigmond körtér 18.
HU-1111 Budapest, Karinthy Frigyes u. 16.
HU-1126 Budapest, Böszörményi út 9-11.
HU-1055 Budapest, Nyugati tér 9.
HU-1148 Budapest, Nagy Lajos király út 19-21.
HU-1146 Budapest, Thököly u. 102/b.
HU-1157 Budapest, Zsókavár u. 28.
HU-1173 Budapest, Ferihegyi u. 93.
HU-1181 Budapest, Üllői u. 377.
HU-1204 Budapest, Kossuth L. u. 44-46.
HU-1204 Budapest, Kossuth L. u. 84.
HU-1211 Budapest, Kossuth L. u. 99.
HU-1221 Budapest, Kossuth L. u. 31.
HU-1051 Budapest, Bajcsy Zs. u. 24.
HU-1054 Budapest, Báthori u. 9.
HU-1039 Budapest, Heltai tér 9.
HU-1041 Budapest, Erzsébet u. 50.
HU-1061 Budapest, Andrássy út 6.
HU-1054 Budapest, Széchenyi rkp. 19.

HU-1111 Budapest, Szt. Gellért tér 3.
HU-1137 Budapest, Pozsonyi u. 38.
HU-1149 Budapest, Bosnyák tér 17.
HU-1062 Budapest, Váci út 1-3.
HU-1211 Budapest, Kossuth L u 86.
HU-1025 Budapest, Törökvész út 1/a.
HU-1025 Budapest, Törökvész út 87-91.
HU-1021 Budapest, Hűvösvölgyi út 138.
HU-1024 Budapest, Fény u 11-13.
HU-1054 Budapest (Bank Center), Szabadság tér 7-8.
HU-1098 Budapest, Lobogó u 18.
HU-1188 Budapest, Vasút u 48.
HU-1183 Budapest, Üllői út 440.
HU-1203 Budapest, Bíró M u 7.
HU-1211 Budapest, Szabadkikötő u 5-7.
HU-1042 Budapest, Árpád út 63-65.
HU-1131 Budapest, Babér u 9.
HU-1152 Budapest (Pólus Center), Szentmihály út 131.
HU-1161 Budapest, Rákosi út 118.
HU-1053 Budapest, Ferenciek tere 11.
HU-1163 Budapest, Jókai Mór u 3/b.
HU-1134 Budapest, Váci út 23-27.
HU-1103 Budapest (Family Center), Sibrik Miklós u 30.
HU-1033 Budapest, Flórián tér 15.
HU-1075 Budapest, Károly krt 1.
HU-1136 Budapest, Tátra u 10.
HU-1151 Budapest, Fő u 64.
HU-1037 Budapest, Bécsi út 154.
HU-1055 Budapest, Szent István krt 1.
HU-1106 Budapest, Örs vezér tere 25.
HU-1066 Budapest, Oktogon tér 3.
HU-1107 Budapest, Száva u 7.
HU-1138 Budapest, Népfürdő u 22.
HU-1222 Budapest, Nagytétényi út 37-45.
HU-1051 Budapest, Nádor u 21.
HU-1131 Budapest, Babér u 7.
HU-1095 Budapest, Könyves K krt 5.
HU-1097 Budapest, Könyves K krt 5. B. ép.
HU-1023 Budapest, Lajos u 21-23.
HU-1085 Budapest, Kálvin tér 12-13.
HU-1087 Budapest, Kerepesi út 9.
HU-1134 Budapest, (Lehel Csarnok) Váci út 9-15.
HU-1074 Budapest, Dohány u 65.
HU-1135 Budapest, Lehel út 74-76.
HU-1077 Budapest, Király utca 49.
HU-1239 Budapest, Bevásárló utca 2.
HU-1033 Budapest, Szentendrei utca 115.
HU-1239 Budapest, Európa utca 6.
HU-1118 Budapest, Rétköz utca 5.
HU-1095 Budapest, Soroksári út 32-34.
HU-1123 Budapest, Alkotás utca 7/b.
HU-1075 Budapest, Károly krt 25.
HU-1195 Budapest, Vak Bottyán út 75. a-c. ép. II. em.
HU-1173 Budapest, Pesti út 5-7.
HU-1087 Budapest, Könyves Kálmán körút 76-1.
HU-1124 Budapest, Apor Vilmos tér 11.
HU-1015 Budapest, Széna tér 7.
HU-1025 Budapest, Szépvölgyi út 4/b.
HU-1048 Budapest, Kordován tér 4.
HU-1195 Budapest, Üllői út 285.
HU-1149 Budapest, Fogarasi út 15/b.
HU-1097 Budapest, Könyves Kálmán körút 12-14.
HU-1085 Budapest, József körút 80.
HU-1238 Budapest, Grassalkovich utca 160.
HU-1117 Budapest, (Savoya Park) Hunyadi J út 19.
HU-1076 Budapest, Thököly út 4.
HU-1081 Budapest, Népszínház utca 3-5.

The company's branch office(s)

HU-7300 Komló, Kossuth L. u. 95/1.
HU-7700 Mohács, Jókai u. 1.
HU-7720 Pécsvárad, Rákóczi u. 5.
HU-7370 Sásd, Dózsa Gy. u. 2.
HU-7960 Sellye, Köztársaság tér 4.
HU-7900 Szigetvár, Vár u. 4.
HU-6000 Kecskemét, Szabadság tér 5.
HU-6500 Baja, Deák F. u. 1.
HU-6070 Izsák, Szabadság tér 1.
HU-6440 Jánoshalma, Rákóczi u. 10.
HU-6300 Kalocsa, Szent István király u. 43-45.
HU-6237 Kecel, Császártöltési u. 1.
HU-6120 Kiskunmajsa, Csendes köz 1.
HU-6090 Kunszentmiklós, Kálvin tér 11.
HU-6050 Lajosmizse, Dózsa Gy. u. 102/a.
HU-6449 Mélykut, Petőfi tér 18.
HU-6086 Szalkszentmárton, Petőfi tér 19.
HU-6060 Tiszakécske, Béke tér 6.
HU-5600 Békéscsaba, Szt.István tér 3.
HU-5600 Békéscsaba, Andrássy u. 29-33.
HU-5830 Battonya, Fő u. 86.
HU-5630 Békés, Széchenyi tér 2.
HU-5920 Csorvás, Rákóczi u. 12.
HU-5510 Dévaványa, Árpád u. 32.
HU-5525 Füzesgyarmat, Szabadság tér 1.
HU-5650 Mezőberény, Kossuth tér 12.
HU-5820 Mezőhegyes, Zala-Gy. lakótelep 7.
HU-5931 Nagyszénás, Hősök u. 11.

HU-5900 Orosháza, Kossuth u. 20.
HU-5540 Szarvas, Kossuth tér 1.
HU-5520 Szeghalom, Tildi u. 4-8.
HU-5940 Tótkomlós, Széchenyi u. 4-6.
HU-5661 Ujkígyós, Kossuth L. u. 38.
HU-3860 Encs, Bem J. u. 1.
HU-3400 Mezőkövesd, Mátyás király u. 149.
HU-3630 Putnok, Kossuth u. 45.
HU-3770 Sajószentpéter, Bethlen G. u. 1/a.
HU-3950 Sárospatak, Eötvös J. u. 2.
HU-3980 Sátoraljaújhely, Széchenyi u. 13.
HU-3900 Szerencs, Kossuth tér 3/a.
HU-3800 Szikszó, Kassai u. 16.
HU-3910 Tokaj, Rákóczi u. 37.
HU-6791 Szeged, 48-as u. 3.
HU-6640 Csongrád, Szentháromság tér 2-6.
HU-6800 Hódmezővásárhely, Andrássy u. 1.
HU-6900 Makó, Széchenyi tér 14-16.
HU-6630 Mindszent, Köztársaság tér 11.
HU-6782 Mórahalom, Szegedi u. 3.
HU-6786 Ruzsa, Alkotmány tér 3.
HU-6600 Szentes, Kossuth u. 26.
HU-8000 Székesfehérvár, Fő u. 7.
HU-2457 Adony, Petőfi S. u. 2.
HU-2060 Bicske, Bocskai köz 1.
HU-8130 Enying, Kossuth L. u. 43.
HU-2483 Gárdony, Szabadság u. 18.
HU-8060 Mór, Deák F. u. 24.
HU-8154 Polgárdi, Deák F. u. 16.
HU-7000 Sárbogárd, Ady E. u. 170.
HU-9300 Csorna, Soproni u. 58.
HU-9444 Fertőszentmiklós, Szerdahelyi u. 2.
HU-9330 Kapuvár, Szent István kir. u. 4-6.
HU-9400 Sopron, Várkerület 96/a.
HU-4110 Biharkeresztes, Kossuth u. 4.
HU-4138 Komádi, Fő u. 1-3.
HU-4150 Püspökladány Kossuth u. 2.
HU-4066 Tiszacsege, Fő u. 47.
HU-3000 Hatvan, Kossuth tér 8.
HU-3250 Pétervására, Szent Márton u. 9.
HU-3245 Recsk, Kossuth u. 93.
HU-5000 Szolnok, Szapáry u. 31.
HU-5000 Szolnok, Nagy I. krt. 2/a.
HU-5123 Jászárokszállás, Rákóczi u. 4-6.
HU-5100 Jászberény, Lehel tér 28.
HU-5300 Karcag, Kossuth L. tér 15.
HU-5340 Kunhegyes, Szabadság tér 4.
HU-5440 Kunszentmárton, Kossuth L. u. 2.
HU-5400 Mezőtúr, Szabadság tér 29.
HU-5350 Tiszafüred, Piac u. 3.
HU-2800 Tatabánya, Fő tér 32.
HU-2941 Ács, Gyár u. 10.
HU-2500 Esztergom, Rákóczi tér 2-4.
HU-2900 Komárom, Mártirok u. 23.
HU-2536 Nyergesujfalu, Kossuth u. 126.
HU-2840 Oroszlány, Rákóczi u. 84.
HU-3100 Salgótarján, Rákóczi u. 22.
HU-3100 Salgótarján, Rákóczi u. 12.
HU-2660 Balassagyarmat, Rákóczi fejdelem u. 44.
HU-3070 Bátonyterenye, Bányász u. 1/a.
HU-3170 Szécsény, Feszty Á. u. 1.
HU-2740 Abony, Kossuth L. tér 3.
HU-2170 Aszód, Kossuth L. u. 42-46.
HU-2092 Budakeszi, Fő u. 181.
HU-2120 Dunakeszi, Barátság u. 29.
HU-2100 Gödöllő, Szabadság tér 12-13.
HU-2230 Gyömrő, Szent István u. 17.
HU-2200 Monor, Kossuth L. u. 88/b.
HU-2750 Nagykőrös, Szabadság tér 2.
HU-2119 Pécel, Kossuth tér 4.
HU-2300 Ráckeve, Szent István tér 3.
HU-2000 Szentendre, Dumtsa J. u. 6.
HU-2628 Szob, Szabadság tér 3.
HU-2220 Vecsés, Fő u. 170.
HU-7400 Kaposvár, Széchenyi tér 2.
HU-8640 Fonyód, Ady E. u. 25.
HU-8693 Lengyeltóti, Csalogány u. 2.
HU-4400 Nyíregyháza, Rákóczi u. 1.
HU-4765 Csenger, Ady E. u. 1.
HU-4492 Dombrád, Szabadság tér 7.
HU-4501 Kemecse, Móricz Zs. u. 18.
HU-4600 Kisvárda, Szt. László u. 30.
HU-4300 Nyírbátor, Zrínyi u. 1.
HU-7020 Dunaföldvár, Béke tér 11.
HU-7064 Gyönk, Dózsa Gy. tér 6.
HU-7030 Paks, Dózsa Gy. u. 33.
HU-7081 Simontornya, Petőfi u. 68.
HU-7130 Tolna, Kossuth L. u. 31.
HU-9700 Szombathely, Rohonzi u. 52.
HU-9500 Celldömölk, Kossuth u. 18.
HU-9600 Sárvár, Batthyány u. 2.
HU-9970 Szentgotthárd, Mártírok u. 2.
HU-8200 Veszprém, Budapest u. 4.
HU-8200 Veszprém, Óváros tér 24.
HU-8400 Ajka, Szabadság tér 18.
HU-8220 Balatonalmádi, Baross G. u. 5/a.
HU-8500 Pápa, Fő tér 22.
HU-8100 Várpalota, Újlaki u. 2.
HU-8960 Lenti, Dózsa Gy. u. 1.
HU-8800 Nagykanizsa, Deák tér 15.
HU-8790 Zalaszentgrót, Batthyány u. 11.
HU-7621 Pécs, Rákóczi u. 44.
HU-7621 Pécs, Rákóczi u. 1.
HU-5666 Medgyesegyháza Kossuth tér 21/a.
HU-3881 Abaújszántó, Béke u. 7.
HU-3780 Edelény Tóth Árpád u. 1.
HU-8000 Székesfehérvár, Ősz u. 13.
HU-3300 Eger, Széchenyi u. 2.
HU-3021 Lőrinci, Szabadság tér 25/a.

HU-2730 Albertirsa, Vasút u. 4/a.
HU-2040 Budaörs, Szabadság u. 131/a.
HU-7570 Barcs, Séta tér 5.
HU-4700 Mátészalka, Szalkai L. u. 34.
HU-4233 Balkány, Szakályi u. 5.
HU-7150 Bonyhád, Szabadság tér 10.
HU-9700 Szombathely, Király u. 10.
HU-9737 Bük, Kossuth u. 1-3.
HU-8420 Zirc, Rákóczi tér 15.
HU-8380 Hévíz, Erzsébet királyné u. 11.
HU-2151 Fót, Fehérkő utca 1.
HU-9700 Szombathely, Fő tér 3-5.
HU-2030 Érd, Budai utca 24.
HU-2120 Dunakeszi, Nádas u 6.
HU-3200 Gyöngyös, Fő tér 1.
HU-7561 Nagybajom, Fő út 77.
HU-7140 Bátaszék, Budai út 13.
HU-6000 Kecskemét, Dunaföldvári út 2.
HU-2040 Budaörs (Auchan), Sport út 2-4.
HU-2141 Csömör (Auchan), Határ út 6.
HU-2143 Kistarcsa, Hunyadi u 7.
HU-2310 Szigetszentmiklós (Auchan), Háros u 120.
HU-4032 Debrecen, Egyetem tér 1.
HU-8230 Balatonfüred, Petőfi u 8.
HU-7200 Dombóvár, Dombó Pál u 3.
HU-3350 Kál, Szent István tér 3.
HU-7800 Siklós, Felszabadulás u 60-62.
HU-7773 Villány, Baross G u 36.
HU-8630 Balatonboglár, Dózsa Gy u 1.
HU-7090 Tamási, Szabadság u 31.
HU-7044 Nagydorog, Kossuth u 7.
HU-9317 Szany, Ady E u 2.
HU-6200 Kiskőrös, Petőfi tér 13.
HU-6087 Dunavecse, Fő u 40.
HU-5720 Sarkad, Árpád fejedelem tér 5.
HU-6720 Szeged, Takartéktár u 7.
HU-2700 Cegléd, Szabadság tér 6.
HU-4100 Berettyóújfalu, Oláh Zs u 1.
HU-5430 Tiszaföldvár, Kossuth u 191.
HU-8840 Csurgó, Széchenyi tér 21.
HU-4900 Fehérgyarmat, Móricz Zs u 4.
HU-4320 Nagykálló, Árpád u 12.
HU-3525 Miskolc, Rákóczi út 1.
HU-2083 Solymár (Auchan), Szent Flórián u 2.
HU-6344 Hajós, Rákóczi u 2.
HU-9200 Mosonmagyaróvár, Fő u 24.
HU-4130 Derecske, Köztársaság u 111.
HU-4181 Nádudvar, Fő u 119.
HU-4090 Polgár, Barankovics tér 15.
HU-5055 Jászladány, Kossuth L u 77.
HU-5321 Kunmadaras, Karcagi u 2-4.
HU-2760 Nagykáta, Bajcsy-Zs u 1.
HU-2721 Pilis, Rákóczi u 9.
HU-4440 Tiszavasvár, Kossuth L u 12.
HU-8300 Tapolca, Fő tér 2.
HU-8360 Keszthely, Kossuth L u 38.
HU-8868 Letenye, Szabadság tér 8.
HU-2370 Dabas, Bartók B u 46.
HU-7191 Hőgyész, Kossuth L u 6.
HU-8000 Székesfehérvár, Hollandfasor 1.
HU-2651 Rétság, Rákóczi F u 28-30.
HU-8638 Balatonlelle, Rákóczi út 202-204.
HU-7754 Bóly, Hősök tere 8/b.
HU-6000 Kecskemét, Korona u 2.
HU-4400 Nyíregyháza, Sóstói u 31/b.
HU-2310 Szigetszentmiklós, Ifjúság u 17.
HU-4244 Újfehértó, Fő tér 15.
HU-6320 Solt, Kossuth L u 48-50.
HU-2220 Vecsés, Fő u 246-248.
HU-2800 Tatabánya (Omega Park), Ságvári E út 50.
HU-2364 Ócsa, Szabadság tér 1.
HU-3390 Füzesabony, Rákóczi u 77.
HU-8500 Pápa, Fő tér 15.
HU-5800 Mezőkovácsháza, Árpád u 177.
HU-2112 Veresegyház, Szadai út 7.
HU-5420 Túrkeve, Széchenyi út 32-34.
HU-4625 Záhony, Ady E út 27-29.
HU-2943 Bábolna, Mészáros utca 3.
HU-5000 Szolnok, Széchenyi krt 135.
HU-3527 Miskolc, József A utca 87.
HU-8660 Tab, Kossuth L utca 96.
HU-4254 Nyíradony, Árpád tér 6.
HU-6100 Kiskunfélegyháza, Petőfi tér 1.
HU-5435 Martfű, Szolnoki út 142.
HU-2234 Maglód, Esterházy utca 1.
HU-7633 Pécs-Újmecsekalja, Ybl Miklós utca 7/3.
HU-6430 Bácsalmás, Szent János utca 32.
HU-5742 Elek, Gyulai út 5.
HU-5500 Gyomaendrőd, Szabadság tér 7.
HU-5700 Gyula, Bodoky utca 9.
HU-6913 Csanádpalota, Kelemen L tér 10.
HU-6760 Kistelek, Kossuth Lajos utca 5-7.
HU-9400 Sopron, Teleki P utca 22/a.
HU-4087 Hajdúdorog, Petőfi tér 9-11.
HU-4080 Hajdúnánás, Köztársaság tér 17-18/a.
HU-3360 Heves, Hősök tere 4.
HU-5310 Kisújszállás, Szabadság tér 6.
HU-2890 Tata, Ady E utca 1-3.
HU-2330 Dunaharaszti, Dózsa Gy utca 25.
HU-2340 Kiskunlacháza, Dózsa Gy utca 219.
HU-2440 Százhalombatta, Szent István tér 8.
HU-2600 Vác, Széchenyi utca 3-7.
HU-7400 Kaposvár, Honvéd utca 55.
HU-8700 Marcali, Rákóczi utca 6-10.
HU-4450 Tiszalök, Kossuth utca 52/a.
HU-4800 Vásárosnamény, Szabadság tér 33.
HU-7100 Szekszárd, Szent István tér 5-7.

HU-9800 Vasvár, Alkotmány utca 2.
HU-5600 Békéscsaba, Andrássy út 37-43.
HU-7030 Paks, Kishegyi út 44/a.
HU-8900 Zalaegerszeg, Kisfaludy utca 15-17.
HU-3600 Ózd, Városház tér 1/a.
HU-9730 Kőszeg, Kossuth L utca 8.
HU-4200 Hajdúszoboszló, Szilfákalja utca 6-8.
HU-6230 Soltvadkert, Szentháromság utca 2.
HU-9900 Körmend, Vida J utca 2.
HU-4060 Balmazújváros, Veres Péter utca 3.
HU-3700 Kazincbarcika, Egressy utca 50.
HU-7940 Szentlőrinc, Munkácsy utca 16/a.
HU-2510 Dorog, Mária utca 2.
HU-7500 Nagyatád, Korányi Sándor utca 6.
HU-3346 Bélapátfalva, IV. Béla utca 36.
HU-2225 Üllő, Pesti út 92.
HU-5130 Jászapáti, Kossuth u 2-8.
HU-3060 Pásztó, Fő u 73/a.
HU-2030 Érd, Diósdi út 42.
DE-65760 Eschborn, Frankfurter Strasse 92.
HU-5200 Törökszentmiklós, Kossuth utca 141.
HU-9970 Szentgotthárd, Füzesi utca 15.
HU-2013 Pomáz, József Attila utca 17.
HU-3450 Mezőcsát, Hősök tere 23.
HU-6080 Szabadszállás, Kálvin tér 4.
HU-2870 Kisbér, Batthyány tér 5.
HU-3580 Tiszaújváros, Szent István út 30.
HU-8600 Siófok, Fő tér 10/A.
HU-8330 Sümeg, Kisfaludy Sándor tér 1.
HU-4561 Baktalórántháza, Köztársaság tér 4.
HU-3300 Eger, (Agria Park), Törvényház utca 4.
HU-4220 Hajdúböszörmény, Kossuth Lajos utca 3.
HU-7632 Pécs, Diana tér 14.
HU-5530 Vésztő, Kossuth L utca 72.
HU-3531 Miskolc, Győri kapu 51.
HU-3534 Miskolc, Árpád út 2.
HU-6720 Szeged, Aradi vértanúk tere 3.
HU-6724 Szeged, Vértói utca 1.
HU-9021 Győr, Baross G utca 14.
HU-9011 Győr, Déryné utca 77.
HU-9024 Győr, Kormos I utca 6.
HU-9431 Fertőd, Fő utca 7.
HU-4025 Debrecen, Hatvan utca 2-4.
HU-4032 Debrecen, Füredi utca 43.
HU-2360 Gyál, Kőrösi út 160.
HU-3524 Miskolc, Klapka Gy utca 18.
HU-2400 Dunaújváros, Dózsa Gy út 4/e.
HU-9022 Győr, Teleki László utca 51.
HU-7624 Pécs, Budai Nagy Antal utca 1.
HU-3530 Miskolc, Uitz B utca 6.
HU-4025 Debrecen, Pásti utca 1-3.
HU-9023 Győr, Bartók B utca 53/b.
HU-4025 Debrecen, Piac utca 45-47.
HU-8460 Devecser, Kossuth L utca 13.
HU-4242 Hajdúhadház, Kossuth utca 2.
HU-6400 Kiskunhalas, Sétáló utca 7.
HU-6724 Szeged, Rókusi körút 42-64.
HU-2085 Pilisvörösvár, Fő utca 60.

Reasoning: With the expansion in the range of information to be included among the annexes of the Bylaws (list of permanent establishments and branch offices), the annexes have become so big that it is advisable that these be separated from the core text of the Bylaws. More specifically, the data relating to the members of the Company's Board of Directors, Supervisory Board and Audit Committee, as well as to the Company's auditor, will be moved from the previous Article 18 of the Bylaws to annex 1 of the Bylaws, with this data being prepared, in accordance with the latest state of affairs, and in its entirety, by the legal representative responsible for incorporating the Bylaws into a unified format. In annex 2 of the Bylaws, the list of the Company's permanent establishments and branch offices will be set out.

DRAFT RESOLUTION

Based on the provision of Article 12 of Act CLXXVII of 2013 on the transitional and authorising provisions related to the enactment of Act V of 2013 on the Civil Code ("Civil Code"), the General Meeting resolves to continue the operation of the Company in line with the provisions of the Civil Code.

DRAFT RESOLUTION

The General Meeting has decided, by way of a single resolution, to amend the Company's Bylaws in accordance with the contents set forth in the Board of Directors' Proposal.

DRAFT RESOLUTION

The General Meeting accepts the amendment of the Company's Bylaws Preamble and of sections 1.2; 5.6; 5.7; 5.12; 5.13; 6.1; 6.5; 6.6; 6.7; 8.4; 8.11; 8.12; 8.13; 8.15; 8.16; 8.18; 8.33; 8.35; 9.5; 9.7; 9.12; 9.13; 9.18; 11.2; 11.3; 11.5; 11.6; 11.8; 11.11; 11.12; 12.1; 12.2; 12.5; 12.6; 12.7; 12/A.2; 12/A.3; 12/A.5; 13.6; 13.8; 13.12, as well as of Articles 11/A.; 16.; 17.; 18. in accordance with the Board of Directors' Proposal, as per the annex to the minutes of the General Meeting.

ELECTION OF THE MEMBERS OF THE SUPERVISORY BOARD

Election of the members of the Supervisory Board:

Mr. Tibor Tolnay

Dr. Gábor Horváth

Mr. Antal Kovács

Mr. András Michnai

Mr. Dominique Uzel

Dr. Márton Gellért Vági

DRAFT RESOLUTION

The Annual General Meeting elects Mr. Tibor Tolnay to the member of the Bank's Supervisory Board until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

DRAFT RESOLUTION

The Annual General Meeting elects Dr. Gábor Horváth to the member of the Bank's Supervisory Board until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

DRAFT RESOLUTION

The Annual General Meeting elects Mr. Antal Kovács to the member of the Bank's Supervisory Board until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

DRAFT RESOLUTION

The Annual General Meeting elects Mr. András Michnai to the member of the Bank's Supervisory Board until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

DRAFT RESOLUTION

The Annual General Meeting elects Mr. Dominique Uzel to the member of the Bank's Supervisory Board until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

DRAFT RESOLUTION

The Annual General Meeting elects Dr. Márton Gellért Vági to the member of the Bank's Supervisory Board until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

ELECTION OF THE MEMBERS OF THE AUDIT COMMITTEE

Election of the members of the Audit Committee:

Mr. Tibor Tolnay

Dr. Gábor Horváth

Mr. Dominique Uzel

Dr. Márton Gellért Vági

DRAFT RESOLUTION

The Annual General Meeting elects Mr. Tibor Tolnay to the member of the Bank's Audit Committee until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

DRAFT RESOLUTION

The Annual General Meeting elects Dr. Gábor Horváth to the member of the Bank's Audit Committee until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

DRAFT RESOLUTION

The Annual General Meeting elects Mr. Dominique Uzel to the member of the Bank's Audit Committee until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

DRAFT RESOLUTION

The Annual General Meeting elects Dr. Márton Gellért Vági to the member of the Bank's Audit Committee until the closing AGM of the fiscal year 2016 but latest until 30 April 2017.

PROPOSAL ON THE REMUNERATION GUIDELINES OF THE OTP BANK PLC.

REMUNERATION GUIDELINES OF OTP BANK PLC.

The Bank Group's Remuneration Policy is an integral part of the corporate governance system, and must be enforced throughout the entire Bank Group. The Bank Group's Remuneration Policy, in keeping with the relevant European Union directive, is consistent with effective and successful risk management, and in accordance with its purpose, it does not encourage the assumption of risks that exceed the risk-assumption limits of the Bank and Bank Group-member subsidiaries, and furthermore it is consistent with the business strategy, objectives, values and long-term interests of the Bank and Bank Group-member subsidiaries, and it promotes the achievement of this.

1. The objective of the Remuneration Policy

The objective of the Bank Group's Remuneration Policy is to acknowledge the performance, within the risk-tolerance capacity of the Bank Group, of the management of OTP Bank and of individual managers occupying key positions, as well as of the heads of the subsidiaries of the Bank Group in contributing to results at the bank and at the group level, and to provide an incentive for performance.

2. Effect of the Remuneration Policy

In the interests of determining the personal scope of the Bank Group's Remuneration Policy, the Bank, in accordance with the applicable European Union regulations, and taking into account criteria that reflect the institution's particular risk profile, applies, on the basis of the results of comprehensive risk-analysis procedures, a set of internal criteria that are consistent with the business and risk strategy, based on which it performs an annual assessment for the purpose of identifying employees who materially influence the Bank's risk profile.

The following individuals fall under the effect of the Bank Group's Remuneration Policy:

- members of the Board of Directors of OTP Bank Plc.
- members of the Supervisory Board of OTP Bank Plc.

and of the employees of OTP Bank Plc.

- the Bank's CEO
- the Bank's deputy CEOs
- managers that influence the Bank Group's risk profile and profit in a material extent
- managers with responsibility for special management functions
- managers fulfilling controlling functions

furthermore, of the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision – in the absence of any provision to the contrary under national legislation:

- the top managers of the subsidiaries
- in the case of certain subsidiaries, the 2nd-level (deputy) managers of the subsidiaries.
- managers of certain foreign subsidiary banks with special management and decision-making authority determined under national statutory provisions.

Decisions on the persons subject to the scope of the Bank Group's Remuneration Policy are made by the Board of Directors of the Bank.

3. The framework for applying the Bank Group's Remuneration Policy to the subsidiaries

All basic decisions under the remuneration policy shall be made by OTP Bank Plc., while the subsidiaries shall be responsible for complying with local statutory regulations and obligations.

- In the case of **credit institutions that have their registered seat in Hungary**, the remuneration policy shall be comprehensively applied in respect of level 1 and level 2 managers.
- In the case of the **foreign subsidiaries**, the performance-based components of compensation specified in the remuneration policy shall be applied – observing any limitations under national statutory provisions – with the proviso that in the case of subsidiaries outside of the European Union, the principle of proportionality shall be observed in the payment process for performance-based remuneration.
- In the case of **Investment Fund Management Companies and Financial Enterprises**, the remuneration policy will be applied using the principle of proportionality, with the proviso that in the case of companies operating within EU member states the payment of performance-based remuneration will be deferred.
- In the case of the **Auxiliary Enterprises** – in view of the nature of their activities – the vehicles of remuneration are determined in the form of a basic salary and a bonus.

4. The ratio of fixed and variable remuneration

The **members of the Board of Directors** and the **Supervisory Board** receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

With respect to the persons covered by the remuneration policy, remuneration shall consist of fixed and variable components. The main components of fixed remuneration are the basic salary and ordinary shares issued by OTP Bank. The fixed remuneration provided in the form of ordinary shares in OTP Bank is settled once a year, within 30 days after the General Meeting that closes the given business year, with the proviso that in respect of 50% of the shares the beneficiaries are subject to an extended holding obligation (prohibition on sale) of one year.

The ratio of fixed and performance-based remuneration components shall be determined by the Bank's Board of Directors, according to the function, size and complexity of the organization managed.

The current ratios of fixed and performance-based remuneration are as follows:

Management categories covered by the remuneration policy of the OTP Bank Group	Structure of remuneration	
	ratio of fixed remuneration	ratio of performance remuneration
members of the Board of Directors of OTP Bank Plc.*	100%	
members of the Supervisory Board of OTP Bank Plc.*	100%	
the employees of OTP Bank Plc.		
positions that materially influence the risk profile and profit	50-60%	50-40%
positions with responsibility for special management functions	50-60%	50-40%
positions with controlling functions	60%	40%
from of the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision		
the top managers of the subsidiaries	50-80%	50-20%
in the case of key subsidiaries, 2nd-level (deputy) managers and holders of positions with responsibility for special management functions	50-67%	50-33%

*fixed-amount honorarium

5. The method and instruments of performance assessment linked to variable remuneration

In the case of **managers employed by OTP Bank Plc.**, performance is assessed, in addition to the RORAC index [1] reflecting the Bank Group's return on risk adjusted capital, on the basis of criteria measuring individual performance (financial indices, as well as indices measuring the quality of work).

In the case of the **managers of the Bank Group's subsidiaries**, performance is assessed on a differential basis, in view of the nature of the companies' respective activities.

The target values of the indices are determined by the Bank's Board of Directors on the basis of the prevailing annual financial budget. The Board of Directors may modify such target values in consideration of statutory changes implemented after the determination thereof and/or changes in market circumstances that have a significant objective effect on the Bank's profit and/or the achievement of the target values set.

6. Determining entitlement to variable remuneration

In respect of the year evaluated, the entitlement to variable remuneration and the extent thereof must be determined within 30 days following the ordinary annual General Meeting closing the year in question.

- For **senior managers of OTP Bank Plc.** (CEO and deputy CEOs) the entitlement to variable remuneration and the extent of such compensation shall be determined by the Board of Directors, in proportion to the fulfilment of annual objectives.
- The entitlement of **managers employed by the Bank** to variable remuneration and the extent thereof shall be determined by the CEO, with the proviso that in respect of the heads of Risk Management, Internal Audit and Compliance the Remuneration Committee has the right of joint decision-making.

[1] This index is calculated on the basis of the figures of Hungarian and foreign group members that were subject to consolidation throughout the entire economic year assessed.

- The entitlement of the **managers of the Bank Group's subsidiaries** to variable remuneration and the extent of compensation shall be determined by the body exercising ownership rights, with the preliminary approval of the Remuneration Committee of OTP Bank Plc.

7. Principles and rules concerning the payment of variable remuneration

- Upon assessing the performance of the year evaluated ("T year"), the amount of performance-based remuneration is determined and broken down to the level of individuals. The amount of performance-based remuneration is determined in consideration of individual performance, as well as the ratio of fixed and variable compensation.
- As a general rule, performance-based variable remuneration shall be paid out in the form of a cash bonus and a share allowance granted at a discount, in a ratio of 50-50%.
- The number of shares per person that may be used as a share allowance granted at a discount must be determined on the basis of the quotient of the amount of share-based performance remuneration and the value of the share allowance granted with a discount in effect at the time of performance assessment.
- The value of share compensation granted at a discounted price in effect at the time of performance assessment must be determined on the basis of the average of the daily mean quoted price of the ordinary shares issued by OTP Bank, as registered by the Budapest Stock Exchange, on the three business days preceding the date of performance assessment.
- The share allowance granted at a discounted price may contain a maximum discount of HUF 2 000 at the time of performance assessment, and the profit content per share may amount to maximum HUF 4,000 at the time of vesting the share compensation. In respect of the year assessed, the specific content of the share allowance granted at a discounted rate shall be decided upon by the Board of Directors of the Bank, within 30 days from the General Meeting closing the economic year evaluated.
- As a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions.
- Entitlement to deferred payment shall be determined in consideration of the subsequent assessment of risks. The assessment of risks takes place, on the one hand, on the basis of criteria pertaining to prudent operations – that is, in consideration of the fulfilment of the requirements concerning an amount of capital that is in excess of the minimum guarantee capital specified in the Act, and ensuring operations without the need to take advantage of the deposit insurance fund – and, on the other hand, it is linked to the activities of the persons concerned. On the basis of the assessment of risks related to the activities of the persons concerned, deferred amounts may be reduced or clawed back in the case of a significant breach of the internal regulations, with special respect to those concerning risk management.

  Entitlement to deferred amounts is linked to the subsequent assessment of risks and effective employment at the time of paying out the deferred amount. Any valid deviations from the above may only be authorised in respect of managing directors (CEO, deputy CEOs) by the Board of Directors of OTP Bank Plc. In the case of exceptional performance, deviations may be permitted in respect of bank employees in management positions and heads of the subsidiaries, on the basis of a decision made by the Chairman & CEO of OTP Bank Plc.

- 50% of the first (non-deferred) share allowance granted at a discounted price shall be retained for a period of 1 year (entitlement will be awarded, but the compensation may actually be drawn in the draw-down period that follows the year in which the compensation was awarded).
- The Board of Directors of OTP Bank Plc. is authorised to set the period for exercising the preferential share option at a maximum of two years, and to extend the specified period on one occasion by a maximum of two years, with the proviso that the entire draw-down period may not exceed two years.

The Board of Directors shall be entitled to adopt decisions on accounting share allowances by way of an agreement qualifying as a special share-based legal transaction, which must be in line with the actual market price of the share allowance.

At all the members of the Bank Group – in the absence of any mandatory provisions under national legislation to the contrary – the share-based portion of the variable remuneration is provided to the employees concerned by OTP Bank Plc.

The Board of Directors of OTP Bank Plc., with the exception of matters placed under the authority of the General Meeting by law – is authorised to amend the Bank Group's Remuneration Policy.

DRAFT RESOLUTION

The Annual General Meeting approves the Remuneration Guidelines of OTP Bank Plc in accordance with the annex to the minutes of the General Meeting, and authorises the Company's Board of Directors to amend the detailed rules of the Remuneration Policy of OTP Bank Plc and the Bank Group in line with the attached, approved proposal.

DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE

DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND AUDIT COMMITTEE

The General Meeting has authority to determine the remuneration of the members of OTP Bank's Board of Directors and Supervisory Board.

The present remuneration of the members of the Board of Directors and Supervisory Board was determined by the General Meeting in its resolution number 8/2013.

The honorarium of the members of the **Board of Directors** consists of a fixed remuneration settled monthly in forint, and the number of ordinary shares in OTP Bank Plc. specified by the General Meeting, the settlement of which takes place once a year, within 30 days after the General Meeting closing the given business year. In respect of 50% of the shares, the beneficiaries are subject to an extended holding obligation (prohibition on sale) up to the end of their mandates.

The monthly honorarium of the members of the **Supervisory Board** consists of a fixed-amount remuneration settled in forint.

The members of the **Audit Committee** did not previously receive remuneration either.
In accordance with the practice of the previous years, the proposal relating to determination of the remuneration of the board and committee members took into account the extent of the salary increase planned for the Bank's employees in the given business year.

Given the current economic and money-market situation, **the Bank does not plan a general salary increase**. In view of this, **no change is recommended in respect of the honorarium of the Board of Directors and the Supervisory Board determined in General Meeting resolution 8/2013**.

It is not recommended that remuneration be determined for the newly elected members of the Audit Committee.

DRAFT RESOLUTION

The Annual General Meeting accepts the remuneration of the members of the Board of Directors and Supervisory Board stated in its resolution no. 8/2013. without amendment. It is not recommended that remuneration be determined for the members of the Audit Committee.

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ACQUIRE THE COMPANY'S OWN SHARES

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ACQUIRE THE COMPANY'S OWN SHARES

Under both the former Companies Act and the effective new Civil Code, the acquisition of treasury stock comes under the authority of the General Meeting.

The General Meeting of 2013, in its resolution number 9/2013, mandated the Board of Directors to acquire treasury stock. This mandate expires on 31 October 2014; however, the mandate may be reissued.

Such reissued mandate is granted in the resolution constituting the object of this proposal. The mandate, in accordance with the statutory requirements, is subject to limitations of time and extent, which are specified in the resolution. Under the provisions of the new Civil Code, which supersede the rules of the Companies Act, such mandate granted to the Board of Directors lasts for a term of 18 months, and the number of treasury shares acquirable by the Company may not exceed the equivalent of 25% of share capital.

In previous years the Board of Directors was always cautious in exercising the rights conferred by such mandate granted by the General Meeting, as it never acquired the maximum permitted quantity of stock; and it will exercise similar caution if a mandate is granted to acquire the highest possible quantity permitted under the new Civil Code.

The purpose of the mandate is for the Board of Directors to acquire treasury stock in the interest of supplying the shares necessary for the management incentives system operating at the Company, creating the opportunity for rapid intervention in the event of share price fluctuations, developing and maintaining the Company's services provided to its customers, and executing transactions related to optimisation of the Company's capital.

Based on the mandate, the share transactions may be concluded in the regulated market (on the stock exchange), or outside of such market (OTC). To prevent the simultaneous existence of two authorisations, the mandate set forth in General Meeting resolution 9/2013 shall lose its effect upon the passing of the proposed resolution. The Company publishes data relating to treasury stock and transactions involving treasury stock, in accordance with the effective statutory provisions.

DRAFT RESOLUTION

The General Meeting hereby authorizes the Board of Directors to acquire treasury shares for the purpose of supplying the shares necessary for the management incentives system that is in operation at OTP Bank Nyrt, creating the opportunity for rapid intervention in the event of share price fluctuations, developing and maintaining the services provided to customers, and executing transactions related to optimisation of the Company's capital.

The Board of Directors is authorised to acquire a maximum of as many ordinary shares with a nominal value of HUF 100 that is one hundred forints, as ensures that the portfolio of treasury shares does not exceed 70,000,000 shares at any moment in time.

Should the acquisition of shares take place in a reciprocal transaction, then the consideration applied in such transaction may be a minimum of the share's nominal value, and a maximum of 150% of the highest price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction, or, in the case of a stock-exchange transaction, 120% of the closing price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction. The Board of Directors may exercise its rights set forth in this mandate until 25 October 2015. The mandate set forth in General Meeting resolution 9/2013 shall lose its effect upon the passing of this resolution.