OTP BANK PLC.

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

FOR THE YEAR ENDED
31 DECEMBER 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements (page 2 to 88) of OTP Bank Plc for the year 2013, which financial statements comprise the statement of financial position as at December 31, 2013 and the related statement of recognized and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of OTP Bank Plc. as at December 31, 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 Matters

In the note 2.3 of the separate financial statements which states that the consolidated financial statements of OTP Bank Plc. prepared in accordance with International Financial Reporting Standards have been published separately. The consolidated financial statements of OTP Bank Plc. as of and for the year ended December 31, 2013 were audited by us and our report dated March 25, 2014 expressed an unqualified opinion.

Budapest, March 25, 2014

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Gábor Gion
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1068 Budapest, Dózsa György út 84/C.
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OTP BANK PLC.
SEPARATE 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 Bank of Hungary	*4.*	140,521	245,548
Placements with other banks, net of allowance for placement losses	*5.*	632,899	665,417
Financial assets at fair value through profit or loss	*6.*	396,565	243,015
Securities available-for-sale	*7.*	1,997,491	1,953,871
Loans, net of allowance for loan losses	*8.*	2,144,701	2,356,291
Investments in subsidiaries, associates and other investments	*9.*	669,322	661,352
Securities held-to-maturity	*10.*	525,049	371,992
Property and equipment	*11.*	85,447	78,052
Intangible assets	*11.*	31,554	31,597
Other assets	*12.*	49,486	32,686
TOTAL ASSETS		**6,673,035**	**6,639,821**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	*13.*	902,744	826,968
Deposits from customers	*14.*	3,677,450	3,500,790
Liabilities from issued securities	*15.*	170,779	335,963
Financial liabilities at fair value through profit or loss	*16.*	204,517	259,211
Other liabilities	*17.*	242,444	232,557
Subordinated bonds and loans	*18.*	278,241	303,750
TOTAL LIABILITIES		**5,476,175**	**5,459,239**
Share capital	*19.*	28,000	28,000
Retained earnings and reserves	*20.*	1,175,591	1,157,516
Treasury shares	*21.*	(6,731)	(4,934)
TOTAL SHAREHOLDERS' EQUITY		**1,196,860**	**1,180,582**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,673,035**	**6,639,821**

Budapest, 25 March 2014

OTP BANK Nyrt.

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Dr. Sándor Csányi
Chairman and Chief Executive Officer

elnök-vezérigazgató 1.

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

	Note	2013	2012
Interest Income:			
Loans		189,073	216,154
Placements with other banks, net of allowance for placement losses		246,968	364,039
Securities available-for-sale		102,376	117,914
Securities held-to-maturity		30,027	19,625
Amounts due from banks and balances with National Bank of Hungary		3,720	6,523
Securities held for trading		-	1,443
Total Interest Income		**572,164**	**725,698**
Interest Expense:			
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		237,984	350,521
Deposits from customers		96,199	138,808
Liabilities from issued securities		15,241	27,330
Subordinated bonds and loans		16,922	16,872
Total Interest Expense		**366,346**	**533,531**
NET INTEREST INCOME		**205,818**	**192,167**
Provision for impairment on loan and placement losses	*5.,8.,22.*	30,533	53,394
Gains on loans related to early repayment	*22.*	-	(86)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**175,285**	**138,859**
Income from fees and commissions	*23.*	157,994	117,566
Expenses from fees and commissions	*23.*	24,053	22,493
Net profit from fees and commissions		**133,941**	**95,073**
Foreign exchange gains / (losses)		5,901	(3,769)
Gains / (losses) on securities, net		12,423	(6,872)
Dividend income		47,583	43,098
Other operating income	*24.*	3,672	5,087
Net other operating expenses	*24.*	(78,663)	(46,766)
-from this: provision for impairment on investments in subsidiaries	*9.*	*(52,550)*	*(35,584)*
Net operating income		**(9,084)**	**(9,222)**
Personnel expenses	*24.*	85,760	80,456
Depreciation and amortization	*24.*	21,657	20,959
Other administrative expenses	*24.*	138,392	90,272
Other administrative expenses		**245,809**	**191,687**
PROFIT BEFORE INCOME TAX		54,333	**33,023**
Income tax expense / (benefit)	*25.*	6,442	(5,379)
NET PROFIT FOR THE YEAR		**47,891**	**38,402**
Earnings per share (in HUF)			
Basic	*35.*	172	138
Diluted	*35.*	172	138

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

	2013	2012
NET PROFIT FOR THE YEAR	**47,891**	**38,402**
Fair value adjustment of securities available-for-sale	1,024	64,202
NET COMPREHENSIVE INCOME	**48,915**	**102,604**

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

	Note	2013	2012
OPERATING ACTIVITIES			
Profit before income tax		54,333	33,023
Depreciation and amortization		21,657	20,959
Provision for impairment on loan and placement losses	*5.,8.,22,*	30,533	53,308
Provision for impairment on investments in subsidiaries	*9.*	52,550	35,584
Provision for impairment on other assets	*12.*	281	483
Provision on off-balance sheet commitments and contingent liabilities	*17.*	3,021	495
Share-based payment	*28.*	5,704	4,584
Unrealised gains/ (losses) on fair value adjustment of securities available-for-sale and held for trading		863	(2,012)
Unrealised gains on fair value adjustment of derivative financial instruments		12,629	2,735
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		(199,419)	29,158
Changes in financial liabilities at fair value through profit or loss		408	(377)
Net decrease in loans, net of allowance for loan losses		158,480	245,786
(Increase) / decrease in other assets, excluding advances for investments and before provisions for losses		(12,839)	25,815
Net increase in deposits from customers		176,857	84,341
Increase / (decrease) in other liabilities		10,694	(28,675)
Net decrease / (increase) in the compulsory reserve established by the National Bank of Hungary		3,477	(395)
Dividend income		(47,583)	(43,098)
Income tax paid		(5,370)	(4,391)
Net cash provided by operating activities		**266,276**	**457,323**
INVESTING ACTIVITIES			
Net decrease in placements with other banks before allowance for placement losses		32,496	232,701
Increase in securities available-for-sale (gross)		(23,239,766)	(17,099,350)
Decrease in securities available-for-sale (gross)		23,193,007	16,932,660
Net increase in investments in subsidiaries		(60,520)	(45,227)
Dividend income		47,583	43,098
Increase in securities held-to-maturity (gross)		(151,139)	(335,397)
Decrease in securities held-to-maturity (gross)		2,097	87,936
Additions to property, equipment and intangible assets (gross)		(47,794)	(46,137)
Disposal to property, equipment and intangible assets (gross)		16,941	18,433
Net (increase) / decrease in advances for investments included in other assets		(11)	40
Net cash used in investing activities		**(207,106)**	**(211,243)**

31 DECEMBER 2013 (in HUF mn) [continued]

	Note	2013	2012
FINANCING ACTIVITIES			
Net increase / (decrease) in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		75,776	(44,802)
Cash received from issuance of securities		72,186	274,329
Cash used for redemption of issued securities		(243,974)	(403,096)
Decrease in subordinated bonds and loans		(25,509)	(22,247)
Payments to ICES holders[1]		(4,288)	(4,377)
Net change in Treasury shares		(1,316)	430
Dividend paid		(33,595)	(28,140)
Net cash used in financing activities		**(160,720)**	**(227,903)**
Net (decrease) / increase in cash and cash equivalents		**(101,550)**	**18,177**
Cash and cash equivalents at the beginning of the year		**164,385**	**146,208**
Cash and cash equivalents at the end of the year		**62,835**	**164,385**
Analysis of cash and cash equivalents:			
Cash, amounts due from banks and balances with the National Bank of Hungary		245,548	226,976
Compulsory reserve established by the National Bank of Hungary		(81,163)	(80,768)
Cash and cash equivalents at the beginning of the year		**164,385**	**146,208**
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	140,521	245,548
Compulsory reserve established by the National Bank of Hungary	*4.*	(77,686)	(81,163)
Cash and cash equivalents at the end of the year		**62,835**	**164,385**

[1] See Note 20

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

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Total
Balance as at 1 January 2012		28,000	52	6,216	1,130,859	(55,468)	(5,519)	1,104,140
Net profit for the year		-	-	-	38,402	-	-	38,402
Other comprehensive income		-	-	-	64,202	-	-	64,202
Share-based payment	*28.*	-	-	4,584	-	-	-	4,584
Payments to ICES holders		-	-	-	(3,176)	-	-	(3,176)
Sale of treasury shares	*21.*	-	-	-	-	-	6,342	6,342
Loss on sale of treasury shares		-	-	-	(155)	-	-	(155)
Acquisition of treasury shares	*21.*	-	-	-	-	-	(5,757)	(5,757)
Dividend for the year 2011		-	-	-	(28,000)	-	-	(28,000)
Balance as at 31 December 2012		28,000	52	10,800	1,202,132	(55,468)	(4,934)	1,180,582
Net profit for the year		-	-	-	47,891	-	-	47,871
Other comprehensive income		-	-	-	1,024	-	-	1,024
Share-based payment	*28.*	-	-	5,704	-	-	-	5,704
Payments to ICES holders		-	-	-	(3,425)	-	-	(3,425)
Sale of treasury shares	*21.*	-	-	-	-	-	17,943	17,943
Loss on sale of treasury shares		-	-	-	481	-	-	481
Acquisition of treasury shares	*21.*	-	-	-	-	-	(19,740)	(19,740)
Dividend for the year 2012		-	-	-	(33,600)	-	-	(33,600)
Balance as at 31 December 2013		28,000	52	16,504	1,214,503	(55,468)	(6,731)	1,196,860

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

These financial statements were approved by the board of directors and authorised for issue on 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 provides a full range of commercial banking services through a nationwide network of 382 branches in Hungary.

Number of the employees of the Bank:

	2013	**2012**
Number of employees	8,133	8,070
Average number of employees	8,074	8,012

1.2. Accounting

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

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

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

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

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 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),
- Amendments to IFRS 1 "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),
- Amendments to IFRS 1 "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),
- Amendments to IFRS 7 "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),
- Amendments to IAS 1 "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),
- Amendments to IAS 12 "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),
- Amendments to IAS 19 "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 Entity'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 authorisation 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),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "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),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (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),
- Amendments to IAS 32 "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),

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

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

- 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

- 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 separate financial statements are summarized below:

2.1. Basis of presentation

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

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

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

2.2. Foreign currency translation

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

2.3. Consolidated financial statements

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

2.4. Investments in subsidiaries

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

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

OTP Bank calculates the 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 Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash-generating units.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities held-to-maturity

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

2.6. Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of recognized income for the period. The Bank mainly holds these securities to obtain short-term gains consequently realised and unrealised gains and losses are recognized in the net operating income since 31 December 2013. Gains and losses on securities held for trading for the year ended 31 December 2012 are recognized in the net interest income. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, securities issued by NBH, shares in non-financial commercial companies, shares in investment funds and shares in financial institutions.

2.6.2. Derivative financial instruments

In the normal course of business, the Bank is a party to 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 Bank both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and option pricing models as appropriate. OTP Bank adopts multi curve valuation approach for calculating the net present value of future cash-flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as OTP Bank has almost all of its open derivative transactions collateralised. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the separate statement of recognized income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

2.8. Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the statement of financial position on a net basis. The Bank 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 recognised 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. Available-for-sale securities are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognized in other comprehensive income, 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 realised in profit or loss for the applicable period. Securities available-for-sale consist of Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, corporate bonds, bonds issued by NBH and foreign securities.
The provision for impairment is calculated based on discounted cash-flow methodology for debt instruments and calculated based on fair value on equity instruments, using the expected future cash-flow and original effective interest rate if there is objective evidence of impairment based on significant or prolonged decrease on fair value.
Available-for-sale securities are remeasured at fair value based on quoted prices or values derived from cash-flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of the future cash-flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.
Those available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less provision for impairment when appropriate. This exception is related only to equity instruments. Impairment on equity AFS securities is accounted only if there is a significant or prolonged decrease in the market value.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

Loans and placements with other banks are accounted at amortised 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 41. 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 losses on loans and placements with other banks represent management assessment for potential losses in relation to these activities.
The allowances for loan and placement losses are maintained to cover losses that have been specifically identified. 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 "Provisions for impairment on loan and placement losses" in the statement of recognized income. If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into income.

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 the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the statement of financial position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement.
In the case of security lending transactions the Bank do not recognize or derecognize the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

2.13. Property, equipment and intangible assets

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

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

Depreciation and amortization on properties, equipments and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Property, equipment and intangible assets [continued]

If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

The Bank 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 Bank.
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.

2.14. Financial liabilities

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

2.15. Leases

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

2.16. Treasury shares

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

2.17. Interest income and interest expense

Interest income and expenses are recognised 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 Bank recognizes interest income when assumes that the interest associated with the transaction will flow to the Bank and the amount of the revenue can reasonably be measured. All interest income and expense arising from loans, placements with other banks, securities held for trading, securities available-for-sale, securities held to maturity and amounts due to banks, deposits from customers, liabilities from issued securities, subordinated bond and loans are presented under these lines of financial statement.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Fees and Commissions

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

2.19. Dividend income

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

2.20. Income tax

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

2.21. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit and transactions with financial instruments. The provision on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.
The Bank recognizes a provision when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

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

2.23. Separate statement of cash-flows

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.24. Segment reporting

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

2.25. Comparative figures

There were no changes in prior period data due to either prior period error or change in accounting policies. In some notes certain amounts in the separate financial statements for the year ended 31 December 2012 have been restructured within the particular note to conform with the current year presentation and these amounts are not significant.

2.26. Measures related to FX based mortgage loans

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

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

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

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

The Government backs the escrow account in full through a State Guarantee during the fixed exchange rate period, subsequently the guarantee applies to 25% of the escrow account. In case of utilising of state guarantee credit institutions are obliged to pay contribution.
Regarding the fact that the expected number of debtors who concluded escrow account loan contract is low, OTP Bank decided not to employ the state guarantee.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.26. Measures related to FX based mortgage loans [continued]

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

	2013	2012
Number of escrow account loans (number of loans)	4,787	3,060
Number of new contracts made after 1 April 2012 (number of contracts)	4,728	2,988
Gross value of escrow account loans (in HUF mn)	320	79
Gross amount of fixed FX loans (in HUF mn)	19,422	13,444

An analysis of the effect of escrow account loan on financial statement at OTP Bank:

	2013	2012
Loss on interest from fixed exchange rate refunded by the State	408	60
Contribution paid for the State (50%)	204	30

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

3.1. Impairment on loans and placements

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

3.2. Valuation of instruments without direct quotations

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

Provision is recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Bank is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 17.)
A provision is recognized by the Bank when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

	2013	2012
Cash on hand:		
In HUF	67,325	58,713
In foreign currency	5,223	13,044
	72,548	**71,757**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	48,235	128,210
In foreign currency	19,529	45,131
	67,764	**173,341**
Accrued interest	209	450
Total	**140,521**	**245,548**
Compulsory reserve	77,686	81,163
Rate of the compulsory reserve	2%	2%

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

	2013	2012
Within one year:		
In HUF	224,619	165,452
In foreign currency	336,912	369,171
	561,531	**534,623**
Over one year		
In HUF	40,000	15,000
In foreign currency	29,222	114,013
	69,222	**129,013**
Total placements	**630,753**	**663,636**
Accrued interest	2,168	1,781
Provision for impairment on placement losses	(22)	-
Total	**632,899**	**665,417**

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

	2013	2012
Balance as at 1 January	**-**	**138**
Provision for the period	22	-
Release of provision	-	(138)
Balance as at 31 December	**22**	**-**

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

Interest conditions of placements with other banks (%):

	2013	2012
Placements with other banks in HUF	2.5%-7.49%	4.8%-6.5%
Placements with other banks in foreign currency	0.26%-11.9%	0.002%-10.09%
Average interest of placements with other banks	3.26%	3.34%

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	73,256	90,431
Hungarian government interest bearing Treasury Bills	6,466	2,111
Government bonds	4,090	1,331
Hungarian government discounted Treasury Bills	2,159	2,098
Securities issued by credit institutions	1,162	49
Mortgage bonds	237	408
Other securities	26	10
Subtotal	**296,743**	**97,771**
Accrued interest	105	164
Total	**296,848**	**97,935**
Derivative financial instruments classified as held for trading:		
Interest rate swaps classified as held for trading	53,728	73,199
CCIRS and mark-to-market CCIRS[1] classified as held for trading	32,763	54,480
Foreign currency swaps classified as held for trading	6,637	7,107
Other derivative transactions[2]	6,589	10,294
Subtotal	**99,717**	**145,080**
Total	**396,565**	**243,015**

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

	2013	2012
Within five years:		
variable interest	357	2
fixed interest	222,261	7,072
	222,618	**7,074**
Over five years:		
fixed interest	843	257
	843	**257**
Non-interest bearing securities	73,282	90,440
Total	**296,743**	**97,771**

[1] CCIRS: Cross Currency Interest Rate Swap (See Note 27)
[2] incl.: FX, equity and index futures; FX forward; commodity and equity swap; FRA; FX option

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

	2013	2012
Securities held for trading denominated in HUF	99.65%	100%
Securities held for trading denominated in foreign currency	0.35%	-
Securities held for trading total	**100%**	**100%**
Government securities denominated in HUF	81%	92%
Government securities denominated in foreign currency	19%	8%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading	2.91%-13%	3.5%-13%
Average interest on securities held for trading	3.67%	6.51%

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

	2013	2012
Bonds issued by NBH	1,021,825	742,989
Mortgage bonds	789,419	968,048
Government bonds	90,177	134,034
Other securities	67,264	70,401
- *listed securities*	*36,883*	*36,689*
in HUF	-	-
in foreign currency	*36,883*	*36,689*
- *non-listed securities*	*30,381*	*33,712*
in HUF	*26,589*	*31,632*
in foreign currency	*3,792*	*2,080*
Subtotal	**1,968,685**	**1,915,472**
Accrued interest	28,806	38,399
Securities available-for-sale total	**1,997,491**	**1,953,871**

	2013	2012
Securities available-for-sale denominated in HUF	77%	75%
Securities available-for-sale denominated in foreign currency	23%	25%
Securities available-for-sale total	**100%**	**100%**
Interest rates on securities available-for-sale denominated in HUF	4.5%-11%	6.8%-12%
Interest rates on securities available-for-sale denominated in foreign currency	2.12%-10.5%	2.7%-10.5%
Average interest on securities available-for-sale denominated in HUF	6.52%	7.42%
Average interest on securities available-for-sale denominated in foreign currency	4.6%	4.77%

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

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

	2013	2012
Within five years:		
variable interest	1,380,490	427,295
fixed interest	341,164	1,222,305
	1,721,654	**1,649,600**
Over five years:		
variable interest	3,730	-
fixed interest	213,460	228,018
	217,190	**228,018**
Non-interest bearing securities	29,841	37,854
Total	**1,968,685**	**1,915,472**

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

	2013	2012
Net loss reclassified from equity to statement of recognized income	(388)	552
Fair value of the hedged securities		
Corporate bonds	23,648	19,969

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

	2013	2012
Short-term loans and trade bills (within one year)	941,428	941,357
Long-term loans and trade bills (over one year)	1,343,444	1,554,233
Loans gross total	**2,284,872**	**2,495,590**
Accrued interest	10,342	14,071
Provision for impairment on loan losses	(150,513)	(153,370)
Total	**2,144,701**	**2,356,291**

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

	2013	2012
In HUF	40%	38%
In foreign currency	60%	62%
Total	**100%**	**100%**

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

	2013	2012
Loans denominated in HUF, with a maturity within one year	6.5%-25.3%	7.7%-32.4%
Loans denominated in HUF, with a maturity over one year	2.8%-24.8%	2.7%-24.8%
Loans denominated in foreign currency	1.8%-14%	1.8%-22.8%
Average interest on loans denominated in HUF	13.14%	14.56%
Average interest on loans denominated in foreign currency	4.71%	4.14%

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

	2013	2012
Gross loan portfolio on which interest to customers is not being accrued	10.80%	10.04%

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

	2013		2012	
Retail loans	**539,340**	**24%**	**581,389**	**23%**
Retail consumer loans	309,476	14%	335,407	13%
Retail mortgage backed loans[1]	123,592	5%	143,650	6%
SME loans	106,272	5%	102,332	4%
Corporate loans	**1,745,532**	**76%**	**1,914,201**	**77%**
Loans to medium and large corporates	1,537,655	67%	1,650,811	66%
Municipality loans	105,725	5%	263,390	11%
Municipality loans completed by the State	102,152	4%	-	-
Total	**2,284,872**	**100%**	**2,495,590**	**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 OTP Bank HUF 28.8 billion total debt of 957 municipalities was repaid (at exchange rates as of 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 Bank for the GDMA.
At OTP Bank the total amount of loans to 192 municipalities with more than five thousands inhabitants represented HUF 245 billion by end-2012. Out of this portfolio the debt consolidation covered volumes of HUF 142.6 billion equivalent (at exchange rates as of 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 Bank for the GDMA.
By end-2013 the principal of the loan to the GDMA amounted to HUF 102.1 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	**153,370**	**160,324**
Provision for the period	83,796	93,834
Release of provision	(82,134)	(100,788)
Provision for impairment on promissory obligation	(4,519)	-
Balance as at 31 December	**150,513**	**153,370**

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

	2013	2012
Provision / (release of provision) for impairment on placement losses	22	(138)
Provision for impairment on loan losses	30,511	53,446
Total	**30,533**	**53,308**

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

[1] incl. housing loans

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

	2013	2012
Investments in subsidiaries:		
Controlling interest	985,892	925,362
Other investments	1,011	1,021
	986,903	**926,383**
Provision for impairment	(317,581)	(265,031)
Total	**669,322**	**661,352**

Other investments contain securities available-for-sale accounted at cost. These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Significant subsidiaries

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

	2013		2012	
	% Held (direct and indirect)	**Gross book value**	**% Held (direct and indirect)**	**Gross book value**
OTP Bank JSC (Ukraine)	100%	266,513	100%	266,513
DSK Bank EAD (Bulgaria)	100%	86,832	100%	86,832
OTP banka Srbija a.d. (Serbia)	97.56%	84,727	96.79%	84,433
OAO OTP Bank (Russia)	97.81%	74,296	97.78%	74,280
OTP banka Hrvatska d.d. (Croatia)	100%	72,940	100%	72,940
OTP Mortgage Bank Ltd.	100%	70,257	100%	70,257
Crnogorska komercijalna banka a.d. (Montenegro)	100%	58,484	100%	55,439
OTP Bank Romania S.A. (Romania)	100%	57,638	100%	57,638
OOO AlyansReserv (Russia)	100%	50,074	100%	50,074
OTP Factoring Ltd.	100%	40,825	100%	24,925
Balansz Real Estate Institute Fund	100%	18,370	-	-
Inga Kettő Ltd.	100%	17,892	100%	5,892
Bank Center No. 1. Ltd.	100%	16,063	100%	10,063
OTP Life Annuity Ltd.	100%	15,300	100%	15,300
OTP Banka Slovensko a.s. (Slovakia)	99.21%	13,649	98.94%	13,611
Air-Invest Ltd.	100%	9,698	100%	8,898
Monicomp Ltd.	100%	9,234	100%	9,234
OTP Real Estate Ltd.	100%	4,777	100%	2,318
OTP Real Estate Leasing Ltd. (previously OTP Flat Lesase Ltd.)	100%	3,671	100%	3,178
OTP Funds Servicing and Consulting Ltd.	100%	2,469	100%	2,469
OTP Holding Ltd. (Cyprus)	100%	2,000	100%	2,000
OTP Building Society Ltd.	100%	1,950	100%	1,950
OTP Fund Management Ltd.	100%	1,653	100%	1,653
Merkantil Bank Ltd.	100%	1,600	100%	1,600
OTP Real Estate Investment Fund Management Ltd.	100%	1,352	100%	1,352
CIL Babér Ltd.	100%	1,225	100%	1,225
Fordulat Venture Capital Fund	50%	1,050	-	-
OTP Financing Netherlands B.V. (the Netherlands)	100%	481	100%	481
OTP Card Factory Ltd.	100%	450	100%	450
Portfolion Ltd.	100%	150	100%	150
HIF Ltd. (United Kingdom)	100%	81	100%	81
Subtotal		**985,701**		**925,236**

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

	2013		2012	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
OTP Hungaro-Projekt Ltd.	100%	81	100%	81
Magvető Day One Venture Capital Fund	100%	65	-	-
TradeNova Ltd. "u.l."	100%	30	100%	30
OTP Facility Management Ltd.	100%	15	100%	15
Subtotal		**191**		**126**
Total		**985,892**		**925,362**

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

	2013	2012
Balance as at 1 January	**265,031**	**229,448**
Provision for the period	52,550	35,583
Balance as at 31 December	**317,581**	**265,031**

The provision for impairment on OTP Bank JSC (Ukraine) was HUF 125,903 million, for OTP banka Srbija a.d. was HUF 63,233 million, for Crnogorska komercijalna banka a.d was HUF 26,714 million, for OTP banka Hrvatska d.d. was 9,232 million as at 31 December 2013. OTP Bank recognized provision for impairment in amount of HUF 28,377 million for OTP Bank JSC (Ukraine) and HUF 6,430 million for OTP banka Srbija a.d. in 2013.

Significant associates

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

As at 31 December 2013

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

As at 31 December 2012

	Company for Cash Services LLC	Suzuki Pénzügyi Szolgáltató Ltd.	Total
Assets	1,924	629	**2,553**
Liabilities	82	12	**94**
Shareholders' equity	1,842	617	**2,459**
Retained earnings and reserves	(59)	552	**493**
Total income	869	46	**915**
Profit before tax	44	27	**71**
Net profit	39	25	**64**

NOTE 9: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND OTHER INVESTMENTS (in HUF mn) [continued]

As of 22 February 2013 the registered capital of OTP Real Estate Ltd. decreased from HUF 3.333 million to HUF 500 million. As of 13 June 2013, the share capital of OTP Real Estate Ltd. increased to HUF 501 million. As a consequence, the ownership ratios in OTP Real Estate Ltd. were modified as follows: OTP Bank (49.98%), OTP Holding Ltd. (36.79%), Bank Center No. 1 Ltd. (13.23%).
On 21 February 2014 the registered capital of OTP Real Estate Ltd. increased by HUF 20 thousand. The ownership ratios were not modified.

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

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

On 12 April 2013 the registered capital of Bank Center No. 1 Ltd. has increased by HUF 3.000 million.

On 23 January 2014 the Budapest Metropolitan Court, acting as a Companies Registry, has registered a capital increase including share premium at Bank Center No. 1. Ltd. implemented by OTP Bank. As a result, on 30 December 2013, the registered capital of Bank Center No. 1. Ltd. has increased to HUF 7.3 billion. Accordingly, the ownership ratios have been modified as follows: OTP Bank Plc. 90.14%, INGA Kettő Ltd. 9.86%.

On 27 September 2013 the Securities Commission of Montenegro approved the conversion of the Lower Tier2 Capital in the amount of EUR 10,130,409 provided by OTP Bank to Crnogorska komercijalna banka a.d. ("CKB") into ordinary shares. The principal amount of the Lower Tier2 Capital was EUR 10,000,000.
The registered capital of CKB changed to EUR 136,875,398 as verified by the Central Custodian in its certificate issued.

On 27 January 2014 the Budapest Metropolitan Court, acting as a Companies Registry, has registered a capital increase including premium at Inga Kettő Ltd. implemented by OTP Bank. As a result, on 30 December 2013, the registered capital of Inga Kettő Ltd. has increased to HUF 8 billion.

On 31 January 2014 OTP banka Hrvatska d.d. signed an agreement in Zagreb with the Italian Banco Popolare banking group on the purchase of its 98.37% ownership in its Croatian subsidiary. The purchase price was HRK 106,977,375. This acquisition on one hand strengthens OTP Bank's commitment towards the economic development of Croatia being full member of the European Union since 1 July 2013, and will also improve the market position of OTP banka Hrvatska d.d. Furthermore, the new bank could enhance its presence in regions where previously it had a weaker network capacity. The acquisition will help the Croatian subsidiary to have a better scale of economy.

In accordance with the resolution adopted by the board of directors in February 2014, capital settlement package of OTP Real Estate Ltd. and its subsidiaries was approved at group level. The purpose of the capital settlement is to meet regulations applying to minimal capital criteria and to guarantee the self-supporting financing structure.

On 28 February 2014 OTP Bank increased the registered capital of OTP banka Srbija a.d. by RSD 2,311,635,480. As a consequence the registered capital of OTP banka Srbija a.d. has increased from RSD 14,389,735,180 to RSD 16,701,370,660. The ownership ratio of OTP Bank is 97.9%.

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

	2013	2012
Government bonds	506,808	355,595
Mortgage bonds	4,770	4,783
Hungarian government discounted Treasury bills	341	343
	511,919	**360,721**
Accrued interest	13,130	11,271
Total	**525,049**	**371,992**

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

	2013	2012
Within five years:		
variable interest	15,041	30,685
fixed interest	174,611	171,623
	189,652	**202,308**
Over five years:		
fixed interest	322,267	158,413
	322,267	**158,413**
Total	**511,919**	**360,721**

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

	2013	2012
Securities held-to-maturity denominated in HUF	100%	100%
Securities held-to-maturity total	**100%**	**100%**
Interest rates on securities held-to-maturity	3.9%-9.5%	5.5% - 9.5%
Average interest on securities held-to-maturity denominated in HUF	7.35%	8.24%

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

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

For the year ended 31 December 2013

Cost	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**124,248**	**67,327**	**74,547**	**10,325**	**276,447**
Additions	23,463	3,059	5,844	15,428	47,794
Disposals	(10,362)	(557)	(7,379)	(8,938)	(27,236)
Balance as at 31 December	**137,349**	**69,829**	**73,012**	**16,815**	**297,005**
Depreciation and Amortization					
Balance as at 1 January	**92,651**	**15,622**	**58,525**	**-**	**166,798**
Charge for the year	14,000	1,776	5,881	-	21,657
Disposals	(856)	(152)	(7,443)	-	(8,451)
Balance as at 31 December	**105,795**	**17,246**	**56,963**	**-**	**180,004**
Net book value					
Balance as at 1 January	**31,597**	**51,705**	**16,022**	**10,325**	**109,649**
Balance as at 31 December	**31,554**	**52,583**	**16,049**	**16,815**	**117,001**

For the year ended 31 December 2012

Cost	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**110,219**	**64,804**	**72,566**	**7,304**	**254,893**
Additions	23,846	3,236	6,385	12,670	46,137
Disposals	(9,817)	(713)	(4,404)	(9,649)	(24,583)
Balance as at 31 December	**124,248**	**67,327**	**74,547**	**10,325**	**276,447**
Depreciation and Amortization					
Balance as at 1 January	79,048	14,290	57,223	-	150,561
Charge for the year	13,731	1,681	5,547	-	20,959
Disposals	(128)	(349)	(4,245)	-	(4,722)
Balance as at 31 December	**92,651**	**15,622**	**58,525**	**-**	**166,798**
Net book value					
Balance as at 1 January	**31,171**	**50,514**	**15,343**	**7,304**	**104,332**
Balance as at 31 December	**31,597**	**51,705**	**16,022**	**10,325**	**109,649**

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

	2013	2012
Prepayments and accrued income	14,164	5,540
Fair value of derivative financial instruments designated as fair value hedge	9,734	4,228
Receivables from investment services	4,814	1,604
Trade receivables	4,752	5,294
Variation margin	3,623	433
Receivables from OTP Mortgage Bank Ltd.[2]	2,969	3,423
Other advances	1,288	665
Due from Hungarian Government from interest subsidies	1,172	1,615
Inventories	1,060	980
Advances for securities and investments	598	587
Current income tax receivable	415	5,488
Loans sold under deferred payment scheme	21	315
Other	6,543	4,145
	51,153	**34,317**
Accrued interest	9	10
Provision for impairment on other assets[3]	(1,676)	(1,641)
Total	**49,486**	**32,686**

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

	2013	2012
Interest rate swaps designated as fair value hedge	9,722	4,224
Other	12	4
Total	**9,734**	**4,228**

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

	2013	2012
Balance as at 1 January	**1,641**	**1,807**
Charge for the period	623	519
Release of provision	(588)	(682)
Use of provision	-	(3)
Balance as at 31 December	**1,676**	**1,641**

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

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

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

	2013	2012
Within one year:		
In HUF	403,166	99,771
In foreign currency	311,788	528,749
	714,954	**628,520**
Over one year:		
In HUF	116,313	110,134
In foreign currency	70,114	85,632
	186,427	**195,766**
Subtotal	**901,381**	**824,286**
Accrued interest	1,363	2,682
Total[1]	**902,744**	**826,968**

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

	2013	2012
Within one year:		
In HUF	0.22%-5.31%	0.17%-7.62%
In foreign currency	0.37%-7.05%	2.39%-4.73%
Over one year:		
In HUF	0.22%-5.24%	0.22%-7.12%
In foreign currency	0.1%-7%	0.12%-5.88%
Average interest on amounts due to banks in HUF	1.45%	4.46%
Average interest on amounts due to banks in foreign currency	2.59%	3.24%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2013	2012
Within one year:		
In HUF	2,985,237	2,811,316
In foreign currency	660,166	652,393
	3,645,403	**3,463,709**
Over one year:		
In HUF	25,646	26,551
In foreign currency	-	30
	25,646	**26,581**
Subtotal	**3,671,049**	**3,490,290**
Accrued interest	6,401	10,500
Total	**3,677,450**	**3,500,790**

[1] It contains the loans lent among the frame of Funding for Growth Scheme, which are accounted as government grant regulated by IAS 20 Standard. See details in Note 41.

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

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

	2013	2012
Within one year in HUF	0.01%-10.3%	0.1%-11%
Over one year in HUF	0.01%-5%	0.2%-7.8%
In foreign currency	0.01%-6.7%	0.01%-3.5%
Average interest on deposits from customers in HUF	2.62%	4.30%
Average interest on deposits from customers in foreign currency	1.29%	1.45%

An analysis of deposits from customers by type, not included accrued interest, is as follows:

	2013		2012	
Retail deposits	**2,069,291**	**57%**	**2,141,847**	**61%**
Household deposits	1,748,210	48%	1,855,388	53%
SME deposits	321,081	9%	286,459	8%
Corporate deposits	**1,601,758**	**43%**	**1,348,443**	**39%**
Deposits to medium and large corporates	1,329,032	36%	1,136,743	33%
Municipality deposits	272,726	7%	211,700	6%
Total	**3,671,049**	**100%**	**3,490,290**	**100%**

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

	2013	2012
Within one year:		
In HUF	35,322	192,316
In foreign currency	33,034	39,289
	68,356	**231,605**
Over one year:		
In HUF	93,713	89,654
In foreign currency	8,200	5,120
	101,913	**94,774**
Subtotal	**170,269**	**326,379**
Accrued interest	510	9,584
Total	**170,779**	**335,963**

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

	2013	2012
Issued securities denominated in HUF	0.25%-7%	0.25%-7%
Issued securities denominated in foreign currency	1.7%-4%	2.8%-5%
Average interest on issued securities denominated in HUF	5.07%	5.38%
Average interest on issued securities denominated in foreign currency	3.15%	3.50%

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

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

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
1	EUR 1 2014/XVI	16/08/2013	16/08/2014	EUR	10.35	3,071	2	fixed	
2	EUR 1 2014/XIX	27/09/2013	27/09/2014	EUR	8.31	2,466	2	fixed	
3	EUR 1 2014/XXI	31/10/2013	31/10/2014	EUR	8.11	2,406	1.75	fixed	
4	EUR 1 2014/XVIII	13/09/2013	13/09/2014	EUR	7.90	2,346	2	fixed	
5	EUR 1 2015/I	20/12/2013	10/01/2015	EUR	7.10	2,107	1.65	fixed	
6	EUR 1 2014/XVII	30/08/2013	30/08/2014	EUR	6.89	2,046	2	fixed	
7	EUR 1 2014/XX	11/10/2013	11/10/2014	EUR	6.75	2,003	2	fixed	
8	EUR 1 2014/XXIII	29/11/2013	13/12/2014	EUR	5.90	1,752	1.65	fixed	
9	EUR 1 2014/IX	10/05/2013	10/05/2014	EUR	5.80	1,721	2.25	fixed	
10	EUR 1 2014/XV	26/07/2013	26/07/2014	EUR	5.15	1,529	2	fixed	
11	EUR 1 2014/XXII	15/11/2013	15/11/2014	EUR	4.60	1,366	1.75	fixed	
12	EUR 1 2014/IV	15/02/2013	15/02/2014	EUR	4.06	1,205	2.5	fixed	
13	EUR 1 2014/V	01/03/2013	01/03/2014	EUR	3.81	1,130	2.5	fixed	
14	EUR 1 2014/I	11/01/2013	11/01/2014	EUR	3.35	994	2.75	fixed	
15	EUR 1 2014/VI	22/03/2013	22/03/2014	EUR	3.19	948	2.5	fixed	
16	EUR 1 2014/VIII	19/04/2013	19/04/2014	EUR	3.01	894	2.25	fixed	
17	EUR 1 2014/XIV	12/07/2013	12/07/2014	EUR	2.79	828	2	fixed	
18	EUR 1 2014/III	01/02/2013	01/02/2014	EUR	2.68	796	2.5	fixed	
19	EUR 1 2014/XI	07/06/2013	07/06/2014	EUR	2.59	770	2	fixed	
20	EUR 1 2014/II	25/01/2013	25/01/2014	EUR	2.54	753	2.5	fixed	
21	EUR 1 2014/X	24/05/2013	24/05/2014	EUR	2.37	704	2	fixed	
22	EUR 2 2015/XXI	31/10/2013	31/10/2015	EUR	2.35	698	2.25	fixed	
23	EUR 1 2014/XII	21/06/2013	21/06/2014	EUR	2.20	653	2	fixed	
24	2015/Fx	21/12/2012	23/12/2015	EUR	2.07	616	indexed	floating	hedged
25	2016/Cx	22/04/2011	22/04/2016	EUR	1.56	463	indexed	floating	hedged
26	EUR 2 2015/XXIV	20/12/2013	20/12/2015	EUR	1.55	461	2	fixed	
27	EUR 1 2014/XIII	28/06/2013	28/06/2014	EUR	1.38	411	2	fixed	
28	EUR 1 2014/VII	05/04/2013	05/04/2014	EUR	1.37	405	2.25	fixed	
29	EUR 2 2015/XXIII	29/11/2013	29/11/2015	EUR	1.30	387	2	fixed	
30	2016/Dx	22/12/2011	29/12/2016	EUR	1.25	370	indexed	floating	hedged
31	EUR 2 2015/XXII	15/11/2013	15/11/2015	EUR	1.18	349	2.25	fixed	
32	2015/Cx	27/12/2010	29/12/2015	EUR	0.97	288	indexed	floating	hedged
33	EUR 2 2015/XVI	16/08/2013	16/08/2015	EUR	0.79	235	2.25	fixed	
34	2017/Fx	14/06/2012	16/06/2017	EUR	0.78	231	indexed	floating	hedged
35	EUR 2 2015/IX	10/05/2013	10/05/2015	EUR	0.74	219	2.75	fixed	
36	EUR 2 2015/XVIII	13/09/2013	13/09/2015	EUR	0.65	193	2.25	fixed	
37	EUR 2 2015/XV	26/07/2013	26/07/2015	EUR	0.63	187	2.25	fixed	
38	2018/Fx	19/12/2013	21/12/2018	EUR	0.62	183	indexed	floating	hedged
39	EUR 2 2015/XIX	27/09/2013	27/09/2015	EUR	0.51	151	2.25	fixed	
40	EUR 2 2014/XVII	31/08/2012	31/08/2014	EUR	0.46	135	3.5	fixed	
41	EUR 2 2014/IV	24/02/2012	24/02/2014	EUR	0.44	132	4	fixed	
42	EUR 2 2015/XVII	30/08/2013	30/08/2015	EUR	0.42	126	2.25	fixed	
43	EUR 2 2014/XXIV	07/12/2012	07/12/2014	EUR	0.41	122	3.25	fixed	
44	EUR 2 2015/XI	07/06/2013	07/06/2015	EUR	0.39	116	2.5	fixed	
45	EUR 2 2015/VII	05/04/2013	05/04/2015	EUR	0.38	114	2.75	fixed	
46	EUR 2 2014/XXIII	23/11/2012	23/11/2014	EUR	0.37	111	3.25	fixed	
47	EUR 2 2014/XXV	21/12/2012	21/12/2014	EUR	0.36	108	3	fixed	
48	EUR 2 2015/X	24/05/2013	24/05/2015	EUR	0.36	108	2.5	fixed	
49	EUR 2 2014/XXI	26/10/2012	26/10/2014	EUR	0.36	108	3.25	fixed	
50	EUR 2 2014/IX	04/05/2012	04/05/2014	EUR	0.32	95	4	fixed	
51	EUR 2 2014/XVIII	14/09/2012	14/09/2014	EUR	0.31	91	3.25	fixed	
52	EUR 2 2015/VIII	19/04/2013	19/04/2015	EUR	0.30	90	2.75	fixed	
53	EUR 2 2015/XX	11/10/2013	11/10/2015	EUR	0.30	89	2.25	fixed	
54	EUR 2 2015/XIII	28/06/2013	28/06/2015	EUR	0.27	81	2.5	fixed	
55	EUR 2 2015/V	01/03/2013	01/03/2015	EUR	0.26	78	2.75	fixed	
56	EUR 2 2014/VIII	20/04/2012	20/04/2014	EUR	0.25	74	4	fixed	
57	EUR 2 2014/XIX	28/09/2012	28/09/2014	EUR	0.25	74	3.25	fixed	
58	EUR 2 2014/III	10/02/2012	10/02/2014	EUR	0.24	72	4	fixed	
59	EUR 2 2014/XV	03/08/2012	03/08/2014	EUR	0.22	64	3.75	fixed	
60	EUR 2 2014/XX	12/10/2012	12/10/2014	EUR	0.22	64	3.25	fixed	
61	EUR 2 2015/XII	21/06/2013	21/06/2015	EUR	0.21	63	2.5	fixed	
62	EUR 2 2014/XXII	09/11/2012	09/11/2014	EUR	0.20	61	3.25	fixed	
	Subtotal					**40,511**			

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

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
63	EUR 2 2014/XIII	22/06/2012	22/06/2014	EUR	0.20	59	3.75	fixed	
64	EUR 2 2015/VI	22/03/2013	22/03/2015	EUR	0.20	59	2.75	fixed	
65	EUR 2 2014/II	27/01/2012	27/01/2014	EUR	0.19	57	4	fixed	
66	EUR 2 2015/II	25/01/2013	25/01/2015	EUR	0.17	51	2.75	fixed	
67	EUR 2 2014/XIV	13/07/2012	13/07/2014	EUR	0.17	51	3.75	fixed	
68	EUR 2 2014/XVI	17/08/2012	17/08/2014	EUR	0.17	50	3.5	fixed	
69	EUR 2 2015/I	11/01/2013	11/01/2015	EUR	0.16	48	3	fixed	
70	EUR 2 2015/III	01/02/2013	01/02/2015	EUR	0.16	47	2.75	fixed	
71	EUR 2 2015/IV	15/02/2013	15/02/2015	EUR	0.15	45	2.75	fixed	
72	EUR 2 2014/VII	06/04/2012	06/04/2014	EUR	0.15	44	4	fixed	
73	EUR 2 2014/XII	08/06/2012	08/06/2014	EUR	0.13	38	3.75	fixed	
74	EUR 2 2015/XIV	12/07/2013	12/07/2015	EUR	0.12	37	2.25	fixed	
75	EUR 2 2014/VI	23/03/2012	23/03/2014	EUR	0.10	31	4	fixed	
76	EUR 2 2014/XI	25/05/2012	25/05/2014	EUR	0.10	28	3.75	fixed	
77	EUR 2 2014/V	09/03/2012	09/03/2014	EUR	0.09	28	4	fixed	
78	EUR 2 2014/I	13/01/2012	13/01/2014	EUR	0.05	15	4	fixed	
79	EUR 2 2014/X	11/05/2012	11/05/2014	EUR	0.05	15	3.75	fixed	
	Subtotal					**703**			
	Subtotal issued securities in FX					**41,214**			
	Unamortized premium					(29)			
	Fair value hedge adjustment					49			
	Total					**41,234**			

OTP 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, initiated by OTP 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 OTP 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.

Certain structured bonds are hedged by interest rate swaps which may transfer to a transferee a fixed interest rate and enter into an interest rate swap with the transferee to receive a fixed interest rate and pay a variable interest rate and amount of the structure if any based on a notional amount which is equal to the notional amount of the hedged bond. 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 interest rate swap ("IRS") transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

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

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

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
1	EK 2015/I	29/07/2013		29/01/2015	5,619	4.25	fixed	
2	TBSZ2015/I	26/02/2010	17/12/2010	30/12/2015	5,564	5.5	fixed	
3	2015/Ax	25/03/2010		30/03/2015	4,717	indexed	floating	hedged
4	2017/Ax	01/04/2011		31/03/2017	4,598	indexed	floating	hedged
5	2019/Dx	22/03/2013		21/03/2019	4,500	indexed	floating	hedged
6	2017/Bx	17/06/2011		20/06/2017	4,489	indexed	floating	hedged
7	2018/Bx	22/03/2012		22/03/2018	4,335	indexed	floating	hedged
8	2015/Bx	28/06/2010		30/03/2015	4,220	indexed	floating	hedged
9	2016/Ax	11/11/2010		03/11/2016	3,981	indexed	floating	hedged
10	2017/Ex	21/12/2011		28/12/2017	3,716	indexed	floating	hedged
11	2018/Cx	16/07/2012		18/07/2018	3,707	indexed	floating	hedged
12	2019/Ex	28/06/2013		24/06/2019	3,550	indexed	floating	hedged
13	2014/Bx	05/10/2009		13/10/2014	3,512	indexed	floating	hedged
14	2014/I	11/01/2013	25/01/2013	11/01/2014	3,406	5	fixed	
15	2014/Cx	14/12/2009		19/12/2014	3,381	indexed	floating	hedged
16	2017/Cx	19/09/2011		25/09/2017	3,369	indexed	floating	hedged
17	2018/Ex	28/12/2012		28/12/2018	3,250	indexed	floating	hedged
18	2018/Dx	29/10/2012		26/10/2018	3,073	indexed	floating	hedged
19	2016/Bx	16/12/2010		19/12/2016	2,987	indexed	floating	hedged
20	DNT HUF 140108 6%	12/07/2013		08/01/2014	2,916	indexed	floating	hedged
21	2014/Ax	25/06/2009		30/06/2014	2,666	indexed	floating	hedged
22	2014/III	01/03/2013	22/03/2013	01/03/2014	2,822	4.5	fixed	
23	2020/RF/A	12/07/2010		20/07/2020	1,934	indexed	floating	hedged
24	TBSZ2014/I	14/01/2011	05/08/2011	15/12/2014	1,915	5.5	fixed	
25	2020/RF/C	11/11/2010		05/11/2020	1,798	indexed	floating	hedged
26	2014/IV	05/04/2013	19/04/2013	05/04/2014	1,529	4	fixed	
27	2014/II	01/02/2013	15/02/2013	01/02/2014	1,467	5	fixed	
28	2021/RF/B	20/10/2011		25/10/2021	1,385	indexed	floating	hedged
29	2014/VI	24/05/2013	31/05/2013	24/05/2014	1,279	3.5	fixed	
30	2021/RF/A	05/07/2011		13/07/2021	1,264	indexed	floating	hedged
31	TBSZ2016/I	14/01/2011	05/08/2011	15/12/2016	1,197	5.5	fixed	
32	2014/V	26/04/2013	10/05/2013	26/04/2014	1,152	3.5	fixed	
33	2014/Ex	17/06/2011		20/06/2014	1,146	indexed	floating	hedged
34	2014/RA/Bx	16/09/2011	23/09/2011	15/09/2014	1,126	indexed	floating	hedged
35	2020/RF/B	12/07/2010		20/07/2020	970	indexed	floating	hedged
36	RA 2014A	25/03/2011		24/03/2014	945	indexed	floating	hedged
37	2014/VII	14/06/2013	28/06/2013	14/06/2014	768	3	fixed	
38	2018/Ax	03/01/2012		09/01/2018	745	indexed	floating	hedged
39	TBSZ2014/II	26/08/2011	29/12/2011	15/12/2014	730	5.5	fixed	
40	2016/Fx	22/03/2013		24/03/2016	670	indexed	floating	hedged
41	TBSZ2016/II	26/08/2011	29/12/2011	15/12/2016	647	5.5	fixed	
42	2014/VIII	16/08/2013	30/08/2013	16/08/2014	626	3	fixed	
43	2022/RF/A	22/03/2012		23/03/2022	615	indexed	floating	hedged
44	2014/IX	13/09/2013	27/09/2013	13/09/2014	537	3	fixed	
45	2017/Dx	21/10/2011		19/10/2017	505	indexed	floating	hedged
46	TBSZ 4 2015/I	13/01/2012	22/06/2012	15/12/2015	473	6.5	fixed	
47	2014/Dx	01/04/2011		03/04/2014	466	indexed	floating	hedged
48	2015/Gx	08/11/2012		16/11/2015	435	indexed	floating	hedged
49	2015/Dx	19/03/2012		23/03/2015	427	indexed	floating	hedged
50	2019/Bx	05/10/2009	05/02/2010	14/10/2019	397	indexed	floating	hedged
51	2021/Dx	21/12/2011		27/12/2021	395	indexed	floating	hedged
52	2016/Ex	28/12/2012		27/12/2016	395	indexed	floating	hedged
53	2023/Ax	22/03/2013		24/03/2023	395	indexed	floating	hedged
54	2015/Ex	18/07/2012		20/07/2015	390	indexed	floating	hedged
55	2020/Bx	28/06/2010		09/07/2020	382	indexed	floating	hedged
56	2021/Bx	17/06/2011		21/06/2021	370	indexed	floating	hedged
57	2020/Ax	25/03/2010		30/03/2020	355	indexed	floating	hedged
58	2022/Dx	28/12/2012		27/12/2022	350	indexed	floating	hedged
59	2014/Fx	20/10/2011		21/10/2014	346	indexed	floating	hedged
60	2019/Cx	14/12/2009		20/12/2019	344	indexed	floating	hedged
61	2021/Ax	01/04/2011		01/04/2021	330	indexed	floating	hedged
62	2021/Cx	19/09/2011		24/09/2021	320	indexed	floating	hedged
63	2014/Gx	21/12/2011		30/12/2014	320	indexed	floating	hedged
64	2022/Cx	29/10/2012		28/10/2022	310	indexed	floating	hedged
65	2023/Bx	28/06/2013		26/06/2023	295	indexed	floating	hedged
66	2014/X	11/10/2013	31/10/2013	11/10/2014	295	2.75	fixed	
	Subtotal				**117,117**			

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

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
67	2022/Ax	22/03/2012		23/03/2022	280	indexed	floating	hedged
68	2019/Ax	25/06/2009		01/07/2019	269	indexed	floating	hedged
69	2022/Bx	16/07/2012		18/07/2022	265	indexed	floating	hedged
70	2020/Cx	11/11/2010		05/11/2020	249	indexed	floating	hedged
71	2022/RF/C	28/06/2012		28/06/2022	238	indexed	floating	hedged
72	TBSZ6 2017/I	13/01/2012	22/06/2012	15/12/2017	234	6.5	fixed	
73	2020/Dx	16/12/2010		18/12/2020	225	indexed	floating	hedged
74	OVK 2014/I	31/01/2012	03/07/2012	27/01/2014	224	6.75	fixed	
75	2021/RF/C	21/12/2011		30/12/2021	212	indexed	floating	hedged
76	2022/RF/B	22/03/2012		23/03/2022	211	indexed	floating	hedged
77	OJK 2016/I	26/08/2011	21/12/2011	26/08/2016	171	5.75	fixed	
78	2015/Hx	28/12/2012		27/12/2015	170	indexed	floating	hedged
79	TBSZ 4 2016/I	18/01/2013	15/02/2013	15/12/2016	158	5	fixed	
80	2021/RF/D	21/12/2011		30/12/2021	147	indexed	floating	hedged
81	2022/RF/D	28/06/2012		28/06/2022	114	indexed	floating	hedged
82	2022/RF/E	29/10/2012		31/10/2022	66	indexed	floating	hedged
83	2022/RF/F	28/12/2012		28/12/2022	56	indexed	floating	hedged
84	2023/RF/A	22/03/2013		24/03/2023	51	indexed	floating	hedged
85	TBSZ 4 2015/II	21/12/2012		15/12/2015	48	6	fixed	
86	2021/RF/E	21/12/2011		30/12/2021	37	indexed	floating	hedged
87	OJK 2017/I	27/01/2012	13/07/2012	27/01/2017	32	7	fixed	
88	other	-	-	-	231			
	Subtotal				**3,688**			
	Subtotal issued securities in HUF				**120,805**			
	Unamortized premium				(64)			
	Fair value hedge adjustment				8,294			
	Total issued securities in HUF				**129,035**			
	Accrued interest				510			
	Total issued securities				**170,779**			

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

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

	2013	2012
CCIRS and mark-to-market CCIRS	124,556	168,702
IRS	67,854	75,835
Foreign currency swaps	5,744	5,884
Other derivative contracts[1]	6,363	8,790
Total	**204,517**	**259,211**

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

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

	2013	2012
Financial liabilities from OTP-MOL share swap transaction[2]	71,548	89,308
Liabilities from investment services	53,068	26,263
Accrued expenses	30,179	22,299
Salaries and social security payable	18,330	21,023
Provision on off-balance sheet commitments, contingent liabilities	12,913	5,373
Current income tax payable	10,431	5,502
Short term liabilities due to repurchase agreement transactions	10,133	-
Deferred tax liabilities	9,672	11,655
Accounts payable	8,641	8,422
Giro clearing accounts	4,189	5,753
HUF denominated liabilities from purchase of customers with cards	3,500	15,357
Suspended liabilities	2,294	10,754
Fair value of derivative financial instruments designated as fair value hedge	2,639	4,512
Liabilities connected to loans for collection	1,044	1,006
Liabilities related to housing loans	105	177
Other	3,758	5,153
Total	**242,444**	**232,557**

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

	2013	2012
Interest rate swap transactions designated as fair value hedge	2,639	4,512

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

	2013	2012
Provision for losses on off-balance sheet commitments and contingent liabilities related to lending	6,989	2,367
Provision for retirement pension and severance pay	2,500	-
Provision for taxation	2,000	1,500
Provision for litigation	554	469
Provision for losses from software failure	-	500
Provision on other liabilities	870	537
Total	**12,913**	**5,373**

[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.

[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.

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

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

	2013	2012
Balance as at 1 January	**5,373**	**4,878**
Provision for the period	13,441	9,283
Release of provision	(10,420)	(8,788)
Provision for impairment on promissory obligation	4,519	-
Balance as at 31 December	**12,913**	**5,373**

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

	2013	2012
In one year:		
In HUF	-	5,000
	-	**5,000**
Over one year:		
In foreign currency	274,817	295,337
	274,817	**295,337**
Subtotal	**274,817**	**300,337**
Accrued interest	3,424	3,413
Total	**278,241**	**303,750**

Interest rates on subordinated bonds and loans are as follows (%):

	2013	2012
Subordinated bonds and loans denominated in HUF	-	3.3%
Subordinated bonds and loans denominated in foreign currency	0.8%-5.9%	0.7%-5.9%
Average interest on subordinated bonds and loans denominated in HUF	5.72%	6.78%
Average interest on subordinated bonds and loans denominated in foreign currency	6.12%	5.49%

Partial cancellation of EUR 125 million subordinated notes

OTP 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. OTP Bank initiated the cancellation of the Notes. Following the cancellation on 30 August 2013 the total outstanding amount of Notes decreased to EUR 93.45 million.

Purchase from EUR 500 million subordinated notes series

With a value date of 23 December 2013, OTP 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. 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 loans and bonds are detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 31 December 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 bond	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	-
Subordinated bond (under EMTN[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	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"):
(The reserves under IFRS are detailed in statement of changes in shareholders'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. Dividend was calculated on the bases of the separate annual net profit according to HAS.

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in April 2014. In 2013 the Bank paid dividend of HUF 33,600 million from the profit of the year 2012. 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.

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2013	2012
Nominal value (ordinary shares)	140	219
Carrying value at acquisition cost	6,731	4,934

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

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

Change in number of shares:

	2013	2012
Number of shares as at 1 January	**2,185,337**	**2,644,784**
Additions	4,247,043	1,490,134
Disposals	(5,030,011)	(1,949,581)
Number of shares as at 31 December	**1,402,369**	**2,185,337**

Change in carrying value:

	2013	2012
Balance as at 1 January	**4,934**	**5,519**
Additions	19,740	5,757
Disposals	(17,943)	(6,342)
Balance as at 31 December	**6,731**	**4,934**

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

	2013	2012
Provision for impairment on loan losses		
Provision for the period	83,796	93,834
-from this: release of provision for impairment on loan losses related to early repayment	-	*(2,164)*
Release of provision	(82,132)	(100,788)
Provision on loan losses	28,847	60,400
-from this: provision on loan losses related to early repayment	-	*2,078*
	30,511	**53,446**
Provision / release of provision for impairment on placement losses		
Provision for the period	22	-
Release of provision	-	(138)
	22	**(138)**
Provision for impairment on loan and placement losses	**30,533**	**53,308**
Gains on loans related to early repayment	-	(86)
Losses from early repayment recognizing in interest income from loans	-	23
Total loss on loans related to the early repayment	**-**	**(63)**

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

	2013	2012
Income from fees and commissions:		
Deposit and account maintenance fees and commissions	63,801	42,794
Fees and commissions related to the issued bank cards	26,626	22,303
Fees related to the cash withdrawal	25,709	17,489
Fees and commissions related to security trading	19,505	13,560
Fees and commissions received from OTP Mortgage Bank Ltd.	8,112	8,106
Fees and commissions related to lending	5,042	5,038
Net fee income related to card insurance services and loan agreements	1,879	1,987
Other	7,320	6,289
Total	**157,994**	**117,566**

	2013	2012
Expenses from fees and commissions:		
Fees and commissions related to issued bank cards	6,466	5,608
Interchange fee	6,107	5,423
Fees and commissions related to lending	2,897	2,946
Insurance fees	1,827	1,705
Cash withdrawal transaction fees	1,511	1,532
Fees and commissions relating to deposits	723	751
Postal fees	569	534
Money market transaction fees and commissions	561	799
Fees and commissions related to security trading	557	571
Other	2,835	2,624
Total	**24,053**	**22,493**
Net profit from fees and commissions	**133,941**	**95,073**

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

	2013	2012
Other operating income:		
Income from non-financing services	1,242	818
Gains on transactions related to property activities	79	64
Other	2,351	4,205
Total	**3,672**	**5,087**

	2013	2012
Net other operating expenses:		
Provision for impairment on investments in subsidiaries	52,550	35,584
Financial support for sport association and organization of public utility	10,743	7,055
Fine imposed by Competition Authority (see Note 27.)	3,922	-
Provision for off-balance sheet commitments and contingent liabilities	3,021	495
Expenses from promissory obligation to OTP Financing Solutions B.V.	2,249	-
Provision for impairment on other assets	281	483
Other	5,897	3,149
Total	**78,663**	**46,766**

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

Other administrative expenses:

	2013	2012
Personnel expenses:		
Wages	59,036	55,688
Taxes related to personnel expenses	18,645	17,249
Other personnel expenses	8,079	7,519
Subtotal	**85,760**	**80,456**
Depreciation and amortization:	**21,657**	**20,959**
Other administrative expenses:		
Taxes, other than income tax[1]	88,888	40,821
Administration expenses, including rental fees	20,514	20,169
Services	19,205	19,737
Advertising	6,335	5,849
Professional fees	3,450	3,696
Subtotal	**138,392**	**90,272**
Total	**245,809**	**191,687**

NOTE 25: INCOME TAX (in HUF mn)

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

A breakdown of the income tax expense is:

	2013	2012
Current tax expense	7,802	179
Deferred tax income	(1,360)	(5,558)
Total	**6,442**	**(5,379)**

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

	2013	2012
Balance as at 1 January	**(11,655)**	**(3,355)**
Deferred tax income	1,360	5,558
Tax effect of fair value adjustment of available-for-sale securities recognized in other comprehensive income and ICES	623	(13,858)
Balance as at 31 December	**(9,672)**	**(11,655)**

[1] Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by OTP Bank Plc. The total tax amount for the year 2013 and 2012 was HUF 24 billion and HUF 25 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. In 2013 financial transaction duty was paid by the Bank in the amount of HUF 32 billion. As one-off contribution of financial transaction duty HUF 16 billion was paid for the year 2013.

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

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

	2013	2012
Repurchase agreements and security lending	4,458	4,191
Tax accrual caused by negative taxable income	1,672	1,200
Amounts unenforceable by tax law	766	-
Unused tax allowance[1]	459	5,945
Difference in accounting for finance leases	285	412
Deferred tax assets	**7,640**	**11,748**
Fair value adjustment of held for trading and available-for-sale securities	(7,322)	(7,113)
Effect of redemption of issued securities	(2,934)	(3,824)
Difference in depreciation and amortization	(1,968)	(1,862)
Effect of using effective interest rate method	(1,922)	(1,976)
Valuation of equity instrument (ICES)	(1,912)	(2,775)
Fair value adjustment of derivative financial instruments	(1,254)	(5,853)
Deferred tax liabilities	**(17,312)**	**(23,403)**
Net deferred tax liability	**(9,672)**	**(11,655)**

A reconciliation of the income tax expense is as follows:

	2013	2012
Profit before income tax	54,333	33,023
Income tax at statutory tax rate (19%)	10,323	6,274
Income tax adjustments due to permanent differences are as follows:		
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	3,215	(4,316)
Reversal of statutory general provision	1,198	1,104
Share-based payment	1,084	871
Treasury share transaction	113	(36)
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)
Tax accrual caused by negative taxable income	(472)	-
Amounts unenforceable by tax law	(766)	-
Dividend income	(8,984)	(8,189)
Use of tax allowance in the current year	(9,523)	-
Other	2,050	1,603
Income tax	**6,442**	**(5,379)**
Effective tax rate	11.9%	(16.3%)

Effective tax rate was negative because income tax and income tax adjustments are altogether negative in 2012.

[1] Since 2011 legal regulation has allowed to recognize the financial support for sight-team sport as extraordinary expense and tax allowance in the financial statements in accordance with the HAS. In 2012 the Bank could not apply the tax allowance in the HAS financial statements as tax base was negative. This amount was settled as deferred tax in IFRS financial statements.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

26.1. Credit risk

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

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

26.1.1 Analysis by loan types

Classification into risk classes

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

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 Bank 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.

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

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

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

The expected future losses of the individually assessed item is 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	DPD 0-90	DPD 91-360	DPD 360+	Total carrying amount /allowance
Placements with other banks	630,753	-	-	**630,753**
Total placements with other banks	**630,753**	**-**	**-**	**630,753**
Allowance on placements with other banks	***(22)***	-	-	***(22)***
Consumer loans	302,826	5,395	1,255	**309,476**
Mortgage and housing loans	101,622	7,987	13,983	**123,592**
SME loans	104,381	1,439	452	**106,272**
Loans to medium and large corporates	1,466,272	10,490	60,893	**1,537,655**
Municipal loans	206,857	105	915	**207,877**
Gross loan portfolio total	**2,181,958**	**25,416**	**77,498**	**2,284,872**
Allowance on loans	***(83,289)***	***(13,210)***	***(54,014)***	***(150,513)***
Net portfolio total	**2,729,400**	**12,206**	**23,484**	**2,765,090**
Accrued interest				
Placements with other banks				2,168
Loans				10,342
Total accrued interest				**12,510**
Total placements with other banks				**632,899**
Total loans				**2,144,701**
Total				**2,777,600**

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

As at 31 December 2012

Loan type	DPD 0-90	DPD 91-360	DPD 360+	Total carrying amount /allowance
Placements with other banks	663,636	-	-	**663,636**
Total placements with other banks	**663,636**	**-**	**-**	**663,636**
Allowance on placements with other banks	-	-	-	-
Consumer loans	328,760	5,518	1,129	**335,407**
Mortgage and housing loans	117,152	11,833	14,665	**143,650**
SME loans	99,773	1,783	776	**102,332**
Loans to medium and large corporates	1,569,481	18,579	62,751	**1,650,811**
Municipal loans	261,800	627	963	**263,390**
Gross loan portfolio total	**2,376,966**	**38,340**	**80,284**	**2,495,590**
Allowance on loans	***(80,685)***	***(19,235)***	***(53,450)***	***(153,370)***
Net portfolio total	**2,959,917**	**19,105**	**26,834**	**3,005,856**
Accrued interest				
Placements with other banks				1,781
Loans				14,071
Total accrued interest				**15,852**
Total placements with other banks				**665,417**
Total loans				**2,356,291**
Total				**3,021,708**

The Bank's gross loan portfolio decreased by 7.71% in the year period ended 31 December 2013. Analysing the contribution of loan types to the loan portfolio, the share of placements with other banks business line decreased by 4.95%, mortgage and housing loans and municipal loans decreased slightly while the share of other business lines climbed mildly. The ratio of the $DPD090^{-}$ loans compared to the gross loan portfolio increased slightly from 96.25% to 96.74% as at 31 December 2013. The ratio of $DPD90^{+}$ loans in gross loan portfolio is 3.53%. The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on $DPD90^{+}$ loans was 65.32% in the year ended 31 December 2013.

Not impaired loan portfolio

An analysis of the credit classification of the gross value 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	DPD 0-90	DPD 91-360	DPD 360+	Total
Placements with other banks	630,731	-	-	-	630,731
Consumer loans	220,113	49,210	60	11	269,394
Mortgage and housing loans	62,298	10,028	2,097	3,783	78,206
SME loans	98,439	847	21	-	99,307
Loans to medium and large corporates	1,202,456	627	5	100	1,203,188
Municipal loans	164,611	-	14	33	164,658
Total	**2,378,648**	**60,712**	**2,197**	**3,927**	**2,445,484**

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

As at 31 December 2012

Loan type	Not past due	DPD 0-90	DPD 91-360	DPD 360+	Total
Placements with other banks	663,636	-	-	-	663,636
Consumer loans	236,247	48,818	120	19	285,204
Mortgage and housing loans	71,263	12,267	2,793	3,673	89,996
SME loans	80,419	12,275	36	1	92,731
Loans to medium and large corporates	1,108,357	29,943	108	41	1,138,449
Municipal loans	164,617	10,894	-	1	175,512
Total	**2,324,539**	**114,197**	**3,057**	**3,735**	**2,445,528**

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio increased from 73.58% to 81.58 % as at 31 December 2013 compared to 31 December 2012. The loans that are not past due nor impaired are concentrated in the corporate business line. The ratio of the gross value of the loans past due not impaired compared to the whole portfolio decreased to from 3.83% to 2.29%. The loans that are past due but not impaired are concentrated in the retail business line. During collective valuation method the Bank recognizes provision for impairment on loans over a 30 day delay. Those loans which are guaranteed by state and are past due 30 days not impaired due to the state guarantee. The level of corporate loans past due but not impaired is possible because of endorsing collaterals considering during the individual evaluation. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Bank. Among the past due loans, the share of consumer and mortgage loans increased at the greatest level – from 55.95% to 97.54% – as at 31 December 2013, while the share of corporate loans past due decreased from 24.87% to 1.10% compared to 31 December 2012.

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.

As at 31 December 2013

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for losses on off balance sheet contingent liabilities
Delay of repayment	67,281	55,433	1,991	-	-
Regularity of payment	472	196	5	-	-
Legal proceedings	41,367	33,931	1,179	190	94
Decrease of client classification	96,873	19,359	1,229	8,046	290
Loan characteristics	54,200	7,448	-	-	-
Business lines risks	41,479	6,781	1,547	7,014	203
Refinancing of subsidiaries portfolio	-	-	-	124,517	4,040
Cross default	4,118	1,337	77	1,372	219
Other	18,075	4,394	7,844	6,205	401
Corporate total	**323,865**	**128,879**	**13,872**	**147,344**	**5,247**
Delay of repayment	70	70	-	-	-
Regularity of payment	1,221	12	-	-	-
Legal proceedings	334	334	-	-	-
Decrease of client classification	2,937	129	-	99	1
Cross default	882	124	-	-	-
Other	14,583	456	-	1,044	10
Municipal total	**20,027**	**1,125**	**-**	**1,143**	**11**
Placements with other banks	**-**	**-**	**-**	**-**	**-**
Total	**343,892**	**130,004**	**13,872**	**148,487**	**5,258**

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

As at 31 December 2012

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for losses on off-balance sheet contingent liabilities
Delay of repayment	66,216	49,105	1,938	-	-
Regularity of payment	530	246	39	-	-
Legal proceedings	6,716	5,540	777	52	47
Decrease of client classification	140,458	38,595	647	6,678	438
Loan characteristics	65,141	4,761	-	10	5
Business lines risks	53,103	8,041	1,975	4,565	191
Refinancing of subsidiaries portfolio	128,921	4,519	-	-	-
Cross default	8,935	6,356	5	746	120
Other	23,851	3,589	1,247	3,982	473
Corporate total	**493,871**	**120,752**	**6,628**	**16,033**	**1,274**
Delay of repayment	70	70	-	-	-
Legal proceedings	639	639	-	-	-
Decrease of client classification	18,288	1,381	-	433	68
Cross default	52	1	-	-	-
Other	31,755	2,907	-	6,287	402
Municipal total	**50,804**	**4,998**	**-**	**6,720**	**470**
Placements with other banks	**-**	**-**	**-**	**-**	**-**
Total	**544,675**	**125,750**	**6,628**	**22,753**	**1,744**

Regarding corporate business line in the individually rated portfolio the ratio of the carrying value of loans classified due to “legal proceedings classification” increased from 1.36% to 12.77% due to clients under liquidation process who have with significant loan portfolio.

Refinancing of retail loans at the subsidiaries:
The gross value was HUF 124.5 billion as at 31 December 2013, the actual exposure of non-performing, past due loans is HUF 15.2 billion.

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

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

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

Loan portfolio by countries

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

Country	2013 Gross loan and placement with other banks portfolio	2013 Allowance	2012 Gross loan and placement with other banks portfolio	2012 Allowance
Hungary	2,044,718	96,890	2,002,196	97,564
Belgium	11,418	-	-	-
Bulgaria	53,455	730	99,659	69
Croatia	24,831	190	25,041	190
Cyprus	46,109	10,381	45,584	1,825
Egypt	685	480	664	332
France	14,741	-	29,460	-
Germany	23,127	5	48,050	5
Luxembourg	3	2	11,361	-
Montenegro	62,773	30,477	58,831	37,385
the Netherlands	5,510	-	162,484	4,520
Norway	1,205	-	1,970	-
Poland	1,199	-	13	-
Romania	221,346	6,156	124,560	7,090
Russia	37,023	2,699	94,253	2,737
Serbia	23,757	1	47,487	-
Seychelles	4,624	2,317	4,912	1,473
Slovakia	37,854	150	25,787	159
Switzerland	1,946	2	4,636	-
Ukraine	242,449	2	273,210	1
United Kingdom	49,186	14	85,572	1
United States of America	2,971	33	8,082	4
Other	4,695[1]	6	5,414[1]	15
Total	**2,915,625**	**150,535**	**3,159,226**	**153,370**

The non-performing loans connected to the OTP Financing Solutions B.V. (The Netherlands) are related to the refinancing of retail loans at the subsidiaries, the actual exposure of non-performing loans is HUF 15.2 billion as at 31 December 2013, from that HUF 4 billion is related to non-performing corporate loans and HUF 11.2 billion to retail ones.

[1] Czech Republik, Denmark, Sweden, Turkey and other

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

26.1. Credit risk [continued]

26.1.2 The total off-balance sheet liabilities connected to the lending activity

	2013	2012
Carrying value	1,069,284	1,124,752
Provision for impairment	*(1,433)*	*(1,895)*
Net value	**1,067,851**	**1,122,857**

The off-balance sheet liabilities connected to the lending activity decreased by 4.9%.

26.1.3 Collaterals

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

Types of collateral	**2013**	**2012**
Mortgages	701,682	776,683
Guarantees and warranties	203,324	206,834
Deposit	54,609	54,448
from this: Cash	*48,076*	*46,478*
Securities	*5,144*	*7,022*
Other	*1,389*	*948*
Assignment	3,643	4,141
Other	815	1,601
Total	**964,073**	**1,043,707**

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

Types of collateral	**2013**	**2012**
Mortgage	298,493	315,970
Guarantees and warranties	133,005	130,480
Deposit	25,760	29,029
from this: Cash	*22,364*	*24,576*
Securities	*2,455*	*4,090*
Other	*941*	*363*
Assignment	1,400	1,103
Other	638	1,375
Total	**459,296**	**477,957**

The coverage level of loan portfolio to the extent of the exposures increased from 15.13% to 15.75% as at 31 December 2013, as well as coverage to the total collateral value climbed from 33.04% to 33.07%.

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

26.1. Credit risk [continued]

26.1.3 Collaterals [continued]

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

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

Types of collateral (total collateral value)	2013	2012
Mortgage and housing loans	28,717	31,234
Loans to medium and large corporates	1,163	11,290
SME loans	773	18,286
Municipal loans	64	8
Consumer loans	31	49
Total	**30,748**	**60,867**

Types of collateral (to the extent of the exposures)	2013	2012
Mortgage and housing loans	12,334	13,611
SME loans	604	6,227
Loans to medium and large corporates	544	8,591
Municipal loans	32	8
Consumer loans	29	45
Total	**13,543**	**28,482**

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

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

26.1. Credit risk [continued]

26.1.4 Restructured loans

	2013		2012	
	Gross portfolio	Allowance	Gross portfolio	Allowance
Retail loans	18,895	2,394	17,172	2,153
Loans to medium and large corporates[1]	143,207	56,960	145,543	39,570
SME loans	4,186	660	5,270	538
Municipality loans	1,374	21	7,581	143
Total	**167,662**	**60,035**	**175,566**	**42,404**

Restructured loan portfolio as at 31 December 2012 is not comparable with the 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:
  - 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, capitalisation 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.

[1] incl.: project and syndicated loans

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

26.1. Credit risk [continued]

Financial instruments by rating categories[1]

Held-for-trading securities as at 31 December 2013

	A1	A2	A3	Aa3	Ba1	Ba3	Baa2	Baa1	Baa3	Not rated	Total
Shares	14	10	37	12	-	-	-	21	-	73,162[2]	73,256
Securities issued by the NBH	-	-	-	-	-	-	209,347	-	-	-	209,347
Government bonds	-	-	-	-	4,090	-	-	-	-	-	4,090
Mortgage bonds	-	-	-	-	-	98	-	-	139	-	237
Hungarian government discounted Treasury Bills	-	-	-	-	2,159	-	-	-	-	-	2,159
Hungarian government interest bearing Treasury Bills	-	-	-	-	6,466	-	-	-	-	-	6,466
Securities issued by credit institutions	-	-	-	-	94	515	-	-	-	553	1,162
Other securities	-	-	-	-	-	-	-	-	-	26	26
Total	**14**	**10**	**37**	**12**	**12,809**	**613**	**209,347**	**21**	**139**	**73,741**	**296,743**
Accrued interest											105
Total											**296,848**

Available-for-sale securities as at 31 December 2013

	Ba1	Ba2	Baa2	Baa3	Not rated	Total
Mortgage bonds	-	-	-	774,342[3]	15,077	789,419
Government bonds	90,177	-	-	-	-	90,177
Bonds issued by NBH	-	-	1,021,825	-	-	1,021,825
Other securities	-	7,217	-	-	60,047	67,264
Total	**90,177**	**7,217**	**1,021,825**	**774,342**	**75,124**	**1,968,685**
Accrued interest						28,806
Total						**1,997,491**

[1] Moody's ratings
[2] Corporate shares listed on Budapest Stock Exchange
[3] The whole portfolio was issued by OTP Mortgage Bank Ltd.

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

26.1. Credit risk [continued]

Held-to-maturity securities as at 31 December 2013

	Ba1	Baa3	Total
Government bonds	506,808	-	506,808
Mortgage bonds	-	4,770	4,770
Hungarian government discounted Treasury bills	341	-	341
Total	**507,149**	**4,770**	**511,919**
Accrued interest			13,130
Total			**525,049**

An analysis of securities (held for trading, available-for-sale and held-to-maturity) in a country breakdown is as follows:

Country	2013	2012
Hungary	2,744,702	2,342,970
Slovakia	15,077	14,869
Russia	7,217	7,715
Austria	6,408	6,223
Germany	138	107
Luxembourg	3,792	2,080
United States of America	13	-
Total	**2,777,347**	**2,373,964**

26.2. Market risk

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

26.2.1 Market risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.
VaR methodologies are applied to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

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

Historical VaR (99%, one-day) by risk type	Average	
	2013	2012
Foreign exchange	229	335
Interest rate	522	226
Equity instruments	14	26
Diversification	(176)	(165)
Total VaR exposure	**589**	**422**

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

26.2. Market risk [continued]

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

26.2.2. Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to an increase and decrease in the HUF exchange rate against EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations was short, amounted to EUR 310 million as of 31 December 2013. High portion of strategic positions is considered as effective hedge of the net investment in foreign subsidiaries, and so FX risk affects the Bank's other comprehensive income and not its income. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	Effects to the P&L in 3 months period 2013 In HUF billion	2012 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 FX rate 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.

26.2.3. Interest rate sensitivity analysis

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

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

The simulation was prepared by assuming two scenarios:

1. HUF base rate decreases gradually to 2% (probable scenario)
2. HUF base rate decreases gradually to 1.5% (alternative scenario)

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

26.2. Market risk [continued]

The net interest income in a one year period beginning with 1 January 2014 would be decreased by HUF 1,246 million (probable scenario) and HUF 1,983 million (alternative scenario) as a result of these simulations. This effect is counterbalanced by capital gains (HUF 1,344 million for probable scenario, HUF 1,978 million for alternative scenario) on the government bond portfolio held for hedging.

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

Description	2013		2012	
	Effects to the net interest income (one-year period)	Effects to OCI (Price change of AFS government bonds)	Effects to the net interest income (one-year period)	Effects to OCI (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(195)	240	(455)	592
EUR (0.1%) parallel shift	(161)	-	(356)	-
USD 0.1% parallel shift	(43)	-	(12)	-
Total	**(399)**	**240**	**(823)**	**592**

26.2.4. Equity price sensitivity analysis

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

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

26.2.5. Capital management

Capital management

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

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

26.2. Market risk [continued]

Capital adequacy

The capital adequacy of the Bank is supervised based on the financial statements data prepared in accordance with HAS applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008.
The Bank has entirely complied with the regulatory capital requirements in 2013 as well as in 2012.
The capital adequacy calculations of the Bank for the year ended 31 December 2013 are prepared based on the data of the audited financial statements prepared in accordance with HAS. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA) is applied since 31 December 2012.

The Capital Requirements Directive package (CRDIV/CRR) which transposes the new global standards on banking regulation (commonly 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 calculation of the Capital Adequacy ratio as at 31 December 2013 and 2012 is as follows:

	2013	**2012**
Core capital	994,715	938,969
Supplementary capital	215,902	276,700
Deductions	(460,870)	(466,563)
Deductions due to PIBB[1] investments	*(413,220)*	*(425,016)*
Deductions due to limit breaches	*(47,650)*	*(41,547)*
Regulatory capital	**749,747**	**749,106**
Credit risk capital requirement	201,729	228,434
Market risk capital requirement	32,942	37,483
Operational risk capital requirement	25,972	27,134
Total requirement regulatory capital	**260,643**	**293,051**
Surplus capital	**489,104**	**456,055**
Tier 1 ratio	23.01%	19.30%
Capital adequacy ratio	**23%**	**20.5%**

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

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

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

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

Contingent liabilities and commitments

	2013	2012
Commitments to extend credit	650,300	708,928
Guarantees arising from banking activities	420,166	414,146
from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank	*115,328*	*93,254*
Promissory obligation to OTP Financing Solutions B.V.	124,517	-
Legal disputes (disputed value)	49,944	1,073
Confirmed letters of credit	470	443
Other	26,995	5,691
Total	**1,272,392**	**1,130,281**

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash-flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.
Provision due to legal disputes were HUF 554 million and HUF 469 million as at 31 December 2013 and 2012 respectively. (See Note 17.)

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 had been accounted as amount in dispute among the contingent liability at the amount of HUF 47,965 million as at 31 December 2013. 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.

On 19 November 2013 the Competition Council of the Hungarian Competition Authority established that OTP Bank – 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 by the Bank till 20 of December 2013. OTP Bank considers the resolution as unfounded and is going to resort to the available legal redress.

Commitments to extend credit, guarantees and letter of credit

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

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

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

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

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

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

Guarantees, payment undertakings arising from banking activities

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

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

Derivatives

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

Foreign currency contracts

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

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

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

Derivatives [continued]

Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap transactions. The swap transaction is a complex agreement concerning the swap of certain financial instruments, which usually consist of a prompt and one or more forward contracts.
Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.

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

Cross-currency interest rate swaps

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

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

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right 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 28: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT

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

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

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

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

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

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-emloyment 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.

NOTE 28: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT [continued]

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 29: RELATED PARTY TRANSACTIONS

The Bank provides loans to related parties, and collects deposits.

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

a) *Loans provided to related parties*

	2013	2012
OTP Mortgage Bank Ltd.	237,163	228,216
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	215,101	273,241
Merkantil Bank Ltd.	176,993	164,745
OTP Factoring Ltd.	165,310	146,463
OTP Financing Solutions B.V. (the Netherlands)	124,478	136,127
OTP Financing Netherlands B.V. (the Netherlands)	100,714	188,525
OTP Real Estate Leasing Ltd. (previously OTP Flat Lease Ltd.)	25,706	33,376
OTP Leasing d.d. (Croatia)	20,914	21,272
Inga Kettő Ltd.	19,281	-
Merkantil Lease Ltd.	16,625	19,299
OTP Leasing Ukraine	15,256	-
DSK Leasing AD (Bulgaria)	15,142	15,147
OAO OTP Bank (Russia)	14,735	59,087
Bank Center Ltd.	10,000	-
Merkantil Car Ltd.	8,721	9,078
OTP banka Hrvatska Group (Croatia)	3,504	3,436
D-ÉG Thermoset Ltd.	2,925	-
OTP Real Estate Ltd.	2,653	4,007
Szalamandra Real Estate Trading Ltd.	2,353	2,909
OTP Ingatlanpont Ltd.	1,014	2,049
Sasad-Beregszász Ltd.	604	1,045
Project 3. Commercial Real Estate Ltd.	269	1,714
OTP Factoring Asset Management Ltd.	222	-
Project 2003. Ltd.	-	1,180
OTP banka Srbija a.d. (Serbia)	-	121
Total	**1,179,683**	**1,311,037**

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

b) Deposits from related parties

	2013	2012
DSK Bank EAD (Bulgaria)	127,443	93,300
OAO OTP Bank (Russia)	51,894	77,248
OTP Building Society Ltd.	29,333	19,318
OTP Funds Servicing and Consulting Ltd.	25,094	24,901
Crnogorska komercijalna banka a.d (Montenegro)	11,894	62,817
Merkantil Bank Ltd.	11,386	12,030
OTP Bank Romania S.A. (Romania)	7,840	15,901
OTP Factoring Ltd.	5,598	966
Bank Center Ltd.	4,014	1,411
OTP Banka Slovensko a.s. (Slovakia)	3,833	8,796
Balansz Real Estate Institute Fund	1,930	-
OTP banka Hrvatska d.d. (Croatia)	1,793	6,391
OTP Financing Netherlands B. V. (the Netherlands)	1,724	989
Project 2003. Ltd.	768	-
OTP Real Estate Ltd.	676	832
OTP banka Srbija a.d. (Serbia)	626	9,173
OTP Real Estate Leasing Ltd. (previously OTP Flat Lease Ltd.)	596	3,120
Air Invest Ltd.	443	-
OTP Mortgage Bank Ltd.	336	75,062
Kikötő Real Estate Ltd.	235	-
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	105	1,521
OTP Bank JSC (Ukraine)	84	37
Merkantil Lease Ltd.	30	2,069
Sasad-Beregszász Ltd.	27	51
Total	**287,702**	**415,933**

c) Interests received by the Bank[1]

	2013	2012
OTP Mortgage Bank Ltd.	9,916	14,679
OTP Holding Ltd. (Cyprus)	9,331	10,459
OTP Financing Netherlands B.V. (the Netherlands)	5,993	9,054
OTP Financing Solutions B.V. (the Netherlands)	5,807	6,740
Merkantil Bank Ltd.	5,658	5,379
OTP Factoring Ltd.	4,784	7,169
OAO OTP Bank (Russia)	2,046	2,972
Merkantil Lease Ltd.	1,132	1,476
OTP Leasing Ukraine	584	-
OTP Leasing d.d. (Croatia)	583	608
DSK Leasing AD (Bulgaria)	507	499
OTP Real Estate Leasing Ltd. (previously OTP Flat Lease Ltd.)	473	572
Merkantil Car Ltd.	332	445
D-ÉG Thermoset Ltd.	213	-
Inga Kettő Ltd.	213	-
OTP Real Estate Ltd.	194	313
OTP banka Hrvatska Group (Croatia)	184	74
Bank Center Ltd.	110	-
OTP Ingatlanpont Ltd.	76	116
Project 3. Commercial Real Estate Ltd.	71	165
OTP Bank JSC (Ukraine)	66	-
Other	-	277
Total	**48,273**	**60,997**

[1] Derivatives and interest on securities are not included.

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

d) Interests paid by the Bank[1]

	2013	2012
DSK Bank EAD (Bulgaria)	2,422	4,094
OAO OTP Bank (Russia)	2,162	2,706
Crnogorska komercijalna banka a.d (Montenegro)	1,914	3,521
Merkantil Lease Ltd.	1,669	2,079
OTP Funds Servicing and Consulting Ltd.	1,368	1,492
OTP Mortgage Bank Ltd.	1,069	2,303
OTP Bank Romania S.A. (Romania)	608	456
Balansz Real Estate Institute Fund	173	-
Merkantil Bank Ltd.	143	479
OTP Banka Slovensko a.s. (Slovakia)	126	435
Bank Center Ltd.	117	86
OTP Real Estate Leasing Ltd. (previously OTP Flat Lease Ltd.)	101	255
OTP banka Srbija a.d. (Serbia)	88	220
OTP banka Hrvatska d.d. (Croatia)	87	265
Other	-	88
Total	**12,047**	**18,479**

e) Commissions received by the Bank

	2013	2012
From OTP Fund Management Ltd. in relation to trading activity	8,302	5,950
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	2,241	2,143
From OTP Bank JSC (Ukraine) in relation to lending activity	630	530
From OTP Fund Management Ltd. in relation to custody activity	265	414
Other	-	361
Total	**11,438**	**9,398**

f) Commissions paid by the Bank

	2013	2012
OTP Bank Romania S.A. (Romania) related to loan portfolio handling	295	375
Crnogorska komercijalna banka a.d. (Montenegro) related to loan portfolio handling	150	188
Total	**445**	**563**

g) Transactions related to OTP Mortgage Bank Ltd.:

	2013	2012
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	8,179	7,724
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	1,351	2,260
The gross book value of the loans sold	1,350	2,259

h) Transactions related to OTP Factoring Ltd.:

	2013	2012
The gross book value of the loans	40,828	59,682
Provision for loan losses on the loans sold	21,023	32,231
Loans sold to OTP Factoring Ltd. without recourse (including interest)	13,584	18,622
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	6,221	8,829

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

[1] Derivatives and interest on securities are not included.

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

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

	2013	2012
The gross book value of the loans sold to Crnogorska komercijalna banka a.d.	-	483

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

	2013	2012
Securities issued by OTP Banka Slovensko a.s. (Slovakia) held by OTP Bank (nominal value in HUF million)	14,846	14,565

k) Related party transactions with key management

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

Compensations	**2013**	**2012**
Short-term employee benefits	4,658	3,232
Share-based payment	3,297	2,711
Long-term employee benefits (on the basis of IAS 19)	701	766
Total	**8,656**	**6,709**

	2013	2012
Loans provided to companies owned by the Management (in the normal course of business)	38,538	35,792
Commitments to extend credit and bank guarantees	1,030	518
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at market conditions)	131	112

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 133.3 and 131.8 million as at 31 December 2013 and 2012.

An analysis of credit limit related to MasterCard Gold is as follows (in HUF mn):

	2013	2012
Members of Board of Directors and their close family members	18	15
Members of Supervisory Board	4	4

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

Chief executive owned AMEX Gold loading card loan in the amount of HUF 3.5 and 1 million as at 31 December 2013 and 2012, respectively.

Members of Board of Directors, members of Supervisory Board and chief executives owned AMEX Platinum credit card loan in the amount of HUF 10.5 and 7.8 million, respectively as at 31 December 2013.

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

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

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

NOTE 30: TRUST ACTIVITIES

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

	2013	2012
Loans managed by the Bank as a trustee	42,280	43,191

NOTE 31: 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	30%	21%
Securities issued by the OTP Mortgage Bank Ltd.	11.68%	14.43%

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

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

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

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

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

The essential of the liquidity risk management strategy it 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 Bank 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 Bank'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 Bank 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 OTP 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 Bank 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 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.

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.

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

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 and Hungarian Government, deposits from the National Bank of Hungary and other banks	674,084	42,185	146,937	48,804	-	912,010
Deposits from customers	3,427,471	224,959	21,461	10,870	-	3,684,761
Liabilities from issued securities	20,423	48,476	79,890	26,357	-	175,146
Other liabilities[1]	234,546	145	-	-	-	234,691
Subordinated bonds and loans	3,424	-	187,091	-	104,842[2]	295,357
TOTAL LIABILITIES	**4,359,948**	**315,765**	**435,379**	**86,031**	**104,842**	**5,301,965**
Receivables from derivative financial instruments classified as held for trading	1,106,691	418,829	1,078,210	14,337	-	2,618,067
Liabilities from derivative financial instruments classified as held for trading	(1,148,354)	(452,579)	(1,200,157)	(31,459)	-	(2,832,549)
Net notional value of financial instruments classified as held for trading	***(41,663)***	***(33,750)***	***(121,947)***	***(17,122)***	***-***	***(214,482)***
Receivables from derivative financial instruments designated as fair value hedge	1	19	2,680	3,942	-	6,642
Liabilities from derivative financial instruments designated as fair value hedge	(1)	(24)	(3,355)	(2,579)	-	(5,959)
Net notional value of financial instruments designated as fair value hedge	***-***	***(5)***	***(675)***	***1,363***	***-***	***683***
Net notional value of derivative financial instruments total	**(41,663)**	**(33,755)**	**(122,622)**	**(15,759)**	**-**	**(213,799)**
Commitments to extend credit	72,976	410,673	115,809	50,842	-	650,300
Bank guarantees	26,657	56,408	134,827	202,274	-	420,166
Off-balance sheet commitments	**99,633**	**467,081**	**250,636**	**253,116**	**-**	**1,070,466**

[1] Derivative financial instruments designated as fair value hedge are not included.
[2] See Note 18.

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

As at 31 December 2012	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	447,193	183,975	92,256	103,718	-	827,142
Deposits from customers	3,278,198	206,274	18,307	9,663	-	3,512,442
Liabilities from issued securities	102,784	147,300	111,067	26,912	-	388,063
Other liabilities[1]	223,995	385	33,600	-	-	257,980
Subordinated bonds and loans	3,413	5,000	184,307	-	137,845[2]	330,565
TOTAL LIABILITIES	**4,055,583**	**542,934**	**439,537**	**140,293**	**137,845**	**5,316,192**
Receivables from derivative financial instruments classified as held for trading	659,810	354,546	1,728,152	48,369	-	2,790,877
Liabilities from derivative financial instruments classified as held for trading	(726,114)	(390,243)	(1,849,736)	(60,878)	-	(3,026,971)
Net notional value of financial instruments classified as held for trading	***(66,304)***	***(35,697)***	***(121,584)***	***(12,509)***	***-***	***(236,094)***
Receivables from derivative financial instruments designated as fair value hedge	47	42	3,457	11,350	-	14,896
Liabilities from derivative financial instruments designated as fair value hedge	(61)	(274)	(5,677)	(8,295)	-	(14,307)
Net notional value of financial instruments designated as fair value hedge	***(14)***	***(232)***	***(2,220)***	***3,055***	***-***	***589***
Net notional value of derivative financial instruments total	**(66,318)**	**(35,929)**	**(123,804)**	**(9,454)**	**-**	**(235,505)**
Commitments to extend credit	184,996	393,783	129,920	229	-	708,928
Bank guarantees	47,497	42,286	133,391	190,972	-	414,146
Off-balance sheet commitments	**232,493**	**436,069**	**263,311**	**191,201**	**-**	**1,123,074**

[1] Derivative financial instruments designated as fair value hedge are not included.
[2] See Note 18.

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

As at 31 December 2013

	USD	EUR	CHF	Others	Total
Assets[1]	293,385	1,219,825	527,580	76,540	2,117,330
Liabilities	(279,143)	(1,043,770)	(117,690)	(36,259)	(1,476,862)
Off-balance sheet assets and liabilities, net	49,057	(391,718)	(409,898)	(38,855)	(791,414)
Net position	**63,299**	**(215,663)**	**(8)**	**1,426**	**(150,946)**

As at 31 December 2012

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

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

NOTE 34: INTEREST RATE RISK MANAGEMENT

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

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

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

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

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

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

As at 31 December 2013	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	**48,235**	**19,529**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**67,534**	**5,223**	**115,769**	**24,752**	**140,521**
fixed interest	48,235	19,529	-	-	-	-	-	-	-	-	-	-	48,235	19,529	**67,764**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	67,534	5,223	67,534	5,223	**72,757**
Placements with other banks	**222,029**	**182,597**	**6,910**	**150,096**	**680**	**32,646**	**35,000**	**773**	**-**	**-**	**1,532**	**636**	**266,151**	**366,748**	**632,899**
fixed interest	36,049	182,597	1,910	1,960	680	32,646	35,000	773	-	-	-	-	73,639	217,976	**291,615**
variable interest	185,980	-	5,000	148,136	-	-	-	-	-	-	-	-	190,980	148,136	**339,116**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,532	636	1,532	636	**2,168**
Securities held for trading	**211,318**	**81**	**2,344**	**-**	**4,658**	**436**	**638**	**34**	**3,607**	**345**	**73,215**	**172**	**295,780**	**1,068**	**296,848**
fixed interest	211,318	81	2,344	-	4,513	225	638	34	3,607	345	-	-	222,420	685	**223,105**
variable interest	-	-	-	-	145	211	-	-	-	-	-	-	145	211	**356**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	73,215	172	73,215	172	**73,387**
Securities available-for-sale	**1,021,825**	**150,238**	**-**	**217,824**	**-**	**21,994**	**80,925**	**30,711**	**382,525**	**32,802**	**48,852**	**9,795**	**1,534,127**	**463,364**	**1,997,491**
fixed interest	1,021,825	9,397	-	-	-	21,994	80,925	30,711	382,525	32,802	-	-	1,485,275	94,904	**1,580,179**
variable interest	-	140,841	-	217,824	-	-	-	-	-	-	-	-	-	358,665	**358,665**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	48,852	9,795	48,852	9,795	**58,647**
Loans, net of allowance for loan losses	**670,550**	**423,095**	**169,397**	**671,680**	**13,680**	**103,065**	**8,303**	**30,396**	**32,702**	**11,491**	**4,879**	**5,463**	**899,511**	**1,245,190**	**2,144,701**
fixed interest	430	69	1,268	14,943	6,907	11,196	8,303	30,396	32,702	8,748	-	-	49,610	65,352	**114,962**
variable interest	670,120	423,026	168,129	656,737	6,773	91,869	-	-	-	2,743	-	-	845,022	1,174,375	**2,019,397**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	4,879	5,463	4,879	5,463	**10,342**
Securities held-to-maturity	**-**	**-**	**10,014**	**-**	**5,368**	**-**	**57,681**	**-**	**438,856**	**-**	**13,130**	**-**	**525,049**	**-**	**525,049**
fixed interest	-	-	-	-	341	-	57,681	-	438,856	-	-	-	496,878	-	**496,878**
variable interest	-	-	10,014	-	5,027	-	-	-	-	-	-	-	15,041	-	**15,041**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	13,130	-	13,130	-	**13,130**
Derivative financial instruments	**612,614**	**1,368,827**	**600,760**	**1,124,073**	**74,466**	**105,302**	**12,228**	**28,316**	**30,284**	**22,587**	**-**	**660**	**1,330,352**	**2,649,765**	**3,980,117**
fixed interest	259,204	791,521	30,759	190,769	50,842	102,317	12,149	28,316	30,284	22,587	-	-	383,238	1,135,510	**1,518,748**
variable interest	353,410	577,306	570,001	933,304	23,624	2,985	79	-	-	-	-	-	947,114	1,513,595	**2,460,709**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	660	-	660	**660**

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

As at 31 December 2013	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
LIABILITIES	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**Total**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	**376,793**	**308,524**	**10,417**	**59,271**	**69,975**	**3,028**	**798**	**5,669**	**61,496**	**5,410**	**618**	**745**	**520,097**	**382,647**	**902,744**
fixed interest	365,718	260,785	6,658	23,225	1,041	2,969	798	5,669	61,496	5,410	-	-	435,711	298,058	**733,769**
variable interest	11,075	47,739	3,759	36,046	68,934	59	-	-	-	-	-	-	83,768	83,844	**167,612**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	618	745	618	745	**1,363**
Deposits from customers	**1,499,986**	**293,191**	**463,072**	**180,222**	**156,755**	**53,170**	**4,284**	**-**	**886,786**	**133,583**	**5,406**	**995**	**3,016,289**	**661,161**	**3,677,450**
fixed interest	1,129,330	288,725	440,204	180,222	156,755	53,170	4,284	-	2,667	-	-	-	1,733,240	522,117	**2,255,357**
variable interest	370,656	4,466	22,868	-	-	-	-	-	884,119	133,583	-	-	1,277,643	138,049	**1,415,692**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	5,406	995	5,406	995	**6,401**
Liabilities from issued securities	**6,674**	**1,872**	**4,245**	**4,407**	**20,739**	**26,663**	**18,079**	**7,046**	**79,298**	**1,246**	**495**	**15**	**129,530**	**41,249**	**170,779**
fixed interest	6,436	1,872	4,245	4,407	20,739	26,663	18,079	7,046	79,298	1,246	-	-	128,797	41,234	**170,031**
variable interest	238	-	-	-	-	-	-	-	-	-	-	-	238	-	**238**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	495	15	495	15	**510**
Derivative financial instruments	**423,640**	**1,575,964**	**64,868**	**1,635,778**	**44,510**	**132,077**	**126,788**	**28,595**	**22,221**	**22,757**	**-**	**624**	**682,027**	**3,395,795**	**4,077,822**
fixed interest	423,111	629,717	63,836	155,154	40,519	109,502	126,788	28,595	22,221	22,757	-	-	676,475	945,725	**1,622,200**
variable interest	529	946,247	1,032	1,480,624	3,991	22,575	-	-	-	-	-	-	5,552	2,449,446	**2,454,998**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	624	-	624	**624**
Subordinated bonds and loans	**-**	**-**	**-**	**27,746**	**-**	**-**	**-**	**-**	**-**	**247,071**	**-**	**3,424**	**-**	**278,241**	**278,241**
fixed interest	-	-	-	-	-	-	-	-	-	247,071	-	-	-	247,071	**247,071**
variable interest	-	-	-	27,746	-	-	-	-	-	-	-	-	-	27,746	**27,746**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	3,424	-	3,424	**3,424**
NET POSITION	**479,478**	**(35,184)**	**246,823**	**256,249**	**(193,127)**	**48,505**	**44,826**	**48,920**	**(161,827)**	**(342,842)**	**202,623**	**16,146**	**618,796**	**(8,206)**	**610,590**

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

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

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

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

NOTE 35: EARNINGS PER SHARE

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

	2013	2012
Net profit for the year attributable to ordinary shareholders (in HUF mn)	47,891	38,402
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	278,235,026	277,560,437
Basic Earnings per share (in HUF)	**172**	**138**
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	47,891	38,402
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	278,468,896	277,629,003
Diluted Earnings per share (in HUF)	**172**	**138**

	2013	2012
	number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(1,764,984)	(2,439,573)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**278,235,026**	**277,560,437**
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares[1]	233,870	68,566
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**278,468,896**	**277,629,003**

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

[1] In 2013 dilutive effect is in connection with the Remuneration Policy.

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

As at 31 December 2013	Net interest income and expense	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	3,720	-	-	-
Placements with other banks, net of allowance for placement losses	20,583	-	(22)	-
Securities held for trading	-	313	-	-
Securities available-for-sale	102,376	9,769	-	38,199
Loans, net of allowance for loan losses	181,341	10,258	(1,533)	-
Securities held-to-maturity	30,027	(87)	-	-
Derivative financial instruments	4,664	(1,099)	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(17,388)	-	-	-
Deposits from customers	(87,342)	101,329	-	-
Liabilities from issued securities	(15,241)	-	-	-
Subordinated bonds and loans	(16,922)	-	-	-
Total	**205,818**	**120,483**	**(1,555)**	**38,199**

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

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

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

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

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

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

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

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 Bank of Hungary	140,521	140,521	245,548	245,548
Placements with other banks, net of allowance for placement losses	632,899	640,404	665,417	668,014
Financial assets at fair value through profit or loss	396,565	396,565	243,015	243,015
Held for trading securities	*296,848*	*296,848*	*97,935*	*97,935*
Derivative financial instruments classified as held for trading	*99,717*	*99,717*	*145,080*	*145,080*
Securities available-for-sale	1,997,491	1,997,491	1,953,871	1,953,871
Loans, net of allowance for loan losses	2,144,701	2,466,835	2,356,291	2,594,948
Securities held-to-maturity	525,049	533,609	371,992	366,718
Derivative financial instruments designated as hedging instruments	9,734	9,734	4,228	4,228
FINANCIAL ASSETS TOTAL	**5,846,960**	**6,185,159**	**5,840,362**	**6,076,342**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	902,744	883,999	826,968	788,141
Deposits from customers	3,677,450	3,681,927	3,500,790	3,492,666
Liabilities from issued securities	170,779	187,925	335,963	316,668
Derivative financial instruments designated as hedging instruments	2,639	2,639	4,512	4,512
Financial liabilities at fair value through profit or loss	204,517	204,517	259,211	259,211
Financial liabilities from OTP-MOL transaction	71,548	71,548	89,308	89,308
Subordinated bonds and loans	278,241	258,684	303,750	253,523
FINANCIAL LIABILITIES TOTAL	**5,307,918**	**5,291,239**	**5,320,502**	**5,204,029**

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

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	53,728	73,199	59,680	49,566
Negative fair value of interest rate swaps classified as held for trading	(67,854)	(75,835)	(74,699)	(56,965)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	6,637	7,107	6,876	6,260
Negative fair value of foreign exchange swaps classified as held for trading	(5,744)	(5,884)	(5,917)	(5,874)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	9,722	4,224	4,491	(4,488)
Negative fair value of interest rate swaps designated in fair value hedge	(2,639)	(4,512)	682	589
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	30,914	53,573	33,067	51,875
Negative fair value of CCIRS classified as held for trading	(121,786)	(157,986)	(117,113)	(154,474)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	1,849	907	1,466	(201)
Negative fair value of mark-to-market CCIRS classified as held for trading	(2,770)	(10,716)	(3,339)	(12,595)
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	6,589	10,294	2,849	7,175
Negative fair value of other derivative contracts classified as held for trading	(6,363)	(8,790)	(13,575)	(5,897)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated in fair value hedge	12	4	(37)	(1)
Negative fair value of other derivative contracts designated in fair value hedge	-	-	-	-
Derivative financial assets total	**109,451**	**149,308**	**108,392**	**110,186**
Derivative financial liabilities total	**(207,156)**	**(263,723)**	**(213,961)**	**(235,216)**
Derivative financial instruments total	**(97,705)**	**(114,415)**	**(105,569)**	**(125,030)**

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

c) Hedge accounting

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

The summary of the hedging transactions of the Bank 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

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

d) Fair value hedges

1. Deposits from customers

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

	2013	2012
Fair value of the hedging instruments	101	298

2. Securities available-for-sale

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

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

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

d) Fair value hedges [continued]

3. Loans to customers

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

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

4. Issued securities

The cash-flows of the fixed rate securities issued by OTP Bank are exposed to the change in the HUF/EUR 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

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

d) Fair value hedges [continued]

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

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

e) Fair value classes

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. 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	396,460	289,558	106,902	-
from this: securities held for trading	*296,743*	*289,497*	*7,246*	-
from this: positive fair value of derivative financial instruments classified as held for trading	*99,717*	*61*	*99,656*	-
Securities available-for-sale	1,968,685	1,051,818	916,867	-
Positive fair value of derivative financial instruments designated as fair value hedge	9,734	-	9,734	-
Financial assets measured at fair value total	**2,374,879**	**1,341,376**	**1,033,503**	**-**
Negative fair value of derivative financial instruments classified as held for trading	204,517	9	204,508	-
Negative fair value of derivative financial instruments designated as fair value hedge	2,639	-	2,639	-
Financial liabilities measured at fair value total	**207,156**	**9**	**207,147**	**-**

As at 31 December 2012	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	242,851	95,583	147,268	-
from this: securities held for trading	*97,771*	*95,556*	*2,215*	-
from this: positive fair value of derivative financial instruments classified as held for trading	*145,080*	*27*	*145,053*	-
Securities available-for-sale	1,915,472	867,828	1,047,644	-
Positive fair value of derivative financial instruments designated as fair value hedge	4,228	-	4,228	-
Financial assets measured at fair value total	**2,162,551**	**963,411**	**1,199,140**	**-**
Negative fair value of derivative financial instruments classified as held for trading	259,211	19	259,192	-
Negative fair value of derivative financial instruments designated as fair value hedge	4,512	-	4,512	-
Financial liabilities measured at fair value total	**263,723**	**19**	**263,704**	**-**

NOTE 38: **RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HAS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)**

	Retained Earnings and Reserves 1 January 2013	Net profit for the year ended 31 December 2013	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2013
Financial Statements in accordance with HAS	**1,008,484**	**122,185**	**(40,600)**	**11,929**	**1,101,998**
Reversal of statutory general provision	35,428	(6,305)	-	(29,123)	-
Premium and discount amortization of financial instruments measured at amortised cost	4,447	(115)	-	(692)	3,640
Effect of redemption of issued securities	20,124	(4,682)	-	-	15,442
Differences in carrying value of subsidiaries	34,115	(17,194)	-	17,194	34,115
Difference in accounting for finance leases	(2,168)	669	-	-	(1,499)
Effects of using effective interest rate method	5,955	520	-	-	6,475
Fair value adjustment of held for trading and available-for-sale financial assets	37,439	(863)	-	1,956	38,532
Fair value adjustment of derivative financial instruments	30,805	(24,206)	-	-	6,599
Reversal of statutory goodwill	40,596	-	-	-	40,596
Revaluation of investments denominated in foreign currency to historical cost	(16,726)	(16,921)	-	-	(33,647)
Difference in accounting of security lending	(22,065)	(1,395)	-	-	(23,460)
Treasury share transaction	-	(481)	-	481	-
Reclassification of direct charges to reserves (self-revision)	-	-	-	-	-
Share-based payment	-	(5,704)	-	5,704	-
Payments to ICES holders	14,605	(256)	-	(4,288)	10,061
OTP-MOL share swap transaction	(55,468)	979	-	-	(54,489)
Deferred taxation	(11,655)	1,360	-	623	(9,672)
Dividend paid by Monicomp in advance	-	300	-	-	300
Dividend paid for 2012	33,600	-	(33,600)	-	-
Dividend payable in 2013	-	-	40,600	-	40,600
Financial Statements in accordance with IFRS	**1,157,516**	**47,891**	**(33,600)**	**3,784**	**1,175,591**

NOTE 39: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2013

1) Capital transactions in OTP Real Estate Ltd.

2) Capital increase in Bank Center No. 1. Ltd.

3) Capital transaction in CKB

See details in Note 9.

4) Term Note Program

See details in Note 15.

5) Subordinated bonds and loans

See details in Note 18.

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

See details in Note 27.

NOTE 40: POST BALANCE SHEET EVENTS

1) Acquisition in Croatia

2) Capital settlement package of OTP Real Estate Ltd. and its subsidiaries

3) Capital increase in OTP banka Srbija

See details in Note 9.

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

Hungary's economy has 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 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, practically stagnated 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 central bank to cut the base rate by altogether 275 basis points to 3.0% in the course of 2013.

Funding for Growth Scheme

During the summer in 2013 the National Bank of Hungary ('NBH') started its Funding for Growth Scheme ('FGS') to alleviate disruptions in lending to small and medium-sized enterprises by providing central bank 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 end-September, that was the end of the first phase, OTP 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%. From early October 2013 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.

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

Economic situation in Ukraine

In recent years OTP Bank 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 end-2013, deposit volumes in local currency and in FX were broadly unchanged till end-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 Ukraine 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 Ukraine was 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 Ukraine 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.