



*OTP Bank*  
*Annual Report*  
*2012*



		0	148,244	242
			4,782	38
536	685	1,221	2,004	122
3,407	-904	2,503	15,156	233
	143	143	512	38
	1,590	1,590	13,415	216
		0	84	2
723	-2,124	2,847	6,896	232
-82	18	-64	3,236	4
		0	180	1
		0	1,012	1
		0	752	1
		0	19	1
		0	138	1
		0		
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		0		
4,584	3,656	8,240	196,731	338
4,584	3,656	8,240	45,457	
		0	0	2
		0	-16,894	-142
		0	-1,037	18
0	0	0	-17,931	-428
-5,457	-6,607	-12,124	-12,124	-223
-873	-3,011	-3,884	166,676	332

# *Financial Statements*



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Company Registration Number: 01-09-071057

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OTP Bank Plc. (the "Bank") and its subsidiaries for the year 2012, which financial statements comprise the consolidated statement of financial position as at December 31, 2012 - which shows total assets of 10,113,466 million HUF, - and the related consolidated statement of recognized and consolidated statement of comprehensive income – which shows a net profit for the year of 122,586 million HUF -, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 62 to 147 of this Annual Report.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

Member of Deloitte Touche Tohmatsu Limited

*Opinion*

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

**Other Reporting Obligation: Report on the Consolidated Business Report**

We have examined the accompanying consolidated business report of OTP Bank Plc. for the year 2012.

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

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

In our opinion, the consolidated business report of OTP Bank Plc. for the year 2012. corresponds to the figures included in the consolidated financial statements of OTP Bank Plc. for the year 2012.

Budapest, March 29, 2013



Gion Gábor

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000083



Nagyváradiné Szépfalvi Zsuzsanna

registered statutory auditor  
005313

## Statement of financial position

(consolidated, based on IFRS, as at 31 December 2012, in HUF million)

	Note	2012	2011
Cash, amounts due from banks and balances with the National Banks	4.	602,521	595,986
Placements with other banks, net of allowance for placement losses	5.	356,866	422,777
Financial assets at fair value through profit or loss	6.	222,874	241,282
Securities available-for-sale	7.	1,411,177	1,125,855
Loans, net of allowance for loan losses	8.	6,464,191	7,047,179
Associates and other investments	9.	7,936	10,342
Securities held-to-maturity	10.	429,303	124,887
Property and equipment	11.	251,393	241,797
Intangible assets	11.	237,749	249,869
Other assets	12.	129,456	140,553
<b>TOTAL ASSETS</b>		<b>10,113,466</b>	<b>10,200,527</b>
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	13.	534,324	646,968
Deposits from customers	14.	6,550,708	6,398,853
Liabilities from issued securities	15.	643,123	812,863
Financial liabilities at fair value through profit or loss	16.	122,032	230,149
Other liabilities	17.	457,231	376,937
Subordinated bonds and loans	18.	291,495	316,447
<b>TOTAL LIABILITIES</b>		<b>8,598,913</b>	<b>8,782,217</b>
Share capital	19.	28,000	28,000
Retained earnings and reserves		1,534,572	1,439,095
Treasury shares	21.	(53,802)	(54,386)
Non-controlling interest	22.	5,783	5,601
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,514,553</b>	<b>1,418,310</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>10,113,466</b>	<b>10,200,527</b>

Budapest, 29 March 2013

The accompanying notes to consolidated financial statements on pages 66 to 147 form an integral part of these consolidated financial statements.

## Statement of recognized income

(consolidated, based on IFRS, for the year ended 31 December 2012, in HUF million)

	Note	2012	2011
Interest Income:			
Loans		795,475	758,679
Placements with other banks		341,071	266,870
Securities available-for-sale		78,624	73,941
Securities held-to-maturity		20,204	7,719
Amounts due from banks and balances with the National Banks		6,749	6,504
Securities held for trading		1,827	1,725
Total Interest Income		1,243,950	1,115,438
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		294,631	209,289
Deposits from customers		237,898	212,439
Liabilities from issued securities		54,033	50,936
Subordinated bonds and loans		11,923	11,958
Total Interest Expense		598,485	484,622
<b>NET INTEREST INCOME</b>		<b>645,465</b>	<b>630,816</b>
Provision for impairment on loan and placement losses	5., 8., 23.	229,470	249,364
(Gains)/Losses on loans related to early repayment	23.	(2,490)	67,309
<b>NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES</b>		<b>418,485</b>	<b>314,143</b>
Income from fees and commissions		203,499	184,089
Expense from fees and commissions		49,162	37,567
<b>NET PROFIT FROM FEES AND COMMISSIONS</b>	<b>24.</b>	<b>154,337</b>	<b>146,522</b>
Foreign exchange gains, net		3,171	50,031
Net (losses)/gains on securities		(235)	13,290
Gains on real estate transactions		1,131	1,002
Dividend income		2,803	947
Release of provision (provision for impairment) on securities available-for-sale and securities held-to-maturity		505	(945)
Other operating income	25.	23,987	27,252
Other operating expense	25.	(35,033)	(26,571)
<b>Net operating result</b>		<b>(3,671)</b>	<b>65,006</b>
Personnel expenses		188,952	169,098
Depreciation and amortization	11.	47,420	73,432
Other administrative expenses		187,105	160,145
<b>Other administrative expenses</b>	<b>25.</b>	<b>423,477</b>	<b>402,675</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>145,674</b>	<b>122,996</b>
Income tax	26.	(23,088)	(39,196)
<b>NET PROFIT FOR THE YEAR</b>		<b>122,586</b>	<b>83,800</b>
From this, attributable to:			
Non-controlling interest		896	653
Owners of the company		121,690	83,147
Consolidated earnings per share (in HUF)			
Basic	37.	457	312
Diluted	37.	457	312

## Statement of comprehensive income

(consolidated, based on IFRS, for the year ended 31 December 2012, in HUF million)

	2012	2011
<b>NET PROFIT FOR THE YEAR</b>	<b>122,586</b>	<b>83,800</b>
Fair value adjustment of securities available-for-sale	48,180	(22,732)
Derivative financial instruments designated as Cash-flow hedge	532	378
Net investment hedge in foreign operations	4,978	(7,993)
Foreign currency translation difference	(53,390)	78,968
<b>NET COMPREHENSIVE INCOME</b>	<b>122,886</b>	<b>132,421</b>
From this, attributable to:		
Non-controlling interest	619	1,109
Owners of the company	122,267	131,312

The accompanying notes to consolidated financial statements on pages 66 to 147 form an integral part of these consolidated financial statements.

## Statement of cash flows

(consolidated, based on IFRS, for the year ended 31 December 2012, in HUF million)

OPERATING ACTIVITIES	Note	2012	2011
<b>Profit before income tax</b>		<b>145,674</b>	<b>122,996</b>
Goodwill impairment	11.	–	23,979
Depreciation and amortization	11.	47,420	49,453
(Release of provision)/Provision for impairment on securities	7., 10.	(505)	945
Provision for impairment on loan and placement losses	5., 8.	226,980	316,673
Provision for impairment on permanent diminution in value of investments	9.	1,335	3,304
Provision for impairment on other assets	12.	6,375	3,221
Provision for impairment/(Release of provision) on off-balance sheet commitments and contingent liabilities	17.	2,135	(1,863)
Share-based payment	2., 29.	4,584	6,188
Unrealized (losses)/gains on fair value adjustment of securities held for trading		(1,938)	1,655
Unrealized losses on fair value adjustment of derivative financial instruments		(8,829)	(105,272)
<b>Net changes in assets and liabilities in operating activities</b>			
Changes in financial assets at fair value through profit or loss		20,512	19,018
Net decrease/(increase) in loans, net of allowance for loan losses		278,246	(593,565)
Decrease/(increase) in other assets before provisions for impairment		1,585	(33,401)
Net increase in deposits from customers		151,855	577,364
Increase in other liabilities		42,657	121,493
Net decrease/(increase) in compulsory reserves at the National Banks		10,217	(22,816)
Dividend income		(2,803)	(947)
Income tax paid		(25,259)	(37,368)
<b>Net Cash Provided by Operating Activities</b>		<b>900,241</b>	<b>451,057</b>
<b>INVESTING ACTIVITIES</b>			
Net decrease in placement with other banks before allowance for placements losses		65,870	89,063
Net increase in securities available-for-sale		(216,170)	(147,517)
Net decrease/(increase) in investments in subsidiaries		1,071	(2,092)
Dividend income		2,803	947
Net (increase)/decrease in securities held-to-maturity		(304,401)	46,783
Additions to property, equipment and intangible assets		(63,127)	(110,417)
Disposals of property, equipment and intangible assets		18,430	26,346
Net decrease/(increase) in advances for investments included in other assets		1,434	(1,464)
<b>Net Cash Used in Investing Activities</b>		<b>(494,090)</b>	<b>(98,351)</b>
<b>FINANCING ACTIVITIES</b>			
Net decrease in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		(112,644)	(34,980)
Cash used for redemption of issued securities		(169,740)	(335,556)
(Decrease)/increase in subordinated bonds and loans		(24,952)	25,817
Increase/(decrease) in non-controlling interest		182	(287)
Foreign currency translation		(53,391)	78,969
Payments to ICES holders		(4,144)	(4,518)
Net change in Treasury shares		430	(1,815)
Dividend paid		(25,140)	(20,204)
<b>Net Cash Used in Financing Activities</b>		<b>(389,399)</b>	<b>(292,574)</b>
<b>Net increase in cash and cash equivalents</b>		<b>16,752</b>	<b>60,132</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>315,177</b>	<b>255,045</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>331,929</b>	<b>315,177</b>
<b>Analysis of cash and cash equivalents</b>			
Cash, amounts due from banks and balances with the National Banks		595,986	513,038
Compulsory reserve established by the National Banks		(280,809)	(257,993)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>315,177</b>	<b>255,045</b>
Cash, amounts due from banks and balances with the National Banks	4.	602,521	595,986
Compulsory reserve established by the National Banks	4.	(270,592)	(280,809)
<b>Cash and cash equivalents at the end of the period</b>		<b>331,929</b>	<b>315,177</b>

The accompanying notes to consolidated financial statements on pages 66 to 147 form an integral part of these consolidated financial statements.

## Statement of changes in equity

(consolidated, based on IFRS, for the year ended 31 December 2012, in HUF million)

	Note	Share capital	Capital reserve	Share-based Payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
<b>Balance as at 1 January 2011</b>		<b>28,000</b>	<b>52</b>	<b>28</b>	<b>1,383,026</b>	<b>(55,468)</b>	<b>(52,597)</b>	<b>5,888</b>	<b>1,308,929</b>
Net profit for the year		–	–	–	83,147	–	–	–	83,147
Other comprehensive income		–	–	–	48,621	–	–	–	48,621
Share-based payment	29.	–	–	6,188	–	–	–	–	6,188
Dividend for the year 2010		–	–	–	(20,160)	–	–	–	(20,160)
Sale of Treasury shares		–	–	–	–	–	2,963	–	2,963
Treasury shares									
– loss on sale		–	–	–	(25)	–	–	–	(25)
– acquisition		–	–	–	–	–	(4,753)	–	(4,753)
Payments to ICES holders	20.	–	–	–	(6,313)	–	–	–	(6,313)
Non-controlling interest		–	–	–	–	–	–	(287)	(287)
<b>Balance as at 31 December 2011</b>		<b>28,000</b>	<b>52</b>	<b>6,216</b>	<b>1,488,296</b>	<b>(55,468)</b>	<b>(54,387)</b>	<b>5,601</b>	<b>1,418,310</b>
Net profit for the year		–	–	–	121,690	–	–	–	121,690
Other comprehensive income		–	–	–	300	–	–	–	300
Share-based payment	29.	–	–	4,584	–	–	–	–	4,584
Dividend for the year 2011		–	–	–	(28,000)	–	–	–	(28,000)
Sale of Treasury shares		–	–	–	–	–	6,342	–	6,342
Treasury shares									
– loss on sale		–	–	–	(155)	–	–	–	(155)
– acquisition		–	–	–	–	–	(5,757)	–	(5,757)
Payments to ICES holders	20.	–	–	–	(2,943)	–	–	–	(2,943)
Non-controlling interest		–	–	–	–	–	–	182	182
<b>Balance as at 31 December 2012</b>		<b>28,000</b>	<b>52</b>	<b>10,800</b>	<b>1,579,188</b>	<b>(55,468)</b>	<b>(53,802)</b>	<b>5,783</b>	<b>1,514,553</b>

The accompanying notes to consolidated financial statements on pages 66 to 147 form an integral part of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

## NOTE 1:

### ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

#### 1.1. General information

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

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

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

	2012	2011
<b>The structure of the Share capital by shareholders (%):</b>		
Domestic and foreign private and institutional investors	97%	96%
Employees	2%	2%
Treasury shares	1%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The Bank and its subsidiaries ('Entities of the Group', together the 'Group') provide a full range of commercial banking services through a wide

network of 1,398 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

	2012	2011
<b>The number of employees at the Group:</b>		
The number of employees at the Group	36,366	33,826
The average number of employees at the Group	35,076	32,180

#### 1.2. Base of Accounting

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

accordance with the local commercial, banking and fiscal regulations.

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

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

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

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

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

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

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

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

### ***1.2.1.1. Amendments and new Standards and Interpretations to IFRSs effective on or after 1 January 2013, which are adopted by the EU***

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

- IFRS 10 'Consolidated Financial Statements', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 'Joint Arrangements', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 'Disclosures of Interests in Other Entities', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 13 'Fair Value Measurement', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) 'Separate Financial Statements', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) 'Investments in Associates and Joint Ventures', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 1 (Amendment) 'First-time Adoption of IFRS' – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 1 (Amendment) 'First-time Adoption of IFRS' – Government Loans, adopted by the EU

on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),

- IFRS 7 (Amendment) 'Financial Instruments: Disclosures' – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 1 (Amendment) 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- IAS 12 (Amendment) 'Income Taxes' – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 19 (Amendment) 'Employee Benefits' – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 32 (Amendment) 'Financial instruments: presentation' – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

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

### **1.2.1.2. Amendments and new Standards and Interpretations to IFRSs effective on or after 1 January 2013, which are not yet endorsed by EU, not yet adopted**

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

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

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

### 2.1. Basis of Presentation

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

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

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

### 2.2. Foreign currency translation

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

foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a

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

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

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

### **2.3. Principles of consolidation**

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank exercises control. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 31. However, certain subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.11.).

As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

### **2.4. Accounting for acquisitions**

Subsidiaries are accounted for using purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.

The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.

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

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

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

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

The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the probable economic decline and their possible influence on the

financial sector as well as the limited external refinancing funds, the lower possibility of the expansion and the prospective effects of all these above mentioned factors.

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

## **2.5. Securities held-to-maturity**

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

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

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

## **2.6. Financial assets at fair value through profit or loss**

### **2.6.1. Securities held for trading**

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Recognized Income for the period. Such

securities consist of corporate shares, Hungarian and foreign government bonds, securities issued by NBH, discounted treasury bills and other securities.

### **2.6.2. Derivative financial instruments**

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

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

Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, do not qualify for hedge accounting under the specific rules of

IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Recognized Income.

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

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

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

## **2.8. Securities available-for-sale**

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities available-for-sale are measured at subsequent reporting dates at fair value. Unrealized gains and losses on available-for-sale financial instruments are

recognized directly in Other Comprehensive Income, unless such available-for-sale security is part of an effective hedge. Such gains and losses will be reported when realized in Consolidated Statement of Recognized Income for the applicable period.

Such securities consist of Hungarian and foreign government bonds, bonds issued by NBH, corporate bonds, discounted Treasury bills and other securities. Other securities include shares in investment funds and shares in non-financing companies. The provision for impairment is calculated based on discounted cash flow methodology for debt instruments and calculated based on fair valuation on equity instruments, using the expected future cash flow and original effective interest rate if there is objective evidence of and impairment.

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

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

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

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

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

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

Allowance for loan and placement losses with other banks represent management assessment for potential losses in relation to these activities. The allowances for loan and placement losses are maintained to cover losses that have been specifically identified and for potential losses which may be present based on portfolio performance.

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

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

## **2.10. Sale and repurchase agreements, security lending**

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on Statement of Financial Position and the consideration

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

## **2.11. Associates and other investments**

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

Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IAS 39, when appropriate.

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

## **2.12. Property and equipment, Intangible assets**

Property and equipment and Intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The



depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.

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

#### Intangible assets

Software	3.33–50%
Property rights	5–50%
Property	1–50%
Office equipments and vehicles	2.5–50%

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

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

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

### 2.13. Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortized costs. In connection to the financial liabilities at fair value through profit or loss, the Group presents the amount of change in their fair value originated from the changes of market conditions and business environment. Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they

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

### 2.14. Leases

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

#### The Group as a lessor

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

#### The Group as a lessee

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The principal element of each future lease obligation is recorded as a liability, while the interest elements are charged to the

Consolidated Statement of Recognized Income over the period of the leases to produce a constant rate of charge on the balance of principal payments outstanding.

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

### **2.15. Treasury shares**

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Financial Position at cost as a deduction from Consolidated Shareholders' Equity.

Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

### **2.16. Interest income and interest expense**

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

### **2.17. Fees and Commissions**

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

### **2.18. Dividend income**

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

### **2.19. Income tax**

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

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

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

### **2.20. Off-balance sheet commitments and contingent liabilities**

In the ordinary course of its business, the Group enters into off-balance sheet commitments such as guarantees, letters of credit, commitments to

extend credit and transactions with financial instruments. The provision for impairment on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb future cash outflows which are probable and relate to present obligations.

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

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

### **2.21. Share-based payment**

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

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

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

### **2.22. Consolidated Statement of Cash Flows**

For the purposes of reporting Consolidated Statement of Cash Flows, cash and cash

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

### **2.23. Segment reporting**

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

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

### **2.24. Comparative figures**

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

### **2.25. Events in accordance with early repayment at fixed exchange rates**

The Hungarian Government announced the Country Protection Action Plan on 12 September

2011. The most significant arrangement, which directly affected the Bank, was the opportunity of early repayment at fixed exchange rates. If certain conditions completed by the borrowers FX based mortgage loans could be repaid in one amount at fixed conversion rate ('early repayment') determined in the Law on Credit Institutions (Swiss Franc 180 HUF/CHF, Euro 250 HUF/EUR, Japanese Yen 2 HUF/JPY). Act CXXI of 2011 ('On the amendment of the acts in connection with the protection of homes') on early repayment was acted on 29 September 2011. Under the law the Bank was not allowed to charge any fees or other commissions for early repayment. Furthermore banks carried the loss derived from the difference between the book value recorded on market price and the paid amount calculated at fixed exchange rate as an early repayment. If the borrower had met the conditions determined by the law, the lender would not have been allowed to refuse the early repayment, and should have prepared the settlement of the contract in 60 days. The final closing date of the opportunity of early repayment was 28 February 2012.

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

Up to 31 December 2011 – together at the Bank, OTP Mortgage Bank and OTP Flat Lease –

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

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

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

As a consequence of guarantee contract the Bank recognized provision on expected loss of OTP Mortgage Bank and OTP Flat Lease.

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

	2012	2011
Provision for impairment on loan losses relating to early repayment at the Group	32,901	32,152
(Release of provision)/provision recognized at the Group relating to early repayment	(35,264)	35,264
<b>(Release of provision)/provision for impairment on loan losses relating to early repayment at the Group</b>	<b>(2,363)</b>	<b>67,416</b>

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

on investments at the same amount. In 2012 correction occurred based on final realised loss related to early repayment as investments in subsidiaries were lowered with HUF 3,257 million and parallel with that provision for impairment was released at the same amount.

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

In case of loans related to early repayment, interest was recognized at fixed exchange rate in interest income.

During calculating the loss arising from the early repayment, loss falling to share of interest was taken into account which was recognized on the line of Interest income from loans (See Note 23.).

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

company) ('tax refund beneficiary') of the financial institution.

Based on the arising losses at the Bank, OTP Mortgage Bank and OTP Flat Lease, Merkantil Bank Ltd. ('Merkantil Bank') and Merkantil Car Ltd. ('Merkantil Car') total HUF 20,606 million tax refund was carried out at the Group's level from the bank tax paid and recognized in 2011.

The Bank recognized HUF 10,467 million as tax refund in the separate financial statements. The difference was asserted as tax refund by the other subsidiaries of the Group. The amount of the difference was rectified by HUF 1,090 million based on final realised loss related to early repayment.

	<b>Total</b>	<b>2012</b>	<b>2011</b>
Total expenditure at the Group affected by early repayment	65,053	(1,588)	66,641
During calculation of amount deductible from bank tax, provision for impairment owing to classification is taken into consideration	–	(2,047)	2,047
Consolidation effect	–	(775)	775
<b>Total expenditure at the Group affected by early repayment considered at calculation of bank tax</b>	<b>65,053</b>	<b>(4,410)</b>	<b>69,463</b>
30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011	19,516	(1,090)	20,606
Consolidation effect	–	(232)	232
<b>30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011</b>	<b>19,516</b>	<b>(1,322)</b>	<b>20,838</b>
<b>Claim for bank tax refund at subsidiaries of the Group</b>			
OTP Bank	9,377	(1,090)	10,467
OTP Mortgage Bank	8,759	–	8,759
OTP Flat Lease	116	–	116
Merkantil Bank	1,120	–	1,120
Merkantil Car	144	–	144
Bank tax effect of NBH tender	–	(232)	232
<b>Total</b>	<b>19,516</b>	<b>(1,322)</b>	<b>20,838</b>

The NBH invited tenders for selling euro from 3 October 2011 what was announced regularly till 29 February 2012, above all weekly if necessary more frequently. Credit institution was obliged to utilize the same sum of foreign exchange as the amount published in information related to realized early repayment – according to Act on Credit Institutions 200/B –

by the credit bank or the corresponding one. Credit institutions were obliged to exchange for HUF the unutilized part of EUR stock at original rate between 1 and 14 March 2012. The Bank participated in three tenders on account of hedging the loss incurred as a consequence of early repayment at the Group.

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

EUR stock was recognized in the Group's Consolidated Financial Statements, in connection with that foreign exchange losses in the amount of HUF 5,278 million and gains in the amount of HUF 9,313 million

were realised in the Consolidated Financial Statements as at 31 December 2012 and 2011. This sum is reducing the loss incurred related to early repayment at the level of the Group.

## **2.26. The agreement on 15 December 2011 between the Hungarian Government and the Hungarian Banking Association**

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

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates was announced. Accordingly, in favour of performing FX mortgage debtors with up to 90 days of delinquency, the natural person FX mortgage debtor could initiate in writing between 12 August and 31 December 2011 the fixing of the exchange rate used to specify his monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates were set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provided a special purpose HUF denominated mortgage loan ('escrow account loan'), granting of which is not regulated by the rules of prudent lending. Escrow account loan is an appropriation established by the Hungarian Government to help FX mortgage debtors during the repayment of FX mortgage loans to finance the installment-proportion non-paid by debtors arising from the difference between the fixed and the exceeding actual spot exchange rate. During the time of fixing, the Bank was entitled to charge not more than the 3-months BUBOR interest rate on the HUF obligations on the escrow account which could be capitalized in every three months. Following the fixed exchange rate period debtors are obliged to pay instalments of both the original mortgage and the escrow account loans. From that time the interest rate charged on the escrow account must not surpass the market rate applicable for HUF denominated mortgages provided for the same purpose as the original FX mortgage loan.

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

According to modified terms and conditions, contract of fixed exchange rate escrow account loan can be concluded for 60 months or until the last installment due before 30 June 2017 the latest. Closing date has been prolonged until 29 March 2013 in consequence of 22 December 2012 amendment of the Act. The fixed exchange rates were modified and set at 180 HUF/CHF, 250 HUF/EUR and 2.5 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provide a special purpose HUF denominated mortgage loan ('escrow account loan'), granting of which is not regulated by the rules of prudent lending. Escrow account loan is paid in HUF backing joint and several state guarantee during the fixed exchange rate period. During the fixed exchange rate period the Hungarian Government is refunding credit institutions the full proportion of monthly 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, the Bank decided not to employ the state guarantee.

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

	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Number of escrow account loans as at 31 December 2012 (number of loans)	3,060	23,817	380	27,257
Number of new contracts made after 1 April 2012 (number of contracts)	2,988	23,324	386	26,698
Gross value of escrow account loans as at 31 December 2012 (in HUF mn)	79	831	3	913
Gross amount of fixed FX loans as at 31 December 2012 (in HUF mn)	13,444	187,606	5,346	206,396

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

	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Loss on interest from fixed exchange rate refunded by the State	60	824	–	884
Contribution paid for the State (50%)	30	412	–	442

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

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

- a) no conversion into HUF denominated loan occurred yet
- b) the total market value of real estate serving as collateral did not exceed HUF 20 million at conclusion of FX loan contract

- c) at least HUF 78 thousand is the amount from debt which is due and delinquency of debtor more than 90 days as at 30 September 2011 and since then it is continuous
- d) right of legal enforcement is not recorded on real estate included in FX mortgage loan contract
- e) debtor made a statement in writing until 15 May 2012 that its delinquency was caused by significant and justifiable deterioration of ability to pay.

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

## Main figures of conversion into HUF denominated loans:

	OTP	OTP Mortgage Bank	Group
Number of DPD* 90+ loans (number of loans)	11	90	101
Loan losses (in HUF mn)	10	155	165

\* DPD: day past due



## NOTE 3:

### SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

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

#### 3.1. Impairment on loans and placements

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

#### 3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While

the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. correlations, volatilities, etc.). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

#### 3.3. Provisions

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

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

#### 3.4. Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 'Impairment of assets'.

The Group calculates the value in use a discounted cash-flow model. The 5 year period

explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations

about possible variations in the amount or timing of those future cash flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

#### NOTE 4:

#### CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF million)

	2012	2011
<b>Cash on hand</b>		
In HUF	59,693	53,713
In foreign currency	127,126	124,737
	<b>186,819</b>	<b>178,450</b>
<b>Amounts due from banks and balances with the National Banks</b>		
Within one year:		
In HUF	134,828	138,915
In foreign currency	279,755	277,315
	<b>414,583</b>	<b>416,230</b>
Over one year:		
In HUF	–	–
In foreign currency	659	796
	<b>659</b>	<b>796</b>
Accrued interest	460	510
	<b>415,702</b>	<b>417,536</b>
<b>Total</b>	<b>602,521</b>	<b>595,986</b>
<b>Compulsory reserve set by the National Banks</b>	<b>270,592</b>	<b>280,809</b>

#### NOTE 5:

#### PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF million)

	2012	2011
Within one year		
In HUF	40,882	16,442
In foreign currency	294,509	403,346
	<b>335,391</b>	<b>419,788</b>
Over one year		
In HUF	15,000	–
In foreign currency	7,183	3,633
	<b>22,183</b>	<b>3,633</b>
Accrued interest	403	521
Provision for impairment on placement losses	(1,111)	(1,165)
<b>Total</b>	<b>356,866</b>	<b>422,777</b>

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

	<b>2012</b>	<b>2011</b>
Balance as at 1 January	1,165	1,981
Provision for the period	1,479	166
Release of provision for the period	(1,375)	(1,091)
Foreign currency translation difference	(158)	109
<b>Closing balance</b>	<b>1,111</b>	<b>1,165</b>

**Interest conditions of placements with other banks:**

	<b>2012</b>	<b>2011</b>
In HUF	0.1%–9.4%	1.6%–15.2%
In foreign currency	0.002%–10.09%	0.01%–18.5%
<b>Average interest rates on placements with other banks</b>	<b>2.28%</b>	<b>1.91%</b>

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

	<b>2012</b>	<b>2011</b>
<b>Securities held for trading</b>		
Corporate shares	90,779	88,138
Government bonds	12,476	33,068
Hungarian government discounted treasury bills	2,098	4,146
Securities issued by the NBH	1,333	1,715
Other securities	7,741	3,388
Other non-interest bearing securities	6,913	7,938
	<b>121,340</b>	<b>138,393</b>
Accrued interest	480	937
<b>Total</b>	<b>121,820</b>	<b>139,330</b>

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

	<b>2012</b>	<b>2011</b>
Interest rate swaps classified as held for trading	73,183	39,370
CCIRS* and mark-to-market CCIRS* classified as held for trading	10,298	27,448
Foreign exchange swaps classified as held for trading	7,173	18,596
Other transactions classified as held for trading	10,400	16,538
	101,054	101,952
<b>Total</b>	<b>222,874</b>	<b>241,282</b>

**An analysis of securities held for trading portfolio by currency:**

	<b>2012</b>	<b>2011</b>
Denominated in HUF (%)	80.2%	81.8%
Denominated in foreign currency (%)	19.8%	18.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\* CCIRS: Cross Currency Interest Rate Swaps (See Note 28)

## An analysis of government bond portfolio by currency:

	2012	2011
Denominated in HUF (%)	9.9%	58.3%
Denominated in foreign currency (%)	90.1%	41.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
Interest rates on securities held for trading	1.2%–12.0%	1.2%–12.0%
<b>Average interest rates on securities held for trading</b>	<b>5.54%</b>	<b>3.70%</b>

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

	2012	2011
Within five years		
With variable interest	2	1,042
With fixed interest	21,587	26,090
	<b>21,589</b>	<b>27,132</b>
Over five years		
With variable interest	–	919
With fixed interest	2,059	14,266
	<b>2,059</b>	<b>15,185</b>
Non-interest bearing securities	97,692	96,076
<b>Total</b>	<b>121,340</b>	<b>138,393</b>

## NOTE 7:

### SECURITIES AVAILABLE-FOR-SALE (in HUF million)

	2012	2011
<b>Securities available-for-sale</b>		
Bonds issued by NBH	860,081	509,667
Government bonds	370,329	477,917
Corporate bonds	51,527	33,828
From this:		
Listed securities:		
In HUF	–	–
In foreign currency	45,966	26,643
	45,966	26,643
Non-listed securities:		
In HUF	–	–
In foreign currency	5,561	7,185
	5,561	7,185
Other non-interest bearing securities	39,810	34,223
From this:		
Listed securities:		
In HUF	–	273
In foreign currency	6,829	7,225
	6,829	7,498
Non-listed securities:		
In HUF	28,647	23,322
In foreign currency	4,334	3,403
	32,981	26,725
Discounted treasury bills	34,853	35,388
Mortgage bonds	151	163
Other securities	44,022	17,902
	<b>1,400,773</b>	<b>1,109,088</b>
Accrued interest	11,630	18,697
Provision for impairment on securities available-for-sale	(1,226)	(1,930)
<b>Total</b>	<b>1,411,177</b>	<b>1,125,855</b>

**An analysis of securities available-for sale by currency:**

	2012	2011
Denominated in HUF (%)	81.4%	81.7%
Denominated in foreign currency (%)	18.6%	18.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**An analysis of government bonds by currency:**

	2012	2011
Denominated in HUF (%)	64.1%	75.8%
Denominated in foreign currency (%)	35.9%	24.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

	2012	2011
Interest rates on securities available-for-sale denominated in HUF	6.0%–8.0%	5.3%–8.0%
Interest rates on securities available-for-sale denominated in foreign currency	0.8%–20.0%	0.4%–20.0%
Average interest rates on securities available-for-sale denominated in HUF	8.27%	9.75%
Average interest rates on securities available-for-sale denominated in foreign currency	3.39%	5.95%

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

	2012	2011
Within five years		
With variable interest	9,518	1,890
With fixed interest	1,282,459	909,946
	1,291,977	911,836
Over five years		
With variable interest	2,521	1,897
With fixed interest	66,465	161,132
	68,986	163,029
Non-interest bearing securities	39,810	34,223
<b>Total</b>	<b>1,400,773</b>	<b>1,109,088</b>

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

	2012	2011
Balance as at 1 January	1,930	1,689
Provision for the period	61	332
Release of provision	(551)	(19)
Use of provision	(83)	(291)
Foreign currency translation difference	(131)	219
<b>Closing balance</b>	<b>1,226</b>	<b>1,930</b>

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

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

	2012	2011
Short-term loans and promissory notes (within one year)	2,573,893	2,394,200
Long-term loans and promissory notes (over one year)	4,973,154	5,653,270
	<b>7,547,047</b>	<b>8,047,470</b>
Accrued interest	71,320	61,161
Provision for impairment on loan losses	(1,154,176)	(1,061,452)
<b>Total</b>	<b>6,464,191</b>	<b>7,047,179</b>

**An analysis of the loan portfolio by currency:**

	2012	2011
In HUF	26%	24%
In foreign currency	74%	76%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Interest rates of the loan portfolio are as follows:**

	2012	2011
Short-term loans denominated in HUF	4.5%–43%	5%–38.1%
Long-term loans denominated in HUF	2.7%–43%	3%–38.1%
Short-term loans denominated in foreign currency	1%–66%	1%–66%
Long-term loans denominated in foreign currency	0.1%–58.6%	0.4%–57.8%
Average interest rates on loans denominated in HUF	5.27%	4.56%
Average interest rates on loans denominated in foreign currency	15.44%	14.41%
Gross loan portfolio on which interest to customers is not being accrued	18.2%	15.2%

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

	2012		2011	
Retail loans	2,673,929	35%	2,677,482	33%
Corporate loans	2,319,618	31%	2,547,123	32%
Housing loans	2,248,435	30%	2,471,184	31%
Municipality loans	305,065	4%	351,681	4%
<b>Total</b>	<b>7,547,047</b>	<b>100%</b>	<b>8,047,470</b>	<b>100%</b>

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

	2012	2011
Balance as at 1 January	1,061,452	761,272
Provision for the period	602,194	596,734
Release of provision	(472,154)	(357,824)
Use of provision	2,111	2,793
Foreign currency translation difference	(39,427)	58,477
<b>Closing balance</b>	<b>1,154,176</b>	<b>1,061,452</b>

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

	2012	2011
Provision/(Release of provision) for impairment on placement losses	41	(596)
Provision for impairment on loan losses	226,939	317,269
<b>Total</b>	<b>226,980</b>	<b>316,673</b>

**NOTE 9:**

**ASSOCIATES AND OTHER INVESTMENTS (in HUF million)**

	2012	2011
Investments		
Unconsolidated subsidiaries	7,159	8,278
Associated companies (non-listed)	337	383
Other investments (non-listed)	3,408	3,335
	10,904	11,996
Provision for impairment on investments	(2,968)	(1,654)
<b>Total</b>	<b>7,936</b>	<b>10,342</b>

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

	2012	2011
Balance as at 1 January	1,654	1,320
Provision for the period	1,335	3,304
Use of provision	(22)	(2,969)
Foreign currency translation difference	1	(1)
<b>Closing balance</b>	<b>2,968</b>	<b>1,654</b>

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

	2012	2011
Government bonds	407,853	117,242
Discounted Treasury bills	6,432	1,611
Mortgage bonds	2,142	2,300
Foreign bonds	1,236	1,754
	<b>417,663</b>	<b>122,907</b>
Accrued interest	12,410	2,869
Provision for impairment on securities held-to-maturity	(770)	(889)
<b>Total</b>	<b>429,303</b>	<b>124,887</b>

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

	2012	2011
Within five years		
With variable interest	32,619	46,900
With fixed interest	230,287	66,212
	262,906	113,112
Over five years		
With variable interest	252	372
With fixed interest	154,505	9,423
	154,757	9,795
<b>Total</b>	<b>417,663</b>	<b>122,907</b>

**An analysis of securities held-to-maturity by currency:**

	2012	2011
Denominated in HUF (%)	85.7%	46.7%
Denominated in foreign currency (%)	14.3%	53.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

In most cases, interest on variable rate bonds is based on the interest rates of 90 day Hungarian government Treasury bills and is

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

	2012	2011
Interest rates of securities held-to-maturity with fixed interest	3.5%–30%	1.6%–30%
Interest rates of securities held-to-maturity with variable interest	0.3%–7.1%	0.2%–5.9%
Average interest rates on securities held-to-maturity	7.47%	5.28%

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

	2012	2011
Balance as at 1 January	889	154
Provision for the period	15	689
Release of provision	(30)	(57)
Use of provision	(34)	–
Foreign currency translation difference	(70)	103
<b>Closing balance</b>	<b>770</b>	<b>889</b>

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

**For the year ended 31 December 2012**

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

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

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

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

<b>List of units</b>	<b>HUF mn</b>
OAOT Bank	68,205
OTP Bank JSC	64,003
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	16,910
OTP Bank Romania S.A.	5,788
Other*	6,172
<b>Total</b>	<b>189,619</b>

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



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

The Bank applied a cash-flow model with an explicit period between 2013–2017 where for 2013 the actual, accepted annual financial plans are included and the actual financial strategic plans were used as forecasts for the period between 2014 and 2017.

#### Present value calculation with the DCF method

The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. For calculating the discount factor it was considered the base rates of the national banks in the actual macro forecasts as risk free rates and the Group calculated risk premiums by modifying the country risk premiums that are

published on damodaran.com with the CDS of the different countries spread as of 31 December 2012.

The values of the subsidiaries in the DCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

#### Present value calculation with the EVA method

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

#### Summary of the 2012 year end impairment test

Based on the valuations of the subsidiaries there wasn't recorded any consolidated IFRS goodwill impairment.

### For the year ended 31 December 2011

	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
<b>Cost</b>					
Balance as at 1 January	373,120	172,003	172,422	11,798	729,343
Additions	33,528	17,218	22,087	24,934	97,767
Foreign currency translation differences	19,225	10,458	9,141	695	39,519
Disposals	(44,239)	(9,133)	(16,246)	(21,084)	(90,702)
Change in consolidation scope	24	9,108	56	–	9,188
<b>Balance as at 31 December</b>	<b>381,658</b>	<b>199,654</b>	<b>187,460</b>	<b>16,343</b>	<b>785,115</b>
<b>Depreciation and Amortization</b>					
Balance as at 1 January	109,907	29,809	108,799	–	248,515
Charge for the year (except for Goodwill impairment)	25,000	5,931	18,522	–	49,453
Goodwill impairment	23,979	–	–	–	23,979
Foreign currency translation differences	3,483	2,503	5,534	–	11,520
Disposals	(30,580)	(1,363)	(11,329)	–	(43,272)
Change in consolidation scope	–	3,222	32	–	3,254
<b>Balance as at 31 December</b>	<b>131,789</b>	<b>40,102</b>	<b>121,558</b>	<b>–</b>	<b>293,449</b>
<b>Net book value</b>					
Balance as at 1 January	263,213	142,194	63,623	11,798	480,828
<b>Balance as at 31 December</b>	<b>249,869</b>	<b>159,552</b>	<b>65,902</b>	<b>16,343</b>	<b>491,666</b>

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

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

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

<b>List of units</b>	<b>HUF mn</b>
OA0 OTP Bank	70,205
OTP Bank JSC	69,725
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	18,062
OTP Bank Romania S.A.	6,182
Other	6,181
<b>Total*</b>	<b>198,896</b>

**Summary of the 2011 year end impairment test**

Based on the valuations of the subsidiaries HUF 21,642 million and HUF 2,337 million consolidated IFRS goodwill impairment was

recorded for OTP banka Hrvatska d.d. (Croatian subsidiary) and for Crnogorska komercijalna banka a.d. (Montenegrin subsidiary).

**NOTE 12: OTHER ASSETS (in HUF million)**

	<b>2012</b>	<b>2011</b>
Inventories	50,752	42,788
Fair value of derivative financial instrument designated as fair value hedge	13,694	13,137
Current income tax receivable	13,313	38,409
Trade receivables	12,465	13,300
Prepayments and accrued income	10,100	9,609
Other receivables from Hungarian Government	8,752	2,362
Other advances	5,838	4,187
Receivables due from pension funds and investment funds	1,544	1,310
Receivables from investment services	1,431	1,539
Receivables from leasing activities	1,108	959
Advances for securities and investments	635	2,069
Deferred tax receivables	159	2,419
<b>Other*</b>	<b>30,930</b>	<b>25,023</b>
Provision for impairment on other assets**	(21,265)	(16,558)
<b>Total</b>	<b>129,456</b>	<b>140,553</b>

\* Other category includes: Monicomp Ltd., OTP Flat Lease Ltd., Nimo 2002 Ltd., OTP Banka Slovensko a.s., POK DSK-Rodina a.d., OTP Leasing d.d.

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

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

	2012	2011
CCIRS and mark-to-market CCIRS designated as fair value hedge	9,318	10,486
Interest rate swaps designated as fair value hedge	4,224	2,329
Foreign exchange swaps designated as fair value hedge	136	53
Forward security agreements designated as fair value hedge	6	126
Foreign exchange forward contracts designated as fair value hedge	–	50
Other transactions designated as fair value hedge	10	93
<b>Total</b>	<b>13,694</b>	<b>13,137</b>

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

	2012	2011
Balance as at 1 January	16,558	13,111
Provision for the period	6,375	3,221
Use of provision	(1,300)	(814)
Foreign currency translation difference	(368)	1,040
<b>Closing balance</b>	<b>21,265</b>	<b>16,558</b>

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

	2012	2011
Within one year		
In HUF	78,602	47,682
In foreign currency	200,599	255,537
	<b>279,201</b>	<b>303,219</b>
Over one year		
In HUF	110,267	124,882
In foreign currency	142,424	216,271
	<b>252,691</b>	<b>341,153</b>
Accrued interest	2,432	2,596
<b>Total</b>	<b>534,324</b>	<b>646,968</b>

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

	2012	2011
Within one year		
In HUF	0.2%–7.6%	2.5%–7.1%
In foreign currency	0.01%–10.1%	0.1%–9.9%
Over one year		
In HUF	0.2%–8.1 %	2.5%–7.6%
In foreign currency	0.1%–9%	0.5%–9.5%

	2012	2011
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks denominated in HUF	0.86%	3.06%
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks denominated in foreign currency	1.74%	2.99%

**NOTE 14:****DEPOSITS FROM CUSTOMERS (in HUF million)**

	<b>2012</b>	<b>2011</b>
Within one year		
In HUF	2,864,536	2,781,780
In foreign currency	3,381,095	3,253,215
	<b>6,245,631</b>	<b>6,034,995</b>
Over one year		
In HUF	131,023	214,366
In foreign currency	133,045	115,089
	<b>264,068</b>	<b>329,455</b>
Accrued interest	41,009	34,403
<b>Total</b>	<b>6,550,708</b>	<b>6,398,853</b>

**Interest rates on deposits from customers are as follows:**

	<b>2012</b>	<b>2011</b>
Within one year		
In HUF	0.1%–11%	0.1%–11%
In foreign currency	0.01%–25.5%	0.01%–24%
Over one year		
In HUF	0.2%–7.8%	0.2%–9%
In foreign currency	0.01%–20%	0.01%–19.0%
Average interest rates on deposits from customers denominated in HUF	2.57%	2.41%
Average interest rates on deposits from customers denominated in foreign currency	6.94%	6.11%

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

	<b>2012</b>		<b>2011</b>	
Retail deposits	4,286,153	66%	4,343,496	68%
Corporate deposits	1,961,543	30%	1,799,732	28%
Municipality deposits	262,003	4%	221,222	4%
<b>Total</b>	<b>6,509,699</b>	<b>100%</b>	<b>6,364,450</b>	<b>100%</b>

**NOTE 15:****LIABILITIES FROM ISSUED SECURITIES (in HUF million)**

	<b>2012</b>	<b>2011</b>
With original maturity		
Within one year		
In HUF	207,826	374,200
In foreign currency	59,632	77,218
	<b>267,458</b>	<b>451,418</b>
Over one year		
In HUF	185,893	169,918
In foreign currency	169,564	168,662
	<b>355,457</b>	<b>338,580</b>
Accrued interest	20,208	22,865
<b>Total</b>	<b>643,123</b>	<b>812,863</b>

**Interest rates on liabilities from issued securities are as follows:**

	<b>2012</b>	<b>2011</b>
Issued securities denominated in HUF	0.25%–12.0%	0.25%–10.5%
Issued securities denominated in foreign currency	0.3%–10.9%	1.5%–10.9%
Average interest rates on issued securities denominated in HUF	15.66%	12.09%
Average interest rates on issued securities denominated in foreign currency	3.87%	4.89%

## Issued securities denominated in HUF as at 31 December 2012 (in HUF million):

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1.	OTP 2013/I	06/01/2012–13/01/2012	05/01/2013	8,716	6.5	fixed	
2.	OTP 2013/II	20/01/2012–27/01/2012	19/01/2013	21,453	7	fixed	
3.	OTP 2013/III	03/02/2012–10/02/2012	02/02/2013	12,535	7	fixed	
4.	OTP 2013/IV	17/02/2012–24/02/2012	16/02/2013	17,134	7	fixed	
5.	OTP 2013/V	02/03/2012–09/03/2012	02/03/2013	9,001	7	fixed	
6.	OTP 2013/VI	23/03/2012–30/03/2012	23/03/2013	8,171	7	fixed	
7.	OTP 2013/VII	06/04/2012–13/04/2012	06/04/2013	10,102	7	fixed	
8.	OTP 2013/VIII	21/04/2012–27/04/2012	21/04/2013	10,605	7	fixed	
9.	OTP 2013/IX	11/05/2012–18/05/2012	11/05/2013	10,651	7	fixed	
10.	OTP 2013/X	25/05/2012–01/06/2012	25/05/2013	4,997	7	fixed	
11.	OTP 2013/XI	08/06/2012–15/06/2012	08/06/2013	5,547	7	fixed	
12.	OTP 2013/XII	22/06/2012–29/06/2012	22/06/2013	4,453	7	fixed	
13.	OTP 2013/XIII	06/07/2012–13/07/2012	06/07/2013	5,747	7	fixed	
14.	OTP 2013/XIV	20/07/2012–03/08/2012	20/07/2013	9,508	7	fixed	
15.	OTP 2013/XV	10/08/2012–17/08/2012	10/08/2013	5,862	6.5	fixed	
16.	OTP 2013/XVI	24/08/2012–31/08/2012	24/08/2013	3,635	6.5	fixed	
17.	OTP 2013/XVII	07/09/2012–14/09/2012	07/09/2013	4,130	6.5	fixed	
18.	OTP 2013/XVIII	21/09/2012–28/09/2012	21/09/2013	3,655	6.5	fixed	
19.	OTP 2013/XIX	05/10/2012–12/10/2012	05/10/2013	2,439	6	fixed	
20.	OTP 2013/XX	19/10/2012–31/10/2012	19/10/2013	2,304	6	fixed	
21.	OTP 2013/XXI	12/11/2012–16/11/2012	12/11/2013	4,147	6	fixed	
22.	OTP 2013/XXII	23/11/2012–03/12/2012	23/11/2013	3,022	5.5	fixed	
23.	OTP 2013/XXIII	07/12/2012–17/12/2012	07/12/2013	1,860	5.5	fixed	
24.	OTP 2013/XXIV	21/12/2012	21/12/2013	1,581	5.5	fixed	
25.	TBSZ 2013/I	26/02/2010–28/12/2010	30/12/2013	6,018	5.5	fixed	
26.	TBSZ 2014/I	14/01/2011–05/08/2011	15/12/2014	1,952	5.5	fixed	
27.	TBSZ 2014/II	26/08/2011–29/12/2011	15/12/2014	735	5.5	fixed	
28.	TBSZ 2015/I	26/02/2010–28/12/2010	30/12/2015	5,649	5.5	fixed	
29.	TBSZ 2016/I	14/01/2011–05/08/2011	15/12/2016	1,221	5.5	fixed	
30.	TBSZ 2016/II	26/08/2011–29/12/2011	15/12/2016	654	5.5	fixed	
31.	TBSZ 4 2015/I	13/01/2012–22/06/2012	15/12/2015	483	6.5	fixed	
32.	TBSZ 4 2015/II	21/12/2012	15/12/2015	49	6	fixed	
33.	TBSZ 6 2017/I	13/01/2012–22/06/2012	15/12/2017	236	6.5	fixed	
34.	2013/Ax	28/06/2010	08/07/2013	428	indexed	floating	hedged
35.	2013/Bx	11/11/2010	06/11/2013	785	indexed	floating	hedged
36.	2013/Cx	16/12/2010	19/12/2013	420	indexed	floating	hedged
37.	2014/Ax	25/06/2009	30/06/2014	2,816	indexed	floating	hedged
38.	2014/Bx	05/10/2009	13/10/2014	3,734	indexed	floating	hedged
39.	2014/Cx	14/12/2009	19/12/2014	3,728	indexed	floating	hedged
40.	2014/Dx	01/04/2011	03/04/2014	526	indexed	floating	hedged
41.	2014/Ex	17/06/2011	20/06/2014	1,188	indexed	floating	hedged
42.	2014/Fx	20/10/2011	21/10/2014	391	indexed	floating	hedged
43.	2014/Gx	21/12/2011	30/12/2014	320	indexed	floating	hedged
44.	2015/Ax	25/03/2010	30/03/2015	5,074	indexed	floating	hedged
45.	2015/Bx	28/06/2010	09/07/2015	4,490	indexed	floating	hedged
46.	2015/Dx	22/03/2012	23/03/2015	470	indexed	floating	hedged
47.	2015/Ex	18/07/2012	20/07/2015	390	indexed	floating	hedged
48.	2015/Gx	08/11/2012	16/11/2015	435	indexed	floating	hedged
49.	2015/Hx	28/12/2012	27/12/2015	170	indexed	floating	hedged
50.	2016/Ax	11/11/2010	03/11/2016	4,206	indexed	floating	hedged
51.	2016/Bx	16/12/2010	19/12/2016	3,138	indexed	floating	hedged
52.	2016/Ex	28/12/2012	27/12/2016	395	indexed	floating	hedged
53.	2017/Ax	01/04/2011	31/03/2017	4,985	indexed	floating	hedged
54.	2017/Bx	17/06/2011	20/06/2017	4,670	indexed	floating	hedged
55.	2017/Cx	19/09/2011	25/09/2017	3,654	indexed	floating	hedged
56.	2017/Dx	20/10/2011	19/10/2017	540	indexed	floating	hedged
57.	2017/Ex	21/12/2011	28/12/2017	4,000	indexed	floating	hedged
58.	2018/Ax	03/01/2012	09/01/2018	1,200	indexed	floating	hedged
59.	2018/Bx	22/03/2012	22/03/2018	4,490	indexed	floating	hedged
60.	2018/Cx	16/07/2012	18/07/2018	3,990	indexed	floating	hedged
61.	2018/Dx	29/10/2012	26/10/2018	3,250	indexed	floating	hedged
62.	2018/Ex	28/12/2012	28/12/2018	3,250	indexed	floating	hedged
63.	2019/Ax	25/06/2009	01/07/2019	284	indexed	floating	hedged
64.	2019/Bx	05/10/2009–05/02/2010	14/10/2019	442	indexed	floating	hedged

Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
65.	2019/Cx	14/12/2009	20/12/2019	379	indexed floating	hedged
66.	2020/Ax	25/03/2010	30/03/2020	380	indexed floating	hedged
67.	2020/Bx	28/06/2010	09/07/2020	415	indexed floating	hedged
68.	2020/Cx	11/11/2010	05/11/2020	259	indexed floating	hedged
69.	2020/Dx	16/12/2010	18/12/2020	235	indexed floating	hedged
70.	2021/Ax	01/04/2011	01/04/2021	335	indexed floating	hedged
71.	2021/Bx	17/06/2011	21/06/2021	370	indexed floating	hedged
72.	2021/Cx	19/09/2011	21/06/2021	320	indexed floating	hedged
73.	2021/Dx	21/12/2011	27/12/2021	425	indexed floating	hedged
74.	2022/Ax	22/03/2012	23/03/2022	280	indexed floating	hedged
75.	2022/Bx	18/07/2012	18/07/2022	295	indexed floating	hedged
76.	2022/Cx	29/10/2012	28/10/2022	325	indexed floating	hedged
77.	2022/Dx	28/12/2012	27/12/2022	350	indexed floating	hedged
78.	2013/RA/Bx	26/11/2010	03/12/2013	3,193	indexed floating	hedged
79.	2014/RA/Bx	16/09/2011–23/09/2011	15/09/2014	1,126	indexed floating	hedged
80.	RA 2014A	25/03/2011	24/03/2014	950	indexed floating	hedged
81.	2020/RF/A	12/07/2010	20/07/2020	1,211	indexed floating	hedged
82.	2020/RF/B	12/07/2010	20/07/2020	929	indexed floating	hedged
83.	2020/RF/C	11/11/2010	05/11/2020	1,272	indexed floating	hedged
84.	2021/RF/A	05/07/2011	13/07/2021	456	indexed floating	hedged
85.	2021/RF/B	20/10/2011	25/10/2021	490	indexed floating	hedged
86.	2021/RF/C	21/12/2011	30/12/2021	41	indexed floating	hedged
87.	2021/RF/D	21/12/2011	30/12/2021	35	indexed floating	hedged
88.	2021/RF/E	21/12/2011	30/12/2021	18	indexed floating	hedged
89.	2022/RF/A	22/03/2012	23/03/2022	135	indexed floating	hedged
90.	2022/RF/B	22/03/2012	23/03/2022	46	indexed floating	hedged
91.	2022/RF/C	28/06/2012	28/06/2022	73	indexed floating	hedged
92.	2022/RF/D	28/06/2012	28/06/2022	92	indexed floating	hedged
93.	2022/RF/E	29/10/2012	31/10/2022	17	indexed floating	hedged
94.	2022/RF/F	28/12/2012	28/12/2022	14	indexed floating	hedged
95.	3Y EURHUF	25/06/2010	25/06/2013	2,097	indexed floating	hedged
96.	DNT HUF 130508 9%	15/11/2012	08/05/2013	2,334	indexed floating	hedged
97.	DNT HUF 2013A	27/09/2012	25/03/2013	3,753	indexed floating	hedged
98.	OVK 2013/I	26/08/2011–28/12/2011	26/08/2013	1,254	5.75 fixed	
99.	OVK 2014/I	31/01/2012–03/07/2012	27/01/2014	237	6.75 fixed	
100.	OJK 2016/I	26/08/2011–21/12/2011	26/08/2016	211	6.14 fixed	
101.	OJK 2017/I	27/01/2012–13/07/2012	27/01/2017	41	7 fixed	
102.	OJB2013_II	20/12/2002	31/08/2013	13,433	8.25 fixed	
103.	OJB2014_I	14/11/2003	12/02/2014	13,483	8 fixed	
104.	OJB2014_J	17/09/2004	17/09/2014	233	8.69 fixed	
105.	OJB2015_I	10/06/2005	10/06/2015	3,231	7.7 fixed	
106.	OJB2015_J	28/01/2005	28/01/2015	140	8.69 fixed	
107.	OJB2016_I	03/02/2006	03/02/2016	1,259	7.5 fixed	
108.	OJB2016_II	31/08/2006	31/08/2016	4,663	10 fixed	
109.	OJB2016_J	18/04/2006	28/09/2016	227	7.59 fixed	
110.	OJB2019_I	17/03/2004	18/03/2019	31,503	9.48 fixed	
111.	OJB2019_II	25/05/2011	18/03/2019	1,059	9.48 fixed	
112.	OJB2020_I	19/11/2004	12/11/2020	5,503	9 fixed	
113.	OJB2020_II	25/05/2011	12/11/2020	1,486	9 fixed	
114.	Other*			35,342		
<b>Subtotal issued securities in HUF</b>			<b>143,181</b>			
<b>Unamortized premium</b>			<b>(40)</b>			
<b>Fair value adjustment</b>			<b>1,693</b>			
<b>Total issued securities in HUF</b>			<b>393,719</b>			

\* From the total amount HUF 35,087 million is mobil deposits of Merkantil Bank.

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

	Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged
					(FX mn)	(HUF mn)			
1.	DC EUR 130108 4.5%	27/09/2012	08/01/2013	EUR	10.55	3,073	4.5	fixed	
2.	DC USD 130207 5%	15/11/2012	07/02/2013	USD	13.75	3,038	5	fixed	
3.	EUR 2013/I	05/08/2011	05/08/2013	EUR	0.45	131	3	fixed	
4.	EUR 2013/II	12/08/2011	12/08/2013	EUR	0.44	127	3	fixed	
5.	EUR 2013/III	26/08/2011	26/08/2013	EUR	0.91	265	3	fixed	
6.	EUR 2013/IV	09/09/2011	09/09/2013	EUR	0.77	223	3	fixed	
7.	EUR 2013/V	23/09/2011	23/09/2013	EUR	0.49	144	3	fixed	
8.	EUR 2013/VI	07/10/2011	07/10/2013	EUR	0.55	161	3	fixed	
9.	EUR 2013/VII	21/10/2011	21/10/2013	EUR	0.51	148	3	fixed	
10.	EUR 2013/VIII	07/11/2011	07/11/2013	EUR	0.26	77	3	fixed	
11.	EUR 2013/IX	18/11/2011	18/11/2013	EUR	0.42	122	3	fixed	
12.	EUR 2013/X	25/11/2011	25/11/2013	EUR	0.14	41	3	fixed	
13.	EUR 2013/XI	02/12/2011	02/12/2013	EUR	0.18	53	3.5	fixed	
14.	EUR 2013/XII	16/12/2011	16/12/2013	EUR	0.08	25	3.5	fixed	
15.	EUR 2013/XIII	29/12/2011	29/12/2013	EUR	0.15	44	4	fixed	
16.	EUR 1 2013/I	13/01/2012	12/01/2013	EUR	1.11	322	3.5	fixed	
17.	EUR 1 2013/II	27/01/2012	26/01/2013	EUR	1.82	529	3.75	fixed	
18.	EUR 1 2013/III	10/02/2012	09/02/2013	EUR	1.02	297	3.75	fixed	
19.	EUR 1 2013/IV	24/02/2012	23/02/2013	EUR	1.08	315	3.75	fixed	
20.	EUR 1 2013/V	09/03/2012	09/03/2013	EUR	0.82	238	3.75	fixed	
21.	EUR 1 2013/VI	23/03/2012	23/03/2013	EUR	0.76	220	3.75	fixed	
22.	EUR 1 2013/VII	06/04/2012	06/04/2013	EUR	1.16	339	3.75	fixed	
23.	EUR 1 2013/VIII	20/04/2012	20/04/2013	EUR	2.31	673	3.75	fixed	
24.	EUR 1 2013/IX	04/05/2012	04/05/2013	EUR	2.84	827	3.75	fixed	
25.	EUR 1 2013/X	11/05/2012	11/05/2013	EUR	0.52	151	3.5	fixed	
26.	EUR 1 2013/XI	25/05/2012	25/05/2013	EUR	0.87	254	3.5	fixed	
27.	EUR 1 2013/XII	08/06/2012	08/06/2013	EUR	1.07	311	3.5	fixed	
28.	EUR 1 2013/XIII	22/06/2012	22/06/2013	EUR	2.30	671	3.5	fixed	
29.	EUR 1 2013/XIV	13/07/2012	13/07/2013	EUR	4.90	1,426	3.5	fixed	
30.	EUR 1 2013/XV	03/08/2012	03/08/2013	EUR	13.33	3,883	3.5	fixed	
31.	EUR 1 2013/XVI	17/08/2012	17/08/2013	EUR	7.78	2,267	3.25	fixed	
32.	EUR 1 2013/XVII	31/08/2012	31/08/2013	EUR	9.08	2,646	3.25	fixed	
33.	EUR 1 2013/XVIII	14/09/2012	14/09/2013	EUR	8.54	2,489	3	fixed	
34.	EUR 1 2013/XIX	28/09/2012	28/09/2013	EUR	4.67	1,361	3	fixed	
35.	EUR 1 2013/XX	12/10/2012	12/10/2013	EUR	7.41	2,158	3	fixed	
36.	EUR 1 2013/XXI	26/10/2012	26/10/2013	EUR	5.86	1,707	3	fixed	
37.	EUR 1 2013/XXII	09/11/2012	09/11/2013	EUR	5.36	1,560	3	fixed	
38.	EUR 1 2013/XXIII	23/11/2012	23/11/2013	EUR	9.29	2,706	3	fixed	
39.	EUR 1 2013/XXIV	07/12/2012	07/12/2013	EUR	10.46	3,048	3	fixed	
40.	EUR 1 2013/XXV	21/12/2012	21/12/2013	EUR	4.28	1,247	2.75	fixed	
41.	EUR 2 2014/I	13/01/2012	13/01/2014	EUR	0.06	17	4	fixed	
42.	EUR 2 2014/II	27/01/2012	27/01/2014	EUR	0.19	56	4	fixed	
43.	EUR 2 2014/III	10/02/2012	10/02/2014	EUR	0.24	71	4	fixed	
44.	EUR 2 2014/IV	24/02/2012	24/02/2014	EUR	0.44	129	4	fixed	
45.	EUR 2 2014/V	09/03/2012	09/03/2014	EUR	0.10	28	4	fixed	
46.	EUR 2 2014/VI	23/03/2012	23/03/2014	EUR	0.10	30	4	fixed	
47.	EUR 2 2014/VII	06/04/2012	06/04/2014	EUR	0.15	43	4	fixed	
48.	EUR 2 2014/VIII	20/04/2012	20/04/2014	EUR	0.25	73	4	fixed	
49.	EUR 2 2014/IX	04/05/2012	04/05/2014	EUR	0.34	99	4	fixed	
50.	EUR 2 2014/X	11/05/2012	11/05/2014	EUR	0.05	15	3.75	fixed	
51.	EUR 2 2014/XI	25/05/2012	25/05/2014	EUR	0.10	30	3.75	fixed	
52.	EUR 2 2014/XII	08/06/2012	08/06/2014	EUR	0.13	37	3.75	fixed	
53.	EUR 2 2014/XIII	22/06/2012	22/06/2014	EUR	0.20	58	3.75	fixed	
54.	EUR 2 2014/XIV	13/07/2012	13/07/2014	EUR	0.18	54	3.75	fixed	
55.	EUR 2 2014/XV	03/08/2012	03/08/2014	EUR	0.23	67	3.75	fixed	
56.	EUR 2 2014/XVI	17/08/2012	17/08/2014	EUR	0.22	64	3.5	fixed	
57.	EUR 2 2014/XVII	31/08/2012	31/08/2014	EUR	0.46	135	3.5	fixed	
58.	EUR 2 2014/XVIII	14/09/2012	14/09/2014	EUR	0.31	90	3.25	fixed	
59.	EUR 2 2014/XIX	28/09/2012	28/09/2014	EUR	0.29	83	3.25	fixed	
60.	EUR 2 2014/XX	12/10/2012	12/10/2014	EUR	0.22	63	3.25	fixed	
61.	EUR 2 2014/XXI	26/10/2012	26/10/2014	EUR	0.47	138	3.25	fixed	
62.	EUR 2 2014/XXII	09/11/2012	09/11/2014	EUR	0.20	60	3.25	fixed	
63.	EUR 2 2014/XXIII	23/11/2012	23/11/2014	EUR	0.37	109	3.25	fixed	
64.	EUR 2 2014/XXIV	07/12/2012	07/12/2014	EUR	0.41	119	3.25	fixed	
65.	EUR 2 2014/XXV	21/12/2012	21/12/2014	EUR	0.37	108	3	fixed	
66.	2015/Cx	27/12/2010	29/12/2015	EUR	0.97	283	indexed	floating	hedged
67.	2015/Fx	21/12/2012	23/12/2015	EUR	2.07	604	indexed	floating	hedged

Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged	
				(FX mn)	(HUF mn)				
68. 2016/Cx	22/04/2011	22/04/2016	EUR	1.56	454	indexed	floating	hedged	
69. 2016/Dx	22/12/2011	29/12/2016	EUR	1.25	363	indexed	floating	hedged	
70. 2017/Fx	14/06/2012	16/06/2017	EUR	0.78	226	indexed	floating	hedged	
71. OMB2013_I	11/11/2011	18/11/2013	EUR	3.5	1,020	5.44	floating	hedged	
72. OMB2014_I	15/12/2004	15/12/2014	EUR	198.25	57,748	4	fixed		
73. OMB2014_II	02/08/2011	10/08/2014	EUR	15.5	4,515	3.19	floating	hedged	
74. OMB2015_I	30/08/2012	06/03/2015	EUR	5	1,456	4.19	floating	hedged	
75. Mortgage bonds OTP VII	21/12/2005	21/12/2015	EUR	22.47	6,546	0.33	floating		
76. Mortgage bonds OTP XIX	02/11/2009	02/11/2012	EUR	9.76	2,844	4.0	fixed		
77. Mortgage bonds OTP XXI	20/05/2010	20/05/2013	EUR	9.86	2,871	3.5	fixed		
78. Mortgage bonds OTP XXIV	23/11/2010	23/11/2013	EUR	7.88	2,294	3.3	fixed		
79. Mortgage bonds OTP XXV	28/09/2012	28/09/2016	EUR	5.6	1,631	4.0	fixed		
80. OTPRU 14/03	29/03/2011	25/03/2014	RUR	2,500	18,150	8.55	fixed		
81. OTPRU 14/07	02/08/2011	29/07/2014	RUR	5,000	36,300	8.21	fixed		
82. OTPRU 14/10	03/11/2011	30/10/2014	RUR	4,000	29,040	10.88	fixed		
83. OTPRU 15/03	06/03/2012	03/03/2015	RUR	4,940	35,864	10.84	fixed		
84. Other*					16,923				
<b>Subtotal issued securities in FX</b>				<b>220,168</b>					
<b>Unamortized premium</b>				<b>(31,075)</b>					
<b>Fair value adjustment</b>				<b>46</b>					
<b>Total issued securities in FX</b>				<b>229,196</b>					
<b>Total accrued interest</b>				<b>20,208</b>					
<b>Total issued securities</b>				<b>643,123</b>					

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

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

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

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

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

the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange.

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

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

\* Other category includes promissory notes issued by OTP banka Slovensko a.s. in the amount of HUF 306 million and by OAO OTP Bank in the amount of HUF 16,617 million.



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

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

	<b>2012</b>	<b>2011</b>
Interest rate swaps classified as held for trading	75,332	40,542
CCIRS and mark-to-market CCIRS classified as held for trading	31,594	125,014
Foreign exchange swaps classified as held for trading	6,388	50,204
Forward rate agreements classified as held for trading (FRA)	4,857	8,366
Option contracts classified as held for trading	1,954	2,401
Foreign exchange forward contracts classified as held for trading	1,350	3,585
Forward security agreements classified as held for trading	219	–
Other transactions classified as held for trading	338	37
<b>Total</b>	<b>122,032</b>	<b>230,149</b>

**NOTE 17: OTHER LIABILITIES (in HUF million)**

	<b>2012</b>	<b>2011</b>
Fair value of derivative financial instruments designated as fair value hedge	119,027	98,415
Financial liabilities from OTP-MOL share swap transaction*	89,308	82,347
Salaries and social security payable	29,835	28,131
Liabilities from investment services	26,264	12,065
Liabilities connected to Cafeteria benefits	23,696	2,268
Accrued expenses	20,048	17,601
Provision for impairment on off-balance sheet commitments and contingent liabilities	19,727	18,434
Deferred tax liabilities	17,454	4,559
Accounts payable	16,474	14,948
Current income tax payable	15,982	13,626
Clearing, settlement and pending accounts	14,595	10,635
Giro clearing accounts	11,725	31,048
Loans from government	3,008	4,152
Advances received from customers	2,904	2,277
Liabilities connected to leasing activities	1,212	1,013
Liabilities connected to loans for collection	1,006	1,117
Liabilities related to housing loans	177	470
Dividend payable	127	280
Liabilities from specific repo deals	–	321
Other	43,804	32,302
	<b>456,373</b>	<b>376,009</b>
Accrued interest	858	928
<b>Total</b>	<b>457,231</b>	<b>376,937</b>

\* 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 lost of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 31 December 2012 HUF 89,308 and as at 31 December 2011 HUF 82,347 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

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

	<b>2012</b>	<b>2011</b>
Provision for losses on other off-balance sheet commitments and contingent liabilities related to lending	9,080	11,443
Provision for other liabilities	5,421	2,022
Provision for litigation	4,089	3,697
Provision for expected pension commitments	1,137	1,272
<b>Total</b>	<b>19,727</b>	<b>18,434</b>

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

	<b>2012</b>	<b>2011</b>
Balance as at 1 January	18,434	19,650
Provision/(Release) for the period	2,135	(1,863)
Use of provision	(223)	(251)
Foreign currency translation differences	(619)	898
<b>Closing balance</b>	<b>19,727</b>	<b>18,434</b>

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

	<b>2012</b>	<b>2011</b>
CCIRS and mark-to-market CCIRS designated as fair value hedge	113,915	85,845
Interest rate swaps designated as fair value hedge	5,033	12,563
Forward security agreements designated as fair value hedge	78	–
Other transactions designated as fair value hedge	1	7
<b>Total</b>	<b>119,027</b>	<b>98,415</b>

## **NOTE 18: SUBORDINATED BONDS AND LOANS (in HUF million)**

	<b>2012</b>	<b>2011</b>
Within one year:		
In HUF	5,000	–
In foreign currency	8	325
	<b>5,008</b>	<b>325</b>
Over one year:		
In HUF	–	5,000
In foreign currency	283,397	307,617
	<b>283,397</b>	<b>312,617</b>
Accrued interest	3,090	3,505
<b>Total</b>	<b>291,495</b>	<b>316,447</b>

**Interest rates on subordinated bonds and loans are as follows:**

	<b>2012</b>	<b>2011</b>
Denominated in HUF	3.3%	3.0%
Denominated in foreign currency	0.7%–8.0%	1.99%–8.0%
Average interest rates on subordinated bonds and loans	3.97%	3.98%

### Partial cancellation of EUR 125 million subordinated notes

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

Bank purchased EUR 1.85 million from the EUR 125 million subordinated Notes series. After the cancellation of these bonds the outstanding amount of the notes decreased to EUR 120 million. On 27 January 2012 the Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 04/03/2015, in the total notional amount of EUR 12 million. On 1 February 2012 the Bank purchased additional EUR 2.05 million from the same Note series. After the cancellation of these bonds the outstanding amount of the notes decreased to EUR 105,950,000.

### Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 31 December 2012
Subordinated bond	HUF 5 billion	20/12/1993	20/12/2013	100%	Frequency of payment is based on the condition of interest of 2013/C credit consolidation government bonds	6.0%
Subordinated bond	EUR 105.95 million	04/03/2005	04/03/2015	100%	Three-month EURIBOR + 0.55% quarterly	–
Subordinated bond	EUR 473.2 million	07/11/2006	Perpetual, but callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	–
Subordinated bond (under EMTN* program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN* program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond	USD 65 million	21/04/2008	13/10/2015	100%	Variable, six-month LIBOR + 1.4%	2.0%
Subordinated bond	RUB 16.7 million	30/12/2003	21/06/2015	100%	Variable, based on the Russian National Bank's interest rate	8.25%
Subordinated bond	EUR 5,113 million	23/12/1997	15/11/2014	100%	Variable, six-month EURIBOR + 1.3%	1.66%

\*European Medium Term Note Program

### NOTE 19: SHARE CAPITAL (in HUF million)

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

On 21 April 2007, the law on abolishment of 'Aranyrészvény' (special share assigning voting rights to the Hungarian State) came into force (Act XXVI of 2007). Consequently, this special voting share was transformed into 10 ordinary

shares with a face value of HUF 100. Therefore the registered capital of the Bank consists of 280,000,010 ordinary shares with a face value of HUF 100.

**NOTE 20:****RETAINED EARNINGS AND RESERVES (in HUF million)**

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

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

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

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

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 701,935 million and HUF 697,946 million) and reserves (HUF 832,637 million and HUF 741,149 million). The reserves include mainly net profit for the year attributable to the owners of the company, the fair value adjustment of securities available-for-sale, additional reserves of Income Certificates Exchangeable for Shares ('ICES'), changes in equity accumulated in the previous year at the subsidiaries, changes due to consolidation and exchange differences.

In the Consolidated Financial Statement the Group presents the difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date,

among the shareholders' equity as difference of translation. The accumulated amounts of exchange differences were HUF 17,889 million and HUF 71,280 million in year 2012 and 2011 respectively.

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

**NOTE 21:****TREASURY SHARES (in HUF million)**

	<b>2012</b>	<b>2011</b>
Nominal value (Ordinary shares)	1,876	1,921
Carrying value at acquisition cost	53,802	54,386

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

<b>Change in number of shares:</b>	<b>2012</b>	<b>2011</b>
Number of shares as at 1 January	19,218,344	18,731,231
Additions	1,490,134	1,085,521
Disposals	(1,953,105)	(598,408)
<b>Closing number of shares</b>	<b>18,755,373</b>	<b>19,218,344</b>

<b>Change in carrying value:</b>	<b>2012</b>	<b>2011</b>
Balance as at 1 January	54,386	52,597
Additions	5,758	4,753
Disposals	(6,342)	(2,964)
<b>Closing balance</b>	<b>53,802</b>	<b>54,386</b>

**NOTE 22:****NON-CONTROLLING INTEREST (in HUF million)**

	<b>2012</b>	<b>2011</b>
Balance as at 1 January	5,601	5,888
Non-controlling interest included in net profit for the period	896	653
Foreign currency translation difference	70	1,147
Changes due to ownership structure	(784)	(2,087)
<b>Closing balance</b>	<b>5,783</b>	<b>5,601</b>

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

	<b>2012</b>	<b>2011</b>
<b>Provision for impairment on loan losses</b>		
Provision for the period	602,194	596,734
from this:(release of provision)/provision for impairment on loan losses related to early repayment	(35,264)	35,264
Release of provision	(472,154)	(357,824)
Provision for impairment on loan losses	96,899	78,359
from this: provision on loan losses related to early repayment	32,774	32,045
	<b>226,939</b>	<b>317,269</b>

	<b>2012</b>	<b>2011</b>
<b>Provision for impairment on placement losses</b>		
Provision for the period	1,479	166
Release of provision	(1,375)	(1,091)
(Release of provision)/Provision for impairment on placement losses	(63)	329
	<b>41</b>	<b>(596)</b>

	<b>2012</b>	<b>2011</b>
<b>Provision for impairment on loan and placement losses</b>	<b>226,980</b>	<b>316,673</b>
(Gains)/Losses on loans related to early repayment	(2,490)	67,309
Losses from early repayment recognizing in interest income from loans	127	107
<b>Total (gains)/losses related to early repayment</b>	<b>(2,363)</b>	<b>67,416</b>

**NOTE 24:**

**NET PROFIT FROM FEES AND COMMISSIONS  
(in HUF million)**

***Income from fees and commissions***

	<b>2012</b>	<b>2011</b>
Deposit and account maintenance fees and commissions	76,622	72,707
Fees and commissions related to the issued bank cards	43,880	36,613
Fees related to cash withdrawal	24,488	24,200
Fees and commissions related to lending	19,056	16,629
Fees and commissions related to fund management	10,842	11,816
Fees and commissions related to security trading	7,412	5,636
Other	21,199	16,488
<b>Total</b>	<b>203,499</b>	<b>184,089</b>

***Expense from fees and commissions***

	<b>2012</b>	<b>2011</b>
Fees and commissions paid on loans	12,104	4,798
Interchange fees	9,157	8,381
Fees and commissions related to issued bank cards	7,523	7,322
Fees and commissions related to lending	5,112	2,082
Fees and commissions related to deposits	2,618	2,524
Cash withdrawal transaction fees	2,552	2,263
Insurance fees	1,741	1,996
Money market transaction fees and commissions	1,293	1,300
Fees and commissions related to security trading	810	977
Postal fees	779	835
Other	5,473	5,089
<b>Total</b>	<b>49,162</b>	<b>37,567</b>
<b>Net profit from fees and commissions</b>	<b>154,337</b>	<b>146,522</b>

**NOTE 25:**

**OTHER OPERATING INCOME AND EXPENSES AND OTHER  
ADMINISTRATIVE EXPENSES (in HUF million)**

<b>Other operating income</b>	<b>2012</b>	<b>2011</b>
Other income from non-financial activities	23,987	27,252
<b>Total</b>	<b>23,987</b>	<b>27,252</b>

<b>Other operating expenses</b>	<b>2012</b>	<b>2011</b>
Provision for impairment on other assets	6,375	3,221
Provision/(Release of provision) for off-balance sheet commitments and contingent liabilities	2,135	(1,863)
Provision for impairment on investments*	1,335	3,304
Other expense from non-financial activities	17,912	16,235
Other operating costs	7,276	5,674
<b>Total</b>	<b>35,033</b>	<b>26,571</b>

\* See details in Note 9.

<b>Other administrative expenses</b>	<b>2012</b>	<b>2011</b>
Personnel expenses		
Wages	139,386	124,996
Taxes related to personnel expenses	36,881	32,595
Other personnel expenses	12,685	11,507
<b>Subtotal</b>	<b>188,952</b>	<b>169,098</b>
<b>Depreciation and amortization</b>	<b>47,420</b>	<b>73,432</b>

<b>Other administrative expenses</b>	<b>2012</b>	<b>2011</b>
Taxes, other than income tax*	69,858	45,364
Administration expenses, including rental fees	48,245	45,069
Services	37,069	38,805
Professional fees	18,949	18,467
Advertising	12,984	12,440
<b>Subtotal</b>	<b>187,105</b>	<b>160,145</b>
<b>Total</b>	<b>423,477</b>	<b>402,675</b>

## **NOTE 26: INCOME TAX (in HUF million)**

The Group is presently liable for income tax at rates between 9% and 24.5% of taxable income. Deferred tax is calculated at the income tax rate of 9% in Montenegro, 10% in Bulgaria, Serbia

and Cyprus, 16% in Romania, 19% in Hungary and Slovakia, 20% in Croatia and Russia, 21% in Ukraine and 24.5% in the United Kingdom.

### ***The breakdown of the income tax expense is:***

	<b>2012</b>	<b>2011</b>
Current tax expense	20,527	25,216
Deferred tax expense	2,561	13,980
<b>Total</b>	<b>23,088</b>	<b>39,196</b>

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

	<b>2012</b>	<b>2011</b>
<b>Balance as at 1 January</b>	<b>(2,140)</b>	<b>3,217</b>
Deferred tax expense	(2,561)	(13,980)
Deferred tax related to items recognized directly in equity and in Other Comprehensive Income	(12,894)	8,699
Difference arising on consolidation	–	10
Foreign currency translation difference	300	(86)
<b>Closing balance</b>	<b>(17,295)</b>	<b>(2,140)</b>

\* Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by the Group. The total tax amount for the year 2012 and 2011 HUF 37.1 billion and HUF 14.6 billion was 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.

**A reconciliation of the income tax expense is as follows:**

	<b>2012</b>	<b>2011</b>
Profit before income tax	145,674	122,996
Income tax at statutory tax rates	33,073	27,353

**Income tax adjustments due to permanent differences are as follows:**

	<b>2012</b>	<b>2011</b>
Differences in carrying value of subsidiaries	2,110	2,765
Reversal of statutory general provision	1,150	(206)
OTP-MOL share swap transaction	871	(871)
Share-based payment	871	1,176
Difference of accounting of equity instrument (ICES)	370	(711)
Tax effect of amortization of statutory goodwill	–	(5,327)
Effect of change of income tax rate	–	1,927
Treasury share transactions	(36)	–
Reclassification of direct charges to reserves (self-revision)	(96)	(1,639)
Revaluation of investments denominated in foreign currency to historical cost	(4,325)	11,443
Deferred use of tax allowance	(5,945)	–
Other	(4,955)	3,286
<b>Income tax expense</b>	<b>23,088</b>	<b>39,196</b>
<b>Effective tax rate</b>	<b>15.85%</b>	<b>31.9%</b>

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

	<b>2012</b>	<b>2011</b>
Fair value adjustment of securities held for trading and securities available-for-sale	6,285	8,970
Repurchase agreement and security lending	4,192	3,336
Tax loss carry forward	2,935	3,852
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	427	76
Difference in accounting for leases	423	483
Difference in depreciation and amortization	18	20
Provision for impairment on investments	–	4,407
Adjustment from effective interest rate method	–	2,401
Premium and discount amortization on bonds	–	472
Fair value adjustment of derivative financial instruments	–	18
Other	9,630	3,441
<b>Deferred tax asset</b>	<b>23,910</b>	<b>27,476</b>

	<b>2012</b>	<b>2011</b>
Fair value adjustment of securities held for trading and securities available-for-sale	(8,905)	(1,225)
Difference in depreciation and amortization	(6,223)	(5,052)
Fair value adjustment of derivative financial instruments	(6,071)	(8,155)
Net effect of treasury share transactions	(3,824)	(4,706)
Adjustment from effective interest rate method	(2,869)	(2,444)
Accounting of equity instrument (ICES)	(2,775)	(3,977)
Temporary differences arising on consolidation	(1,636)	(1,129)
Premium and discount amortization on bonds	(1,161)	(243)
Difference in accounting for leases	(67)	(72)
Repurchase agreement and security lending	(2)	–
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	–	(19)
Other	(7,672)	(2,594)
<b>Deferred tax liabilities</b>	<b>(41,205)</b>	<b>(29,616)</b>
<b>Net deferred tax liability</b>	<b>(17,295)</b>	<b>(2,140)</b>



**NOTE 27:****FINANCIAL RISK MANAGEMENT (in HUF million)**

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

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

**27.1. Credit risk**

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical

and loan types. Such risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

**Analysis by loan types and risk classes**

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

**As at 31 December 2012**

<b>Loan type</b>	<b>Performing</b>	<b>To-be monitored</b>	<b>Below average</b>	<b>Doubtful</b>	<b>Bad</b>	<b>Total carrying amount/ allowance</b>
Retail loans	2,972,929	853,100	226,310	222,402	647,623	4,922,364
Corporate loans	1,152,177	469,093	130,965	154,969	412,414	2,319,618
Placement with other banks	341,171	15,610	–	6	787	357,574
Municipal loans	212,504	73,026	8,782	9,738	1,015	305,065
<b>Total gross portfolio</b>	<b>4,678,781</b>	<b>1,410,829</b>	<b>366,057</b>	<b>387,115</b>	<b>1,061,839</b>	<b>7,904,621</b>
Allowance for loans	(24,597)	(55,395)	(97,934)	(213,653)	(762,597)	(1,154,176)
Allowance for placements	–	(324)	–	–	(787)	(1,111)
<b>Total allowance</b>	<b>(24,597)</b>	<b>(55,719)</b>	<b>(97,934)</b>	<b>(213,653)</b>	<b>(763,384)</b>	<b>(1,155,287)</b>
<b>Total net portfolio</b>	<b>4,654,184</b>	<b>1,355,110</b>	<b>268,123</b>	<b>173,462</b>	<b>298,455</b>	<b>6,749,334</b>

**Accrued interest**

for loans 71,320  
for placements 403

**Total accrued interest**

**71,723**  
Total net loans 6,464,191  
Total net placements 356,866

**Total net exposures 6,821,057**

## As at 31 December 2011

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

### Accrued interest

for loans	61,161
for placements	521
<b>Total accrued interest</b>	<b>61,682</b>
Total net loans	7,047,179
Total net placements	422,777
<b>Total net exposures</b>	<b>7,469,956</b>

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

Qualification categories	2012	2011
Performing	1,426,968	1,039,188
To-be monitored	41,450	47,996
Below average	4,203	194,370
Doubtful	1,395	4,774
Bad	1,294	1,513
<b>Total</b>	<b>1,475,310</b>	<b>1,287,841</b>

The Group's loan portfolio decreased by 6.7% in the year 2012. Analysing the contribution of loan types to the loan portfolio, the share of the retail loan type slightly increased while the other types of loan portfolios slightly decreased. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio increased from 15.7% to 17.4%. Among the qualified loan portfolio, the loans classified to the risk class of 'below average' expanded at the fastest level.

The Group has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the indicator was 67.4% and 64.9% as at 31 December 2012 and 31 December 2011 respectively.

The off-balance sheet liabilities connected to the lending activity increased by 14.6% and 16.9% as at 31 December 2012 and 31 December 2011 respectively.

The qualified loan portfolio decreased by 8.4% in the year ended 31 December 2012.

### Classification into risk classes

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

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

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

### Loan portfolio by countries

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

Country	2012		2011	
	Carrying amount of the qualified gross loan portfolio	Allowance	Carrying amount of the qualified gross loan portfolio	Allowance
Hungary	1,348,023	434,216	1,652,321	421,616
Ukraine	636,576	197,099	771,398	196,537
Romania	312,453	48,861	160,413	44,162
Bulgaria	304,997	165,177	318,961	148,292
Russia	264,877	128,911	204,577	68,904
Montenegro	141,855	82,135	143,986	70,640
Serbia	51,759	26,318	69,811	26,082
Croatia	50,578	21,824	53,119	22,004
Slovakia	47,234	20,323	59,008	17,626
Cyprus	45,985	1,854	65,331	13,931
United States of America	12,724	131	1,097	6
Seychelles	4,912	1,473	5,268	806
United Kingdom	2,346	1,801	2,275	1,125
Egypt	664	332	640	327
Germany	217	75	15	4
Ireland	111	52	81	72
Kazakhstan	82	34	2,209	150
Latvia	38	26	37	31
Netherlands	2	1	–	–
Macedonia	–	–	116	76
Other*	407	47	196	97
<b>Total</b>	<b>3,225,840</b>	<b>1,130,690</b>	<b>3,510,859</b>	<b>1,032,488</b>

The qualified loan portfolio decreased mostly in Cyprus, Serbia, Slovakia, Hungary and Ukraine and increased in Russia, but there were no

significant changes in the other countries. Their stock of provision increased mostly in Russia and decreased in Cyprus.

\* Other category in year 2012 includes e.g.: Island, Greece, Sweden, Moldova, United Arab Emirates, Switzerland, Austria, Spain, Georgia, South Korea, Turkey, Israel, Luxembourg, China, Canada, Libya, France, Vietnam.

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

Country	2012		2011	
	Carrying amount of the non-qualified gross loan portfolio	Allowance	Carrying amount of the non-qualified gross loan portfolio	Allowance
Hungary	2,009,007	24	1,930,312	2,711
Bulgaria	890,478	14,367	979,000	12,742
Russia	624,285	3,331	589,273	4,121
Croatia	334,942	3,468	360,747	3,817
Slovakia	244,647	1,325	246,160	736
Romania	137,390	463	308,304	307
United Kingdom	87,509	–	96,790	28
Serbia	65,358	117	43,807	32
Germany	63,387	–	61,913	1
Montenegro	63,102	1,502	149,789	5,629
Ukraine	60,345	–	49,382	–
France	29,485	–	60,355	–
United States of America	19,852	–	14,536	2
Luxembourg	11,361	–	–	–
Switzerland	11,210	–	8,867	–
Austria	10,264	–	3,982	–
Belgium	4,154	–	16,547	–
Czech Republic	4,062	–	540	–
Norway	2,204	–	6,617	–
Turkey	1,708	–	403	–
Japan	1,417	–	128	–
Cyprus	470	–	9,048	–
Canada	429	–	273	–
Poland	290	–	2,813	–
Denmark	276	–	133	–
Sweden	212	–	1,747	–
Netherlands	147	–	13,972	–
Kazakhstan	142	–	271	–
Italy	118	–	3,235	1
Ireland	105	–	261	–
Spain	25	–	19	–
Azerbaijan	–	–	602	–
Other*	400	–	206	2
<b>Total</b>	<b>4,678,781</b>	<b>24,597</b>	<b>4,960,032</b>	<b>30,129</b>

The non-qualified loan portfolio decreased mostly in Netherlands, Cyprus, Montenegro and Romania. In some countries the stock of provision increased

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

## Collaterals

The values of collaterals held by the Group by types are as follows: (total collaterals).

The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	2012	2011
Mortgages	6,790,472	6,957,343
Assignments (revenue or other receivables)	247,449	209,013
Guarantees and warranties	191,789	297,856
Guarantees of state or organizations owned by state	171,547	162,516
Cash deposits	154,956	158,457
Securities	132,965	105,950
Other	1,186,995	970,760
<b>Total</b>	<b>8,876,173</b>	<b>8,861,895</b>

The values of collaterals held by the Group by types are as follows: (to the extent of the

exposures). The collaterals cover loans as well as off-balance sheet exposures.

\* Other category in 2012 includes e.g.: Australia, Hong-Kong, Island, United Arab Emirates, Greece, Slovenia, Macedonia, Brasilia, Latvia, Finland, Bosnia and Herzegovina, Israel, Estonia, Grenada.

<b>Types of collaterals</b>	<b>2012</b>	<b>2011</b>
Mortgages	3,045,238	3,625,631
Assignments (revenue or other receivables)	312,839	325,310
Guarantees and warranties	165,399	273,286
Cash deposits	117,778	103,771
Guarantees of state or organizations owned by state	117,308	135,969
Securities	65,864	31,848
Other	585,852	598,993
<b>Total</b>	<b>4,410,278</b>	<b>5,094,808</b>

The coverage level of the loan portfolio (total collaterals) increased by 4.2%, as well as the

coverage level to the extent of the exposures decreased by 9.9% as at 31 December 2012.

## Loans, neither past due, nor impaired

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

<b>Loan type</b>	<b>2012</b>	<b>2011</b>
Retail loans	1,854,274	2,224,077
Corporate loans	917,619	997,115
Placement with other banks	319,095	396,298
Municipal loans	149,558	175,452
<b>Total</b>	<b>3,240,546</b>	<b>3,792,942</b>

<b>Qualification categories</b>	<b>2012</b>	<b>2011</b>
Performing	3,061,957	3,723,990
To-be monitored	149,670	40,569
Below average	19,840	13,538
Doubtful	4,481	3,187
Bad	4,598	11,658
<b>Total</b>	<b>3,240,546</b>	<b>3,792,942</b>

Loans neither past due, nor impaired cover only balance sheet items.

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 44.8% to 41% as at 31 December 2012 compared to the end of the prior year. The ratio of the corporate and interbank placements compared to the portfolio of loans neither past due nor impaired increased during the year ended 31 December 2012 while the ratio of the retail and municipal loans decreased.

## Renegotiated loans

An analysis of the gross value of the loans that would otherwise be past due or impaired and whose terms have been renegotiated as at 31 December 2012 and 31 December 2011 is as follows:

<b>Loan type</b>	<b>2012</b>	<b>2011</b>
Retail loans	232,305	421,898
Corporate loans	203,295	404,796
Municipal loans	9,452	11,197
Placement with other banks	—	—
<b>Total</b>	<b>445,052</b>	<b>837,891</b>

The gross amount of renegotiated loans decreased considerably by 31 December 2012, which is connected mainly to the retail and

corporate loans. There were no renegotiated loans neither in the year 2012 nor in 2011 among the Placements with other banks.

## Past due, but not impaired loans

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

### As at 31 December 2012

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	283,443	7,061	4,321	13,975	308,800
Corporate loans	72,271	940	1,369	7,373	81,953
Municipality loans	56,358	–	–	54	56,412
<b>Total</b>	<b>412,072</b>	<b>8,001</b>	<b>5,690</b>	<b>21,402</b>	<b>447,165</b>

### As at 31 December 2011

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

The loans that are past due but not impaired are concentrated mainly in the retail loan type. In the other loan types the low level of loans

past due but not impaired is a consequence of the prudent provisioning policy of the Group.

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

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

Fair value of the collaterals (total collaterals)	2012	2011
Retail loans	491,038	530,063
Corporate loans	293,976	284,137
Municipality loans	8,243	6,491
<b>Total</b>	<b>793,257</b>	<b>820,691</b>

Fair value of the collaterals (to the extent of the exposures)	2012	2011
Retail loans	213,113	256,388
Corporate loans	42,458	51,059
Municipality loans	68	807
<b>Total</b>	<b>255,639</b>	<b>308,254</b>

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

## Loans individually assessed for provision

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for

them and the collaterals considered as at 31 December 2012 and 31 December 2011 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

## As at 31 December 2012

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	251,530	146,552	154,392	22	1
Regularity of payment	530	246	39	–	–
Renegotiation	39,884	6,908	25,924	38	19
Legal proceedings	114,549	75,976	56,381	52	47
Decrease of client classification	173,809	56,133	41,440	6,090	475
Loan characteristics	52,392	3,138	–	–	–
Business lines risks	6,836	2,929	339	3,489	142
Cross default	24,462	9,145	4,357	878	120
Other	29,251	4,152	1,978	3,838	458
<b>Corporate total</b>	<b>693,243</b>	<b>305,179</b>	<b>284,850</b>	<b>14,407</b>	<b>1,262</b>
Delay of payment	6,657	474	4,049	–	–
Renegotiation	7,310	193	–	4	–
Legal proceedings	1,082	709	–	–	–
Decrease of client classification	18,288	1,381	–	433	68
Cross default	300	27	–	–	–
Other	24,445	2,714	–	6,283	402
<b>Municipal total</b>	<b>58,082</b>	<b>5,498</b>	<b>4,049</b>	<b>6,720</b>	<b>470</b>
<b>Placements with other banks</b>	<b>761</b>	<b>761</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>752,086</b>	<b>311,438</b>	<b>288,899</b>	<b>21,127</b>	<b>1,732</b>

## As at 31 December 2011

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

By 31 December 2012 the volume of the individually rated portfolio slightly increased in the corporate loan type. Among the rating factors of the corporate loan type, the increase is mostly based on the legal proceedings and loan characteristics.

### Loan characteristics:

Loans to customers are classified by using this category name if the clients are performing according to the contracts but the risks of the

transactions are higher than usual (balloon payment, using loan to finance the monetary expenditures in the phase of investment).

### Business lines risks:

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

## Forborne loans

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

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

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

## Rating of forborne loans

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

## 1. Individual evaluation method

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

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

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

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

## 2. Collective evaluation method

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

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

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



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

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

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

Loan type	2012	2011
Retail loans	621,824	539,954
Corporate loans	393,058	514,309
Municipal loans	14,314	11,197
<b>Total</b>	<b>1,029,196</b>	<b>1,065,460</b>

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

Loan type	2012	2011
Retail loans	367,620	295,845
Corporate loans	161,580	168,433
Municipal loans	13,783	9,659
<b>Total</b>	<b>542,983</b>	<b>473,937</b>

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

Loan type	Balance as at 1 January 2012	Additions	Sale	Decrease (expiring, repayment)	FX difference	Balance as at 31 December 2012
Retail loans	539,954	206,253	39,712	68,024	(16,647)	621,824
Allowance	126,874	52,647	10,636	2,222	(3,536)	163,127
Corporate loans	514,309	96,786	2,330	185,140	(30,567)	393,058
Allowance	106,884	29,122	774	14,566	(6,566)	114,100
Municipal loans	11,197	6,893	–	3,539	(237)	14,314
Allowance	708	221	–	501	(9)	419
<b>Gross loan portfolio total</b>	<b>1,065,460</b>	<b>309,932</b>	<b>42,042</b>	<b>256,703</b>	<b>(47,451)</b>	<b>1,029,196</b>
<b>Allowance Total</b>	<b>234,466</b>	<b>81,990</b>	<b>11,410</b>	<b>17,289</b>	<b>(10,111)</b>	<b>277,646</b>
<b>Net loan portfolio total</b>	<b>830,994</b>	<b>227,942</b>	<b>30,632</b>	<b>239,414</b>	<b>(37,340)</b>	<b>751,550</b>

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

Loan type	Not past due	1–30 DPD	31–60 DPD	61–90 DPD	91–360 DPD	360+ DPD	Total carrying amount/ allowance
Retail loans	269,838	81,874	28,636	18,645	54,210	168,621	621,824
Allowance	11,707	6,641	3,701	3,543	21,768	115,767	163,127
Corporate loans	220,804	39,598	10,219	6,529	38,870	77,038	393,058
Allowance	23,703	9,167	1,277	1,873	20,655	57,425	114,100
Municipal loans	13,786	309	–	11	105	103	14,314
Allowance	266	11	–	1	104	37	419
<b>Gross loan portfolio total</b>	<b>504,428</b>	<b>121,781</b>	<b>38,855</b>	<b>25,185</b>	<b>93,185</b>	<b>245,762</b>	<b>1,029,196</b>
<b>Allowance Total</b>	<b>35,676</b>	<b>15,819</b>	<b>4,978</b>	<b>5,417</b>	<b>42,527</b>	<b>173,229</b>	<b>277,646</b>
<b>Net loan portfolio total</b>	<b>468,752</b>	<b>105,962</b>	<b>33,877</b>	<b>19,768</b>	<b>50,658</b>	<b>72,533</b>	<b>751,550</b>

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

Loan type	Not past due	1-30 DPD	31-60 DPD	61-90 DPD	91-360 DPD	360+ DPD	Total carrying amount/ allowance
Retail loans	211,762	92,341	30,026	22,806	67,969	115,050	539,954
Allowance	8,802	5,754	2,744	3,252	29,507	76,815	126,874
Corporate loans	362,489	37,787	9,961	8,338	44,489	51,245	514,309
Allowance	37,739	9,901	1,980	3,421	22,935	30,908	106,884
Municipal loans	10,404	570	–	–	32	191	11,197
Allowance	563	1	–	–	12	132	708
<b>Gross loan portfolio total</b>	<b>584,655</b>	<b>130,698</b>	<b>39,987</b>	<b>31,144</b>	<b>112,490</b>	<b>166,486</b>	<b>1,065,460</b>
<b>Allowance Total</b>	<b>47,104</b>	<b>15,656</b>	<b>4,724</b>	<b>6,673</b>	<b>52,454</b>	<b>107,855</b>	<b>234,466</b>
<b>Net loan portfolio total</b>	<b>537,551</b>	<b>115,042</b>	<b>35,263</b>	<b>24,471</b>	<b>60,036</b>	<b>58,631</b>	<b>830,994</b>

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

Loan type	Not past due			Past due		
	Not impaired	Impaired	Total	Not impaired	Impaired	Total
Retail loans	112,009	157,829	269,838	43,755	308,231	351,986
Allowance	–	11,707	11,707	–	151,420	151,420
Collateral	125,681	155,918	281,599	34,090	138,627	172,717
Corporate loans	46,446	174,358	220,804	10,990	161,264	172,254
Allowance	–	23,703	23,703	–	90,397	90,397
Collateral	112,060	147,234	259,294	29,755	94,120	123,875
Municipal loans	15	13,771	13,786	–	528	528
Allowance	–	266	266	–	153	153
Collateral	–	2,670	2,670	–	329	329
<b>Gross loan portfolio total</b>	<b>158,470</b>	<b>345,958</b>	<b>504,428</b>	<b>54,745</b>	<b>470,023</b>	<b>524,768</b>
<b>Allowance Total</b>	<b>–</b>	<b>35,676</b>	<b>35,676</b>	<b>–</b>	<b>241,970</b>	<b>241,970</b>
<b>Net loan portfolio total</b>	<b>158,470</b>	<b>310,282</b>	<b>468,752</b>	<b>54,745</b>	<b>228,053</b>	<b>282,798</b>
<b>Collateral Total</b>	<b>237,741</b>	<b>305,822</b>	<b>543,563</b>	<b>63,845</b>	<b>233,076</b>	<b>296,921</b>

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

Loan type	Not past due			Past due		
	Not impaired	Impaired	Total	Not impaired	Impaired	Total
Retail loans	48,353	163,409	211,762	41,418	286,774	328,192
Allowance	–	8,802	8,802	–	118,072	118,072
Collateral	48,877	147,915	196,792	29,072	135,898	164,970
Corporate loans	71,239	291,250	362,489	12,189	139,631	151,820
Allowance	–	37,739	37,739	–	69,145	69,145
Collateral	117,118	199,340	316,458	21,634	86,385	108,019
Municipal loans	–	10,404	10,404	–	793	793
Allowance	–	563	563	–	145	145
Collateral	–	3,208	3,208	–	544	544
<b>Gross loan portfolio total</b>	<b>119,592</b>	<b>465,063</b>	<b>584,655</b>	<b>53,607</b>	<b>427,198</b>	<b>480,805</b>
<b>Allowance Total</b>	<b>–</b>	<b>47,104</b>	<b>47,104</b>	<b>–</b>	<b>187,362</b>	<b>187,362</b>
<b>Net loan portfolio total</b>	<b>119,592</b>	<b>417,959</b>	<b>537,551</b>	<b>53,607</b>	<b>239,836</b>	<b>293,443</b>
<b>Collateral Total</b>	<b>165,995</b>	<b>350,463</b>	<b>516,458</b>	<b>50,706</b>	<b>222,827</b>	<b>273,533</b>

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

Type of forbearance	Retail loans 2012	Retail loans 2011
Suspension of repayment	234,827	280,342
Combined	35,714	35,528
Debt re-arrangement	30,064	28,908
Prolongation	20,223	20,850
Other	300,996	174,326
<b>Total</b>	<b>621,824</b>	<b>539,954</b>

## 27.2. Market risk

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

### 27.2.1. Market Risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period

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

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

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

Historical VaR (99%, one-day) by risk type	Average	
	2012	2011
Foreign exchange	335	1,474
Interest rate	217	524
Equity instruments	26	18
Diversification	(171)	(440)
<b>Total VaR exposure</b>	<b>407</b>	<b>1,576</b>

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

### 27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis

includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.

The strategic open position related to the foreign operations was short, amounted to EUR 310 million as at 31 December 2012. High portion of strategic positions is considered as effective hedge of future profit inflows of investment of

foreign subsidiaries, and so FX risk affects the Group capital and not its earnings.

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

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

**Notes:**

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

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

The simulations were prepared by assuming two scenarios:

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

**27.2.3. Interest rate sensitivity analysis**

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

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.

The net interest income in a one year period after 31 December 2012 would be decreased by HUF 2,076 million (probable scenario) and HUF 9,847 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,512 million (probable scenario) and HUF 7,132 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2011.

This effect is counterbalanced by capital gains (HUF 3,867 million for probable scenario, HUF 5,284 million for alternative scenario) as at 31 December 2012 and (HUF 7,710 million for probable scenario, HUF 10,303 million for alternative scenario) as at 31 December 2011 on the government bond portfolio held for hedging.

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

Description	2012		2011	
	Effects to the net interest income (one-year period)	Effects to capital (Price change of AFS government bonds)	Effects to the net interest income (one-year period)	Effects to capital (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(638)	592	(476)	1,008
EUR (0.1%) parallel shift	(576)	–	(795)	–
USD 0.1% parallel shift	–	–	(33)	–
USD (0.1%) parallel shift	(42)	–	–	–
<b>Total</b>	<b>(1,256)</b>	<b>592</b>	<b>(1,304)</b>	<b>1,008</b>

#### 27.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk

diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.

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

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

#### 27.2.5. Capital management

##### Capital management

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

The capital management of the Group members includes the management and evaluation of the shareholders' equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital. The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.

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

##### Capital adequacy

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

The Group has entirely complied with the regulatory capital requirements.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the advanced method (AMA) in case of the operational risk. The consolidated Capital adequacy ratio of the Group was 18.9%

and 17.8% as at 31 December 2012 and 31 December 2011 respectively. The Regulatory capital was HUF 1,416,291 million and HUF 1,476,777 million, the Total eligible regulatory capital was HUF 598,823 million and HUF 663,804 million as at 31 December 2012 and 31 December 2011 respectively.

### Calculation on HAS basis

	2012	2011
Core capital	1,180,389	1,182,822
Supplementary capital	236,245	294,332
Deductions	(343)	(377)
due to investments	(343)	(377)
<b>Regulatory capital</b>	<b>1,416,291</b>	<b>1,476,777</b>
Credit risk capital requirement	480,331	511,775
Market risk capital requirement	38,090	43,911
Operational risk capital requirement	80,402	108,118
<b>Total requirement regulatory capital</b>	<b>598,823</b>	<b>663,804</b>
<b>Surplus capital</b>	<b>817,468</b>	<b>812,973</b>
Tier1 ratio	15.8%	14.3%
<b>Capital adequacy ratio</b>	<b>18.9%</b>	<b>17.8%</b>

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

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

The negative components of the Supplementary capital are the following: Changes due to consolidation of equity.

The components of the Deductions: deductions due to investments.

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

Subsidiary bank	Country	Minimum prescribed CAR	2012	2011
OAOTP Bank	Russia	11%	16.3%	16.2%
OTP Bank JSC	Ukraine	10%	13.8%	20.2%
DSK Bank EAD	Bulgaria	12%	18.9%	20.6%
OTP Bank Romania S.A.	Romania	10%	15.6%	13.4%
OTP banka Srbija a.d.	Serbia	12%	16.5%	18.1%
OTP banka Hrvatska d.d.	Croatia	12%	14.9%	14.8%
OTP Banka Slovensko a. s.	Slovakia	8%	12.8%	13.1%
Crnogorska komercijalna banka a.d.	Montenegro	10%	12.4%	13.4%

For international comparison purposes, the Group calculates the Regulatory capital in accordance with the Basel II directive based on IFRS data, and the consolidated Capital adequacy ratio based on this. The Capital adequacy ratio of the Group was 19.7% as at 31 December 2012 and 17.3% as

at 31 December 2011. The Regulatory capital was HUF 1,473,525 million and HUF 1,433,086 million, the Total regulatory capital requirement was HUF 598,823 million and HUF 663,804 million as at 31 December 2012 and 31 December 2011 respectively.

## Calculation on IFRS basis

	2012	2011
Core capital (Tier 1)	1,203,019	1,105,876
Positive components	1,494,427	1,410,131
Issued capital	28,000	28,000
Reserves	1,362,290	1,273,838
Other issued capital components	104,137	108,293
Negative components	(291,408)	(304,255)
Treasury shares	(53,802)	(54,386)
Goodwill and other intangible assets	(237,606)	(249,869)
<b>Supplementary capital (Tier 2)</b>	<b>270,849</b>	<b>327,587</b>
Fair value corrections	13,688	(35,190)
Subordinated bonds and loans	257,161	362,777
<b>Deductions</b>	<b>(343)</b>	<b>(377)</b>
<b>Regulatory capital</b>	<b>1,473,525</b>	<b>1,433,086</b>
Credit risk capital requirement	480,331	511,775
Market risk capital requirement	38,090	43,911
Operational risk capital requirement	80,402	108,118
<b>Total requirement regulatory capital</b>	<b>598,823</b>	<b>663,804</b>
<b>Surplus capital</b>	<b>874,702</b>	<b>769,282</b>
Tier 1 ratio	16.1%	13.3%
<b>Capital adequacy ratio</b>	<b>19.7%</b>	<b>17.3%</b>

The positive components of the Core capital are the following: Issued capital, Profit reserve, Other reserves, Changes in the equity of subsidiaries, Profit for the year, Changes due to consolidation, Other issued capital components. The negative components of the Core capital are the following: Treasury shares, Goodwill and other intangible assets, dividend.

The components of the Supplementary capital are the following: Revaluation reserve, Fair value adjustments, Share-based payment, Cash-flow hedge, Hedges of net investments in foreign operations, Other issued capital (in the Supplementary capital), Subordinated loan capital, Supplementary loan capital. The components of the Deductions: deductions due to investments.

## NOTE 28:

### OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF million)

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated Statement of Financial Position and are referred

to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

#### Contingent liabilities

	2012	2011
Commitments to extend credit	1,159,026	1,000,043
Guarantees arising from banking activities	316,159	287,513
Legal disputes (disputed value)	49,916	11,067,643
Confirmed letters of credit	13,721	5,483
Other	115,166	139,500
<b>Total</b>	<b>1,653,988</b>	<b>12,500,182</b>

## Legal disputes

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

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

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 4,089 million and HUF 3,697 million as at 31 December 2012 and 31 December 2011, respectively. (See Note 17.)

On 23 August the Bank announced that the United States Court of Appeals granted the petition for writs of mandamus submitted by OTP and ordered the district court to dismiss the plaintiffs' claims against the Bank for lack of personal jurisdiction in the class action. OTP maintains that plaintiffs' claim against it has been unfounded in its entirety.

On 19 November 2012 the Bank announced that the court of first instance (the United States District Court Northern District of Illinois) has, by virtue of the order of the United States Court of Appeals, dismissed the suit in respect of OTP on the ground of lack of jurisdiction and competence concerning the litigation 'Holocaust Victims of Bank Theft' initiated by the plaintiffs against the Bank. This order for dismissal of the suit of the court of first instance is final and binding.

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

## Commitments to extend credit, guarantees and letters of credit

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

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

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

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



irrevocable letters of credit and undrawn loan commitments are minimal.

### **Guarantees, payment undertakings arising from banking activities**

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

### **Derivatives**

The Group maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending

limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Group in most of the cases requires margin deposits.

### **Foreign currency contracts**

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

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

### **Foreign exchange swaps and interest rate swaps**

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

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

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

### **Cross-currency interest rate swaps**

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

### **Forward rate agreements (FRA)**

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

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

### **Foreign exchange options**

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

## **NOTE 29:**

### **SHARE-BASED PAYMENT**

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

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

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

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

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

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

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

During implementation of the Remuneration Policy of the Group appeared that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons

– incompatible with concerning EU-directives –, therefore the Board of Directors made a decision to cancel the share-based payment in the referred countries.

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

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

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

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

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

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

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

In connection with programs accounted as equity-settled share based transactions,

HUF 4,584 million was recognized as an expense during the year ended 31 December 2012.

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

**NOTE 30:****RELATED PARTY TRANSACTIONS (in HUF million)**

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

<b>Compensations</b>	<b>2012</b>	<b>2011</b>
Short-term employee benefits	8,720	8,484
Share-based payment	2,711	2,343
Other long-term employee benefits	1,050	886
Termination benefits	218	37
Redundancy payments	10	–
<b>Total</b>	<b>12,709</b>	<b>11,750</b>

	<b>2012</b>	<b>2011</b>
Loans provided to companies owned by the management (normal course of business)	35,792	42,806
Commitments to extend credit and guarantees	518	6
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	112	117

	<b>2012</b>	<b>2011</b>
Loans provided to unconsolidated subsidiaries	1,526	17,523

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

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

	<b>2012</b>	<b>2011</b>
Members of Board of Directors and their close family members	15	19
Members of Supervisory Board	4	2

One member of the Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million and HUF 1.2 million as at 31 December 2012 and 2011, respectively. Chief executive owned AMEX Gold loading card loan in the amount of HUF 1 million as at 31 December 2012 and 2011.

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

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

**NOTE 31:****SIGNIFICANT SUBSIDIARIES AND ASSOCIATES**

Investments in companies in which the Bank has a significant interest are detailed below. They are fully consolidated companies and

incorporated in Hungary unless otherwise stated. The Bank considers the subsidiaries as cash generating units.

**Significant subsidiaries**

<b>Name</b>	<b>2012 Ownership (Direct and Indirect)</b>	<b>2011 Ownership (Direct and Indirect)</b>	<b>Activity</b>
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAOT Bank (Russia)	97.78%	97.75%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	96.79%	92.60%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	98.94%	98.94%	commercial banking services
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)/OTP Financing Cyprus	100.00%	100.00%	refinancing activities
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Two Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services
OTP Factoring Ukraine LLC	100.00%	100.00%	work-out

**Significant associates**

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

**As at 31 December 2012**

	<b>Company for Cash Services Ltd.</b>	<b>Suzuki Pénzügyi Szolgáltató Ltd.</b>	<b>Agóra-Kapos Ltd.</b>	<b>Total</b>
Total assets	1,924	629	73	2,626
Total liabilities	82	12	53	147
Shareholders' equity	1,842	617	20	2,479
Reserves	(59)	552	18	511
Total revenues	869	46	4	919
Profit before income tax	44	27	1	72
Profit after income tax	39	25	1	65

**As at 31 December 2011**

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

**NOTE 32:****TRUST ACTIVITIES (in HUF million)**

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes.

The ultimate risk for these loans rests with the party advancing the funds. As these

loans and related funds are not considered to be assets or liabilities of the Group, they have been excluded from the accompanying Consolidated Statement of Financial Position.

	<b>2012</b>	<b>2011</b>
The amount of loans managed by the Group as a trustee	43,260	43,196

**NOTE 33:****CONCENTRATION OF ASSETS AND LIABILITIES**

	<b>2012</b>	<b>2011</b>
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	15.9%	11.2%

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

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

partners in order to secure the stability of the level of deposits.

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

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

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations prescribed by the NBH. The following tables provide an analysis of assets, liabilities and

shareholders' equity into relevant maturity groupings based on the remaining period from the period end to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

<b>As at 31 December 2012</b>	<b>Within 3 months</b>	<b>Within one year and over 3 months</b>	<b>Within 5 years and over one year</b>	<b>Over 5 years</b>	<b>Without maturity</b>	<b>Total</b>
Cash, amounts due from banks and balances with the National Banks	584,085	17,777	350	309	–	602,521
Placements with other banks, net of allowance for placements losses	258,165	76,563	21,947	191	–	356,866
Financial assets at fair value through profit or loss	21,155	24,252	63,820	22,550	91,097	222,874
Securities available-for-sale	930,583	111,229	260,593	68,986	39,786	1,411,177
Loans, net of allowance for loan losses	957,743	1,111,844	1,905,677	2,488,927	–	6,464,191
Associates and other investments	–	–	–	–	7,936	7,936
Securities held-to-maturity	39,366	122,784	112,622	154,531	–	429,303
Property and equipment, Intangible assets	–	–	–	–	489,142	489,142
Other assets	54,231	55,819	16,761	2,645	–	129,456
<b>TOTAL ASSETS</b>	<b>2,845,328</b>	<b>1,520,268</b>	<b>2,381,770</b>	<b>2,738,139</b>	<b>627,961</b>	<b>10,113,466</b>
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	131,509	150,124	126,352	126,339	–	534,324
Deposits from customers	5,167,850	1,110,672	249,774	22,412	–	6,550,708
Liabilities from issued securities	118,337	167,445	285,279	72,062	–	643,123
Financial liabilities at fair value through profit or loss	26,415	22,657	54,166	18,794	–	122,032
Other liabilities	341,264	28,250	77,979	9,738	–	457,231
Subordinated bonds and loans	3,421	4,677	161,870	–	121,527	291,495
<b>TOTAL LIABILITIES</b>	<b>5,788,796</b>	<b>1,483,825</b>	<b>955,420</b>	<b>249,345</b>	<b>121,527</b>	<b>8,598,913</b>
Share capital	–	–	–	–	28,000	28,000
Retained earnings and reserves	–	–	–	–	1,534,572	1,534,572
Treasury shares	–	–	–	–	(53,802)	(53,802)
Non-controlling interest	–	–	–	–	5,783	5,783
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,514,553</b>	<b>1,514,553</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,788,796</b>	<b>1,483,825</b>	<b>955,420</b>	<b>249,345</b>	<b>1,636,080</b>	<b>10,113,466</b>
<b>LIQUIDITY (DEFICIENCY)/EXCESS</b>	<b>(2,943,468)</b>	<b>36,443</b>	<b>1,426,350</b>	<b>2,488,794</b>	<b>(1,008,119)</b>	<b>–</b>

<b>As at 31 December 2011</b>	<b>Within 3 months</b>	<b>Within one year and over 3 months</b>	<b>Within 5 years and over one year</b>	<b>Over 5 years</b>	<b>Without maturity</b>	<b>Total</b>
Cash, amounts due from banks and balances with the National Banks	576,135	19,058	392	401	–	595,986
Placements with other banks, net of allowance for placements losses	405,347	13,843	3,379	208	–	422,777
Financial assets at fair value through profit or loss	30,593	43,480	56,315	14,818	96,076	241,282
Securities available-for-sale	570,434	106,279	253,140	190,307	5,695	1,125,855
Loans, net of allowance for loan losses	815,385	1,293,540	2,543,488	2,390,972	3,794	7,047,179
Associates and other investments	–	–	–	–	10,342	10,342
Securities held-to-maturity	7,174	15,350	92,298	9,761	304	124,887
Property and equipment, Intangible assets	–	–	–	–	491,666	491,666
Other assets	46,023	71,595	19,551	1,684	1,700	140,553
<b>TOTAL ASSETS</b>	<b>2,451,091</b>	<b>1,563,145</b>	<b>2,968,563</b>	<b>2,608,151</b>	<b>609,577</b>	<b>10,200,527</b>
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	180,859	124,850	172,273	168,986	–	646,968
Deposits from customers	4,563,198	1,501,196	311,084	23,375	–	6,398,853
Liabilities from issued securities	169,619	304,329	239,298	99,617	–	812,863
Financial liabilities at fair value through profit or loss	31,753	77,407	112,633	8,356	–	230,149
Other liabilities	246,660	31,024	86,234	12,584	435	376,937
Subordinated bonds and loans	3,412	419	184,539	–	128,077	316,447
<b>TOTAL LIABILITIES</b>	<b>5,195,501</b>	<b>2,039,225</b>	<b>1,106,061</b>	<b>312,918</b>	<b>128,512</b>	<b>8,782,217</b>
Share capital	–	–	–	–	28,000	28,000
Retained earnings and reserves	–	–	–	–	1,439,095	1,439,095
Treasury shares	–	–	–	–	(54,386)	(54,386)
Non-controlling interest	–	–	–	–	5,601	5,601
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,418,310</b>	<b>1,418,310</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,195,501</b>	<b>2,039,225</b>	<b>1,106,061</b>	<b>312,918</b>	<b>1,546,822</b>	<b>10,200,527</b>
<b>LIQUIDITY (DEFICIENCY)/EXCESS</b>	<b>(2,744,410)</b>	<b>(476,080)</b>	<b>1,862,502</b>	<b>2,295,233</b>	<b>(937,245)</b>	<b>–</b>

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

<b>As at 31 December 2012</b>	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>Others</b>	<b>Total</b>
Assets	570,169	1,603,605	1,060,445	2,591,153	5,825,372
Liabilities	(429,247)	(1,732,041)	(124,747)	(2,160,224)	(4,446,259)
Off-balance sheet assets and liabilities, net	(49,684)	206,904	(971,435)	(152,508)	(966,723)
<b>Net position</b>	<b>91,238</b>	<b>78,468</b>	<b>(35,737)</b>	<b>278,421</b>	<b>412,390</b>

  

<b>As at 31 December 2011</b>	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>Egyéb</b>	<b>Összesen</b>
Assets	627,984	2,368,051	1,400,243	2,527,272	6,923,550
Liabilities	(333,291)	(2,482,507)	(134,814)	(1,880,933)	(4,831,545)
Off-balance sheet assets and liabilities, net	(255,664)	189,971	(1,327,578)	(193,256)	(1,586,527)
<b>Net position</b>	<b>39,029</b>	<b>75,515</b>	<b>(62,149)</b>	<b>453,083</b>	<b>505,478</b>

The table above provides an analysis of the main foreign currency exposures of the Group. The remaining foreign currencies are shown within 'Others'. 'Others' category contains mainly foreign currencies in RON, UAH, RUB and BGN. Whilst the Group monitors its foreign exchange position for compliance

with the regulatory requirements of the National Banks and own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the 'Value-at-Risk' ('VaR') limit on the foreign exchange exposure of the Group.

**NOTE 36:****INTEREST RATE RISK MANAGEMENT (in HUF million)**

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

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

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

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



## As at 31 December 2012

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

## As at 31 December 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest- bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
<b>LIABILITIES</b>															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	59,636	127,333	10,609	83,053	118,696	22,358	73	103,082	478	3,331	96	5,579	189,588	344,736	534,324
fixed rate	51,596	102,663	2,730	5,732	542	15,258	23	101,444	397	3,331	-	-	55,288	228,428	283,716
variable rate	8,040	24,670	7,879	77,321	118,154	7,100	50	1,638	81	-	-	-	134,204	110,729	244,933
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	96	5,579	96	5,579	5,675
Deposits from customers	1,435,223	1,930,614	649,539	478,089	172,472	711,795	102,808	87,577	633,666	146,083	13,412	189,430	3,07,120	3,543,588	6,550,708
fixed rate	1,042,679	825,021	633,649	478,089	172,472	604,827	102,808	87,577	14,392	26,670	-	-	1,966,000	2,022,184	3,988,184
variable rate	392,544	1,105,593	15,890	-	-	106,968	-	-	619,274	119,413	-	-	1,027,708	1,331,974	2,359,682
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	13,412	189,430	13,412	189,430	202,842
Liabilities from issued securities	30,498	7,229	52,031	17,900	85,478	36,609	52,604	160,111	175,857	3,857	17,077	3,872	413,545	229,578	643,123
fixed rate	30,169	7,229	50,595	6,524	84,653	36,609	30,779	160,111	164,395	3,857	-	-	360,591	214,330	574,921
variable rate	329	-	1,436	11,376	825	-	21,825	-	11,462	-	-	-	35,877	11,376	47,253
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	17,077	3,872	17,077	3,872	20,949
Derivative financial instruments	103,114	1,924,409	43,868	2,099,382	33,570	152,268	14,961	18,715	125,471	35,659	1,679	1,408	322,663	4,231,841	4,554,504
fixed rate	102,630	640,675	42,109	202,255	33,565	144,147	14,961	18,470	125,471	34,688	-	-	318,736	1,040,235	1,358,971
variable rate	484	1,283,734	1,759	1,897,127	5	8,121	-	245	-	971	-	-	2,248	3,190,198	3,192,446
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,679	1,408	1,679	1,408	3,087
Subordinated bonds and loans	-	-	5,000	26,009	-	15,706	-	80	-	241,673	-	3,027	5,000	286,495	291,495
fixed rate	-	-	-	-	-	-	-	-	-	241,632	-	-	-	241,632	241,632
variable rate	-	-	5,000	26,009	-	15,706	-	80	-	41	-	-	5,000	41,836	46,836
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	3,027	-	3,027	3,027
<b>Net position</b>	<b>1,356,181</b>	<b>8,746</b>	<b>268,748</b>	<b>(274,547)</b>	<b>(210,116)</b>	<b>(280,009)</b>	<b>(21,188)</b>	<b>(1,024)</b>	<b>(271,287)</b>	<b>83,448</b>	<b>199,219</b>	<b>424,666</b>	<b>1,321,557</b>	<b>(38,721)</b>	<b>1,282,837</b>

As at 31 December 2011

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

As at 31 December 2011

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
<b>LIABILITIES</b>															
<b>Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks</b>	33,799	238,092	5,824	144,385	134,168	47,060	711	11,019	877	30,073	410	550	175,789	471,179	646,968
fixed rate	32,740	180,619	3,033	13,606	3	17,206	711	5,911	263	29,486	–	–	36,750	246,828	283,578
variable rate	1,059	57,473	2,791	130,779	134,165	29,854	–	5,108	614	587	–	–	138,629	223,801	362,430
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	410	550	410	550	960
<b>Deposits from customers</b>	1,191,900	1,608,710	452,772	472,915	602,281	940,467	87,339	68,568	660,254	140,932	14,739	157,976	3,009,285	3,389,568	6,398,853
fixed rate	755,534	780,249	444,261	391,674	602,281	591,082	87,339	64,741	14,312	28,385	–	–	1,903,727	1,856,131	3,759,858
variable rate	436,366	828,461	8,511	81,241	–	349,385	–	3,827	645,942	112,547	–	–	1,090,819	1,375,461	2,466,280
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	14,739	157,976	14,739	157,976	172,715
<b>Liabilities from issued securities</b>	29,589	8,727	92,830	46,521	246,245	53,073	27,002	7,228	150,083	128,089	20,331	3,145	566,080	246,783	812,863
fixed rate	21,455	8,727	75,268	23,219	246,245	53,073	27,002	7,228	150,083	128,089	–	–	520,053	220,356	740,389
variable rate	8,134	–	17,562	23,302	–	–	–	–	–	–	–	–	25,696	23,302	48,998
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	20,331	3,145	20,331	3,145	23,476
<b>Derivative financial instruments</b>	335,972	999,677	78,128	2,548,062	141,246	492,635	51,593	8,953	14,138	19,441	–	–	621,077	4,068,768	4,689,845
fixed rate	330,662	464,667	63,663	359,821	59,854	417,951	20,740	6,943	14,138	18,309	–	–	489,057	1,267,691	1,756,748
variable rate	5,310	535,010	14,465	2,188,241	81,392	74,684	30,853	2,010	–	1,132	–	–	132,020	2,801,077	2,933,097
<b>Subordinated bonds and loans</b>	–	–	5,000	29,518	–	17,135	–	76	–	261,323	–	3,395	5,000	311,447	316,447
fixed rate	–	–	–	–	–	–	–	–	–	261,198	–	–	–	261,198	261,198
variable rate	–	–	5,000	29,518	–	17,135	–	76	–	125	–	–	5,000	46,854	51,854
non-interest-bearing	–	–	–	–	–	–	–	–	–	–	–	3,395	–	3,395	3,395
<b>Net position</b>	607,324	1,263,931	415,039	(1,112,143)	(409,765)	(81,663)	136,633	186,048	(335,719)	(107,095)	145,185	359,633	558,697	508,711	1,067,408

**NOTE 37:****CONSOLIDATED EARNINGS PER SHARE (in HUF million)**

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

	<b>2012</b>	<b>2011</b>
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	121,690	83,147
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	266,239,227	266,373,139
<b>Basic Earnings per share (in HUF)</b>	<b>457</b>	<b>312</b>
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	121,690	83,147
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	266,307,792	266,438,959
<b>Diluted Earnings per share (in HUF)</b>	<b>457</b>	<b>312</b>

	<b>2012</b>	<b>2011</b>
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	13,760,783	13,626,871
<b>Weighted average number of ordinary shares outstanding during the year for calculating basic EPS</b>	<b>266,239,227</b>	<b>266,373,139</b>
Dilutive effects of options issued in accordance with the Remuneration Policy/Management Option Program and convertible into ordinary shares	68,565	65,820
<b>The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS</b>	<b>266,307,792</b>	<b>266,438,959</b>

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

**NOTE 38:****NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF million)***As at 31 December 2012*

	<b>Net interest gain and loss</b>	<b>Net non-interest gain and loss</b>	<b>Provision for impairment</b>	<b>Other comprehensive income</b>
Cash, amounts due from banks and balances with the National Banks	6,749	–	–	–
Placements with other banks, net of allowance for placements losses	9,457	–	(40)	–
Securities held for trading	1,827	(3,546)	–	–
Securities available-for-sale	78,624	2,798	490	59,481
Loans, net of allowance for loan losses	787,646	6,952	(226,940)	–
From this:	372,603			
Consumer loans	372,603			
Housing loans	178,050			
Corporate loans	153,448			
Mortgage backed loans	65,687			
Municipality loans	17,858			
Securities held-to-maturity	20,204	(87)	15	–
Derivative financial instruments	56,302	(7,376)	–	–
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	(18,814)	–	–	–
Deposits from customers	(230,574)	123,141	–	–
Liabilities from issued securities	(54,033)	–	–	–
Subordinated bonds and loans	(11,923)	–	–	–
	<b>645,465</b>	<b>121,882</b>	<b>(226,475)</b>	<b>59,481</b>

## As at 31 December 2011

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

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

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

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

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

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

## a) Fair value of financial assets and liabilities

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Banks	602,521	602,521	595,986	595,986
Placements with other banks, net of allowance for placements losses	356,866	359,463	422,777	427,427
Financial assets at fair value through profit or loss	222,874	222,874	241,282	241,282
Securities held for trading	121,820	121,820	139,330	139,330
Fair value of derivative financial instruments classified as held for trading	101,054	101,054	101,952	101,952
Securities available-for-sale	1,411,177	1,411,177	1,125,855	1,125,855
Loans, net of allowance for loan losses	6,464,191	7,490,502	7,047,179	8,250,983
Securities held-to-maturity	429,303	154,517	124,887	151,604
Fair value of derivative financial instruments designated as fair value hedge	13,694	13,694	13,137	13,137
<b>Financial assets total</b>	<b>9,500,626</b>	<b>10,254,748</b>	<b>9,571,103</b>	<b>10,806,274</b>
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	534,324	495,497	646,968	758,719
Deposits from customers	6,550,708	6,548,734	6,398,853	6,510,444
Liabilities from issued securities	643,123	614,156	812,863	664,422
Fair value of derivative financial instruments designated as fair value hedge	119,027	119,027	98,415	98,415
Fair value of derivative financial instruments classified as held for trading	122,032	122,032	230,149	230,149
Subordinated bonds and loans	291,495	241,268	316,447	225,511
<b>Financial liabilities total</b>	<b>8,260,709</b>	<b>8,140,714</b>	<b>8,503,695</b>	<b>8,487,660</b>

## b) Fair value of derivative instruments

	2012		2011	
	Fair value	Fair value	Notional value, net	Notional value, net
<b>Interest rate swaps classified as held for trading</b>				
Positive fair value of interest rate swaps classified as held for trading	73,183	39,370	49,524	33,995
Negative fair value of interest rate swaps classified as held for trading	(75,332)	(40,542)	(56,534)	(37,495)
<b>Foreign exchange swaps classified as held for trading</b>				
Positive fair value of foreign exchange swaps classified as held for trading	7,173	18,596	7,147	22,832
Negative fair value of foreign exchange swaps classified as held for trading	(6,388)	(50,204)	(6,025)	(45,725)
<b>Interest rate swaps designated as fair value hedge</b>				
Positive fair value of interest rate swaps designated as fair value hedge	4,224	2,329	(4,488)	3,526
Negative fair value of interest rate swaps designated as fair value hedge	(5,033)	(12,563)	140	(10,980)
<b>CCIRS classified as held for trading</b>				
Positive fair value of CCIRS classified as held for trading	9,674	25,149	9,808	23,641
Negative fair value of CCIRS classified as held for trading	(30,948)	(119,933)	(31,625)	(129,254)
<b>Mark-to-market CCIRS classified as held for trading</b>				
Positive fair value of mark-to-market CCIRS classified as held for trading	624	2,299	376	(1,187)
Negative fair value of mark-to-market CCIRS classified as held for trading	(646)	(5,081)	(320)	(9,531)
<b>CCIRS designated as fair value hedge</b>				
Positive fair value of CCIRS designated as fair value hedge	9,035	2,816	9,099	2,496
Negative fair value of CCIRS designated as fair value hedge	(103,845)	(85,349)	(106,792)	(104,207)
<b>Mark-to-market CCIRS designated as fair value hedge</b>				
Positive fair value of mark-to-market CCIRS designated as fair value hedge	283	7,670	(577)	(6,738)
Negative fair value of mark-to-market CCIRS designated as fair value hedge	(10,070)	(496)	(12,275)	(1,419)
<b>Other derivative contracts designated as fair value hedge</b>				
Positive fair value of other derivative contracts designated as fair value hedge	152	322	41,073	3,062
Negative fair value of other derivative contracts designated as fair value hedge	(79)	(7)	(1)	(7)
<b>Other derivative contracts classified as held for trading</b>				
Positive fair value of other derivative contracts classified as held for trading	10,400	16,538	7,205	14,694
Negative fair value of other derivative contracts classified as held for trading	(8,718)	(14,389)	(5,810)	(14,027)
<b>Derivative financial assets total</b>	<b>114,748</b>	<b>115,089</b>	<b>119,167</b>	<b>96,321</b>
<b>Derivative financial liabilities total</b>	<b>(241,059)</b>	<b>(328,564)</b>	<b>(219,242)</b>	<b>(352,645)</b>
<b>Derivative financial instruments total</b>	<b>(126,311)</b>	<b>(213,475)</b>	<b>(100,075)</b>	<b>(256,324)</b>

### c) Hedge accounting

The Group regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging

transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading.

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

#### As at 31 December 2012

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
Cash flow hedges	–	–	–
Fair value hedges	IRS /Index option	HUF (284) million	Interest rate
Net investment hedge in foreign operations	CCIRS and issued securities	HUF 3,737 million	Foreign exchange

#### As at 31 December 2011

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
Cash flow hedges	–	–	–
Fair value hedges	IRS	HUF (10,234) million	Interest rate
Net investment hedge in foreign operations	CCIRS	HUF (6,362) million	Foreign exchange

### d) Fair value hedges

#### 1. Deposits from customers

The interest payment cash-flows of some structured deposits of the Group denominated in HUF and EUR are exposed to the change of equity prices, equity indices or the change of EUR/HUF exchange rate. In order to hedge the

interest rate risk of the interest payments the Group entered into interest rate swap transactions, where the risk of the cash-flow's from the structured deposits were swapped to payments linked to 3 month BUBOR or EURIBOR, resulting in a decrease in the fair value exposure of the deposits from customers.

	2012	2011
Fair value of the hedging instruments	298	70

#### 2. Securities available-for-sale

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

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

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

### 3. Loans to customers

The Group has fixed interest rate loans denominated in various currencies. These fixed interest rate loans are exposed to fair value risk of changes of risk-free interest rates. In order to hedge the interest rate risk of the

cash-flows the Group entered into pay-fixed, receive-floater interest rate swap transactions, where the risk of the payments from the loans are swapped to payments linked to 3 month EURIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.

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

### 4. Issued securities

The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the EUR/HUF foreign exchange rate and the risk of change in the risk-free interest rates of EUR and HUF. The interest rate risk and foreign exchange

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

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

#### As at 31 December 2012

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

#### As at 31 December 2011

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

## e) Fair value classes

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices

included within Level 1, that are observable for the asset or liability either directly or indirectly; Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

<b>As at 31 December 2012</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss	222,394	107,840	114,554	–
from this: securities held for trading	121,340	107,450	13,890	–
from this: positive fair value of derivative financial instruments classified as held for trading	101,054	390	100,664	–
Securities available-for-sale	1,399,547	1,319,425	80,094	28
Positive fair value of derivative financial instruments designated as fair value hedge	13,694	11	13,683	–
<b>Financial assets measured at fair value total</b>	<b>1,635,635</b>	<b>1,427,276</b>	<b>208,331</b>	<b>28</b>
Negative fair value of derivative financial instruments classified as held for trading	122,032	1,110	120,922	–
Negative fair value of derivative financial instruments designated as fair value hedge	119,027	83	118,944	–
<b>Financial liabilities measured at fair value total</b>	<b>241,059</b>	<b>1,193</b>	<b>239,866</b>	<b>–</b>

<b>As at 31 December 2011</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss	240,345	129,104	106,686	4,555
from this: securities held for trading	138,393	127,372	11,021	–
from this: positive fair value of derivative financial instruments classified as held for trading	101,952	1,732	95,665	4,555
Securities available-for-sale	1,107,158	284,381	821,695	1,082
Positive fair value of derivative financial instruments designated as fair value hedge	13,137	144	10,177	2,816
<b>Financial assets measured at fair value total</b>	<b>1,360,640</b>	<b>413,629</b>	<b>938,558</b>	<b>8,453</b>
Negative fair value of derivative financial instruments classified as held for trading	230,149	99	207,967	22,083
Negative fair value of derivative financial instruments designated as fair value hedge	98,415	6	92,479	5,930
<b>Financial liabilities measured at fair value total</b>	<b>328,564</b>	<b>105</b>	<b>300,446</b>	<b>28,013</b>



## Movements in Level 3 financial instruments measured at fair value

### EUR/CHF cross currency swap (CCIRS) portfolio

According to the risk management policies the Bank holds EUR/CHF cross currency swap portfolio with a notional totaling CHF 3,698 million (HUF 946,435 million equivalent as at 31 December 2011) classified as held for trading and CHF 807 million (HUF 206,556 million equivalent as at 31 December 2011) designated as hedging deals, in order to hedge its foreign currency denominated mortgage loan portfolio's FX risk.

In the second half of the year 2011 the EUR/CHF cross currency swap spreads speculation has previously unexpected volatility, which

significantly differed from spreads on which the Bank could execute deals and therefore market quotations can not be used for estimating the fair value of the Bank's CCIRS portfolio.

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

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

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

Movements of the year 2012	Opening balance as at 31 December 2011	Transfer out as at 31 March 2012	Other disposal*	Closing balance as at 31 December 2012	Total (loss)/gain as at 31 December 2012
Positive fair value of derivative financial instruments classified as held for trading	4,555	165	–	–	4,390
Positive fair value of derivative financial instruments designated as hedge accounting relationship	2,816	3,659	–	–	(843)
Securities available-for-sale	1,082	1,054	–	28	–
<b>Financial assets measured at fair value total</b>	<b>8,453</b>	<b>4,878</b>	<b>–</b>	<b>28</b>	<b>3,547</b>
Negative fair value of derivative financial instruments classified as held for trading	(22,083)	(6,983)	(2,005)	–	(13,095)
Negative fair value of derivative financial instruments designated as hedge accounting relationship	(5,930)	(22,581)	–	–	16,651
<b>Financial liabilities measured at fair value total</b>	<b>(28,013)</b>	<b>(29,564)</b>	<b>(2,005)</b>	<b>–</b>	<b>3,556</b>

\* Other disposal consists of early liquidation of several CCIRS deals.

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

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported below.

The reportable segments of the Group on the base of IFRS 8 are the following:

OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries and Corporate Centre.

OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financing Netherlands Ltd. and OTP Holding Ltd.

Corporate Centre: it is separated from OTP Core consolidated financial statements, this is a virtual entity responsible for rendering debt and capital market related to services to the subsidiaries across the Group, mainly in the form of capital and credit financing.

The results of OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., OTP Factoring Montenegro d.o.o. and OTP Faktor Slovensko s.r.o. are included into the foreign banks segment.

The activities of the other subsidiaries are out of the leasing and fund management activity, like: OTP Real Estate Ltd., OTP Life Annuity Ltd., OTP Funds Servicing and Consulting Ltd., Monicom Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

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

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

**Goodwill impairment**

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

There wasn't any effect of goodwill impairment after tax in the year 2012, only tax saving effect of investment impairment in the amount of HUF 3,977 million, in relation with investment impairment of OTP banka Hrvatska d.d. and OTP banka Srbija a.d.

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

## As at 31 December 2012

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group – consolidated – in the Consolidated Statement of Recognized Income – structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group – consolidated – in the Consolidated Statement of Recognized Income – structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)
	a	b	1=a+b	2	3=4+...+11	4	5	6
			1=2+3+12+16+17					
<b>Net profit for the year</b>	<b>122,586</b>		<b>122,586</b>					
Adjustments (total)		(27,363)	(27,363)					
Dividends and net cash transfers (after income tax)		(391)	(391)					
Goodwill /investment impairment (after income tax)		3,977	3,977					
Bank tax on financial institutions (after income tax)		(29,174)	(29,174)					
Total impact of early repayment (after income tax)		(1,775)	(1,775)					
<b>Consolidated adjusted net profit for the year</b>	<b>122,586</b>	<b>27,362</b>	<b>149,948</b>	<b>94,587</b>	<b>60,119</b>	<b>47,156</b>	<b>527</b>	<b>24,216</b>
<b>Profit before income tax</b>	<b>145,674</b>	<b>46,517</b>	<b>192,191</b>	<b>117,520</b>	<b>79,965</b>	<b>60,847</b>	<b>2,707</b>	<b>27,545</b>
<b>Adjusted operating profit</b>	<b>372,654</b>	<b>77,008</b>	<b>449,662</b>	<b>211,355</b>	<b>233,534</b>	<b>121,540</b>	<b>33,511</b>	<b>58,928</b>
Adjusted total income	796,131	48,421	844,552	394,243	426,175	193,272	64,509	95,732
Adjusted net interest income	645,465	4,854	650,319	292,570	348,722	170,001	49,586	74,671
Adjusted net profit from fees and commissions	154,337	(2,768)	151,569	85,820	63,867	20,998	12,634	16,875
Adjusted other net non-interest income	(3,671)	46,335	42,664	15,853	13,586	2,273	2,289	4,186
Adjusted other administrative expenses	(423,477)	28,587	(394,890)	(182,888)	(192,641)	(71,732)	(30,998)	(36,804)
<b>Total risk costs</b>	<b>(226,980)</b>	<b>(26,712)</b>	<b>(253,692)</b>	<b>(90,056)</b>	<b>(153,569)</b>	<b>(60,693)</b>	<b>(30,804)</b>	<b>(31,383)</b>
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(226,980)	(15,715)	(242,695)	(86,986)	(146,979)	(59,567)	(30,597)	(31,153)
Other provision (adjustment)	0	(10,997)	(10,997)	(3,070)	(6,590)	(1,126)	(207)	(230)
<b>Total other adjustments (one-off items)<sup>1</sup></b>	<b>0</b>	<b>(3,779)</b>	<b>(3,779)</b>	<b>(3,779)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Income tax</b>	<b>(23,088)</b>	<b>(19,155)</b>	<b>(42,243)</b>	<b>(22,933)</b>	<b>(19,846)</b>	<b>(13,691)</b>	<b>(2,180)</b>	<b>(3,329)</b>
Total Assets	10,113,466	0	10,113,466	6,229,359	4,660,276	1,027,763	653,603	1,292,031
Total Liabilities	8,598,913	0	8,598,913	4,833,227	3,985,137	835,880	541,139	1,082,845

## As at 31 December 2011

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group – consolidated – in the Consolidated Statement of Recognized Income – structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group – consolidated – in the Consolidated Statement of Recognized Income – structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)
	a	b	1=a+b	2	3=4+...+11	4	5	6
			1=2+3+12+16+17					
<b>Net profit for the year</b>	<b>83,800</b>		<b>83,800</b>					
<b>Adjustments (total)</b>		<b>(77,605)</b>	<b>(77,605)</b>					
Dividends and net cash transfers (after income tax)		663	663					
Goodwill impairment (after income tax)		(17,701)	(17,701)					
Bank tax on financial institutions (after income tax)		(28,965)	(28,965)					
<b>Total impact of early repayment (after income tax)</b>		<b>(31,602)</b>	<b>(31,602)</b>					
<b>Consolidated adjusted net profit for the year</b>	<b>83,800</b>	<b>77,605</b>	<b>161,405</b>	<b>114,056</b>	<b>48,536</b>	<b>41,042</b>	<b>5,091</b>	<b>12,743</b>
<b>Profit before income tax</b>	<b>122,996</b>	<b>98,090</b>	<b>221,086</b>	<b>154,738</b>	<b>68,558</b>	<b>53,107</b>	<b>11,211</b>	<b>14,330</b>
Adjusted operating profit	439,669	(4,090)	435,579	235,000	189,906	82,007	26,829	59,877
Adjusted total income	842,344	(30,753)	811,591	419,401	360,674	142,796	53,585	93,103
Adjusted net interest income	630,816	76	630,892	327,081	292,561	123,990	41,784	74,731
Adjusted net profit from fees and commissions	146,522	(3,242)	143,280	84,687	56,125	17,610	9,063	15,867
Adjusted other net non-interest income	65,006	(27,587)	37,419	7,633	11,988	1,196	2,738	2,505
<b>Adjusted other administrative expenses</b>	<b>(402,675)</b>	<b>26,663</b>	<b>(376,012)</b>	<b>(184,401)</b>	<b>(170,768)</b>	<b>(60,789)</b>	<b>(26,756)</b>	<b>(33,226)</b>
Total risk costs	(316,673)	82,634	(234,039)	(95,508)	(121,348)	(28,900)	(15,618)	(45,547)
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(316,673)	88,241	(228,432)	(99,209)	(117,121)	(28,714)	(15,209)	(45,713)
<b>Other provision (adjustment)</b>	<b>0</b>	<b>(5,607)</b>	<b>(5,607)</b>	<b>3,701</b>	<b>(4,227)</b>	<b>(186)</b>	<b>(409)</b>	<b>166</b>
<b>Total other adjustments (one-off items)<sup>1</sup></b>	<b>0</b>	<b>19,546</b>	<b>19,546</b>	<b>15,246</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Income tax	(39,196)	(20,485)	(59,681)	(40,682)	(20,022)	(12,065)	(6,120)	(1,587)
Total Assets	10,200,527	0	10,200,527	6,548,167	4,737,953	868,231	778,198	1,360,510
Total Liabilities	8,782,217	0	8,782,217	5,269,759	4,102,286	723,393	658,049	1,151,026

( ) used at: provisions, impairment and expenses

<sup>1</sup> One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF (2,556) million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 1,124 million; result of the treasury share swap agreement in the amount of HUF (2,920) million.

OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
7	8	9	10	11	12=13+14+15	13	14	15	16	17
(5,531)	(4,932)	3,715	(1,160)	(3,872)	2,401	2,050	2,042	(1,691)	(7,089)	(70)
(6,110)	(4,935)	4,754	(978)	(3,865)	3,028	2,189	2,299	(1,460)	(8,752)	430
6,494	(1,707)	8,498	3,441	2,829	13,841	9,619	2,267	1,955	(8,752)	(316)
19,811	6,323	22,550	13,932	10,046	43,841	20,049	4,913	18,879	(8,610)	(11,097)
15,916	3,071	16,220	12,019	7,238	19,500	16,900	101	2,499	(8,610)	(1,863)
1,677	1,604	4,660	2,930	2,489	1,974	(2,616)	4,728	(138)	0	(92)
2,218	1,648	1,670	(1,017)	319	22,367	5,765	84	16,518	0	(9,142)
(13,317)	(8,030)	(14,052)	(10,491)	(7,217)	(30,000)	(10,430)	(2,646)	(16,924)	(142)	10,781
(12,604)	(3,228)	(3,744)	(4,419)	(6,694)	(10,813)	(7,430)	32	(3,415)	0	746
(12,440)	(3,159)	(2,988)	(4,420)	(2,655)	(8,449)	(7,194)	0	(1,255)	0	(281)
(164)	(69)	(756)	1	(4,039)	(2,364)	(236)	32	(2,160)	0	1,027
0	0	0	0	0	0	0	0	0	0	0
579	3	(1,039)	(182)	(7)	(627)	(139)	(257)	(231)	1,663	(500)
461,458	122,994	519,570	374,224	208,633	481,262	287,527	7,245	186,490	1,636,529	(2,893,960)
428,877	97,823	459,757	347,231	191,585	394,960	258,229	1,585	135,146	980,395	(1,594,806)
OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
7	8	9	10	11	12=13+14+15	13	14	15	16	17
764	(6,284)	112	(408)	(4,524)	585	1,891	3,266	(4,572)	(6,728)	4,956
757	(6,149)	162	(336)	(4,524)	1,754	1,991	4,011	(4,248)	(8,305)	4,341
8,961	(1,316)	8,221	3,328	1,999	16,710	13,485	4,114	(889)	(8,305)	2,268
22,207	5,220	21,784	13,639	8,340	46,039	23,438	6,140	16,461	(8,194)	(6,329)
18,658	1,460	15,383	10,968	5,587	20,056	18,600	104	1,352	(8,194)	(612)
2,428	1,872	4,094	2,499	2,692	2,277	(2,730)	5,246	(239)	0	191
1,121	1,888	2,307	172	61	23,706	7,568	790	15,348	0	(5,908)
(13,246)	(6,536)	(13,563)	(10,311)	(6,341)	(29,329)	(9,953)	(2,026)	(17,350)	(111)	8,597
(8,204)	(4,833)	(8,059)	(3,664)	(6,523)	(14,956)	(11,494)	(103)	(3,359)	0	(2,227)
(8,187)	(4,960)	(6,694)	(3,624)	(4,020)	(11,981)	(7,855)	0	(4,126)	0	(121)
(17)	127	(1,365)	(40)	(2,503)	(2,975)	(3,639)	(103)	767	0	(2,106)
0	0	0	0	0	0	0	0	0	0	4,300
7	(135)	(50)	(72)	0	(1,169)	(100)	(745)	(324)	1,577	615
460,623	121,475	529,853	386,313	232,750	482,841	324,888	9,318	148,635	1,962,390	(3,530,824)
432,271	93,769	471,368	355,891	216,519	402,567	297,979	1,584	103,004	1,299,920	(2,292,315)

**NOTE 41:****SIGNIFICANT EVENTS DURING THE YEAR ENDED  
31 DECEMBER 2012****Term Note Program and EMTN  
Programme**

See details in Note 15.

**Partial cancellation of  
EUR 125 million subordinated notes**

See details in Note 18.

**NOTE 42:****STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE  
HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS  
ON THE GROUP'S FINANCIALS (in HUF million)**

In 2012 the operating environment remained weak, although the risk assessment of the CEE region and especially that of Hungary improved.

In 2012 the Hungarian economy contracted by 1.7% comparing to the previous year.

On the production side, the manufacturing industry that used to be a significant positive contributor to the economic growth showed signs of exhaustion, despite the Mercedes plant that started production last year. On the consumption side, both households' consumption and investments declined, and dynamics of export moderated significantly.

Although export growth decelerated, the net export's growth contribution increased, since the weak internal demand exerted a negative impact on import dynamics. Owing to the measures improving budget balance in 2012, the budget was kept below 3%, and the public debt to GDP ratio showed a decline in yearly comparison.

The deteriorating economic performance was a widespread phenomenon in the second half of 2012 among countries in the CEE region where OTP is present, even in case of those countries that could reach strong growth rates in 2011 (Russia, Slovakia, Ukraine).

The Hungarian forint strengthened both against

the euro and the Swiss franc by 6%. The forint showed a strengthening against currencies of the foreign subsidiaries, too (against the Russian rouble by 3%, the Bulgarian lev 6%, the Ukrainian hryvnia 8%, the Romanian leu 9%). Compared to the end of year 2011 Hungarian government securities benchmark yields came down significantly: in case of short maturities yields declined by 220-260 bps, in case of maturities beyond 1 year by 350-380 bps. The sovereign CDS spread narrowed noticeably during 2012 and declined to around 280 bps. The CDS spreads of countries of foreign subsidiaries narrowed, too. Taking a look at the foreign exchange rate changes, the Ukrainian hryvnia remained stable against USD, but the Romanian ley depreciated by 3% against CHF.

In 2012 the Group continued to focus its activity on stable operation by maintaining robust capital position and significant liquidity reserves as well as implementing prudent risk management and monitoring practices in line with the deteriorating loan portfolio. At the same time, some Group member banks could exploit the business opportunities and post loan and deposit volume growth during 2012.

Countries	Gross loans and interbank placements with other banks	Securities	Total
Hungary	3,357,030	1,765,243	5,122,273
Bulgaria	1,195,475	17,189	1,212,664
Russia	889,162	35,624	924,786
Ukraine	696,921	50,517	747,438
Romania	449,843	12,894	462,737
Croatia	385,520	21,886	407,406
Slovakia	291,881	21,545	313,426
Montenegro	204,957	5,680	210,637
Serbia	117,117	–	117,117
United Kingdom	89,855	–	89,855
Germany	63,604	107	63,711
Cyprus	46,455	–	46,455
United States of America	32,576	726	33,302
France	29,486	–	29,486
Luxembourg	11,362	291	11,653
Switzerland	11,223	–	11,223
Austria	10,272	6,223	16,495
Other*	21,882	1,851	23,733
<b>Total</b>	<b>7,904,621</b>	<b>1,939,776</b>	<b>9,844,397</b>

\* Other category includes: Belgium, Czech Republic, Norway, Turkey etc.

- One of the direct consequences of the crisis started late 2008 was the generally weak **loan demand** in most of the relevant markets except for the consumer lending business. The consolidated loan book declined by 2% in 2012 (adjusted for FX rate movements). Only the consumer segment could grow during 2012 by 14%. As for the consumer lending, those were the Russian and Ukrainian portfolios remaining the engines of growth. The Russian consumer book grew by 31%, however the yearly dynamism lagged behind that of the previous year (61%). The Ukrainian consumer lending remained vibrant, due to the relatively low base the annual growth was high at 282%. In the Ukraine the selling network expanded rapidly, the bank used almost 2,600 agents by the end of 2012 and increased the network of partner retail chains. POS loan volumes stood at HUF 25 billion in December. In order to capitalize on cross sale potentials the Bank entered the market with new credit card products late 2011 and cash loan sale was intensified, too. By the end of the year credit card loan volumes represented HUF 9 billion with cash loans standing at HUF 7 billion.
- Regarding other consolidated loan book segments, all categories suffered a decline: mortgages, car loans and corporate exposures shrank further (by 6%, 16% and 5% respectively). The 6% decline in the consolidated mortgage loan portfolio was chiefly the result of the Hungarian early repayment program for FX mortgage borrowers. On the positive side the Slovakian, Romanian and Croatian mortgage volumes could increase by 8%, 2% and 1%, respectively.
- Based on the Country Protection Action Plan of the Hungarian Government announced on 12 September 2011, FX mortgage loans of Hungarian households could get repaid at off-market rates in the period between 29 September 2011 and 28 February 2012, provided that certain eligibility criteria were met. The **early repayment program** had a total negative impact on consolidated net earnings of HUF 33.4 billion. In accordance with accounting standards, out of the total impact HUF 31.6 billion was recognised in 2011 and HUF 1.8 billion in the first quarter of 2012.

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

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

- As for the **deposit collection**, the FX-adjusted consolidated deposit base expanded by 6% in 2012. Regarding the net loan to deposit ratios, subsidiaries with the highest ratios in Romania, the Ukraine and Serbia demonstrated the most remarkable adjustment on a yearly base. Retail deposits of OTP Core dropped by 4% in 2012. The volume development was determined by the fact that clients used their savings for early repayment of FX mortgage loans. Furthermore, since the beginning of 2012

the Hungarian State has offered attractive interest rates on government bonds and conducts intensive promotional campaigns. As a result, the structure of retail savings realigned at the expense of term deposits and bank bonds in favour of government bonds.

- The strong **liquidity positions** of the Group did not require foreign currency denominated wholesale funding, on the contrary, through the excess liquidity generated by on-going FX loan repayments the Bank managed to reduce its outstanding net swap position. By the end of 2012 the gross liquidity reserves of the group reached almost EUR 6 billion equivalent and by the end of the year OTP had already managed to renew all its 2013 swap roll-over needs.
- Another side effect of the crisis was the deterioration in the financial position of the clients, which led to worsening **loan quality** and materially increasing risk costs compared to levels witnessed before 2008. In 2012 the ratio of consolidated loans in more than 90 days of delinquency ('DPD90+ ratio') increased further to 19.1% from 16.6% at the end of 2011. The pace of deterioration decelerated remarkably in the second half of 2012. This positive development reflects the delayed effect of stronger and less volatile HUF after the peak at the beginning of 2012, the benefit of the fixed instalment scheme in Hungary and the slowdown of loan quality deterioration in Bulgaria. At the same time the Russian new DPD90+ volume formation remained at relatively high levels. Thanks to the prudent provisioning, the provision coverage of the DPD90+ loan book improved gradually in 2012 to 80.0% and significantly exceeded the level as at the end of 2011 (+3.3 pts).
- The further enhancement of the strong **capital position** still remained a top priority for the Group in 2012. The Basel 2 capital

\* OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc, OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financing Netherlands Ltd and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Centre, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across OTP Group.

adequacy ratio of the Group reached 19.7% at the end of 2012 (+2.4 ppts comparing to the previous year), which is significantly higher than the ratios at its regional competitors. The Tier1 ratio (after deducting goodwill and intangible assets from the capital base) stood at 16.1% and the Core Tier1 ratio (further deducting hybrid capital) at 14.7%. The capital adequacy ratio of the Bank (under local accounting standards) stood at 20.5%, compared to 17.9% at the end of 2011.

During the period dividend income from subsidiaries contributed to the capital of the Bank in the amount of HUF 43 billion. In 2012 OTP Bank Romania received two capital injections from the mother company in the amount of altogether HUF 12 billion equivalent. The capital of the Serbian subsidiary was increased by HUF 6 billion through converting subordinated debt provided by OTP into ordinary shares. On the top of that OTP banka Srbija received a capital injection of HUF 12 billion equivalent in 2012. The capital of CKB Bank, the Montenegrin subsidiary was increased twice: by HUF 3 billion and HUF 2 billion, both through converting subordinated debt provided by OTP into ordinary shares. The capital adequacy ratios of the foreign subsidiaries are comfortably above the local regulatory minimums.

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

- The Hungarian and Slovakian members of OTP Group paid **special bank tax** in the gross amount of HUF 37.1 billion in 2012. Taking into account the corporate tax shield effect, the net negative impact reached HUF 30.2 billion.

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

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

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

The 2012 annual estimated after tax profit effect of the fixed exchange rate scheme was recognised in OTP Core's P&L as other risk cost in the second quarter of 2012. From the second quarter of 2012 credit institutions' contribution tax started to be recognised in the P&L of OTP Core as OTP Core's burden share in the fixed exchange rate scheme. In the last quarter the fixed exchange rate scheme for FX mortgage borrowers resulted a HUF 0.4 billion contribution tax payment,



while in previous quarters the impact of the tax was insignificant. In parallel with the tax payment of the fourth quarter the formerly set aside other provisions were released.

- On 27 October 2012 the Prime Minister announced that the central government will **consolidate the debt of local governments** in Hungary. As for municipalities with less than 5,000 inhabitants the State provided a non-refundable subsidy for the repayment of outstanding debts (including loans, bonds and bills of exchange) as at 12 December 2012. At OTP Bank a total debt of HUF 28.7 billion was repaid (calculated with FX rates as of 27 December 2012), out of this forint denominated debt reached HUF 24.2 billion. The debt assumption from bigger municipalities is expected to take place in the first half of 2013. At the Bank the total exposure to municipalities with more than 5 thousands inhabitants represented HUF 245 billion at the end of December 2012 (including loans and bonds as well). After the expected debt-consolidation in the second quarter of 2013 part of this loan amount becomes loans to the central government in the balance sheet of the Bank.
- In 2012 a one-off positive tax shield impact emerged in relation to the impairment of the investments into the Serbian and Montenegrin subsidiaries recognised on the balance sheet of OTP. The impairments under local accounting standards amounted to HUF 15 billion and HUF 5.9 billion, respectively. Though on the consolidated level these impairments had no direct effect either on the balance sheet or on the P&L, there was a positive tax shield of HUF 4.0 billion that added to the Group's IFRS accounting profit.
- Concerning OTP Group members, the following rating actions were taken by international rating agencies in 2012:
  - On 12 January 2012 OTP's Support Rating '3' was affirmed by Fitch Ratings.
  - On 13 January 2012 Fitch Ratings affirmed long term foreign currency Issuer Default Rating ('IDR') of OTP Bank Russia at 'BB', the rating outlook has been changed from 'stable' to 'negative'.
  - On 17 May 2012 Moody's Investors Service placed on review for possible downgrade DSK Bank's ratings. On 31 July 2012, however, Moody's confirmed DSK Bank's long- and short term local currency deposit rating at Baa3/Prime-3. This rating action concluded the review initiated in May 2012.
  - On 30 July 2012 Moody's Investors Service confirmed DSK Bank's long and short-term local and foreign currency deposit ratings at Baa3/Prime-3 and lowered by one notch its standalone bank financial strength rating (BFSR) to D from D+. All ratings carry a negative outlook.
  - On 27 November 2012 S&P lowered the long term counterparty credit ratings of the Bank and OTP Mortgage Bank to 'BB' from 'BB+'. The short term counterparty credit rating has been confirmed at level 'B'. The outlooks on both banks are stable.
  - On 7 December 2012 following the downgrade of the Ukrainian sovereign, Moody's downgraded OTP Bank Ukraine long-term foreign currency deposit rating to 'Caa1' from 'B3', outlook is negative.
  - On 12 December 2012 Moody's Investors Service placed on review for downgrade the standalone bank financial strength ratings (BFSR) and the debt and deposit ratings of seven Hungarian banks, including the Bank and OTP Mortgage Bank.
  - On 13 December 2012 following the placement on review for downgrade of the

mother bank's ratings, Moody's placed on review for downgrade the long-term deposit ratings of OTP Bank Russia and the short- and long-term deposit ratings of DSK Bank.

– On 14 December 2012 Moody's Investors Service placed on review for downgrade the ratings of covered bonds issued by OTP Mortgage Bank.



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Company Registration Number: 01-09-071057

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of OTP Bank Plc for the year 2012, which financial statements comprise the statement of financial position as at December 31, 2012 and the related statement of recognized and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 150-229 of this Annual Report.

#### *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.

Member of Deloitte Touche Tohmatsu Limited

*Opinion*

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

*Emphasis of Matter*

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

Budapest, March 29, 2013



Gion Gábor  
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## Statement of financial position

(separate, based on IFRS, as at 31 December 2012, in HUF million)

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

Budapest, 29 March 2013

The accompanying notes to separate financial statements on pages 154 to 229 form an integral part of these separate financial statements.

## Statement of recognized income

(separate, based on IFRS, for the year ended 31 December 2012, in HUF million)

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

## Statement of comprehensive income

(separate, based on IFRS, for the year ended 31 December 2012, in HUF million)

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

The accompanying notes to separate financial statements on pages 154 to 229 form an integral part of these separate financial statements.

## Statement of cash flows

(separate, based on IFRS, for the year ended 31 December 2012, in HUF million)

<b>OPERATING ACTIVITIES</b>	<b>Note</b>	<b>2012</b>	<b>2011</b>
<b>Profit before income tax</b>		<b>33,023</b>	<b>125,743</b>
Depreciation and amortization		20,959	23,767
Provision for impairment on loan and placement losses	5., 8., 22,	53,308	76,439
Provision for impairment on investments in subsidiaries	9.	35,584	83,531
Provision for impairment/(release of provision) on other assets	12.	483	(472)
Provision/(release of provision) on off-balance sheet commitments and contingent liabilities	17.	495	(3,583)
Share-based payment	28.	4,584	6,188
Unrealised (losses)/gains on fair value adjustment of securities available-for-sale and held for trading		(2,012)	1,757
Unrealised gains/(losses) on fair value adjustment of derivative financial instruments		2,735	(5,570)
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		29,158	19,536
<b>Changes in financial liabilities at fair value through profit or loss</b>		<b>(377)</b>	<b>(431)</b>
Net decrease/(increase) in loans, net of allowance for loan losses		245,786	(47,435)
Decrease/(increase) in other assets, excluding advances for investments and before provisions for losses		25,815	(22,164)
Net increase in deposits from customers		84,341	136,517
(Decrease)/increase in other liabilities		(28,675)	45,154
Net (increase)/decrease in the compulsory reserve established by the National Bank of Hungary		(395)	2,712
Dividend income		(43,098)	(78,831)
Income tax paid		(4,391)	(11,557)
<b>Net cash provided by operating activities</b>		<b>457,323</b>	<b>351,301</b>
<b>INVESTING ACTIVITIES</b>			
Net decrease/(increase) in placements with other banks before allowance for placement losses		232,701	(99,807)
Net increase in securities available-for-sale		(166,690)	(261,740)
Net increase in investments in subsidiaries		(45,227)	(97,421)
Dividend income		43,098	78,831
Net (increase)/decrease in securities held-to-maturity		(247,461)	33,766
Additions to property, equipment and intangible assets		(27,704)	(44,662)
Disposals of property, equipment and intangible assets		-	12,890
Net decrease/(increase) in advances for investments included in other assets		40	(66)
<b>Net cash used in investing activities</b>		<b>(211,243)</b>	<b>(378,209)</b>
<b>FINANCING ACTIVITIES</b>			
Net (decrease)/increase in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		(44,802)	129,925
Cash received from issuance of securities		274,329	480,103
Cash used for redemption of issued securities		(403,096)	(526,817)
(Decrease)/increase in subordinated bonds and loans		(22,247)	28,359
Payments to ICES holders		(4,377)	(4,632)
Net change in Treasury shares		430	(1,815)
Dividend paid		(28,140)	(20,204)
<b>Net cash (used in)/provided by financing activities</b>		<b>(227,903)</b>	<b>84,919</b>
<b>Net increase in cash and cash equivalents</b>		<b>18,177</b>	<b>58,011</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>146,208</b>	<b>88,197</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>164,385</b>	<b>146,208</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>			
Cash, amounts due from banks and balances with the National Bank of Hungary		226,976	171,677
Compulsory reserve established by the National Bank of Hungary		(80,768)	(83,480)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>146,208</b>	<b>88,197</b>
Cash, amounts due from banks and balances with the National Bank of Hungary	4.	245,548	226,976
Compulsory reserve established by the National Bank of Hungary	4.	(81,163)	(80,768)
<b>Cash and cash equivalents at the end of the year</b>		<b>164,385</b>	<b>146,208</b>

The accompanying notes to separate financial statements on pages 154 to 229 form an integral part of these separate financial statements.

## Statement of changes in shareholders' equity

(separate, based on IFRS, for the year ended 31 December 2011, in HUF million)

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

The accompanying notes to separate financial statements on pages 154 to 229 form an integral part of these separate financial statements.



# NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

## NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

### 1.1. General information

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

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

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

	2012	2011
<b>The structure of the Share capital by shareholders (%):</b>		
Domestic and foreign private and institutional investors	97%	96%
Employees	2%	2%
Treasury shares	1%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

	2012	2011
<b>Number of the employees of the Bank:</b>		
Number of employees	8,070	7,957
Average number of employees	8,012	7,857

### 1.2. Accounting

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

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

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with the International Financial Reporting Standards ('IFRS'). Certain adjustments

have been made to the Bank's Hungarian separate statutory accounts (see Note 38), in order to present the separate financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ('IASB'), which are referred to as IFRS.

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

separate financial statements, had it been approved by the EU before the preparation of these financial statements.

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

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

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

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

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

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

- IFRS 10 'Consolidated Financial Statements', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 'Joint Arrangements', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 'Disclosures of Interests in Other Entities', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 13 'Fair Value Measurement', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),

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

- IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine', adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

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

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

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015),
- IFRS 9 (Amendment) 'Financial Instruments' and IFRS 7 (Amendment) 'Financial Instruments: Disclosures' – Mandatory Effective Date and Transition Disclosures,
- IFRS 10 (Amendment) 'Consolidated Financial Statements', IFRS 11 (Amendment) 'Joint Arrangements' and IFRS 12 (Amendment)

'Disclosures of Interests in Other Entities'  
– Transition Guidance (effective for annual periods beginning on or after 1 January 2013),

- IFRS 10 (Amendment) 'Consolidated Financial Statements', IFRS 12 (Amendment) 'Disclosures of Interests in Other Entities' and IAS 27 (Amendment) 'Separate Financial Statements'  
– Investment Entities (effective for annual periods beginning on or after 1 January 2014),

- Amendments to various standards 'Improvements to IFRSs (2012)' resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013).

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

## **NOTE 2:**

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **2.1. Basis of presentation**

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

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

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

## 2.2. Foreign currency translation

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

## 2.3. Consolidated financial statements

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

## 2.4. Investments in subsidiaries

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

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

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

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

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

## 2.5. Securities held-to-maturity

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

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

## 2.6. Financial assets at fair value through profit or loss

### 2.6.1. Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at

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

### **2.6.2. Derivative financial instruments**

In the normal course of business, the Bank is a party to contract for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Bank both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. OTP Bank adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as OTP Bank has almost all of its open derivative transactions collateralised. There is no other credit value (CVA), debit value (DVA) or funding value (FVA) adjustment applied. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the separate statement of recognized income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

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

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

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

### **2.8. Securities available-for-sale**

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Available-for-sale securities are measured at subsequent

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

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

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

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

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

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

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

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

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

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

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

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

## **2.10. Sale and repurchase agreements, security lending**

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and Hungarian

Government, deposits from the National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the statement of financial position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement.

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

### 2.11. Property, equipment and intangible assets

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

<b>Intangible assets</b>	
Software	20–33.3%
<b>Property rights</b>	<b>16.7%</b>
Property	1–2%
<b>Office equipments and vehicles</b>	<b>8–33.3%</b>

Depreciation and amortization on properties, equipments and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount

of the cash-generating unit to which the asset belongs. Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

### 2.12. Financial liabilities

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

### 2.13. Leases

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

lease terms. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

#### **2.14. Treasury shares**

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

#### **2.15. Interest income and interest expense**

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

#### **2.16. Fees and Commissions**

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

#### **2.17. Dividend income**

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

#### **2.18. Income tax**

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

#### **2.19. Off-balance sheet commitments and contingent liabilities**

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

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



## 2.20. Share-based payment

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

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

## 2.21. Separate statement of cash flows

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

## 2.22. Segment reporting

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

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

identified by the Bank are the business and geographical segments.

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

## 2.23. Comparative figures

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

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

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

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

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

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

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

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

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

In the year of 2012 – together at OTP Bank, OTP Mortgage Bank and OTP Flat Lease – additional 14,934 customers paid back their FX mortgage loans. Therefore provision for

impairment on loan losses in the amount of HUF 32,901 million was recognized at OTP Group. Provision for impairment on loan losses in the amount of HUF 2,101 million was recognized at OTP Bank relating to early repayment of OTP Bank's own customers.

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

As a consequence of guarantee contract OTP Bank recognized provision on this expected loss of above mentioned subsidiaries in the separated financial statements.

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

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

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

on investments at the same amount. In 2012 correction occurred based on final realised loss related to early repayment as investments in subsidiaries were lowered with HUF 3,257 million and parallel with that provision for impairment was released at the same amount.

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

In case of loans related to early repayment, interest was recognized at fixed exchange rate in interest income.

During calculating the loss arising from the early repayment, loss falling to share of interest was taken into account which was recognized on the line of Interest income from loans (See Note 22.). Regarding to 2011 amendment of Act LIX of 2006 the financial institution reduced the 2011 amount of the payable bank tax as a tax refund with 30% of the loss from paid FX based mortgage loans. If the tax refund had exceeded the bank tax determined for the year 2011, the difference could have been claimed at tax determination for 2011 by the related parties (one or more

financial institution or insurance company) ('tax refund beneficiary') of the financial institution.

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

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

NBH invited tenders for selling euro from 3 October 2011 what was announced regularly till 29 February 2012, above all weekly if necessary more frequently. Credit institution was obliged to utilize the same sum of foreign exchange as the amount published in information related to realised early repayment – according to Act on Credit Institutions 200/B – by the credit bank or

the corresponding one. Credit institutions were obliged to exchange for HUF the unutilized part of EUR stock at original rate between 1 and 14 March 2012.

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

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

EUR stock was recognized in OTP Bank's separate financial statements, in connection with that foreign exchange losses in the amount of HUF 5,278 million and gains in the amount of HUF 9,313 million were realised

in the separate financial statements as at 31 December 2012 and 2011. This sum is reducing the loss incurred related to early repayment at the level of OTP Group.

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

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

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates was announced. Accordingly, in favour of performing FX mortgage debtors with up to 90 days of delinquency, the natural person FX mortgage debtor could initiate in writing between 12 August and 31 December 2011 the fixing of the exchange rate used to specify his monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates were set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provided a special purpose HUF denominated mortgage loan ('escrow account loan'), granting of which is not regulated by the rules of prudent lending. Escrow account loan is an appropriation established by the Hungarian Government to help FX mortgage debtors during the repayment of FX mortgage loans to finance the instalment-proportion non-paid by debtors arising from the difference between the fixed and the exceeding actual spot exchange rate. During the time of fixing, the Bank was entitled to charge not more than the 3-months BUBOR interest rate on the HUF obligations on the escrow account which could be capitalised in every three months. Following the fixed exchange rate period debtors are obliged to pay instalments of both

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

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

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

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

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

**An analysis of main figures related to escrow account loan construction:  
Number of loans includes contracts which were made until 31 December 2012 but no gross amount belongs to them.**

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

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

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

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

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

- a) no conversion into HUF denominated loan occurred yet
- b) the total market value of real estate serving as collateral did not exceed HUF 20 million at conclusion of FX loan contract
- c) at least HUF 78 thousand is the amount from debt which is due and delinquency of debtor

more than 90 days as at 30 September 2011 and since then it is continuous.

- d) right of legal enforcement is not recorded on real estate included in FX mortgage loan contract
- e) debtor made a statement in writing until 15 May 2012 that its delinquency was caused by significant and justifiable deterioration of ability to pay.

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

**Main figures of conversion into HUF denominated loans:**

	<b>OTP Bank</b>
Number of DPD* 90+ loans (number of loans)	11
Loan losses (in HUF mn)	10

\* DPD: day past due

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

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

**3.1. Impairment on loans and placements**

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

**3.2. Valuation of instruments without direct quotations**

Financial instruments without direct quotations in an active market are valued using the

valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (eg. for correlations, volatilities, etc). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

**3.3. Provisions**

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

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

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

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

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

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

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

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

*Interest conditions of placements with other banks:*

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

**NOTE 6:****FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF million)****Securities held for trading:**

	<b>2012</b>	<b>2011</b>
Corporate shares	90,431	87,871
Hungarian government interest bearing Treasury Bills	2,111	115
Hungarian government discounted Treasury Bills	2,098	4,146
Securities issued by the NBH	1,333	1,715
Government bonds	1,331	22,846
Mortgage bonds	408	5,776
Securities issued by credit institutions	49	2,093
Other securities	10	314
	97,771	124,876
Accrued interest	164	1,083
<b>Subtotal</b>	<b>97,935</b>	<b>125,959</b>

**Derivative financial instruments classified as held for trading:**

	<b>2012</b>	<b>2011</b>
Interest rate swaps classified as held for trading	73,199	39,442
CCIRS and mark-to-market CCIRS* classified as held for trading	54,480	66,281
Foreign currency swaps classified as held for trading	7,107	24,329
Other derivative transactions**	10,294	16,566
<b>Subtotal</b>	<b>145,080</b>	<b>146,618</b>
<b>Total</b>	<b>243,015</b>	<b>272,577</b>

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

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

	<b>2011</b>	<b>2010</b>
Securities held for trading denominated in HUF	100%	95%
Securities held for trading denominated in foreign currency	0%	5%
<b>Securities held for trading total</b>	<b>100%</b>	<b>100%</b>
Government securities denominated in HUF	92%	84%
Government securities denominated in foreign currency	8%	16%
<b>Government securities total</b>	<b>100%</b>	<b>100%</b>
Interest rates on securities held for trading	3.5%–13%	1.6%–11.9%
Average interest on securities held for trading	6.51%	5.27%

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

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



## NOTE 7:

## SECURITIES AVAILABLE-FOR-SALE (in HUF million)

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

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

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

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

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

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

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

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

**An analysis of the loan portfolio by currency:**

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

**Interest rates of the loan portfolio are as follows:**

	<b>2012</b>	<b>2011</b>
Loans denominated in HUF, with a maturity within one year	7.7%–32.4%	8.2%–29%
Loans denominated in HUF, with a maturity over one year	2.7%–24.8%	3%–24.8%
Loans denominated in foreign currency	1.8%–22.8%	1.8%–28%
Average interest on loans denominated in HUF	14.56%	13.82%
Average interest on loans denominated in foreign currency	4.14%	4.35%
Gross loan portfolio on which interest to customers is not being accrued	10.04%	9.35%

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

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

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

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

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

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

The Bank sells non-performing loans without recourse at estimated fair value to a wholly

owned subsidiary, OTP Factoring Ltd.  
(See Note 29.)

**NOTE 9:****SIGNIFICANT SUBSIDIARIES AND ASSOCIATES  
(in HUF million)**

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

**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:

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

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

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

The provision for impairment on OTP Bank JSC (Ukraine) was HUF 97,526 million, for OTP banka Srbija a.d. was HUF 56,803 million, for Crnogorska komercijalna banka a.d was HUF 26,714 million as at 31 December 2012.

OTP Bank recognized provision for impairment in amount of HUF 9,232 million for OTP banka Hrvatska d.d., HUF 36,967 million for OTP banka Srbija a.d. and HUF 18,519 million for Crnogorska komercijalna banka a.d in 2012.

### Significant associates

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

##### As at 31 December 2012

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

##### As at 31 December 2011

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

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

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

On 18 January 2012 the Slovakian Court of Registration registered a capital increase at the Slovakian subsidiary of OTP Bank. The registered

capital of OTP Banka Slovensko a.s. was increased by EUR 10,019,496 from EUR 68,488,401.84 to EUR 78,507,897.84 based on the share subscription closed on 16 December 2011. Accordingly, the ownership ratio of OTP Bank grew from 98.82% to 98.94%.

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

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

On 26 November 2012 the general meeting of OTP Bank Romania S.A. passed a resolution about a

\* Moneta a.d. was sold in October 2012.

capital increase by issuing ordinary shares. The registered capital of the Romanian subsidiary was raised from RON 682,908,960 to RON 732,908,880 by its majority owner, OTP Bank.

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

The share capital increase including share premium was carried out by OTP Bank, one of the owners of OTP Real Estate Ltd., and made effective 20 December 2012. As a consequence, the registered capital of OTP Real Estate Ltd. has

increased to HUF 2,145,000,000 from 2,136,000,000. While the ownership ratios in OTP Real Estate Ltd. were modified as follows: OTP Bank (22.15%), OTP Holding Ltd. (57.25%), Bank Center No. 1 Ltd. (20.60%). The Court of Budapest Municipality acting as a Court of Registration registered the capital increase in OTP Real Estate Ltd., a subsidiary owned by OTP Bank.

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

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

The purpose of the capital settlement is

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

## NOTE 10:

## SECURITIES HELD-TO-MATURITY (in HUF million)

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

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

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

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

	2012	2011
Securities held-to-maturity denominated in HUF	100%	100%
Securities held-to-maturity denominated in foreign currency	0%	0%
<b>Securities held-to-maturity total</b>	<b>100%</b>	<b>100%</b>
Interest rates on securities held-to-maturity	5.5%–9.5%	5.5%–11.9%
Average interest on securities held-to-maturity denominated in HUF	8.24%	7.30%

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

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

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

### For the year ended 31 December 2012

	Intangible assets	Property	Office equipments and vehicles	Construction in progress	Total
<b>Cost</b>					
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)
<b>Balance as at 31 December</b>	<b>124,248</b>	<b>67,327</b>	<b>74,547</b>	<b>10,325</b>	<b>276,447</b>
<b>Depreciation and Amortization</b>					
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)
<b>Balance as at 31 December</b>	<b>92,651</b>	<b>15,622</b>	<b>58,525</b>	<b>–</b>	<b>166,798</b>
<b>Net book value</b>					
Balance as at 1 January	31,171	50,514	15,343	7,304	104,332
<b>Balance as at 31 December</b>	<b>31,597</b>	<b>51,705</b>	<b>16,022</b>	<b>10,325</b>	<b>109,649</b>

### For the year ended 31 December 2011

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

## NOTE 12:

## OTHER ASSETS (in HUF million)

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

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

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

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

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

## NOTE 13:

## AMOUNTS DUE TO BANKS AND HUNGARIAN GOVERNMENT, DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF million)

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

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

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

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

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

**NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF million)**

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

**Interest rates on deposits from customers are as follows:**

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

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

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

**NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF million)**

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



## Interest rates on liabilities from issued securities are as follows:

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

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

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

Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % p.a.)	Hedged
51.	EUR 2 2014/VIII	20/04/2012	20/04/2014	EUR	0.25	73	4 fixed
52.	EUR 2 2014/III	10/02/2012	10/02/2014	EUR	0.24	71	4 fixed
53.	EUR 2 2014/XV	03/08/2012	03/08/2014	EUR	0.23	67	3.75 fixed
54.	EUR 2 2014/XVI	17/08/2012	17/08/2014	EUR	0.22	64	3.5 fixed
55.	EUR 2 2014/XX	12/10/2012	12/10/2014	EUR	0.22	63	3.25 fixed
56.	EUR 2 2014/XXII	09/11/2012	09/11/2014	EUR	0.20	60	3.25 fixed
57.	EUR 2 2014/XIII	22/06/2012	22/06/2014	EUR	0.20	58	3.75 fixed
58.	EUR 2 2014/II	27/01/2012	27/01/2014	EUR	0.19	56	4 fixed
59.	EUR 2 2014/XIV	13/07/2012	13/07/2014	EUR	0.18	54	3.75 fixed
60.	EUR 2013/XI	02/12/2011	02/12/2013	EUR	0.18	53	3.5 fixed
61.	EUR 2013/XIII	29/12/2011	29/12/2013	EUR	0.15	44	4 fixed
62.	EUR 2 2014/VII	06/04/2012	06/04/2014	EUR	0.15	43	4 fixed
63.	EUR 2013/X	25/11/2011	25/11/2013	EUR	0.14	41	3 fixed
64.	EUR 2 2014/XII	08/06/2012	08/06/2014	EUR	0.13	37	3.75 fixed
65.	EUR 2 2014/VI	23/03/2012	23/03/2014	EUR	0.10	30	4 fixed
66.	EUR 2 2014/XI	25/05/2012	25/05/2014	EUR	0.10	30	3.75 fixed
67.	EUR 2 2014/V	09/03/2012	09/03/2014	EUR	0.10	28	4 fixed
68.	EUR 2013/XII	16/12/2011	16/12/2013	EUR	0.08	25	3.5 fixed
69.	EUR 2 2014/I	13/01/2012	13/01/2014	EUR	0.06	17	4 fixed
70.	EUR 2 2014/X	11/05/2012	11/05/2014	EUR	0.05	15	3.75 fixed
<b>Subtotal issued securities in FX</b>					<b>43,023</b>		
Unamortized premium					1,340		
Fair value hedge adjustment					46		
<b>Total</b>					<b>44,409</b>		

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

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

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

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

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

Slovakian, Romanian and Bulgarian Stock Exchange.

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

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

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

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

Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
65.	2019/Bx	05/10/2009	05/02/2010	14/10/2019	442	indexed floating	hedged
66.	2015/Gx	08/11/2012		16/11/2015	435	indexed floating	hedged
67.	2013/Ax	28/06/2010		08/07/2013	428	indexed floating	hedged
68.	2021/Dx	21/12/2011		27/12/2021	425	indexed floating	hedged
69.	2013/Cx	16/12/2010		19/12/2013	420	indexed floating	hedged
70.	2020/Bx	28/06/2010		09/07/2020	415	indexed floating	hedged
71.	2016/Ex	28/12/2012		27/12/2016	395	indexed floating	hedged
72.	2014/Fx	20/10/2011		21/10/2014	391	indexed floating	hedged
73.	2015/Ex	18/07/2012		20/07/2015	390	indexed floating	hedged
74.	2020/Ax	25/03/2010		30/03/2020	380	indexed floating	hedged
75.	2019/Cx	14/12/2009		20/12/2019	379	indexed floating	hedged
76.	2021/Bx	17/06/2011		21/06/2021	370	indexed floating	hedged
77.	2022/Dx	28/12/2012		27/12/2022	350	indexed floating	hedged
78.	2021/Ax	01/04/2011		01/04/2021	335	indexed floating	hedged
79.	2022/Cx	29/10/2012		28/10/2022	325	indexed floating	hedged
80.	2021/Cx	19/09/2011		21/09/2021	320	indexed floating	hedged
81.	2014/Gx	21/12/2011		30/12/2014	320	indexed floating	hedged
82.	2022/Bx	18/07/2012		18/07/2022	295	indexed floating	hedged
83.	2019/Ax	25/06/2009		01/07/2019	284	indexed floating	hedged
84.	2022/Ax	22/03/2012		23/03/2022	280	indexed floating	hedged
85.	2020/Cx	11/11/2010		05/11/2020	259	indexed floating	hedged
86.	OVK 2014/I	31/01/2012	03/07/2012	27/01/2014	237	6.75 fixed	
87.	TBSZ6 2017/I	13/01/2012	22/06/2012	15/12/2017	236	6.5 fixed	
88.	2020/Dx	16/12/2010		18/12/2020	235	indexed floating	hedged
89.	OJK 2016/I	26/08/2011	21/12/2011	26/08/2016	211	6.14 fixed	
90.	2015/Hx	28/12/2012		27/12/2015	170	indexed floating	hedged
91.	2022/RF/A	22/03/2012		23/03/2022	135	indexed floating	hedged
92.	2022/RF/D	28/06/2012		28/06/2022	92	indexed floating	hedged
93.	2022/RF/C	28/06/2012		28/06/2022	73	indexed floating	hedged
94.	TBSZ 4 2015/II	21/12/2012		15/12/2015	49	6 fixed	
95.	2022/RF/B	22/03/2012		23/03/2022	46	indexed floating	hedged
96.	2021/RF/C	21/12/2011		30/12/2021	41	indexed floating	hedged
97.	OJK 2017/I	27/01/2012	13/07/2012	27/01/2017	41	7 fixed	
98.	2021/RF/D	21/12/2011		30/12/2021	35	indexed floating	hedged
99.	2021/RF/E	21/12/2011		30/12/2021	18	indexed floating	hedged
100.	2022/RF/E	29/10/2012		31/10/2022	17	indexed floating	hedged
101.	2022/RF/F	28/12/2012		28/12/2022	14	indexed floating	hedged
102.	other	—	—	—	255		
<b>Subtotal issued securities in HUF</b>				<b>280,759</b>			
Unamortized premium				(482)			
Fair value hedge adjustment				1,693			
<b>Total issued securities in HUF</b>				<b>281,970</b>			
Accrued interest				9,584			
<b>Total issued securities</b>				<b>335,963</b>			

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

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

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

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

**NOTE 17:****OTHER LIABILITIES (in HUF million)**

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

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

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

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

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

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

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

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

**NOTE 18:****SUBORDINATED BONDS AND LOANS (in HUF million)**

	2012	2011
In one year:		
In HUF	5,000	–
	5,000	–
Over one year:		
In HUF	–	5,000
In foreign currency	295,337	317,172
	<b>295,337</b>	<b>322,172</b>
	<b>300,337</b>	<b>322,172</b>
Accrued interest	3,413	3,825
<b>Total</b>	<b>303,750</b>	<b>325,997</b>

**Interest rates on subordinated bonds and loans are as follows:**

	2012	2011
Subordinated bonds and loans denominated in HUF	3.3%	3%
Subordinated bonds and loans denominated in foreign currency	0.7%–5.9%	2%–5.9%
Average interest on subordinated bonds and loans denominated in HUF	1.49%	1.34%
Average interest on subordinated bonds and loans denominated in foreign currency	4.95%	4.93%

**Partial cancellation of EUR 125 million subordinated notes**

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

EUR 125 million subordinated Notes series. After the cancellation of these bonds the outstanding amount of the notes decreased to EUR 120 million.

On 27 January 2012 the Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 04/03/2015, in the total notional amount of EUR 12 million.

On 1 February 2012 the Bank purchased additional EUR 2.05 million from the same Note series. After the cancellation of these bonds the outstanding amount of the notes decreased to EUR 105,950,000.

**Subordinated loans and bonds are detailed as follows:**

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

\* European Medium Term Note Program

**NOTE 19:****SHARE CAPITAL (in HUF million)**

	2012	2011
Authorized, issued and fully paid:		
Ordinary shares	28.000	28.000

On 21 April 2007, the law on abolishment of 'aranyrészvény' (special share assigning voting rights to the Hungarian State) came into force (Act XXVI of 2007). As a result of this, this special voting share with a face value of HUF 1,000 was

transformed into 10 ordinary shares with a face value of HUF 100. Therefore, the registered capital of the Bank consists of 280,000,010 ordinary shares with a face value of HUF 100.

**NOTE 20:****RETAINED EARNINGS AND RESERVES (in HUF million)**

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

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

The legal reserves (general reserve and tied-up reserve) are not available for distribution.

Dividend was calculated on the bases of the separate annual net profit according to HAS.

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

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares ('ICES'). Within the transaction 10 million shares owned by OTP Bank and 4.5 million OTP shares owned by OTP Fund Management Ltd. were sold during the underwriting period of ICES on the

weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. ('OPUS'), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds are perpetual and the investors can exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years thereafter the Issuer has the right to redeem the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%. OTP Bank has discretionary right to cancel the payments. The interest payable is non-cumulative.

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

**NOTE 21:****TREASURY SHARES (in HUF million)**

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

The changes in the carrying value of treasury shares are due to repurchase and sale

transactions on market authorised by the General Assembly.

**Change in number of shares:**

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

**Change in carrying value:**

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

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

	<b>2012</b>	<b>2011</b>
<b>Provision for impairment on loan losses</b>		
Provision for the period	93,834	129,912
from this: (release of provision)/provision for impairment on loan losses related to early repayment	(2,164)	2,164
Release of provision	(100,788)	(104,209)
Provision on loan losses	60,400	51,392
from this: provision on loan losses related to early repayment	2,078	2,948
	<b>53,446</b>	<b>77,095</b>

	<b>2012</b>	<b>2011</b>
<b>Release of provision for impairment on placement losses</b>		
Provision for the period	–	132
Release of provision	(138)	(944)
Provision on placement losses	–	156
	<b>(138)</b>	<b>(656)</b>

	<b>2012</b>	<b>2011</b>
<b>Provision for impairment on loan and placement losses</b>	<b>53,308</b>	<b>76,439</b>
<b>(Gains)/Losses on loans related to early repayment</b>	<b>(86)</b>	<b>5,112</b>
Losses from early repayment recognizing in interest income from loans	23	14
<b>Total loss on loans related to the early repayment</b>	<b>(63)</b>	<b>5,126</b>



**NOTE 23:****NET PROFIT FROM FEES AND COMMISSIONS (in HUF million)*****Income from fees and commissions:***

	<b>2012</b>	<b>2011</b>
Deposit and account maintenance fees and commissions	42,794	42,645
Fees and commission related to the issued bank cards	22,303	21,732
Fees related to the cash withdrawal	17,489	18,764
Fees and commissions related to security trading	13,560	12,288
Fees and commissions received from OTP Mortgage Bank Ltd.	8,106	10,306
Fees and commissions related to lending	5,038	3,608
Net fee income related to card insurance services and loan agreements	1,987	1,990
Other	6,289	5,636
<b>Total</b>	<b>117,566</b>	<b>116,969</b>

***Expenses from fees and commissions:***

	<b>2012</b>	<b>2011</b>
Fees and commissions related to issued bank cards	5,608	5,005
Interchange fee	5,423	5,681
Fees and commissions related to lending	2,946	1,338
Insurance fees	1,705	1,990
Cash withdrawal transaction fees	1,532	1,561
Money market transaction fees and commissions	799	1,152
Fees and commissions relating to deposits	751	746
Fees and commissions related to security trading	571	618
Postal fees	534	574
Other	2,624	2,948
<b>Total</b>	<b>22,493</b>	<b>21,613</b>
<b>Net profit from fees and commissions</b>	<b>95,073</b>	<b>95,356</b>

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

<b>Other operating income:</b>	<b>2012</b>	<b>2011</b>
Gains/(losses) on transactions related to property activities	64	(21)
Other	5,023	4,962
<b>Total</b>	<b>5,087</b>	<b>4,941</b>

<b>Net other operating expenses:</b>	<b>2012</b>	<b>2011</b>
Provision for impairment on investments in subsidiaries	35,584	83,531
Financial aid for sport association and organization of public utility	7,055	3,539
Provision/(release of provision) for off-balance sheet commitments and contingent liabilities	495	(3,583)
Provision/(release of provision) for impairment on other assets	483	(472)
Other	3,149	1,708
<b>Total</b>	<b>46,766</b>	<b>84,723</b>

<b>Other administrative expenses:</b>	<b>2012</b>	<b>2011</b>
<b>Personnel expenses:</b>		
Wages	55,688	51,063
Taxes related to personnel expenses	17,249	15,416
Other personnel expenses	7,519	7,076
<b>Subtotal</b>	<b>80,456</b>	<b>73,555</b>
<b>Depreciation and amortization:</b>	<b>20,959</b>	<b>23,767</b>

<b>Other administrative expenses:</b>	<b>2012</b>	<b>2011</b>
Taxes, other than income tax*	40,821	29,641
Administration expenses, including rental fees	20,169	20,328
Services	19,737	22,156
Advertising	5,849	6,811
Professional fees	3,696	3,782
<b>Subtotal</b>	<b>90,272</b>	<b>82,718</b>
<b>Total</b>	<b>191,687</b>	<b>180,040</b>

## NOTE 25: INCOME TAX (in HUF million)

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

### A breakdown of the income tax expense is:

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

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

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

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

	<b>2012</b>	<b>2011</b>
Unused tax allowance	5,945	–
Repurchase agreements and security lending	4,191	3,336
Tax accrual caused by negative taxable income	1,200	–
Difference in accounting for finance leases	412	483
Fair value adjustment of held for trading and available-for-sale securities	–	7,499
Provision for impairment on investments in subsidiaries	–	4,407
<b>Deferred tax assets</b>	<b>11,748</b>	<b>15,725</b>

	<b>2012</b>	<b>2011</b>
Fair value adjustment of held for trading and available-for-sale securities	(7,113)	–
Fair value adjustment of derivative financial instruments	(5,853)	(7,565)
Effect of redemption of issued securities	(3,824)	(4,706)
Valuation of equity instrument (ICES)	(2,775)	(3,977)
Effect of using effective interest rate method	(1,976)	(985)
Difference in depreciation and amortization	(1,862)	(1,847)
<b>Deferred tax liabilities</b>	<b>(23,403)</b>	<b>(19,080)</b>
<b>Net deferred tax asset</b>	<b>(11,655)</b>	<b>(3,355)</b>

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

## ***A reconciliation of the income tax expense is as follows:***

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

## ***Income tax adjustments due to permanent differences are as follows:***

	<b>2012</b>	<b>2011</b>
Differences in carrying value of subsidiaries	2,110	2,765
Reversal of statutory general provision	1,104	(206)
Share-based payment	871	1,176
OTP-MOL share swap transaction	871	(871)
Accounting of equity instrument (ICES)	370	(711)
Treasury share transaction	(36)	–
Reclassification of direct charges to reserves (self-revision)	(96)	(1,639)
Revaluation of investments denominated in foreign currency to historical cost	(4,316)	11,443
Deferred use of tax allowance	(5,945)	–
Dividend income	(8,189)	(14,978)
Effect of change of income tax rate	–	912
Tax effect of amortisation of statutory goodwill and negative goodwill	–	(5,327)
Other	1,603	(1,460)
<b>Income tax</b>	<b>(5,379)</b>	<b>14,995</b>
Effective tax rate	(16.3%)	11.9%

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

## **NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF million)**

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

### **26.1. Credit risk**

The Bank takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such

risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sublimits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

## Analysis by loan types and risk classes

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

### As at 31 December 2012

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

### As at 31 December 2011

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

The Bank's loan portfolio decreased by 16.48% in 2012. The FX-adjusted ratio of decrease is 12.55%. Analysing the contribution of loan types to the loan portfolio, the share of placements with other banks business line decreased while the share of other business lines increased. The qualification of the loan portfolio improved to a certain extent, the ratio of the non-performing (doubtful and bad) loans compared to the gross

loan portfolio decreased from 5.36% to 5.29%. Among the qualified gross loan portfolio, the loans classified to the risk class of 'doubtful' lowered at the greatest level, by 43.79%.

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

### Loans, neither past due, nor impaired

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

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

These loans are classified by the Bank as performing loans.

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 73.37% to 71.95%

as at 31 December 2012 compared to prior year. The ratio of corporate loans and placements with other banks business lines compared to the portfolio decreased as at 31 December 2012, while one of the other lines increased.

### Past due, but not impaired loans

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

As at 31 December 2012	Up to 90 days	91–180 days	181–365 days	Above 365 days	Total
Corporate loans	37,777	63	73	52	37,965
Retail loans	63,211	1,308	2,082	3,852	70,453
Municipal loans	56,352	–	–	–	56,352
SME loans	12,275	22	–	1	12,298
<b>Total</b>	<b>169,615</b>	<b>1,393</b>	<b>2,155</b>	<b>3,905</b>	<b>177,068</b>

As at 31 December 2011	Up to 90 days	91–180 days	181–365 days	Above 365 days	Total
Corporate loans	29,279	53	40	138	29,510
Retail loans	79,171	1,306	1,175	7,261	88,913
Municipal loans	82,409	–	–	–	82,409
SME loans	11,877	5	1	–	11,883
<b>Total</b>	<b>202,736</b>	<b>1,364</b>	<b>1,216</b>	<b>7,399</b>	<b>212,715</b>

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

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

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

**As at 31 December 2012**

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

**As at 31 December 2011**

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

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

**Classification into risk classes**

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

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

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

used risk classes, the composition of the classes has changed due to the different criteria.

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

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

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

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

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

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

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

## Loan portfolio by countries

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

Country	2012		2011	
	Carrying amount of the qualified gross loan portfolio	Allowance	Carrying amount of the qualified gross loan portfolio	Allowance
Hungary	439,070	97,564	445,537*	81,702**
Netherlands	128,921	4,520	157,788	5,831
Montenegro	56,743	37,385	63,093	37,303
Cyprus	45,939	1,825	65,331	13,931
Romania	15,202	7,090	37,628	14,990
Slovakia	7,415	159	8,245	180
Bulgaria	6,943	69	4	–
Seychelles	4,912	1,473	5,268	806
Russia	3,043	2,737	937	623
Egypt	664	332	640	327
Croatia	314	190	3,909	2,567
Ukraine	3	1	4,030	2,059
Kazakhstan	–	–	2,170	111
Other	45***	25	69****	32
<b>Total</b>	<b>709,214</b>	<b>153,370</b>	<b>794,649</b>	<b>160,462</b>

The non-performing loans connected to the OTP Financing Solutions B.V. (The Netherlands) are related to the refinancing of retail loans at the subsidiaries, the actual exposure of

non-performing loans is HUF 16 billion as at 31 December 2012, from that HUF 4.3 billion is related to non-performing corporate loans and HUF 11.7 billion to retail ones.

## 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.

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

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

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

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

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

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

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

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

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

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

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

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

**Loans individually assessed for provision**

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for

them and the collaterals considered as at 31 December 2012 and 2011 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.



## As at 31 December 2012

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

## As at 31 December 2011

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

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

### Refinancing of retail loans at the subsidiaries:

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

**Transactions with high level of risk:**

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

**Business lines risks:**

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

**Non-qualified gross loan portfolio by countries**

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

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

**Forborne loans**

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

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

- temporary payment holidays (interest and/or principal payments)
- payment by instalments
- modifying the level of interest (e.g. reductions on interest),
- capitalisation of interests
- modification of foreign exchange
- extension of the loan term

\* Australia, Canada, Denmark, Estonia, Hongkong, Israel

\*\* Australia, Canada, Chile, China, Denmark, Egypt, Estonia, Ireland, Israel, Mongolia

- rescheduling the payments
- reducing the level of required collaterals, guarantees and replacing them with other ones
- forbearing from collaterals
- amendment or lack of enforcement of covenants, establishment of new contractual terms

## Rating of forborne loans

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

### 1. Individual evaluation method

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

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

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

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

### 2. Collective evaluation method

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

\* From this HUF 364 million is related to early repayment.

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

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

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

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

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

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

## Financial instruments by rating categories\*

### Held-for-trading securities as at 31 December 2012

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

### Available-for-sale securities as at 31 December 2012

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

### Held-to-maturity securities as at 31 December 2012

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

\* Moody's ratings

\*\* Corporate shares listed on Budapest Stock Exchange

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

According to the press release published on 27 November 2012, as a consequence of the lowering of the long term Hungarian sovereign ratings to 'BB' on 23 November 2012, Standard and Poor's Ratings Services lowered the long term counterparty credit ratings of OTP Bank and OTP Mortgage Bank Ltd. to 'BB' from 'BB+'. The short term counterparty credit ratings have been confirmed at level 'B'. The outlooks on both banks are stable.

According to the announcement published on 12 December 2012, Moody's Investors Service placed on review for downgrade the standalone bank financial strength ratings ('BFSR') and the debt and deposit ratings of seven Hungarian banks.

According to Moody's decision

- the D+ standalone BFSR
  - the Ba1 local currency long-term deposit ratings
  - the Ba2 foreign currency long-term deposit ratings
  - the Ba1 senior unsecured foreign currency long-term debt rating
  - the Ba2 foreign currency long-term subordinated debt (Lower Tier2) rating
  - the Ba3 foreign currency junior subordinated debt (Upper Tier2) rating
- of OTP Bank was placed on review for downgrade.

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

## 26.2. Market risk

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

### 26.2.1. Market risk sensitivity analysis

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

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

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

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

**26.2.2. Foreign currency sensitivity analysis**

The following table details the Bank's sensitivity to an increase and decrease in the HUF exchange rate against EUR, over a 3 months period. Monte Carlo simulation is used when reporting

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

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

**Notes:**

- (1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
- (2) The HUF/EUR volatility decreased slightly in 2012, but the FX rate was stronger than the

- theoretic middle-rate, so the probability of losses increased and the probability of further gains decreased.
- (3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2012.



### 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 adverse interest rate changes. The main assumptions were as follows:

- Floating-rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed-rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no

change in the margin compared to the last repricing date.

- 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:

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

The net interest income in a one year period beginning with 1 January 2013 would be decreased by HUF 1,563 million (probable scenario) and HUF 7,093 million (alternative scenario) as a result of these simulations.

This effect is counterbalanced by capital gains (HUF 3,867 million for probable scenario, HUF 5,284 million for alternative scenario) on the government bond portfolio held for hedging.

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

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

### 26.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Bank uses VaR calculation with 1 day holding period and 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well

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

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

### 26.2.5. Capital management

#### Capital management

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

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

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

The Bank maintains the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing its profitability. In case the planned risk level of

the Bank exceeded its Core and Supplementary capital, the Bank ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

#### Capital adequacy

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

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

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

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

	2012	2011
Core capital	938,969	937,057
Supplementary capital	276,700	338,111
Deductions	(466,563)	(485,834)
Deductions due to PIBB* investments	(425,016)	(442,385)
Deductions due to limit breaches	(41,547)	(43,449)
<b>Regulatory capital</b>	<b>749,106</b>	<b>789,334</b>
Credit risk capital requirement	228,434	263,919
Market risk capital requirement	37,483	42,080
Operational risk capital requirement	27,134	46,319
<b>Total requirement regulatory capital</b>	<b>293,051</b>	<b>352,318</b>
<b>Surplus capital</b>	<b>456,055</b>	<b>437,016</b>
Tier1 ratio	19,3%	15,8%
<b>Capital adequacy ratio</b>	<b>20.5%</b>	<b>17.92%</b>

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

\* PIBB: Financial Institutions, Investing Entreprises, Insurance Companies

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

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.

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

**Legal disputes**

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

The Victims of Hungarian Holocaust initiated a class action against, amongst others, OTP Bank Plc. before the United States District Court Northern District of Illinois. OTP Bank Plc. emphasises that 'Országos Takarékpénztár Nemzeti Vállalat' was established on 1 March 1949 with no predecessor. OTP Bank Plc. considers the claim against it entirely unfounded. The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes were HUF 469 million and HUF 408 million as at 31 December 2012 and 2011 respectively. (See Note 17.) On 23 August 2012 OTP Bank announced that the United States Court of Appeals granted the petition for writs of mandamus submitted by OTP Bank and ordered the district court to dismiss the plaintiffs' claims against OTP Bank for lack of personal jurisdiction in the class

action. OTP Bank maintains that plaintiffs' claim against it has been unfounded in its entirety.

On 19 November 2012 OTP Bank announced that the court of first instance (the United States District Court Northern District of Illinois) has, by virtue of the order of the United States Court of Appeals, dismissed the suit in respect of OTP Bank on the ground of lack of jurisdiction and competence concerning the litigation 'Holocaust Victims of Bank Theft' initiated by the plaintiffs against OTP Bank. This order for dismissal of the suit of the court of first instance is final and binding.

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

**Commitments to extend credit, guarantees and letter of credit**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event

that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

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

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.

### **Foreign exchange swaps and interest rate swaps**

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

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

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

### **Cross-currency interest rate swaps**

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

### **Forward rate agreements (FRA)**

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

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

### **Foreign exchange options**

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

**NOTE 28:****SHARE-BASED PAYMENT**

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

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

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

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

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

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

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

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

cancel the share-based payment in referred countries.

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

<b>Year</b>	<b>Price</b>
2012	735,722
2013	421,734
2014	512,095

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

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

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

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

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

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

## NOTE 29: RELATED PARTY TRANSACTIONS

The Bank provides loans to subsidiaries, and collects deposits.

**Transactions with related parties, other than increases in share capital, are summarized below:**  
**a) Loans provided to subsidiaries**

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

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

## b) Deposits from subsidiaries

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

## c) Interests received by the Bank\*

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

## d) Interests paid by the Bank\*

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

\* Derivatives and interest on securities are not included.



### **e) Commissions received by the Bank**

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

### **f) Commissions paid by the Bank**

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

### **g) Transactions related to OTP Mortgage Bank Ltd.:**

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

### **h) Transactions related to OTP Factoring Ltd.:**

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

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

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

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

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

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

### ***k) Related party transactions with key management***

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

<b>Compensations</b>	<b>2012</b>	<b>2011</b>
Short-term employee benefits	3,232	2,782
Share-based payment	2,711	2,343
Long-term employee benefits	766	653
<b>Total</b>	<b>6,709</b>	<b>5,778</b>

	<b>2012</b>	<b>2011</b>
Loans provided to companies owned by the management (in the normal course of business)	35,792	42,806
Commitments to extend credit and bank guarantees	518	6
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at market conditions)	112	117

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

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

	<b>2012</b>	<b>2011</b>
Members of Board of Directors and their close family members	15	19
Members of Supervisory Board	4	4

One member of the Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million and HUF 1.2 million as at 31 December 2012 and 2011, respectively. Chief executive owned AMEX Gold loading card loan in the amount of HUF 1 million as at 31 December 2012 and 2011.

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

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

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.

	<b>2012</b>	<b>2011</b>
Loans managed by the Bank as a trustee	43,191	43,009

**NOTE 31:**

**CONCENTRATION OF ASSETS AND LIABILITIES**

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

There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2012 or as at 31 December 2011. OTP Bank continuously provides the HFSA with

reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards OTP Bank. Further to this obligatory reporting to the HFSA,

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

The organisational unit of OTP Bank in charge of partner-risk management analyses the

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

## NOTE 32:

### MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF million)

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the NBH. The following tables provide an analysis of assets, liabilities and

shareholders' equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

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

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

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

As at 31 December 2012	USD	EUR	CHF	Others	Total
Assets*	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)
<b>Net position</b>	<b>69,807</b>	<b>(136,227)</b>	<b>(9,297)</b>	<b>13,059</b>	<b>(62,658)</b>

  

As at 31 December 2011	USD	EUR	CHF	Others	Total
Assets*	520,016	1,516,208	1,084,663	193,196	3,314,083
Liabilities	(174,191)	(1,285,574)	(165,393)	(38,523)	(1,663,681)
Off-balance sheet assets and liabilities, net	(278,802)	(255,527)	(941,448)	(153,691)	(1,629,468)
<b>Net position</b>	<b>67,023</b>	<b>(24,893)</b>	<b>(22,178)</b>	<b>982</b>	<b>20,934</b>

The table above provides an analysis of the Bank's main foreign currency exposures. The remaining foreign currencies are shown within 'Others'. Whilst the Bank monitors its foreign exchange position for compliance with the regulatory requirements

of the NBH and own limit system established in respect of limits on open positions. The measurement of the Bank's open foreign currency position involves monitoring the 'Value-at-Risk' limit on the foreign exchange exposure of the Bank.

\* 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**

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.

## As at 31 December 2012

	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest-bearing		Total		Total
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
<b>ASSETS</b>															
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
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	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

## As at 31 December 2012

	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest-bearing		Total		Total	
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency		
<b>LIABILITIES</b>																
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	
<b>NET POSITION</b>	<b>1,042,412</b>	<b>(522,592)</b>	<b>212,469</b>	<b>120,109</b>	<b>(161,586)</b>	<b>(5,169)</b>	<b>(7,777)</b>	<b>99,575</b>	<b>15,571</b>	<b>(422,519)</b>	<b>213,233</b>	<b>25,444</b>	<b>1,314,322</b>	<b>(705,152)</b>	<b>609,170</b>	

## As at 31 December 2011

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

## As at 31 December 2011

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



**NOTE 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.

	<b>2012</b>	<b>2011</b>
Net profit for the year attributable to ordinary shareholders (in HUF mn)	38,402	110,748
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	277,560,437	277,696,699
<b>Basic Earnings per share (in HUF)</b>	<b>138</b>	<b>399</b>
Separate net profit for the year attributable to ordinary shareholders (in HUF mn)	38,402	110,748
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	277,629,003	277,762,519
<b>Diluted Earnings per share (in HUF)</b>	<b>138</b>	<b>399</b>

	<b>2012</b>	<b>2011</b>
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(2,439,573)	(2,303,311)
<b>Weighted average number of ordinary shares outstanding during the year for calculating basic EPS</b>	<b>277,560,437</b>	<b>277,696,699</b>
Dilutive effect of options issued in accordance with the Remuneration Policy/Management Option Program and convertible into ordinary shares*	68,566	65,820
<b>The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS</b>	<b>277,629,003</b>	<b>277,762,519</b>

The ICES bonds could potentially dilute basic EPS in the future, but were not included in the

calculation of diluted EPS because they are antidilutive for the period presented.

**NOTE 36:****NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF million)****As at 31 December 2012**

	<b>Net interest income and expense</b>	<b>Net non-interest gain and loss</b>	<b>Provision for impairment</b>	<b>Other comprehensive income</b>
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	–
from this: Corporate loans	92,044			
Consumer loans	85,656			
Housing loans	9,550			
Municipality loans	15,376			
Mortgage backed loans	5,710			
Securities held-to-maturity	19,625	(87)	–	–
Derivative financial instruments	17,228	(614)	–	–
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(29,276)	–	–	–
Deposits from customers	(131,483)	69,081	–	–
Liabilities from issued securities	(27,330)	–	–	–
Subordinated bonds and loans	(16,872)	–	–	–
<b>Total</b>	<b>192,167</b>	<b>70,974</b>	<b>7,111</b>	<b>37,439</b>

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

## As at 31 December 2011

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

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

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

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

amounts available immediately thus the fair value equals to the cost.

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

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

## a) Fair value of financial assets and liabilities

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash, amounts due from banks and balances with the National Bank of Hungary	245,548	245,548	226,976	226,976
Placements with other banks, net of allowance for placement losses	665,417	668,014	897,980	902,630
Financial assets at fair value through profit or loss	243,015	243,015	272,577	272,577
Held for trading securities	97,935	97,935	125,959	125,959
Derivative financial instruments classified as held for trading	145,080	145,080	146,618	146,618
Securities available-for-sale	1,953,871	1,953,871	1,711,418	1,711,418
Loans, net of allowance for loan losses	2,356,291	2,594,948	2,741,827	3,020,257
Securities held-to-maturity	371,992	366,718	120,467	112,463
Derivative financial instruments designated as hedging instruments	4,228	4,228	2,329	2,329
<b>FINANCIAL ASSETS TOTAL</b>	<b>5,840,362</b>	<b>6,076,342</b>	<b>5,973,574</b>	<b>6,248,650</b>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	826,968	788,141	871,770	853,596
Deposits from customers	3,500,790	3,492,666	3,416,221	3,390,649
Liabilities from issued securities	335,963	316,668	453,423	420,585
Derivative financial instruments designated as hedging instruments	4,512	4,512	12,563	12,563
Financial liabilities at fair value through profit or loss	259,211	259,211	345,955	345,955
Financial liabilities from OTP-MOL transaction	89,308	89,308	82,347	82,347
Subordinated bonds and loans	303,750	253,523	325,997	206,699
<b>FINANCIAL LIABILITIES TOTAL</b>	<b>5,320,502</b>	<b>5,204,029</b>	<b>5,508,276</b>	<b>5,312,394</b>

## b) Fair value of derivative instruments

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

### c) Hedge accounting

OTP Bank regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging

transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading.

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

#### As at 31 December 2012

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

#### As at 31 December 2011

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

### d) Fair value hedges

#### 1. Deposits from customers

The interest payment cash-flows of some structured deposits of OTP Bank denominated in HUF and EUR are exposed to the change of equity prices, equity indices or the change of EUR/HUF exchange rate. In order to hedge the

interest rate risk of the interest payments OTP Bank entered into interest rate swap transactions, where the risk of the cash-flow's from the structured deposits were swapped to payments linked to 3 month BUBOR or EURIBOR, resulting in a decrease in the fair value exposure of the deposits from customers.

	2012	2011
Fair value of the hedging instruments	298	70

#### 2. Securities available-for-sale

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

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

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

### 3. Loans to customers

OTP Bank has fixed interest rate loans denominated in various currencies. These fixed interest rate loans are exposed to fair value risk of changes of risk-free interest rates. In order to hedge the interest rate risk of the cash-flows OTP Bank entered into pay-fixed, receive-floater

interest rate swap transactions, where the risk of the payments from the loans are swapped to payments linked to 3 month EURIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.

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

### 4. Issued securities

The cash-flows of the fixed rate securities issued by OTP Bank are exposed to the change in the EUR/HUF foreign exchange rate and the risk of change in the risk-free interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with

EUR and HUF IRS and index option transactions. In the case of IRS transactions the fixed cash-flows were swapped to payments linked to 3 month EURIBOR or BUBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

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

#### As at 31 December 2012

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

#### As at 31 December 2011

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

## e) Fair value classes

- Methods and significant assumptions used to determine fair value of the different classes of financial instruments:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly;
  - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

<b>As at 31 December 2012</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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	–
<b>Financial assets measured at fair value total</b>	<b>2,162,551</b>	<b>963,411</b>	<b>1,199,140</b>	<b>–</b>
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	–
<b>Financial liabilities measured at fair value total</b>	<b>263,723</b>	<b>19</b>	<b>263,704</b>	<b>–</b>

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

## Movements in level 3 financial instruments measured at fair value

### EUR/CHF cross currency swap (CCIRS) portfolio

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

In the second half of the year 2011 the EUR/CHF cross currency swap spreads speculation had previously unexpected volatility, which significantly differed from

spreads on which the Bank could have executed deals and therefore market quotations could not be used for estimating the fair value of the Bank's CCIRS portfolio.

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

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

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

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

\* Other disposal consists of early liquidation of several CCIRS deals.

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

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

**NOTE 39: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2012**

**Term Note Program and EMTN Programme**

See details in Note 15.

**Partial cancellation of EUR 125 million subordinated notes**

See details in Note 18.



## NOTE 40:

## POST BALANCE SHEET EVENTS

### Capital increase in OTP Real Estate Ltd.

See details in Note 9.

## NOTE 41:

### STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE BANK'S FINANCIALS (in HUF million)

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

In 2012 the Hungarian economy contracted by 1.7% from 2011 to 2012. On the production side, the manufacturing industry that used to be a significant positive contributor to the economic growth showed signs of exhaustion, despite the Mercedes plant that started production last year. On the consumption side, both households' consumption and investments declined, and dynamics of export moderated significantly. Although export growth decelerated, the net export's growth contribution increased, since the weak internal demand exerted a negative impact on import dynamics. Owing to the measures improving budget balance in 2012, the budget was kept below 3%, and the public debt to GDP ratio showed a decline in yearly comparison. The HUF strengthened both against the EUR and the CHF by 6%. The HUF showed a strengthening against currencies of the foreign subsidiaries, too (against the RUB by 3%, the BGN 6%, the UAH 8%, the RON 9%). Compared to 31 December 2011 the Hungarian Government securities benchmark yields came down significantly. In case of short maturities yields declined by 220–260 bps, in case of maturities beyond 1 year by 350–380 bps. The sovereign CDS spread narrowed noticeably during 2012 and declined to around 280 bps. In 2012 the OTP Bank continued to focus its

activity on stable operation by maintaining robust capital position and significant liquidity reserves as well as implementing prudent risk management and monitoring practices in line with the deteriorating loan portfolio.

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

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

with accounting standards, out of the total impact HUF 31.6 billion was recognised in 2011 and HUF 1.8 billion in the first quarter of 2012.

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

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

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

- Retail **deposits** of OTP Core dropped by 4% in 2012. The volume development was determined by the fact that clients used their savings for early repayment of FX mortgage loans. Furthermore, since the beginning of 2012 the Hungarian State has offered attractive interest rates on government bonds and conducts intensive promotional campaigns. As a result, the structure of retail savings realigned at the expense of term deposits and bank bonds in favour of government bonds.
- The strong **liquidity positions** of OTP Bank did not require foreign currency denominated wholesale funding, on the contrary, through the excess liquidity generated by on-going FX loan repayments OTP Bank managed to reduce its outstanding net swap position. By the end of 2012 the gross liquidity reserves of OTP Bank reached almost EUR 6 billion equivalent and by the end of the year OTP Bank had already managed to renew all its 2013 swap roll-over needs.

- Another side effect of the crisis was the deterioration in the financial position of the clients, which led to worsening **loan quality** and materially increasing risk costs compared to levels witnessed before 2008. In 2012 the ratio of consolidated loans in more than 90 days of delinquency ('DPD90+ ratio') at OTP Core increased further to 16.1% from 13.6% at the end of 2011. The pace of deterioration decelerated remarkably in the second half of 2012. This positive development reflects the delayed effect of stronger and less volatile HUF after the peak at the beginning of 2012, and the benefit of the fixed instalment scheme in Hungary. Thanks to the prudent provisioning, the provision coverage of the DPD90+ loan book improved in 2012 to 81.9% and significantly exceeded the level as at 31 December 2011 (+2.8 ppts).
- The further enhancement of the strong **capital position** still remained a top priority for OTP Bank in 2012. The capital adequacy ratio of OTP Bank (under local accounting standards) stood at 20.5%, compared to 17.9% at the end of 2011. During the period dividend income from subsidiaries contributed to the capital of OTP Bank in the amount of HUF 43 billion. In 2012 OTP Bank Romania received two capital injections from the mother company in the amount of altogether HUF 12 billion equivalent. The capital of the Serbian subsidiary was increased by HUF 6 billion through converting subordinated debt provided by OTP Bank into ordinary shares. On the top of that OTP banka Srbija received a capital injection of HUF 12 billion equivalent in 2012. The capital of CKB Bank, the Montenegrin subsidiary was increased twice: by HUF 3 billion and HUF 2 billion, both through converting subordinated debt provided by OTP Bank into ordinary shares. On 3 October 2012 the European Banking Authority (EBA) and the HFSA disclosed the final assessment of the capital exercise and fulfilment of the EBA December 2011 Recommendation, which shows that OTP Bank meets the 9% Core Tier1 ratio including the sovereign buffer as stated in the EBA December 2011 Recommendation.
- The net negative impact of the special tax on financial institutions paid by OTP Core in 2012 reached HUF 27.7 billion taking into account the corporate tax shield effect, the tax refund related to early repayment and to conversion of FX loan or leasing into HUF denominated one. The conversion of non-performing FX mortgage loans and the subsequent 25% debt forgiveness (in accordance with the agreement between the Government and Banking Association in December 2011) did not have a material impact on profit or loss in 2012, since the effect of the debt forgiveness was mainly off-set by release of previously accumulated provisions. At OTP Core, altogether loans in the amount of HUF 2.2 billion were forgiven (together with exposures of OTP Flat Lease Ltd.) resulting banking tax re-fund in the amount of HUF 0.6 billion. As part of the second budget balance improving package in autumn 2012, on 17 October the Ministry for National Economy unveiled that the bank tax won't be halved in 2013, but paid in full amount. On 16 November 2012 the Ministry for National Economy announced that the special tax on financial institutions will be kept indefinitely at its 2013 level, even after 2014.
- The **fixed instalment scheme** was launched in 2012 based on the agreement between the Hungarian Government and Banking Association in December 2011, in order to provide relief to performing Hungarian FX mortgage debtors. The fixing is provided for 5 years. Originally the scheme was available from April until 31 December 2012, but the government extended the application period to 29 March 2013. By 31 December 32 thousand clients, representing 26.5% of the eligible 120 thousand FX borrowers filed their applications at OTP Bank. The 2012 annual estimated after tax profit effect of the fixed exchange rate scheme was

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

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

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