OTP BANK PLC.

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

FOR THE YEAR ENDED
31 DECEMBER 2012

OTP BANK PLC.
CONSOLIDATED FINANCIAL STATEMENTS

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Deloitte.

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Company Registration Number: 01-09-071057

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OTP Bank Plc. (the "Bank") 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.

000083

Nagyváradiné Szépfalvi Zsuzsanna

registered statutory auditor
005313

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

	Note	2012	2011
Cash, amounts due from banks and balances with the National 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
TOTAL ASSETS		**10,113,466**	**10,200,527**
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
TOTAL LIABILITIES		**8,598,913**	**8,782,217**
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
TOTAL SHAREHOLDERS' EQUITY		**1,514,553**	**1,418,310**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,113,466**	**10,200,527**

Budapest, 29 March 2013

OTP BANK Nyrt.

elnök-vezérigazgató

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Dr. Sándor Csányi
Chairman and Chief Executive Officer

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

	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***
NET INTEREST INCOME		**645,465**	**630,816**
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**
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**418,485**	**314,143**
Income from fees and commissions		203,499	184,089
Expense from fees and commissions		49,162	37,567
Net profit from fees and commissions	*24.*	**154,337**	**146,522**
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)
Net operating result		**(3,671)**	**65,006**
Personnel expenses		188,952	169,098
Depreciation and amortization	*11.*	47,420	73,432
Other administrative expenses		187,105	160,145
Other administrative expenses	*25.*	**423,477**	**402,675**
PROFIT BEFORE INCOME TAX		**145,674**	**122,996**
Income tax	*26.*	(23,088)	(39,196)
NET PROFIT FOR THE YEAR		**122,586**	**83,800**
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**

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

	2012	2011
NET PROFIT FOR THE YEAR	**122,586**	**83,800**
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
NET COMPREHENSIVE INCOME	**122,886**	**132,421**
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 8 to 104 form an integral part of these consolidated financial statements.

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

OPERATING ACTIVITIES	**Note**	**2012**	**2011**
Profit before income tax		**145,674**	**122,996**
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)
Net changes in assets and liabilities in operating activities			
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)
Net Cash Provided by Operating Activities		**900,241**	**451,057**
INVESTING ACTIVITIES			
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)
Net Cash Used in Investing Activities		**(494,090)**	**(98,351)**

The accompanying notes to consolidated financial statements on pages 8 to 104 form an integral part of these consolidated financial statements.

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

FINANCING ACTIVITIES	Note	2012	2011
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)
Net Cash Used in Financing Activities		**(389,399)**	**(292,574)**
Net increase in cash and cash equivalents		**16,752**	**60,132**
Cash and cash equivalents at the beginning of the period		**315,177**	**255,045**
Cash and cash equivalents at the end of the period		**331,929**	**315,177**

Analysis of cash and cash equivalents

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)
Cash and cash equivalents at the beginning of the period		**315,177**	**255,045**
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)
Cash and cash equivalents at the end of the period		**331,929**	**315,177**

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

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

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.

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

	2012	2011
Domestic and foreign private and institutional investors	97%	96%
Employees	2%	2%
Treasury shares	1%	2%
Total	**100%**	**100%**

The Bank and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,398 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

The number of employees at the Group:

	2012	2011
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.

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

1.2. Base of Accounting [continued]

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

The following amendments to the existing standards issued by the 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.

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

1.2. Base of Accounting [continued]

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

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

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

2.2. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's presentation currency (HUF) are translated into HUF are recognised 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.2. Foreign currency translation [continued]

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions [continued]

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6.2. Derivative financial instruments [continued]

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Property and equipment, Intangible assets [continued]

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Leases [continued]

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

	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
(Release of provision) / provision for impairment on loan losses relating to early repayment at the Group	**(2,363)**	**67,416**

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)
Refundable (gain) / loss for OTP Mortgage Bank and OTP Flat Lease recognizing at OTP in connection with the guarantee	**(3,257)**	**52,052**
Fee for guarantee paid by OTP Mortgage Bank and OTP Flat Lease	-	(5,025)
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	**(3,257)**	**47,027**

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

	Total	2012	2011
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
Total expenditure at the Group affected by early repayment considered at calculation of bank tax	**65,053**	**(4,410)**	**69,463**
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
30% of total expenditure at the Group affected by early repayment refundable from bank tax paid in 2011	**19,516**	**(1,322)**	**20,838**
Claim for bank tax refund at subsidiaries of the 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
Bank tax effect of NBH tender	-	(232)	232
	19,516	**(1,322)**	**20,838**

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.

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

EUR stock was recognized in the 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 installments of retail FX mortgage loans and on the foreclosure order of residential real estates was announced. Accordingly, in favour of performing FX mortgage debtors with up to 90 days of delinquency, the natural person FX mortgage debtor could initiate in writing between 12 August and 31 December 2011 the fixing of the exchange rate used to specify his monthly installments for 36 months or until 31 December 2014 the latest. The fixed exchange rates were set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provided a special purpose HUF denominated mortgage loan ("escrow account loan"), granting of which is not regulated by the rules of prudent lending.
Escrow account loan is an appropriation established by the Hungarian Government to help FX mortgage debtors during the repayment of FX mortgage loans to finance the installment-proportion non-paid by debtors arising from the difference between the fixed and the exceeding actual spot exchange rate. 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 installments 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 installments of retail FX mortgage loans above the fixed exchange rate, but not more than the highest exchange rate (270 HUF/CHF, 340 HUF/EUR, 3.3 HUF/JPY). Credit institutions are obliged to off-set 50% of the refunded amount – exempted receivable – for the year of 2012 by paying it back to the central budget as credit institutions' contribution.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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 uncancelled 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[1] 90+ loans (number of loans)	11	90	101
Loan losses (in HUF mn)	10	155	165

[1] 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 mn)

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

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

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

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

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

	2012	2011
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
Closing balance	**1,111**	**1,165**

Interest conditions of placements with other banks:

	2012	2011
In HUF	0.1% - 9.4%	1.6% - 15.2%
In foreign currency	0.002% - 10.09%	0.01% - 18.5%

	2012	2011
Average interest rates on placements with other banks	2.28%	1.91%

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

	2012	2011
Securities held for trading		
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
	121,340	**138,393**
Accrued interest	480	937
Total	**121,820**	**139,330**

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

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

	2012	2011
Interest rate swaps classified as held for trading	73,183	39,370
CCIRS and mark-to-market CCIRS[1] 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**
Total	**222,874**	**241,282**

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

	2012	2011
Denominated in HUF (%)	80.2%	81.8%
Denominated in foreign currency (%)	19.8%	18.2%
Total	**100.0%**	**100.0%**

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%
Total	**100.0%**	**100.0%**

	2012	2011
Interest rates on securities held for trading	1.2% - 12.0%	1.2% - 12.0%
Average interest rates on securities held for trading	5.54%	3.70%

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
	21,589	**27,132**
Over five years		
With variable interest	-	919
With fixed interest	2,059	14,266
	2,059	**15,185**
Non-interest bearing securities	97,692	96,076
Total	**121,340**	**138,393**

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

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

	2012	2011
Securities available-for-sale		
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
	1,400,773	**1,109,088**
Accrued interest	11,630	18,697
Provision for impairment on securities available-for-sale	(1,226)	(1,930)
Total	**1,411,177**	**1,125,855**

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

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%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency (%):

	2012	2011
Denominated in HUF (%)	64.1%	75.8%
Denominated in foreign currency (%)	35.9%	24.2%
Total	**100.0%**	**100.0%**

	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%

	2012	2011
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
Total	**1,400,773**	**1,109,088**

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

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

	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
Closing balance	**1,226**	**1,930**

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

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

	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
	7,547,047	**8,047,470**
Accrued interest	71,320	61,161
Provision for impairment on loan losses	(1,154,176)	(1,061,452)
Total	**6,464,191**	**7,047,179**

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

	2012	2011
In HUF	26%	24%
In foreign currency	74%	76%
Total	**100%**	**100%**

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%

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

	2012	**2011**
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%

	2012	**2011**
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%
Total	**7,547,047**	**100%**	**8,047,470**	**100%**

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
Closing balance	**1,154,176**	**1,061,452**

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
Total	**226,980**	**316,673**

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

	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)
Total	**7,936**	**10,342**

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)
Closing balance	**2,968**	**1,654**

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

	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
	417,663	**122,907**
Accrued interest	12,410	2,869
Provision for impairment on securities held-to-maturity	(770)	(889)
Total	**429,303**	**124,887**

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

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

	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**
Total	**417,663**	**122,907**

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%
Total	**100%**	**100%**

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

	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%

	2012	2011
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
Closing balance	**770**	**889**

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

For the year ended 31 December 2012

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

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

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

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

For the year ended 31 December 2012 [continued]

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

List of units	**HUF mn**
OAO OTP Bank	68,205
OTP Bank JSC	64,003
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	16,910
OTP Bank Romania S.A.	5,788
Other[1]	6,172
Total	**189,619**

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.

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

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

For the year ended 31 December 2011

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

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

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

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

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

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

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

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 mn)

	2012	2011
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
Other	30,930	25,023
	150,721	**157,111**
Provision for impairment on other assets[1]	(21,265)	(16,558)
Total	**129,456**	**140,553**

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
Total	**13,694**	**13,137**

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

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

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
Closing balance	**21,265**	**16,558**

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

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

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%

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

	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 mn)

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

Interest rates on deposits from customers are as follows:

	2012	2011
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%

	2012	2011
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%

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

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

	2012		2011	
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%
Total	**6,509,699**	**100%**	**6,364,450**	**100%**

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

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

Interest rates on liabilities from issued securities are as follows:

	2012	2011
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%

	2012	2011
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%

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

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

	Name	Date of 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
	Subtotal issued securities in HUF			**248,885**			

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

Issued securities denominated in HUF as at 31 December 2012 (in HUF mn) [continued]:

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		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
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[1]			35,342			
	Subtotal issued securities in HUF			**143,181**			
	Unamortized premium			**(40)**			
	Fair value adjustment			**1,693**			
	Total issued securities in HUF			**393,719**			

[1] From the total amount HUF 35,087 million is mobil deposits of Merkantil Bank.

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

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

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
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	
	Subtotal issued securities in FX					**40,057**			

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

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
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
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[1]					16,923			
	Subtotal issued securities in FX					**220,168**			
	Unamortized premium					**(31,075)**			
	Fair value adjustment					**46**			
	Total issued securities in FX					**229,196**			
	Total accrued interest					**20,208**			
	Total issued securities					**643,123**			

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 1st Supplement to the Base Prospectus relating to EUR 5 billion EMTN Programme.

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

On 5 July 2012 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 1st, 2nd, 3rd, 4th and 5th addition of the prospectus of the program. The 6th 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.

[1] 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 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

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.

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

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

	2012	2011
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
Total	**122,032**	**230,149**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	2012	2011
Fair value of derivative financial instruments designated as fair value hedge	119,027	98,415
Financial liabilities from OTP-MOL share swap transaction[1]	89,308	82,347
Salaries and social security payable	29,835	28,131
Subtotal	**238,170**	**208,893**

[1] On 16 April 2009 OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank’s ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the 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.

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

	2012	2011
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
	456,373	**376,009**
Accrued interest	858	928
Total	**457,231**	**376,937**

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

	2012	2011
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
Total	**19,727**	**18,434**

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

	2012	2011
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
Closing balance	**19,727**	**18,434**

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

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

	2012	**2011**
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
Total	**119,027**	**98,415**

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

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

Interest rates on subordinated bonds and loans are as follows:

	2012	**2011**
Denominated in HUF	3.3%	3.0%
Denominated in foreign currency	0.7% - 8.0%	1.99% - 8.0%

	2012	**2011**
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.

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

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 31 December 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[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond	USD 65 million	21/04/2008	13/10/2015	100%	Variable, six-month LIBOR + 1.4%	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%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	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). Consequently, this special voting share was transformed into 10 ordinary shares with a face value of HUF 100. Therefore the registered capital of the Bank consists of 280,000,010 ordinary shares with a face value of HUF 100.

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

The reserves of the Bank under Hungarian Accounting Standards ("HAS) are as follows (the reserves under IFRS are detailed in consolidated statement of changes in 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
Total	**994,768**	**903,315**

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2012	2011
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.

Change in number of shares:

	2012	2011
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)
Closing number of shares	**18,755,373**	**19,218,344**

Change in carrying value:

	2012	2011
Balance as at 1 January	**54,386**	**52,597**
Additions	5,758	4,753
Disposals	(6,342)	(2,964)
Closing balance	**53,802**	**54,386**

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

	2012	2011
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)
Closing balance	**5,783**	**5,601**

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

	2012	2011
Provision for impairment on loan losses		
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*
	226,939	**317,269**
Provision for impairment on placement losses		
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
	41	**(596)**
Provision for impairment on loan and placement losses	**226,980**	**316,673**
(Gains) / Losses on loans related to early repayment	(2,490)	67,309
Losses from early repayment recognizing in interest income from loans	127	107
Total (gains) / losses related to early repayment	**(2,363)**	**67,416**

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

Income from fees and commissions	**2012**	**2011**
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
Total	**203,499**	**184,089**

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

Expense from fees and commissions	2012	2011
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
Total	**49,162**	**37,567**
Net profit from fees and commissions	**154,337**	**146,522**

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

Other operating income	2012	2011
Other income from non-financial activities	23,987	27,252
Total	**23,987**	**27,252**

Other operating expenses	2012	2011
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]	1,335	3,304
Other expense from non-financial activities	17,912	16,235
Other operating costs	7,276	5,674
Total	**35,033**	**26,571**

Other administrative expenses	2012	2011
Personnel expenses		
Wages	139,386	124,996
Taxes related to personnel expenses	36,881	32,595
Other personnel expenses	12,685	11,507
Subtotal	**188,952**	**169,098**

[1] See details in Note 9.

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

Other administrative expenses	2012	2011
Depreciation and amortization	**47,420**	**73,432**
Other administrative expenses		
Taxes, other than income tax[1]	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
Subtotal	**187,105**	**160,145**
Total	**423,477**	**402,675**

NOTE 26: INCOME TAX (in HUF mn)

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:

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

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

	2012	2011
Balance as at 1 January	**(2,140)**	**3,217**
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)
Closing balance	**(17,295)**	**(2,140)**

[1] Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by the Group. The total tax amount for the year 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.

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

A reconciliation of the income tax expense is as follows:

	2012	2011
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:		
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
Income tax expense	**23,088**	**39,196**
Effective tax rate	**15.85%**	**31.9%**

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

	2012	2011
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
Deferred tax asset	**23,910**	**27,476**

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

	2012	2011
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)
Deferred tax liabilities	**(41,205)**	**(29,616)**
Net deferred tax liability	**(17,295)**	**(2,140)**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1. Credit risk

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

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

Analysis by loan types and risk classes

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

As at 31 December 2012

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount / allowance
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**
Total gross portfolio	**4,678,781**	**1,410,829**	**366,057**	**387,115**	**1,061,839**	**7,904,621**
Allowance for loans	(24,597)	(55,395)	(97,934)	(213,653)	(762,597)	**(1,154,176)**
Allowance for placements	-	(324)	-	-	(787)	**(1,111)**
Total allowance	**(24,597)**	**(55,719)**	**(97,934)**	**(213,653)**	**(763,384)**	**(1,155,287)**
Total net portfolio	**4,654,184**	**1,355,110**	**268,123**	**173,462**	**298,455**	**6,749,334**
Accrued interest						
for loans						**71,320**
for placements						**403**
Total accrued interest						**71,723**
Total net loans						**6,464,191**
Total net placements						**356,866**
Total net exposures						**6,821,057**

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

27.1. Credit risk [continued]

Analysis by loan types and risk classes [continued]

As at 31 December 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**
Total gross portfolio	**4,960,032**	**1,827,027**	**351,882**	**482,227**	**849,723**	**8,470,891**
Allowance for loans	(30,127)	(93,985)	(74,005)	(245,661)	(617,674)	**(1,061,452)**
Allowance for placements	(2)	(172)	(2)	(113)	(876)	**(1,165)**
Total allowance	**(30,129)**	**(94,157)**	**(74,007)**	**(245,774)**	**(618,550)**	**(1,062,617)**
Total net portfolio	**4,929,903**	**1,732,870**	**277,875**	**236,453**	**231,173**	**7,408,274**
Accrued interest						
for loans						**61,161**
for placements						**521**
Total accrued interest						**61,682**
Total net loans						**7,047,179**
Total net placements						**422,777**
Total net exposures						**7,469,956**

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
Total	**1,475,310**	**1,287,841**

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.

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

27.1. Credit risk [continued]

Classification into risk classes

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

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

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

Loan portfolio by countries

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

	2012		2011	
Country	**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[1]	407	47	196	97
Total	**3,225,840**	**1,130,690**	**3,510,859**	**1,032,488**

[1] 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.

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

27.1. Credit risk [continued]

Loan portfolio by countries [continued]

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.

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

	2012		2011	
Country	**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[1]	400	-	206	2
Total	**4,678,781**	**24,597**	**4,960,032**	**30,129**

[1] 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 .

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

27.1. Credit risk [continued]

Loan portfolio by countries [continued]

The non-qualified loan portfolio decreased mostly in 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
Total	**8,876,173**	**8,861,895**

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

Types of collaterals	2012	2011
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
Total	**4,410,278**	**5,094,808**

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.

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

27.1. Credit risk [continued]

Loans, neither past due, nor impaired

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

Loan type	2012	2011
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
Total	**3,240,546**	**3,792,942**

Qualification categories	2012	2011
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
Total	**3,240,546**	**3,792,942**

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:

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

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.

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

27.1. Credit risk [continued]

Past due, but not impaired loans

The aging of gross loans that are past due but not impaired as at 31 December 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**
Total	**412,072**	**8,001**	**5,690**	**21,402**	**447,165**

As at 31 December 2011

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

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
Total	**793,257**	**820,691**

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
Total	**255,639**	**308,254**

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

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

27.1. Credit risk [continued]

Loans individually assessed for provision

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 31 December 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
Corporate total	**693,243**	**305,179**	**284,850**	**14,407**	**1,262**
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
Municipal total	**58,082**	**5,498**	**4,049**	**6,720**	**470**
Placements with other banks	**761**	**761**	**-**	**-**	**-**
Total	**752,086**	**311,438**	**288,899**	**21,127**	**1,732**

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

27.1. Credit risk [continued]

Loans individually assessed for provision [continued]

As at 31 December 2011

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

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.

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

27.1. Credit risk [continued]

Forborne loans [continued]

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

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

Rating of forborne loans

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

1. Individual evaluation method

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

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

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

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

2. Collective evaluation method

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

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

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

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

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

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

27.1. Credit risk [continued]

Forborne loans [continued]

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

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

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**
Retail loans	367,620	295,845
Corporate loans	161,580	168,433
Municipal loans	13,783	9,659
Total	**542,983**	**473,937**

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)**	**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*
Gross loan portfolio total	**1,065,460**	**309,932**	**42,042**	**256,703**	**(47,451)**	**1,029,196**
Allowance Total	**234,466**	**81,990**	**11,410**	**17,289**	**(10,111)**	**277,646**
Net loan portfolio total	**830,994**	**227,942**	**30,632**	**239,414**	**(37,340)**	**751,550**

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**
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***
Gross loan portfolio total	**504,428**	**121,781**	**38,855**	**25,185**	**93,185**	**245,762**	**1,029,196**
Allowance Total	***35,676***	***15,819***	***4,978***	***5,417***	***42,527***	***173,229***	***277,646***
Net loan portfolio total	**468,752**	**105,962**	**33,877**	**19,768**	**50,658**	**72,533**	**751,550**

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

27.1. Credit risk [continued]

Forborne loans [continued]

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

Loan type	Not past due	1-30 DPD	31-60 DPD	61-90 DPD	91-360 DPD	360+ DPD	Total carrying amount /allowance
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***
Gross loan portfolio total	**584,655**	**130,698**	**39,987**	**31,144**	**112,490**	**166,486**	**1,065,460**
Allowance Total	***47,104***	***15,656***	***4,724***	***6,673***	***52,454***	***107,855***	***234,466***
Net loan portfolio total	**537,551**	**115,042**	**35,263**	**24,471**	**60,036**	**58,631**	**830,994**

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

	Not past due			**Past due**		
Loan type	**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*
Gross loan portfolio total	**158,470**	**345,958**	**504,428**	**54,745**	**470,023**	**524,768**
Allowance Total	**-**	***35,676***	***35,676***	**-**	***241,970***	***241,970***
Net loan portfolio total	**158,470**	**310,282**	**468,752**	**54,745**	**228,053**	**282,798**
Collateral Total	***237,741***	***305,822***	***543,563***	***63,845***	***233,076***	***296,921***

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

27.1. Credit risk [continued]

Forborne loans [continued]

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

	Not past due			Past due		
Loan type	**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*
Gross loan portfolio total	**119,592**	**465,063**	**584,655**	**53,607**	**427,198**	**480,805**
Allowance Total	***-***	***47,104***	***47,104***	***-***	***187,362***	***187,362***
Net loan portfolio total	**119,592**	**417,959**	**537,551**	**53,607**	**239,836**	**293,443**
Collateral Total	***165,995***	***350,463***	***516,458***	***50,706***	***222,827***	***273,533***

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
Total	**621,824**	**539,954**

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

27.2. Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a 'Value-at-Risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (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)
Total VaR exposure	**407**	**1,576**

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

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

27.2. Market risk [continued]

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.
The strategic open position related to the foreign operations was 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	2011
	In HUF billion	In HUF billion
1%	(12.7)	(11.4)
5%	(8.8)	(7.8)
25%	(3.6)	(3.1)
50%	(0.3)	(0.1)
25%	2.8	2.7
5%	7.2	6.6
1%	10.2	9.3

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

27.2.3. Interest rate sensitivity analysis

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

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

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

27.2 Market risk [continued]

27.2.3. Interest rate sensitivity analysis [continued]

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

The net interest income in a one year period after 31 December 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):

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

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)

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

27.2. Market risk [continued]

27.2.5. Capital management

Capital management

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

Capital adequacy

The capital adequacy of the Group is supervised based on the financial statements data prepared in accordance with the 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)*
Regulatory capital	**1,416,291**	**1,476,777**
Credit risk capital requirement	480,331	511,775
Market risk capital requirement	38,090	43,911
Operational risk capital requirement	80,402	108,118
Total requirement regulatory capital	**598,823**	**663,804**
Surplus capital	**817,468**	**812,973**
Tier 1 ratio	15.8%	14.3%
Capital adequacy ratio	**18.9%**	**17.8%**

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

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

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

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

Subsidiary bank	Country	Minimum prescribed CAR	2012	2011
OAO OTP 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)
Supplementary capital (Tier 2)	***270,849***	***327,587***
Fair value corrections	13,688	(35,190)
Subordinated bonds and loans	257,161	362,777
Deductions	***(343)***	***(377)***
Regulatory capital	**1,473,525**	**1,433,086**
Credit risk capital requirement	480,331	511,775
Market risk capital requirement	38,090	43,911
Operational risk capital requirement	80,402	108,118
Total requirement regulatory capital	**598,823**	**663,804**
Surplus capital	**874,702**	**769,282**
Tier 1 ratio	16.1%	13.3%
Capital adequacy ratio	**19.7%**	**17.3%**

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

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

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

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

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

Contingent liabilities

	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
Total	**1,653,988**	**12,500,182**

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.

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

Legal disputes [continued]

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.

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

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.

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

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:

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

NOTE 29: SHARE-BASED PAYMENT [continued]

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

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

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

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Compensations	**2012**	**2011**
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	-
Total	**12,709**	**11,750**

	2012	**2011**
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

	2012	**2011**
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.

[1] 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 mn) [continued]

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

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

	2012	2011
Members of Board of Directors	1,363	791
Members of Supervisory Board	377	286
Total	**1,740**	**1,077**

NOTE 31: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

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

Significant subsidiaries

Name	Ownership (Direct and Indirect) 2012	Ownership (Direct and Indirect) 2011	Activity
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia)	97.78%	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

NOTE 31: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES [continued]

Significant subsidiaries [continued]

Name	Ownership (Direct and Indirect) 2012	2011	Activity
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

	Company for Cash Services Ltd.	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Agóra-Kapos Ltd.*	*Total*
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**

Significant associates

As at 31 December 2011

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

NOTE 32: TRUST ACTIVITIES (in HUF mn)

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

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

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

	2012	2011
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	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 mn)

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

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

As at 31 December 2012	**Within 3 months**	**Within one year and over 3 months**	**Within 5 years and over one year**	**Over 5 years**	**Without maturity**	**Total**
Cash, amounts due from banks and balances with the National 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
TOTAL ASSETS	**2,845,328**	**1,520,268**	**2,381,770**	**2,738,139**	**627,961**	**10,113,466**
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
TOTAL LIABILITIES	**5,788,796**	**1,483,825**	**955,420**	**249,345**	**121,527**	**8,598,913**
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
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,514,553**	**1,514,553**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,788,796**	**1,483,825**	**955,420**	**249,345**	**1,636,080**	**10,113,466**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,943,468)**	**36,443**	**1,426,350**	**2,488,794**	**(1,008,119)**	**-**

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

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

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

As at 31 December 2012

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

As at 31 December 2011

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

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

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

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

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

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

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

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

As at 31 December 2012

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

OTP BANK PLC.
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FOR THE YEAR ENDED 31 DECEMBER 2012

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

As at 31 December 2012

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

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

As at 31 December 2011

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

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

As at 31 December 2011

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

NOTE 37: CONSOLIDATED EARNINGS PER SHARE

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

	2012	2011
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
Basic Earnings per share (in HUF)	**457**	**312**
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
Diluted Earnings per share (in HUF)	**457**	**312**

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

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

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

As at 31 December 2012

	Net interest gain and loss	**Net non-interest gain and loss**	**Provision for impairment**	**Other comprehensive income**
Cash, amounts due from banks and balances with the National Banks	6,749	-	-	-
Placements with other banks, net of allowance for placements losses	9,457	-	(40)	-
Securities held for trading	1,827	(3,546)	-	-
Securities available-for-sale	78,624	2,798	490	59,481
Loans, net of allowance for loan losses	787,646	6,952	(226,940)	-
From this: 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)	-	-	-
	645,465	**121,882**	**(226,475)**	**59,481**

As at 31 December 2011

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

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

In determining the fair value of a financial asset or liability the Group in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 39. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.
To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.
The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

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

a) Fair value of financial assets and liabilities

	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
Financial assets total	**9,500,626**	**10,254,748**	**9,571,103**	**10,806,274**
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
Financial liabilities total	**8,260,709**	**8,140,714**	**8,503,695**	**8,487,660**

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

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	2012	**2011**	**2012**	**2011**
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	73,183	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)
Foreign exchange swaps classified as held for trading				
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)
Interest rate swaps designated as fair value hedge				
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)
CCIRS classified as held for trading				
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)
Mark-to-market CCIRS classified as held for trading				
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)
CCIRS designated as fair value hedge				
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)
Mark-to-market CCIRS designated as fair value hedge				
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)
Other derivative contracts designated as fair value hedge				
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)

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

b) Fair value of derivative instruments [continued]

	Fair value		Notional value, net	
	2012	**2011**	**2012**	**2011**
Other derivative contracts classified as held for trading				
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)
Derivative financial assets total	**114,748**	**115,089**	**119,167**	**96,321**
Derivative financial liabilities total	**(241,059)**	**(328,564)**	**(219,242)**	**(352,645)**
Derivative financial instruments total	**(126,311)**	**(213,475)**	**(100,075)**	**(256,324)**

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
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS /Index option	HUF (284) million	Interest rate
3) Net investment hedge in foreign operations	CCIRS and issued securities	HUF 3,737 million	Foreign exchange

As at 31 December 2011

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

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

d) Fair value hedges

1. Deposits from customers

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

	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	-

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

d) Fair value hedges [continued]

As at 31 December 2012

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				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

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

e) Fair value classes

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

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

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

As at 31 December 2012

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

As at 31 December 2011

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	240,345	129,104	106,686	4,555
from this: securities held for trading	138,393	127,372	11,021	-
from this: positive 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
Financial assets measured at fair value total	**1,360,640**	**413,629**	**938,558**	**8,453**
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
Financial liabilities measured at fair value total	**328,564**	**105**	**300,446**	**28,013**

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

e) Fair value classes [continued]

Movements in Level 3 financial instruments measured at fair value

EUR/CHF cross currency swap (CCIRS) portfolio

According to the risk management policies the Bank holds EUR/CHF cross currency swap portfolio with a notional 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[1]**	**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	-
Financial assets measured at fair value total	**8,453**	**4,878**	**-**	**28**	**3,547**
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
Financial liabilities measured at fair value total	**(28,013)**	**(29,564)**	**(2,005)**	**-**	**3,556**

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

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

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

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

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

Goodwill 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.

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

As at 31 December 2012

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7
Net profit for the year	**122,586**		**122,586**						
Adjustments (total)		**(27,363)**	**(27,363)**						
Dividends and net cash transfers (after income tax)		(391)	(391)						
Goodwill /investment impairment (after income tax)		3,977	3,977						
Bank tax on financial institutions (after income tax)		(29,174)	(29,174)						
Total impact of early repayment (after income tax)		(1,775)	(1,775)						
Consolidated adjusted net profit for the year	**122,586**	**27,362**	**149,948**	**94,587**	**60,119**	**47,156**	**527**	**24,216**	**(5,531)**
Profit before income tax	**145,674**	**46,517**	**192,191**	**117,520**	**79,965**	**60,847**	**2,707**	**27,545**	**(6,110)**
Adjusted operating profit	**372,654**	**77,008**	**449,662**	**211,355**	**233,534**	**121,540**	**33,511**	**58,928**	**6,494**
Adjusted total income	796,131	48,421	844,552	394,243	426,175	193,272	64,509	95,732	19,811
Adjusted net interest income	645,465	4,854	650,319	292,570	348,722	170,001	49,586	74,671	15,916
Adjusted net profit from fees and commissions	154,337	(2,768)	151,569	85,820	63,867	20,998	12,634	16,875	1,677
Adjusted other net non-interest income	(3,671)	46,335	42,664	15,853	13,586	2,273	2,289	4,186	2,218
Adjusted other administrative expenses	(423,477)	28,587	(394,890)	(182,888)	(192,641)	(71,732)	(30,998)	(36,804)	(13,317)
Total risk costs	**(226,980)**	**(26,712)**	**(253,692)**	**(90,056)**	**(153,569)**	**(60,693)**	**(30,804)**	**(31,383)**	**(12,604)**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(226,980)	(15,715)	(242,695)	(86,986)	(146,979)	(59,567)	(30,597)	(31,153)	(12,440)
Other provision (adjustment)	0	(10,997)	(10,997)	(3,070)	(6,590)	(1,126)	(207)	(230)	(164)
Total other adjustments (one-off items)[1]	0	(3,779)	(3,779)	(3,779)	**0**	0	0	0	0
Income tax	**(23,088)**	**(19,155)**	**(42,243)**	**(22,933)**	**(19,846)**	**(13,691)**	**(2,180)**	**(3,329)**	**579**
Total Assets	**10,113,466**	**0**	**10,113,466**	**6,229,359**	**4,660,276**	**1,027,763**	**653,603**	**1,292,031**	**461,458**
Total Liabilities	**8,598,913**	**0**	**8,598,913**	**4,833,227**	**3,985,137**	**835,880**	**541,139**	**1,082,845**	**428,877**

Main components of the Consolidated Statement of Recognized Income in HUF million	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
	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year										
Adjustments (total)										
Dividends and net cash transfers (after income tax)										
Goodwill /investment impairment (after income tax)										
Bank tax on financial institutions (after income tax)										
Total impact of early repayment (after income tax)										
Consolidated adjusted net profit for the year	**(4,932)**	**3,715**	**(1,160)**	**(3,872)**	**2,401**	**2,050**	**2,042**	**(1,691)**	**(7,089)**	**(70)**
Profit before income tax	**(4,935)**	**4,754**	**(978)**	**(3,865)**	**3,028**	**2,189**	**2,299**	**(1,460)**	**(8,752)**	**430**
Adjusted operating profit	**(1,707)**	**8,498**	**3,441**	**2,829**	**13,841**	**9,619**	**2,267**	**1,955**	**(8,752)**	**(316)**
Adjusted total income	6,323	22,550	13,932	10,046	43,841	20,049	4,913	18,879	(8,610)	(11,097)
Adjusted net interest income	3,071	16,220	12,019	7,238	19,500	16,900	101	2,499	(8,610)	(1,863)
Adjusted net profit from fees and commissions	1,604	4,660	2,930	2,489	1,974	(2,616)	4,728	(138)	0	(92)
Adjusted other net non-interest income	1,648	1,670	(1,017)	319	22,367	5,765	84	16,518	0	(9,142)
Adjusted other administrative expenses	(8,030)	(14,052)	(10,491)	(7,217)	(30,000)	(10,430)	(2,646)	(16,924)	(142)	10,781
Total risk costs	**(3,228)**	**(3,744)**	**(4,419)**	**(6,694)**	**(10,813)**	**(7,430)**	**32**	**(3,415)**	**0**	**746**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(3,159)	(2,988)	(4,420)	(2,655)	(8,449)	(7,194)	0	(1,255)	0	(281)
Other provision (adjustment)	(69)	(756)	1	(4,039)	(2,364)	(236)	32	(2,160)	0	1,027
Total other adjustments (one-off items)[1]	0	0	0	0	**0**	0	0	0	0	0
Income tax	**3**	**(1,039)**	**(182)**	**(7)**	**(627)**	**(139)**	**(257)**	**(231)**	**1,663**	**(500)**
Total Assets	**122,994**	**519,570**	**374,224**	**208,633**	**481,262**	**287,527**	**7,245**	**186,490**	**1,636,529**	**(2,893,960)**
Total Liabilities	**97,823**	**459,757**	**347,231**	**191,585**	**394,960**	**258,229**	**1,585**	**135,146**	**980,395**	**(1,594,806)**

( ) used at: provisions, impairment and expenses

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

As at 31 December 2011

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

( ) used at: provisions, impairment and expenses

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

NOTE 41: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2012

1) Term Note Program and EMTN Programme

See details in Note 15.

2) Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

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

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.

NOTE 42: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn) [continued]

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[1]	21,882	1,851	23,733
Total	**7,904,621**	**1,939,776**	**9,844,397**

- 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 billon in the first quarter of 2012.

[1] Other category includes: Belgium, Czech Republic, Norway, Turkey etc.

NOTE 42: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn) [continued]

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[1] 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 ppts).

- The further enhancement of the strong **capital position** still remained a top priority for the Group in 2012. The Basel 2 capital 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.

[1] 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.

NOTE 42: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn) [continued]

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.

NOTE 42: STATEMENT OF THE GLOBAL, THE EUROPEAN AND THE HUNGARIAN ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn) [continued]

- 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.