OTP Bank Plc.

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1. OTP GROUP

1.1. Risk management objectives and policies

Traditionally, OTP Bank has been characterized by conservative risk assumption. Its fundamental objective is to implement its strategic plan through maintaining the equilibrium between risk and return. In order to be able to do so, it has established an independent risk management organizational unit and a uniform and consistent risk management system. The Bank operates a risk management process, which guarantees that the Bank complies, at all times, with the Basel accords, the applicable statutory regulations and supervisory authority requirements in all of the countries where the Bank operates, and at a group level as well.

The Bank has prepared a Risk Management Strategy, which covers all major types of risks (credit, operational, market and liquidity risks) that arise in connection with the banking business.

The independent risk management organizational unit performs the following:

- In order to identify potential risks, it analyses the Bank's activities, identifies the major risk factors to which these activities and the positions generated by them are exposed, and indicates the correlations between these positions.
- In order to measure risks, it collects historical data on the major risk factors, the losses stemming from them and the variables that can predict them.
- Monitors the results of the risk measures continuously, and prepares regular and up-to-the minute reports on them in a transparent manner for the various operative and executive levels.

In order to manage risks each organizational unit applies risk mitigation techniques (limits, securities, hedging transactions, control points embedded in processes and risk transfers).

The Bank strictly regulates the method of risk management and ensures that it is uniformly applied at a group level.

In its regulations on risk mitigation and the use of credit risk collateral, the Bank determines:

- the risk management process and methods, including decision-making powers and tasks linked to risk assumption as well as the requirements for the control of risk assumption;
- the types of eligible collateral in connection with contracts entailing bank exposures and the conditions for their acceptance;
- the criteria for the appraisal of the financial position and future solvency of current and future debtors, internal regulations related to debtor rating, and the manner in which the findings of the rating procedure are used.

The Bank's market risk management strategy is to realize benefit from exchange rate and yield curve movements, by matching legal requirements, taking the risk exposure the loss from which does not damage profitability and operation safety of the Group. Aim of market risk management is to restrict potential loss arising from unfavourable exchange rate and/or yield curve movements.

- Treasury is responsible for market risk management and keeping risk within the frames approved by the Board.
- Continuous monitoring of market risk exposure, its reporting to the management, and development of risk measurement methods belong to organizational unit in separate division from Treasury.
- The Board approves the market risk measurement methodologies and the limit system which defines the acceptable risk.

The bank applies a risk management system for risk measuring and internal reporting based on but independent from the front office system so that it makes possible the efficient IT implementing of the developing risk measure techniques. All the concerned organizational areas have access to the risk management system but the competence varies with the different users. The internal risk management system complies with the EU directives and it is based on the methodological principles of the program checked by the Authority which is used for reporting risk exposure of the trading book.

Main principles of market risk management regulation:

- The bank is allowed to run market risks within the limits set by the Board of Directors. The bank can open ALM positions to hedge strategic risks appearing in the profit plan, but it needs the decision of the Board of Directors based on an ALCO proposal in every case. For the sake of the risk management, positions originating from other organizational units (for example home loan payments) are forwarded without delay to the Treasury in compliance with the internal reporting process.

- The bank divides the positions exposed to market risk into underlying risk factors (interest rates, foreign exchange rates, stock prices, volatility) and manages them in accordance with the positions calculated in the manner stated above.
- The bank continuously monitors the exposure originating from portfolios exposed to market risk, the value-at-risk of the portfolio and the changes in the values of the portfolio and it sets a limit system in connection with them. The bank attaches an internal action plan concerning limit breach to avoid losses incompatible with the risk-taking policy of the bank.
- Decision-makers of the bank get information about the bank's risk exposure and the regarding portfolios' profit-and-loss effects with pre-defined regularity.
- The profit-and-loss effect of ALM deals which intend to hedge the profit plan-driven market risk exposure and the profit-and-loss effect of the core portfolio in the plan are regularly reported to the management of the bank, so making the transparent control of hedging effectiveness possible.
- The bank allocates capital to the portfolios exposed to market risk in order to cover the possible losses.

1.2. Application of prudential requirements

List of fully consolidated entities under the rules of Consolidation Accounting (IFRS) and Consolidated Based Supervision as at 31 December 2011:

Fully consolidated entities as at 31 December 2011			
		Consolidation Accounting (IFRS)	Consolidated Based Supervision
1.	OTP Bank Nyrt.	X	X
2.	OTP Ingatlan Zrt.	X	X
3.	Merkantil Bank Zrt.	X	X
4.	Merkantil Car Zrt.	X	X
5.	Merkantil Bérlet Kft.	X	X
6.	OTP Lakástakarékpénztár Zrt.	X	X
7.	Bank Center No. 1. Kft.	X	X
8.	OTP Faktoring Vagyonkezelő Kft.	X	X
9.	OTP Faktoring Zrt.	X	X
10.	OTP Alapkezelő Zrt.	X	X
11.	INGA KETTŐ Kft.	X	X
12.	OTP Jelzálogbank Zrt.	X	X
13.	OTP Pénztárszolgáltató Zrt.	X	
14.	HIF Ltd.	X	X
15.	OTP Banka Slovensko, a. s.	X	X
16.	DSK Bank EAD	X	X
17.	DSK Trans security EOOD	X	
18.	DSK Tours EOOD	X	
19.	POK DSK-Rodina AD	X	
20.	NIMO 2002 Kft.	X	X
21.	OTP Kártyagyártó Kft.	X	X
22.	OTP Bank Romania S. A.	X	X
23.	OTP banka Hrvatska d.d.	X	X
24.	OTP invest d.o.o.	X	X
25.	OTP nekretnine d.o.o.	X	X
26.	Merkantil Ingatlan Lízing Zrt.	X	X
27.	Air-Invest Kft.	X	X
28.	SPLC-B Kft.	X	
29.	SPLC-N Kft.	X	
30.	SPLC-P Kft.	X	
31.	SPLC-S Kft.	X	
32.	SPLC-T1 Kft.	X	
33.	SPLC Vagyonkezelő Kft.	X	X
34.	OTP Lakáslízing Zrt.	X	X
35.	OTP Életjáradék Ingatlanbefektető Zrt.	X	X
36.	Closed Joint Stock Company OTP Bank	X	X
37.	OAO OTP Bank (Russia)	X	X
38.	OTP banka Srbija a.d.	X	X
39.	OTP Leasing d.o.o. Novi Sad	X	X
40.	OTP Investments d.o.o. Novi Sad	X	X
41.	Crnogorska Komercijalna banka a.d.	X	X
42.	Opus Security S.A.	X	X
43.	Kratos nekretnine d.o.o. Zagreb	X	X

Fully consolidated entities as at 31 December 2011			
		Consolidation Accounting (IFRS)	Consolidated Based Supervision
44.	OTP Financing Cyprus	X	X
45.	OTP Financing Netherlands B.V.	X	X
46.	OTP HOLDING LIMITED	X	X
47.	LLC OTP Leasing (Ukrajna)	X	X
48.	LLC AMC OTP Capitol (Ukrajna)	X	X
49.	OTP Asset Management SAI S.A.	X	X
50.	OTP Financing Solution B.V.	X	X
51.	Velvin Ventures Ltd.	X	X
52.	DSK Leasing	X	X
53.	DSK Auto Leasing	X	X
54.	DSK Leasing Insurance	X	
55.	OTP Leasing d.d.	X	X
56.	OTP Leasing Romania IFN S.A.	X	X
57.	OTP Faktoring SRL	X	X
58.	OTP Faktoring Ukraine LLC	X	X
59.	Monicomp Zrt.	X	X
60.	OTP Factoring Bulgaria LLC	X	X
61.	OTP Factoring Serbia d.o.o.	X	X
62.	OTP Factoring Montenegro d.o.o.	X	X
63.	Projekt 3 Kft.	X	
64.	CIL Babér Kft.	X	X
65.	LLC OTP Credit	X	X
66.	OTP Faktor Slovensko s.r.o.	X	X
67.	SPLC-C Kft.	X	
68.	OTP Ingatlanpont Kft.	X	
69.	OTP Real Slovensko s.r.o.	X	
70.	OTP Buildings s.r.o.	X	
71.	R.E Four d.o.o	X	
72.	Immovable RE d.o.o	X	
73.	Cresco d.o.o.		X
74.	SC Aloha Buzz SRL		X
75.	SC Favo Consultanta SRL		X
76.	SC Tezaur Cont SRL		X
77.	OTP Ingatlan Befektetési Alapkezelő Zrt.		X
78.	DSK Asset Management		X
79.	AlyansReserv OOO		X
80.	OTP Immobilien Verwertung		X
81.	OTP Mérnöki Szolgáltató Kft.		X
82.	OTP Létesítményüzemeltető Kft.		X
83.	OTP Real Estate Service LLC		X
84.	Bajor-Polár Center Zrt.		X
85.	OTP Faktoring d.o.o.		X

List of unconsolidated entities owned more than 20% of shares, under the rules of Consolidated Accounting (IFRS) and Consolidated Based Supervision as at 31 December 2011:

List of unconsolidated entities, owned more than 20% of shares (31.12.2011)	
Consolidation Accounting	Consolidated Based Supervision
Agóra-Kapos Építőipari Kft.	Agóra-Kapos Építőipari Kft.
AlyansReserv OOO	Auctioneer s. r. o.
Auctioneer s. r. o.	Company for Cash Services AD
Bajor-Polár Center Ingatlanhasznosító Zrt.	Debt Management Project 1 Montenegro d.o.o.
Company for Cash Services AD	Diákigazolvány Kft.
Cresco d.o.o.	Drustvo za upravljanje PIF-om Moneta
Debt Management Project 1 Montenegro d.o.o.	DSK Bul-Projekt OOD
Diákigazolvány Kft.	DSK Leasing Insurance Broker EOOD
Drustvo za upravljanje PIF-om Moneta	DSK Tours EOOD
DSK Asset Management AD	DSK Trans security EOOD
DSK Bul-Projekt OOD	Faktoring SK, a.s. "v.a."
Faktoring SK, a.s. "v.a."	Gamayun Llc.
Gamayun Llc.	Gizella Projekt Ingatlanforgalmazó Kft
Gizella Projekt Ingatlanforgalmazó Kft	Immovable R.E. d.o.o., Novi Sad
Ingatlan Fedezetkezelő P1. Kft.	Ingatlan Fedezetkezelő P1. Kft.
Ingatlanbefektetési Projekt 7 Kft	Ingatlanbefektetési Projekt 7 Kft
Ingatlanforgalom Projekt 15. Kft.	Ingatlanforgalom Projekt 15. Kft.

List of unconsolidated entities, owned more than 20% of shares (31.12.2011)	
Consolidation Accounting	Consolidated Based Supervision
Ingatlanhasznosító Projekt 11 Kft	Ingatlanhasznosító Projekt 11 Kft
Ingatlankezelő Projekt 16. Kft.	Ingatlankezelő Projekt 16. Kft.
Ingatlanmenedzser Projekt 18. Kft.	Ingatlanmenedzser Projekt 18. Kft.
Ingatlanvagyon Projekt 14. Kft.	Ingatlanvagyon Projekt 14. Kft.
JN Parkolóház Kft.	JN Parkolóház Kft.
Kereskedelmi Projekt 10. Kft.	Kereskedelmi Projekt 10. Kft.
Kikötő Ingatlanforgalmazó Kft.	Kikötő Ingatlanforgalmazó Kft.
M8-2 Ingatlanhasznosító Kft.	M8-2 Ingatlanhasznosító Kft.
Miskolci Diákotthon Kft.	Miskolci Diákotthon Kft.
Mlekara han doo Vladicin Han f.a.	Mlekara han doo Vladicin Han f.a.
Naprijed d.d. (f.a.) (forg.)	Naprijed d.d. (f.a.) (forg.)
OOO OTP Travel	OOO OTP Travel
OTP Broker de Intermedieri Financiare SRL	OTP Broker de Intermedieri Financiare SRL
OTP Consulting d.o.o.	OTP Buildings s.r.o.
OTP Consulting Romania SRL	OTP Consulting d.o.o.
OTP Faktoring d.o.o.	OTP Consulting Romania SRL
OTP Fedezetingatlan Kft.	OTP Fedezetingatlan Kft.
OTP Hungaro-Projekt Kft.	OTP Hungaro-Projekt Kft.
OTP Immobilien Verwert. GmbH.	OTP Ingatlan Bau Kft.
OTP Ing. Bef-i Alapkezelő Zrt.	OTP Ingatlanpont Ingatlanközvetítő Kft.
OTP Ingatlan Bau Kft.	OTP Nedvizhimost ZAO
OTP Létesítményüzemeltető Kft.	OTP Pension Funds Administrator
OTP Mérnöki Szolgáltató Kft.	OTP Pénztárszolgáltató Zrt.
OTP Nedvizhimost ZAO	OTP Real Slovensko s.r.o.
OTP Pension Funds Administrator	OTP Travel Kft.
OTP Real Estate Services LLC	POK DSK-Rodina AD
OTP Travel Kft.	PortfoLion Kockázati Tőkealap-kezelő Zrt.
PortfoLion Kockázati Tőkealap-kezelő Zrt.	Projekt 13 Apartmany Slovensko s.r.o.
Projekt 13 Apartmany Slovensko s.r.o.	Projekt 2003. Ingatlan Befektető és Fejlesztő Kft.
Projekt 2003. Ingatlan Befektető és Fejlesztő Kft.	Projekt 3. Ingatlanforglamazó és Kereskedelmi Kft.
Projekt Ingatlanforgalmazó 9. Kft.	Projekt Ingatlanforgalmazó 9. Kft.
Projekt Vagyonkezelési 13. Kft.	Projekt Vagyonkezelési 13. Kft.
Projekt-Ingatlan 8. Kft.	Projekt-Ingatlan 8. Kft.
Rácalmás Projekt Kft.	R.E. Four d.o.o., Novi Sad
Rácalmási Területfejlesztő Kft.	Rácalmás Projekt Kft.
Sasad-Beregszász Ingatlanforgalmazó Kft.	Rácalmási Területfejlesztő Kft.
SC Aloha Buzz SRL	Sasad-Beregszász Ingatlanforgalmazó Kft.
SC AS Tourism SRL	SC AS Tourism SRL
SC Cefin Real Estate Kappa SRL	SC Cefin Real Estate Kappa SRL
SC Favo Consultanta SRL	Snorri-Salander Kft.
SC Tezaur Cont SRL	SPLC-B Kft.
Snorri-Salander Kft.	SPLC-C Ingatlanfejlesztő és Ingatlanhasznosító Kft
Suzuki Pénzügyi Szolgáltató Zrt.	SPLC-N Kft.
Szalamandra Ingatlanforgalmazó Kft.	SPLC-P Kft.
TradeNova Kft. f.a.	SPLC-S Kft.
Vagyonértékesítő Projekt 17. Kft.	SPLC-T1 Kft.
Vagyonkezelő Projekt 12. Kft	Suzuki Pénzügyi Szolgáltató Zrt.
	Szalamandra Ingatlanforgalmazó Kft.
	TradeNova Kft. f.a.
	Vagyonértékesítő Projekt 17. Kft.
	Vagyonkezelő Projekt 12. Kft

The group of companies deducted from consolidated regulatory capital as at 31 December 2011:

- The value of interests in other financial institutions, investment firms, insurance and reinsurance companies which deduct the regulatory capital: HUF 377 million.
- The ownership share value in the company which need not be included in the consolidation because of the Commission decision is zero.

1.3. Internal capital adequacy

The internal capital adequacy assessment process (ICAAP) aims to measure and ensure the disposability of the capital which is necessary to cover the material risks of OTP Group.

The internal capital adequacy assessment process assesses and defines the sufficient level of capital for the coverage of each risk type.

The ICAAP has to ensure the disposability of the sufficient capital by management information system and preparation of the necessary decisions.

The decisions related to the ICAAP process, and also the approval of the results, are made by Management Committee of OTP Bank.

The main principles of the ICAAP:

- The main aim of the internal capital adequacy assessment process is to measure the actual and the planned capital need.
- It is important to integrate the ICAAP to the decision making process of the Bank. We should ensure that the relevant management bodies are informed on the results of the ICAAP and are able to make the necessary capital management decisions.
- The ICAAP and the capital requirement of each risk type have to be reviewed and refreshed on a yearly basis.
- The capital requirement calculation is prepared in line with the Bank's business and risk strategy.
- The capital adequacy assessment process covers all relevant risk types.
- The assessment process should comply not just with the actual but also with the future circumstances.

1.4. Guarantee capital and regulatory capital requirements

The consolidated capital requirement calculation of OTP Group is based on HAS data.

OTP Group applied standardized capital calculation method regarding credit and market risk, basic indicator approach and standardized approach regarding operational risk. OTP Group consolidated regulatory capital requirement as of end of December 2011 was HUF 664 billion, the amount of guarantee capital was HUF 1,477 billion. The consolidated capital adequacy ratio stood at 17.8%.

Consolidated capital requirement (HUF million)	31/12/2011
Capital requirement	**663,804**
Credit risk	511,775
Market risk	43,911
Operational risk	108,118
Consolidated regulatory capital[1] (HUF million)	31/12/2011
Regulatory capital	**1,476,777**
Tier1	1,182,822
Tier2	294,332
Additional capital	0
Deductions	-377
Capital requirement for credit and counterparty risk (HUF million)	31/12/2011
Standardized method capital requirement	**511,775**
Central governments or central banks	18,092
Regional governments or local authorities	27,304
Public sector entities	928
Institutions	20,625
Corporate	164,778
Retail	153,219
Secured by real estate property	53,372
Past due items	42,049
Collective investment undertakings	1,088
Other items	31,320
Exposure deducted from capital (HUF million)	31/12/2011
Total	**65,018**

[1] Positive components of Tier 1: Share capital, Capital reserve, Tied-up reserve, General reserve, Retained earnings, Change in equity of subsidiaries, Change because of consolidation, Minority interests, Balance sheet profit, General risk reserve; Core loan capital
Negative components of Tier 1: Treasury shares, Goodwill and other intangible assets
Positive components of Tier 2: Upper Tier 2, Lower Tier 2
Negative components of Tier 2: Difference resulting from the capital consolidation

2. OTP BANK

2.1. Calculation methods and approaches of impaired items and provisions

The Bank's provisioning policy is prudent and conservative.

In establishing the profit or loss for the reporting year, it is through accounting for impairment and raising provisions that foreseeable risks and potential losses are taken into consideration even if they become known between the end of the last reporting period and the balance sheet date. Impairment and provisions are both recognized, irrespective of whether the business year is closed with a profit or a loss.

For the debts outstanding at the rating cut-off date and the cut-off date for the business year and unpaid until the balance sheet date, impairment is recognized on the basis of available information; the amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt. (The following qualify as receivables: receivables from credit institutions and financial enterprises, loans, advance payments as well as items of receivable type recorded among accruals and deferrals of income.)

If the amount of the debt that is expected to be recovered exceeds the book value of the debt at the cut-off date for rating, the impairment recognized earlier will be reduced through reversal.

The Bank recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their rating. If the rating process reveals that the amount of the risk provision exceeds the amount required on the basis of the rating, the excess amount of the risk provision is released. Risk provisions are used upon the termination of pending or certain (future) liabilities, or when losses arising from such liabilities are realized.

In its regulations entitled "Special valuation criteria", the Bank provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities.

Low-amount outstanding debts are rated on the basis of group evaluation with a simplified method. The most important parameters of the simplified rating procedure are payment delay and the status of restructuring.

The Bank determines the payment delay on the basis of the number of the calendar days without the client's fulfilment that pass without debt amortization from the due date of the principal repayment and/or the loan rate payment obligation specified in the assumption of risk contract to the cut-off date of the valuation.

The frequency and length of payment delay, as well as its growing trend increase the credit risk of the transaction and impair the quality of the risk assumption.

Outstanding debts subject to group evaluation are classified into five categories during the rating process. A certain amount of provision is allocated to each rating category, and it is this percentage value on the basis of which impairment is recognized on all receivables in the same category.

Based on a case-by-case evaluation, outstanding debts not qualifying as 'low amount' are included in one of the following asset rating categories, which are associated with the following provisioning weight bands:

- performing 0%,
- watch 1-10%,
- substandard 11-30%,
- doubtful 31-70%,
- bad 71-100%.

Depending on the nature of the item, classification into asset rating categories is based on the joint deliberation of the following aspects:

- client and counterparty rating – financial situation, stability and income generation capability of the client or counterparty affected by the financial and investment service, and any changes in these factors;
- compliance with the repayment schedule (overdue days) – patterns of delay on principal and interest payment related to the amortization of the outstanding debt, regularly fulfilment of the payment obligation;
- status of restructured risk contract;
- sovereign risk and changes in the sovereign risk associated with the client (both political risk and transfer risk);
- value, marketability and availability of the securities pledged as collateral and any changes in them;

- resale-ability and marketability of the item (market demand and supply, achievable market prices, share in the issuer's equity in proportion to the size of the investment),
- future payment obligation, which qualifies as a loss originating from the item.

Probable future losses on the item are determined on a case-by-case basis, in consideration of the above aspects as applicable. The comparison of such probable future losses with the value of the collateral securing the item indicates the expected amount of losses determined on the basis of the value of the collateral, i.e. the required amount of provisions. If this amount is lower than the amount recognized on the item earlier, it has to be supplemented by the amount of the difference by recognizing a further amount of impairment, or if it is higher, it has to be reduced by the reversal of the existing amount of impairment. Classification into asset rating categories occurs on the basis of the expected amount of losses determined on the basis of the value of the collateral.

Investments (including assets received in return for receivables and recorded as inventories) and off-balance sheet liabilities are, in all cases, evaluated on a case-by-case basis.

In keeping with § 87 (2) of Act CXII of 1996 on Credit Institutions and Financial Enterprises, the Bank creates general risk provisions – up to a maximum of 1.25% of the risk-weighted exposure amounts (adjusted balance sheet total) – to cover any unforeseeable and indeterminable losses in connection with exposures.

General risk provisions can be used if losses are incurred when assets are sold, derecognized or written off as loan or investment losses, and when losses are realized due to off-balance sheet liabilities.

General risk provisions are used – in the amount of the losses – when losses are realized on a portion of the above assets or off-balance sheet liabilities that is uncovered by reserves.

Qualified exposures[2]:

Qualified exposure and volume of provision (million HUF)	Qualified exposure on gross value (31.12.2011.)	Volume of provision / impairment (01.01.2011.)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2011.)
Loans to credit institutions and financial enterprises	67,332	2,675	1,050	-956	-98	0	-4	2,672
Loans to non-financial enterprises	181,388	36,223	44,630	-20,703	-9,300	3,725	18,352	54,575
Household loans	94,995	16,594	38,663	-25,575	-15,963	-205	-3,080	13,514
Other domestic loans	55,063	4,360	6,535	-5,541	-34	356	1,316	5,675
Loans abroad	349,069	74,464	17,878	-8,651	-14,671	8,037	2,593	77,057

Qualified exposure by countries 31/12/2011 (million HUF)	Qualified loans on gross value	Volume of provision / impairment	Qualified loans on net value
Hungary	398,734	74,734	324,000
the Netherlands	157,788	5,831	151,958
Cyprus	65,331	13,931	51,400
Montenegro	63,093	37,303	25,790
Romania	37,628	14,990	22,638
Slovakia	8,245	180	8,065
Seychelles	5,268	806	4,462
Ukraine	4,030	2,059	1,971
Croatia	3,909	2,567	1,342
Kazakhstan	2,170	111	2,059
Russia	937	623	314
Egypt	640	327	313
Italy	23	6	17
Serbia	10	6	4
United Kingdom	7	4	3
Germany	7	4	3
The United States of America	6	3	3
Bulgaria	4	0	4
Austria	2	1	1
Switzerland	2	1	1
Sweden	1	1	1

[2] Not include impairment due to total repayment of loans denominated in FX covered with real estate on fixed exchange rate.

Qualified exposure by countries 31/12/2011 (million HUF)	Qualified loans on gross value	Volume of provision / impairment	Qualified loans on net value
China	1	1	1
Libya	1	1	0
Canada	1	1	0
Other countries (gross value is less than 1 million HUF individually)	7	4	3
Total	**747,847**	**153,493**	**594,354**

2.2. Guarantee capital and regulatory capital requirements

The capital requirement calculation of OTP Bank is based on HAS and audited data.

OTP Bank applied standardized capital calculation method regarding credit, market and operational risk. OTP Bank regulatory capital requirement as of end of December 2011 was HUF 352 billion, the amount of regulatory capital was HUF 789 billion. The capital adequacy ratio stood at 17.9%.

OTP Bank capital requirement (million HUF)	31/12/2011
Capital requirement	**352,321**
Credit risk	263,922
Market risk	42,080
Operational risk	46,319
Regulatory capital[3] (million HUF)	31/12/2011
Regulatory capital	**789,334**
Tier1	937,057
Tier2	338,111
Additional capital	0
Deductions	-485,834
Exposure deducted from capital (HUF million)	31/12/2011
Total	**596,395**

Capital requirement for credit and counterparty risk 31/12/2011 (HUF million)	Credit	Counterparty	Total
Standardized method capital requirement	**252,849**	**11,073**	**263,922**
Central governments or central banks	514	0	514
Regional governments or local authorities	23,871	110	23,981
Public sector entities	903	0	903
Institutions	21,183	8,708	29,890
Corporate	155,716	2,231	157,946
Retail	27,157	24	27,181
Secured by real estate property	3,388	0	3,388
Past due items	6,503	0	6,503
Covered bonds	249	0	249
Collective investment undertakings	1,088	0	1,088
Other items	12,278	0	12,278

[3] Positive components of Tier 1: Share capital, Capital reserve, Tied-up reserve, General reserve, Retained earnings, Balance sheet profit, General risk reserve
Negative components of Tier 1: Treasury shares, Goodwill and other intangible assets
Positive components of Tier 2: Upper Tier 2, Lower Tier 2

2.3. Exposures[4] broken down by exposure classes

Exposure amounts broken down by exposure classes – **gross** (million HUF)	31/12/2011
Gross exposure	**7,906,719**
Central governments or central banks	1,028,266
Regional governments or local authorities	369,182
Public sector entities	35,346
Institutions	1,900,643
Corporate	2,367,727
Retail	721,150
Secured by real estate property	118,042
Past due items	164,874
Covered bonds	961,381
Collective investment undertakings	13,600
Other items	226,508

Exposure amounts broken down by exposure classes - **net** (million HUF)	2011.12.31
Net exposure	**7,697,833**
Central governments or central banks	1,028,257
Regional governments or local authorities	359,423
Public sector entities	35,275
Institutions	1,868,568
Corporate	2,308,502
Retail	715,405
Secured by real estate property	114,357
Past due items	77,034
Covered bonds	961,381
Collective investment undertakings	13,600
Other items	216,031

2.4. Exposures[4] broken down by exposure classes and maturity

Exposures broken down by exposure classes and maturity (million HUF)	In 1 year	1 - 2.5 year	2.5 - 5 year	Over 5 year	Without maturity	Non allocated
Total	**3,671,191**	**1,378,661**	**1,332,586**	**1,311,445**	**165,586**	**47,250**
Central governments or central banks	677,455	80,257	99,654	170,809	0	91
Regional governments or local authorities	132,686	37,399	34,667	164,404	0	26
Public sector entities	6,852	3,475	2,034	21,660	0	1,325
Institutions	1,029,963	356,115	212,566	270,879	0	31,120
Corporate	1,018,892	491,515	474,949	373,475	0	8,896
Retail	491,912	72,493	92,572	61,176	0	2,997
Secured by real estate property	27,450	15,025	27,189	48,378	0	0
Past due items	122,448	6,699	5,630	30,097	0	0
Covered bonds	94,806	315,683	383,325	167,567	0	0
Collective investment undertakings	0	0	0	0	13,600	0
Other items	68,727	0	0	3,000	151,986	2,795

2.5. Exposures[4] of foreign countries broken down by exposure classes

Exposures of foreign countries – gross 4Q 2011 (million HUF)										
Country	Central governments or central banks	Regional governments or local authorities	Multilateral Development Banks	Corporate	Retail	Secured by real estate property	Past due items	Secured bonds	Other items	**Total**
Austria			7,686		51		2		6,223	**13,962**
Australia			313				1			**314**
Azerbaijan			609							**609**
Belgium			15,708		52					**15,760**
Bulgaria			6,373	65,017	2					**71,392**
Belize				23,608						**23,608**
Canada			193		3		1			**197**
Switzerland			17,573	15,393	5		2			**32,973**
Chile					1					**1**
China							2			**2**
Cyprus				475,472			12,756		1,311	**489,539**
Czech Republic			66							**66**
Germany	7,504		95,468		31		7			**103,010**
Denmark			4,619		1					**4,620**
Estonia			25		1					**26**
Egypt				639	2					**641**
Spain			3,700							**3,700**
France			94,899		3					**94,902**

[4] Exposures according to credit and counterparty risk excluding items are treated as negative components of capital

Exposures of foreign countries – gross 4Q 2011 (million HUF)										
Country	Central governments or central banks	Regional governments or local authorities	Multilateral Development Banks	Corporate	Retail	Secured by real estate property	Past due items	Secured bonds	Other items	**Total**
United Kingdom			262,476		4		7			**262,487**
Georgia			28							**28**
Croatia			3,132	29,302	1		3,902			**36,337**
Ireland			7,871							**7,871**
Israel			19		1		1			**21**
Iraq					1					**1**
Iran					1					**1**
Italy			1,751		1		23			**1,775**
Japan			1,706							**1,706**
Kuwait					1					**1**
Kazakhstan			2,166							**2,166**
Luxembourg			20,086		1					**20,087**
Montenegro			24,351	14,980	27		48,155			**87,513**
Mongolia					2					**2**
Malta			300		1					**301**
Netherlands			4,768	459,844	5		1			**464,618**
Norway			3,938		1					**3,939**
Poland			805		3					**808**
Portugal			62							**62**
Romania	879	310	100,656	49,176	13,345	483	23,488		39	**188,376**
Serbia			310	10,024						**10,334**
Russia			100,795	33,016	1		935		24,393	**159,140**
Seychelles				6,371						**6,371**
Sweden			1,568		3		1			**1,572**
Slovakia			731	27,127	243		20	15,557		**43,678**
Turkey			402							**402**
Ukraine			16,480	4,695	34		4,021			**25,230**
United States			17,118	4	5		5			**17,132**
South Africa					1					**1**
Total	**8,383**	**310**	**818,751**	**1,214,668**	**13,834**	**483**	**93,330**	**15,557**	**31,966**	**2,197,282**

2.6. Credit risk mitigation

Regulations on the valuation and management of securities contain (1) the aspects and factors that the Bank uses as a basis for collateral valuation depending on the type of the collateral and (2) the methods that the Bank uses in evaluating collateral. They lay down the procedures applicable when change occurs in the availability, value and enforceability of the collateral as well as the rules governing the frequency of regular and subsequent collateral valuation.

Collateral valuation covers all the lending, risk managing and legal activities that the Bank performs prior to the extension of a loan as well as during the term of the risk assumption in order to obtain information on the availability, value and enforceability of the collateral.

During the term of the contract containing the risk exposure the Bank regularly monitors and documents the fulfilment of the conditions set forth in the contract, including developments in the client's financial and economic position as well as changes in the availability, fair value and enforceability of the collateral and the securities.

In its lending activity the Bank uses the following types of eligible securities the most frequently: collateral deposit, lien, guarantee and surety ship.

Collaterals used in capital requirement calculation (31/12/2011):

Net exposure covered by collaterals 31/12/2011 (million HUF)[5]	State guarantee	Institution guarantee	Guarantee provided by others	Guarantee	Secured by real estate	Financial guarantee
Total	**77,659**	**0**	**23**	**77,682**	**120,534**	**48,805**
Central governments or central banks	0	0	0	0	0	506
Regional governments or local authorities	1,791	0	0	1,791	0	2,310
Public sector entities	17,282	0	0	17,282	0	868
Institutions	0	0	0	0	0	2,254
Corporate	12,687	0	0	12,687	0	40,469
Retail	41,646	0	0	41,646	0	2,270
Secured by real estate property	0	0	0	0	114,357	0
Past due items	4,253	0	23	4,276	6,177	128

2.7. Information about market and credit risk concentration

In order to avoid excessive dependency, the Bank manages the concentration risks of the portfolio by setting limits for sectors, countries, clients and counterparties at both bank and bank group levels.

In order to restrain the transfer of risk originating from a potential owner-business interest relationship between clients or relationships of business nature or collateral-related relationships, clients that qualify as a client group must be defined and client level concentration limits must be interpreted at a client-group level.

In order to support the recording and maintenance of client groups at a bank-group level, group-level regulations have been developed together with an IT system.

2.8. Use of credit assessment by Export Credit Agencies

OTP Bank uses S&P, Moody's and Fitch credit assessment[6]. Exposures to central governments and central banks shall be assigned a risk weight in a credit assessment scale. Exposures to institutions shall be assigned a risk weight according to the credit quality step to central government.

Credit quality step (CQS) to which central government is assigned	1	2	3	4	5	6
Central governments and central banks risk weight	0%	20%	50%	100%	100%	150%
Institutions risk weight	20%	50%	100%	100%	100%	150%

2.9. Trading book

At the end of 2011 counterparty risk represented HUF 11,073 million

The capital requirement for market risk:

Capital requirement for market risk (million HUF)	31/12/2011
Total	**42,080**
Position risk	2,240
FX-rate risk	39,840

OTP Bank has not applied IRB method regarding the market risk since 28 November 2008.

2.10. Aspects of classification for trading purposes (capital gain, strategic reasons)

According to the Act on Accounting (Subsection (1) of Section 27 of Act C of 2000) those participations shall be shown under the financial investments which are kept for the purposes of gaining permanent income, or an influencing, directive or controlling option therein while the purpose for holding of participations included in the trading books is the short term exchange gain due to the price difference between the purchase and selling price.

[5] Gross exposure less provisions (credit and counterparty)

[6] If more than two credit assessments are available from nominated ECAIs for a rated item, the two assessments generating the two lowest risk weights shall be referred to. If the two lowest risk weights are different, the higher risk weight shall be assigned.

According to the Investment Regulation of the OTP Plc. the long-term participations can be classify as it follows:

I. Strategic capital investments
   - Group of OTP Bank
   - Other strategic capital investments
     - Capital investments based on provisions of law
     - Capital investments for banking operation
     - Capital investments for banking business
     - Credit institution investments
     - Other strategic investments

II. Non strategic capital investments
   - Investments planned to be sold for portfolio settlement or other purposes
   - Investments under liquidation, dissolution and framework of bankruptcy
   - Investments resulted from credit-capital conversion (forced investments)

Accounting and valuation methods:

According to the Accounting Policy of the OTP Bank Plc. the cost value (purchase value) of the investments representing participating interests shall mean as it follows:

In the course of buying shares, participations, capital contributions the cost value shall be comprised the amount paid for it, or - in respect of acquisitions - decreased or increased by the goodwill or negative goodwill, as appropriate, if goodwill or negative goodwill is shown

In the course of foundation or increase of capital the amount is recorded as combined value of contributions, as defined in the deed of foundation or its amendments, or in the general meeting or shareholders' or founders' resolution, to cover the subscribed capital, the balance between subscription or issue price and the face value, or the capital above and beyond the subscribed capital in the amount of paid up cash contributions and non-pecuniary contribution provided.

Main factors influencing the valuation:

The shares and business shares of the companies which are included in the investment portfolio of OTP Bank's shall be classify according to the OTP Bank's actual regulations for the valuation and shall be adjusted based on the classification. Essentially, the probability and size of the expected losses of investment have to be determined under the classification.

Exposures in equities not included in trading book as at 31 December 2011***:***

Investment	Currency	Gross value (million)		Exchange-traded
		Currency	HUF	
OTP Banka Slovensko a.s.	EUR	82	25,433	Yes
OTP Banka Srbija a.d. Novi Sad	RSD	11,139	30,017	Yes
Merkantil Bank Zrt.	HUF	0	1,600	No
OTP Lakástakarék Zrt.	HUF	0	1,000	No
OTP Jelzálogbank Zrt.	HUF	0	27,000	No
OTP Faktoring Zrt.	HUF	0	0	No
OTP Lakáslízing Zrt.	HUF	0	92	No
GIRO Elszámolásforgalmi Zrt.	HUF	0	294	No
Garantiqua Hitalgarancia Zrt.	HUF	0	280	No
Budapesti Értéktőzsde Zrt.	HUF	0	123	No
OTP Pénztárszolgáltató Zrt.	HUF	0	2,620	No
Monicomp Zrt.	HUF	0	3,146	No
Bajor-Polár Center Zrt.	HUF	0	46	No
OTP Alapkezelő Zrt.	HUF	0	1,653	No
OTP Ingatlan Befektetési Alapkezelő Zrt.	HUF	0	1,352	No
Portfolion Kockázati Tőkealap-Kezelő Zrt.	HUF	0	150	No
Kisvállalkozás-fejlesztő Pénzügyi Zrt.	HUF	0	50	No
OTP Életjáradék Zrt.	HUF	0	15,172	No
OTP Ingatlan Zrt.	HUF	0	1,420	No
Multipont Program Zrt.	HUF	0	15	No
DSK Bank AD	BGN	360	57,224	No
OTP Bank Romania S.A.	RON	580	41,777	No
OTP banka Hrvatska d.d.	HRK	1,202	49,620	No
OTP Bank JSC	UAH	3,120	93,364	No
OAO OTP Bank	RUB	7,920	59,157	No
Crnogorska komercialna banka a.d.	EUR	107	31,241	No

Investment	Currency	Gross value (million)		Exchange-traded
		Currency	HUF	
Hungarian Financing Ltd	GBP	0	74	No
Eastern Securities S.A.	RON	1	0	No
VISA Europe Ltd.	EUR	0	0	No
VISA Inc.	USD	0	0	No
ABE Clearing SAS	EUR	0	0	No
OTP Financing Cyprus Company Limited	EUR	0	0	No
OTP Holding Ltd.	EUR	8	2,571	No
Budapest Bank Nyrt.	HUF	0	0	No
HAGE Zrt.	HUF	0	135	No
Honeywell ESCO Zrt.	HUF	0	37	No
Mátrai Erőmű Zrt.	HUF	0	0	No
Pénzügykutató Zrt.	HUF	0	1	No

2.11. Counterparty risk management

The establishment of limits is fundamentally influenced by the risk rating of counterparties, which comprises the analysis of financial data and deliberation over qualitative factors. The rating of the counterparty thus established defines the amount of the limit that can be granted to it, and the exposures and maturities for which it is permitted to use the limit. A detailed description of the rating is contained in the Counterparty Rating Regulations, and the manner in which limits are established and broken down into sub-limits are contained in the Risk Exposure Regulations. The regulations are regularly reviewed in consideration of the changes in market trends.

The Collateral Valuation Regulations, reviewed annually, set out the security categories into which the collateral provided by the counterparties with different ratings can be classified, as well as the values assigned to such collateral.

Ratings performed prior to the establishment of limits focus on the vulnerability of the counterparties to negative market trends and special (one-off) shocks. A favourable rating is given to those banks only, whose financial situation (capitalization and liquidity) and external support (from its owner or the state) are both expected to ensure the banks' ability to honour their obligations even if unfavourable events occur.

The Risk Exposure Regulations set out the cases of counterparty exposures where encumbrance on limits can be reduced because collateral items are considered. This is rarely applied. No collateral is linked to the majority of the exposures.

The mark to market method is applied.

3. OTP MORTGAGE BANK

3.1. Calculation methods and approaches of impaired items and provisions

OTP Mortgage Bank. (by the Hungarian abbreviation: JZB) is engaged in an activity falling under the scope of Act XXX. of 1997 on Mortgage Banks and Mortgage Bonds (by the Hungarian abbreviation: Jht.). In order to protect the interests of investors purchasing mortgage bonds, Jht. stipulates tighter-than-usual criteria concerning the coverage securing individual claims and the portfolio as a whole.

Accordingly, the portfolio of OTP Mortgage Bank:

- is homogeneous,
- is comprised, without exception, of loans secured by mortgage, and – for certain loan types – an additional state guarantee as well.

Pertaining to the assessment of the collateral value of the real estate offered as collateral, Jht. stipulates the use of a *loan collateral value*, which is lower than the market value of the real estate, takes certain risks into consideration and is checked and approved by OTP Mortgage Bank. The regulations governing the establishment of this value are approved by the Hungarian State Supervisory Authority for Financial Enterprises (by the Hungarian abbreviation: PSZÁF).

OTP Mortgage Bank's regulations on the collateral registry, which are tight regulations stipulating compliance at the level of the individual collateral items and the portfolio as a whole, are also approved by PSZÁF. Accordingly, OTP Mortgage Bank's portfolio may only contain fully covered loans.

Changes are monitored by the collateral registry system. Given this background, the internal structure, and hence the quality of the portfolio is monitored on an ongoing basis. In establishing the profit or loss for the reporting year, it is through accounting for impairment and raising provisions that foreseeable risks and potential losses are taken into consideration even if they become known between the end of the last reporting period and the balance sheet date. Impairment and provisions are both recognized, irrespective of whether the business year is closed with a profit or a loss.

For the debts outstanding at the rating cut-off date and the cut-off date for the business year and unpaid until the balance sheet date, impairment is recognized on the basis of available information; the amount of the recognized impairment is the difference between the book value of the outstanding debt and the expected amount of the recovered debt. (The following qualify as receivables: receivables from credit institutions and financial enterprises, loans, advance payments as well as items of receivable type recorded among accruals and deferrals of income.)

If the amount of the debt that is expected to be recovered exceeds the book value of the debt at the cut-off date for rating, the impairment recognized earlier will be reduced through reversal.

The Bank recognizes risk provision for off-balance sheet (pending, future) liabilities on the basis of their rating. If the rating process reveals that the amount of the risk provision exceeds the amount required on the basis of the rating, the excess amount of the risk provision is released. Risk provisions are used upon the termination of pending or certain (future) liabilities, or when losses arising from such liabilities are realized.

In its regulations the Bank provides detailed regulations pertaining to the valuation and impairment recognition of, and provisioning for, outstanding debts, investments, assets received in return for receivables and recorded as inventories and off-balance sheet liabilities.

Low-amount outstanding debts are rated on the basis of group evaluation with a simplified method. The most important parameters of the simplified rating procedure are payment delay and the status of restructuring.

The Bank determines the payment delay on the basis of the number of the calendar days without the client's fulfilment that pass without debt amortization from the due date of the principal repayment and/or the loan rate payment obligation specified in the assumption of risk contract to the cut-off date of the valuation.

The frequency and length of payment delay, as well as its growing trend increase the credit risk of the transaction and impair the quality of the risk assumption.

Outstanding debts subject to group evaluation are classified into five categories during the rating process. A certain amount of provision is allocated to each rating category, and it is this percentage value on the basis of which impairment is recognized on all receivables in the same category.

Qualified exposures:[7]

Qualified exposure and volume of provision (million HUF)	Qualified exposure on gross value (31.12.2011.)	Volume of provision / impairment (01.01.2011.)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2011.)
Loans to credit institutions and financial enterprises	0	0	0	0	0	0	0	0
Loans to non-financial enterprises	0	0	0	0	0	0	0	0
Household loans	595,737	20,683	64,751	-34,412	-12,536	2,489	20,293	40,976
Other domestic loans	0	0	0	0	0	0	0	0
Loans abroad	0	0	0	0	0	0	0	0

3.2. Guarantee capital and regulatory capital requirements

The capital requirement calculation of OTP Mortgage Bank is based on HAS and audited data.

OTP Mortgage Bank applied standardized capital calculation method regarding credit and market risk, alternative standardized approach (ASA) regarding the operational risk. OTP Mortgage Bank regulatory capital requirement as of end of December 2011 was HUF 51.6 billion, the amount of regulatory capital was HUF 62.8 billion. The capital adequacy ratio stood at 9.73%

OTP Mortgage Bank capital requirement (HUF million)	31/12/2011
Capital requirement	**51,632**
Credit risk	48,414
Market risk	1,112
Operational risk	2,106
Regulatory capital[8] (HUF million)	31/12/2011
Regulatory capital	**62,817**
Tier1	58,978
Tier2	3,839
Additional capital	0
Deductions	0
Exposure deducted from capital (HUF million)	31/12/2011
Total	**183**

Capital requirement for credit and counterparty risk 31/12/2011 (HUF million)	Credit	Counterparty	Total
Standardized method capital requirement	**48,414**	**0**	**48,414**
Central governments or central banks	1,768	0	1,768
Regional governments or local authorities	12	0	12
Institutions	46	0	46
Corporate	463	0	463
Retail	12,163	0	12,163
Secured by real estate property	31,616	0	31,616
Past due items	2,336	0	2,336
Other items	12	0	12

3.3. Exposures[9] broken down by exposure classes

Exposure amounts broken down by exposure classes - gross (HUF million)	31/12/2011
Gross exposure	**1,783,279**
Central governments or central banks	16,272
Regional governments or local authorities	149

Exposure amounts broken down by exposure classes - net (HUF million)	31/12/2011
Net exposure	**1,710,307**
Central governments or central banks	16,272
Regional governments or local authorities	149

[7] Not include impairment due to total repayment of loans denominated in FX covered with real estate on fixed exchange rate.

[8] Positive components of Tier 1: Share capital, Capital reserve, Tied-up reserve, General reserve, Retained ernings, Balance sheet profit, General risk reserve
Negative components of Tier 1: Goodwill and other intangible assets
Positive components of Tier 1: Lower Tier 2

[9] Exposures according to credit and counterparty risk items

Exposure amounts broken down by exposure classes - gross (HUF million)	31/12/2011
Institutions	211,760
Corporate	5,787
Retail	308,203
Secured by real estate property	1,168,959
Past due items	71,997
Other items	152

Exposure amounts broken down by exposure classes - net (HUF million)	31/12/2011
Institutions	211,760
Corporate	5,783
Retail	299,930
Secured by real estate property	1,126,774
Past due items	49,492
Other items	147

3.4. Exposures[9] broken down by exposure classes and maturity

Exposures broken down by exposure classes and maturity - gross (HUF million)	Within 1 year	1 – 2.5 year	2.5 – 5 year	Over 5 year	Without maturity	Non allocated
Total	**254,190**	**138,603**	**272,605**	**1,083,261**	**126**	**34,492**
Central governments or central banks	12,753	0	0	0	0	3,519
Regional governments or local authorities	149	0	0	0	0	0
Institutions	132,693	11,667	36,548	0	0	30,851
Corporate	3,753	276	431	1,298	0	29
Retail	12,407	28,392	38,790	228,542	0	71
Secured by real estate property	64,165	95,862	191,283	817,649	0	0
Past due items	28,265	2,406	5,553	35,773	0	0
Other items	5	0	0	0	126	22

3.5. Credit risk mitigation

Collaterals used in capital requirement calculation (4Q 2011):

Exposures covered by collaterals (million HUF)	State guarantee	Secured by real estate
Total	**97,185**	**1,159,222**
Retail	91,347	0
Secured by real estate property	0	1,126,774
Past due items	5,838	32,448

3.6. Trading book

The capital requirement for market risk:

Capital requirement for market risk (million HUF)	31/12/2011
Total	**1,112**
Position risk	15
FX-rate risk	1,097

4. OTP BUILDING SOCIETY

4.1. Calculation methods and approaches of impaired items and provisions

OTP Building Society is engaged in an activity falling under the scope of Act CXIII. of 1996 on Home Savings and Loan Association (by the Hungarian abbreviation: LTP) which stipulates tighter-than-usual criteria in order to protect customers.

Its activity is restricted to collecting home savings deposits and providing home acquisition loans.

Its products, business regulations and the General Contractual Terms are approved by the Hungarian State Supervisory Authority for Financial Enterprises (by the Hungarian abbreviation: PSZÁF).

10-15% of authorized customers have utilized their right to take the loan since the start of OTP Building Society.

OTP Building Society's outstanding debts – according to its regulation – are low-amount debts and are evaluated on the basis of group evaluation with a simplified method.

Outstanding debts subject to group evaluation are classified into five rating categories on the basis of payment delay. A certain amount of provision is allocated to each rating category, and it is this percentage value on the basis of which impairment is recognized on all receivables in the same category.

At the end of December 2011 the gross amount of loans was HUF 4,915 million from which the non-problem free volume was only HUF 62 million, which is 1.2% of the gross loan volume.

Qualified exposures:

Qualified exposure and volume of provision (million HUF)	Qualified exposure on gross value (31.12.2011.)	Volume of provision / impairment (01.01.2011.)	Provision / impairment accounted	Provision / impairment released	Provision / impairment utilized	Exchange difference	Total change of provision / impairment	Volume of provision / impairment (31.12.2011.)
Loans to credit institutions and financial enterprises	0	0	0	0	0	0	0	0
Loans to non-financial enterprises	0	1	0	-1	0	0	-1	0
Household loans	62	27	60	-73	0	0	-13	14
Other domestic loans	0	0	0	0	0	0	0	0
Loans abroad	0	0	0	0	0	0	0	0

4.2. Guarantee capital and regulatory capital requirements

The capital requirement calculation of OTP Building Society is based on HAS and audited data.

OTP Building Society applied standardized capital calculation method regarding credit and market risk, basic indicator approach (BIA) regarding the operational risk. OTP Building Society regulatory capital requirement as of end of December 2011 was 1.4 billion HUF, the amount of regulatory capital was 4.4 billion HUF. The capital adequacy ratio stood at 26.23%.

OTP Building Society capital requirement (million HUF)	31/12/2011
Capital requirement	**1,354**
Credit risk	312
Market risk	123
Operational risk	919
Regulatory capital[10] (HUF million)	31/12/2011
Regulatory capital	**4,441**
Tier1	4,441
Tier2	0
Additional capital	0
Deductions	0
Exposure deducted from capital (HUF million)	31/12/2011
Total	**98**

[10] Positive components of Tier 1: Share capital, General reserve
Negative components of Tier 1: Goodwill and other intangible assets

Capital requirement for credit risk (HUF million)	31/12/2011
Standardized method capital requirement	**312**
Central governments or central banks	0
Regional governments or local authorities	0
Institutions	0
Corporate	38
Retail	271
Past due items	2
Covered bonds	0
Other items	1

4.3. Exposures broken down by exposure classes

Exposure amounts broken down by exposure classes - gross (million HUF)	31/12/2011
Gross exposure	**181,360**
Central governments or central banks	116,499
Regional governments or local authorities	2
Institutions	30,273
Corporate	477
Retail	4,589
Past due items	34
Covered bonds	29,472
Other items	14

Exposure amounts broken down by exposure classes - net (million HUF)	31/12/2011
Net exposure	**181,346**
Central governments or central banks	116,499
Regional governments or local authorities	2
Institutions	30,273
Corporate	477
Retail	4,589
Past due items	20
Covered bonds	29,472
Other items	14

4.4. Exposures broken down by exposure classes and maturity

Exposures broken down by exposure classes and maturity (million HUF)	In 1 year	1 – 2.5 year	2.5 - 5 year	Over 5 year	Without maturity	Non allocated
Total	**79,866**	**26,914**	**41,222**	**30,810**	**14**	**2,533**
Central governments or central banks	35,860	12,626	40,153	25,344		2,516
Regional governments or local authorities	2					
Institutions	30,273					
Corporate	176	199	94	4		4
Retail	1,617	1,738	975	245		14
Past due items	24	9	1			
Covered bonds	11,914	12,342		5,217		
Other items					14	

4.5. Trading book

The capital requirement for market risk:

Capital requirement for market risk (HUF million)	31/12/2011
Total	**123**
Position risk	123
FX-rate risk	0

5. REMUNERATION POLICY

5.1. Decision-making process applied in determining the remuneration policy

The Board of Directors of OTP Bank Plc. – within the framework approved by the Bank's General Meeting – makes a decision about accepting the Bank Group's Remuneration Policy, approves its amendment and oversees its implementation. OTP Bank Plc.'s Board of Directors consults with all the units of OTP Bank that are significant in terms of corporate governance with regard to drafting the Bank Group's Remuneration Policy.

OTP Bank Plc.'s Board of Directors has the right to modify the Remuneration Policy with the exception of matters that by law are subject to the competence of the General Meeting, with the proviso that it notify all the subsidiaries of the OTP Bank Group of the amendment immediately and/or that it notify the shareholders at OTP Bank Plc.'s next General Meeting.

The Supervisory Board of OTP Bank Plc. is responsible for the implementation and review, at least once a year, of the Bank Group's Remuneration Policy.

The provisions of the Bank Group's Remuneration Policy, as well as the regulations related to it and their implementation, must be checked by OTP Bank Plc.'s Internal Audit department at least once a year, no later than by 31 March, and a report on the matter must be prepared for OTP Bank Plc.'s Board of Directors, Supervisory Board and Remuneration Committee.

OTP Bank Plc.'s Remuneration Committee oversees the remuneration of the managers who are responsible for risk management and legal compliance, and prepares remuneration decisions by taking into account the long-term interests of shareholders, investors and other stakeholders of the credit institution.

OTP Bank Plc.'s Remuneration Committee makes recommendations to the Supervisory Board of OTP Bank Plc. regarding the remuneration of the Board of Directors of OTP Bank Plc. and provides support and advice to OTP Bank Plc.'s Board of Directors with respect to drafting the Bank Group's comprehensive remuneration policy and checking the planning and operation of the remuneration system.

The detailed description of the tasks and responsibilities related to the operation of the Bank Group's Remuneration Policy is contained in the effective rules of procedure of the individual bodies.

5.2. Relationship between performance and performance-based remuneration

The most important principle of the Bank Group's Remuneration Policy is that the amount of performance-based remuneration – with the risks assessed in advance as well as subsequently – is tied to the extent to which the objectives of the Bank Group/Bank/subsidiary and the individual are realised. The amount of the performance-based remuneration is determined on the basis of a joint assessment of the objectives.

In respect of the persons subject to the effect of the Bank Group's Remuneration Policy, performance evaluation, as a rule of thumb, is based on individual agreements. Performance expectations are determined in a predefined indicator structure at Bank Group/Bank/subsidiary, organisational, managerial and job level and/or in terms of target tasks, taking into account the differences stemming from the nature of the activities of the Bank's individual units.

In the case of managers employed by OTP Bank Plc., the key performance evaluation indicators include the bank group-level (domestic and foreign companies that operated as group members under consolidated supervision throughout the evaluated business year) RORAC (Return on Risk-Adjusted Capital), which indicates return relative to the capital requirement associated with the given risk of an activity, as well as criteria that measure individual performance (financial indicators and indicators measuring the quality of work performance).

In the case of the managers of the Bank Group's subsidiaries, performance evaluation is conducted in a differentiated manner based on the nature of the companies' activities.

The target value of the key indicator is determined by the Bank's Board of Directors based on the prevailing annual financial plan. The Board of Directors may modify the target value in response to a change in the statutory regulations and/or a change in market circumstances that occurs after the target value is determined and that has a significant objective impact on the Bank's profit and/or attainment of the target value.

5.3. Criteria of variable remuneration

OTP Bank Plc. uses the combined method when determining the amount of the performance-based remuneration (variable remuneration), with the proviso that the maximum amount available for performance-based remuneration is determined as a function of the Bank Group's capital position and its expected financial performance. At Bank Group level, the maximum amount available for performance-based remuneration in a given year is determined by OTP Bank Plc.'s Board of Directors.

Bank Group level and individual performances are evaluated once a year. At Bank Group level the maximum amount of performance-based remuneration in a given year and the amount broken down by individuals are determined within 30 days after the date of the General Meeting of OTP Bank Plc. that closes the evaluated year.

As a general rule, the performance-based variable remuneration is provided in the form of a cash bonus and a share allowance granted at a discount, in a 50-50% ratio. In respect of each member of the Bank Group, the share-based portion of variable remuneration is provided by OTP Bank Plc. to those concerned.

Pursuant to the general rule that is in line with the provisions of the Credit Institutions Act, 60% of the variable remuneration is deferred for 3 years, within which period the extent of the deferred payment shall be identical every year.

Entitlement to the deferred instalments is determined based on a subsequent assessment of the risks. The assessment of risks takes place, on the one hand, on the basis of quantitative criteria pertaining to prudent operations and, on the other, on qualitative evaluation criteria. On the basis of the values of the criteria of prudent operation, OTP Bank Plc.'s Board of Directors makes a decision on whether to pay the deferred instalments. Based on the assessment of the risks related to the activities of those concerned, the deferred portion of the performance-based remuneration may be reduced or cancelled. As a general rule, an additional condition for entitlement to the deferred instalments is the retention of the employment relationship.

5.4. Summarised information relating to the remuneration

Within the context of the Bank Group's Remuneration Policy, the summarised information pertaining to the remuneration of the persons specified in Article 69/B (2) of the Credit Institutions Act is contained in the following table.

	Persons receiving remuneration	Remuneration settled in 2011		Amount of unpaid, deferred remuneration[3)]	
		Fixed remuneration [1)]	Performance-based remuneration [2)]	Entitlement obtained	Entitlement not obtained
	(persons)	(HUF)			
Senior managers	21	976,043,333	828,687,679	240,343,840	1,442,063,040
Persons subject to the effect of the Bank Group's Remuneration Policy	95	2,045,492,242	1,189,741,890	328,903,642	1,973,421,792

Comments:

1) Does not contain the amount of the share allowance that constitutes the fixed remuneration of the members of OTP Bank's Board of Directors which, in accordance with Resolution 10/2011 of the General Meeting, is settled within 30 days after the General Meeting that closes the year 2011.

2) The amount of the performance-based remuneration settled in 2011, which includes, based on resolution 9/2011 of the General Meeting, the short-term instalment of the performance-based remuneration for 2010.

3) Pursuant to resolution 9/2011 of the General Meeting, the deferred portion of the performance-based remuneration for 2010.

With respect to the introduction in 2011 of the Remuneration Policy, no payment was made from the deferred remuneration in the business year.

During the business year, no guaranteed performance-based remuneration was paid in relation to new employment contracts to persons employed by OTP Bank Plc. who are subject to the effect of the Remuneration Policy, and no severance pay was settled.