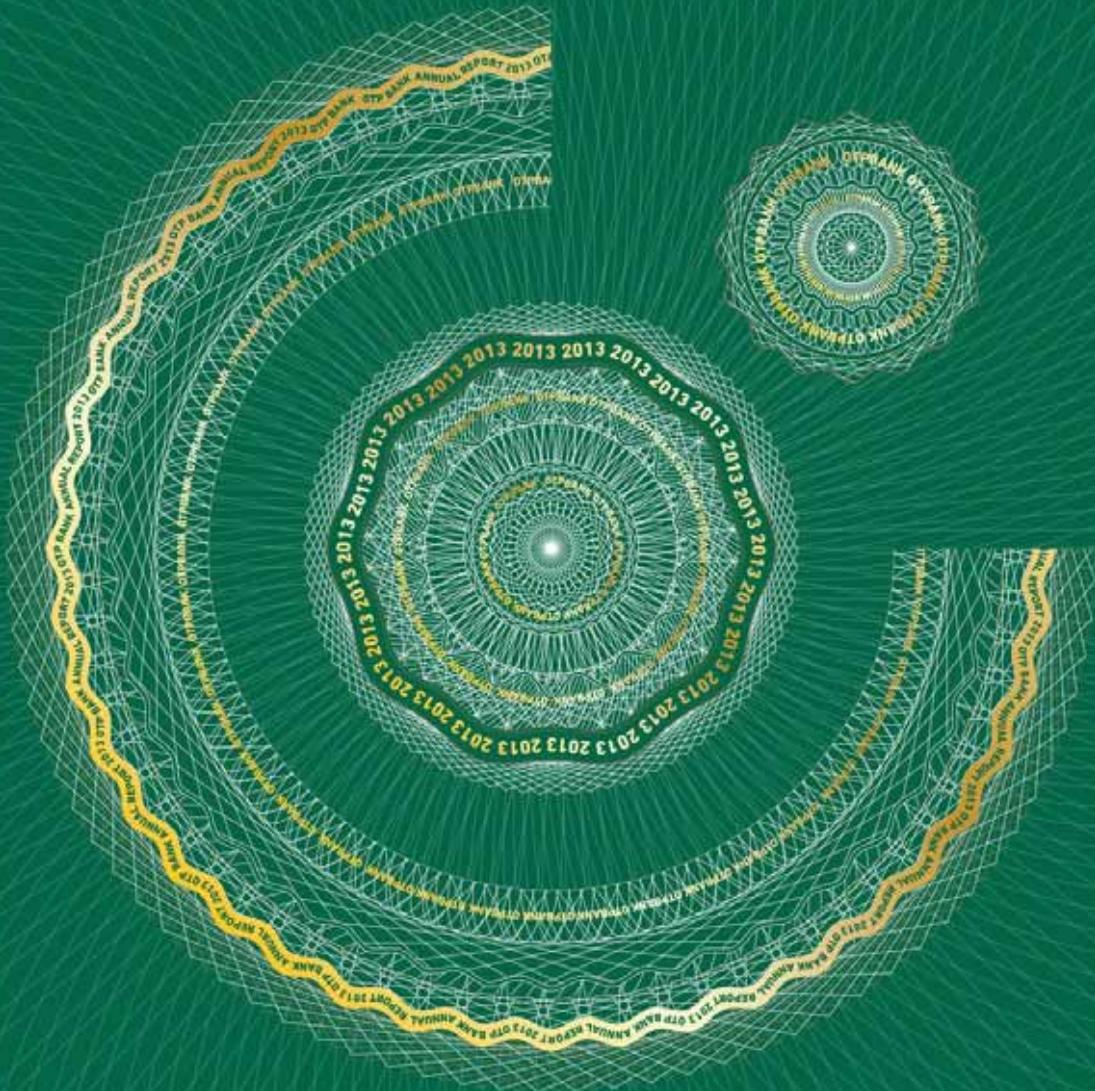




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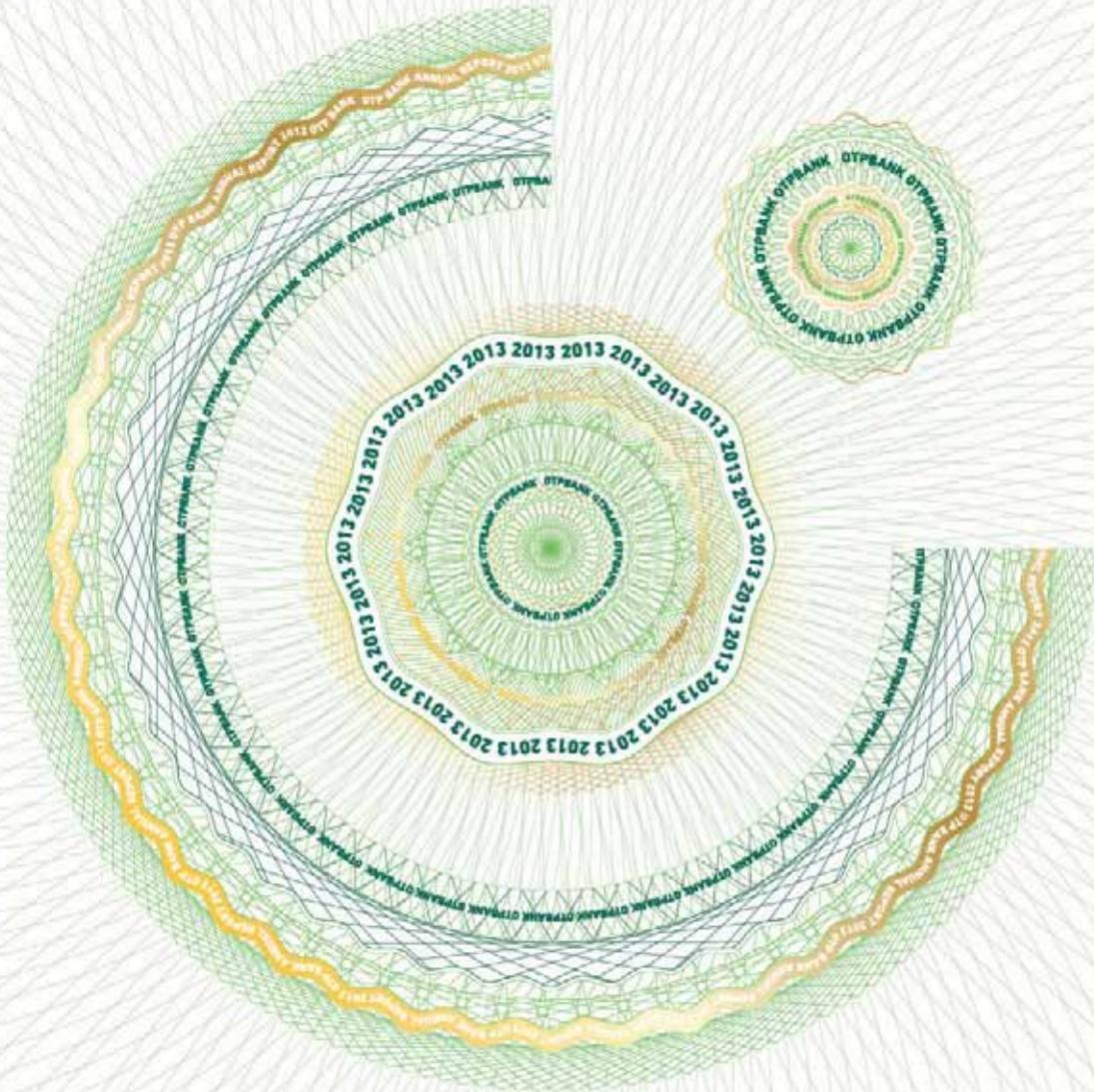
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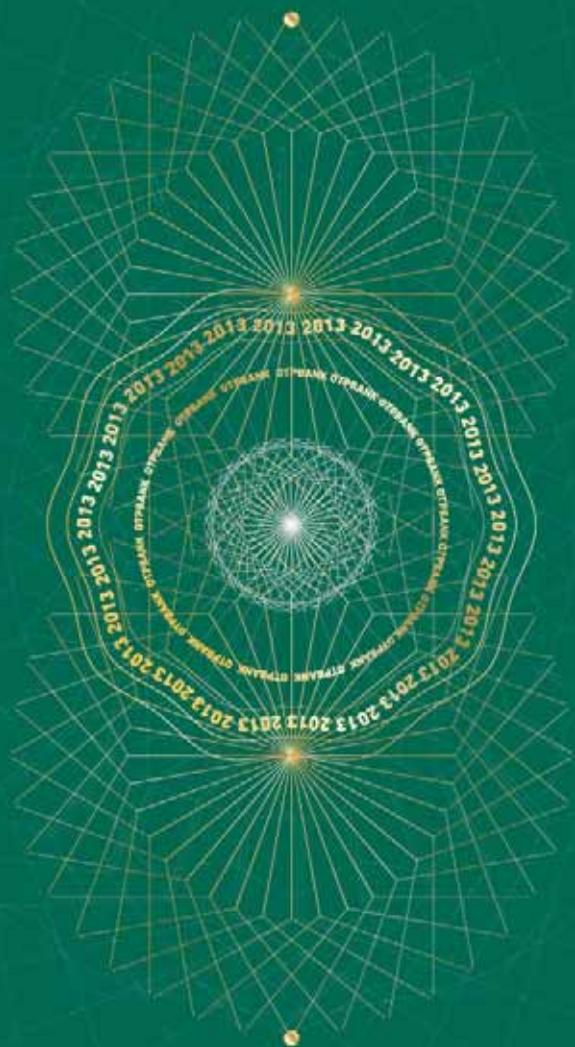
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Contents

| | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Message from the Chairman and Chief Executive Officer |
| 10 | Macroeconomic and financial environment in 2013 |
| 15 | Management's analysis |
| 16 | Management's analysis of the 2013 results of the OTP Group |
| 61 | Financial reports |
| 62 | Independent Auditors' report (consolidated, in accordance with IFRS) |
| 64 | Statement of financial position (consolidated, in accordance with IFRS) |
| 65 | Statement of recognized income (consolidated, in accordance with IFRS), Statement of comprehensive income (consolidated, in accordance with IFRS) |
| 66 | Statement of cash-flows (consolidated, in accordance with IFRS) |
| 67 | Statement of changes in shareholders' equity (consolidated, in accordance with IFRS) |
| 68 | Notes to the consolidated IFRS financial statements for the year ended 31 December 2013 |
| 146 | Independent Auditors' report (separate, in accordance with IFRS) |
| 148 | Statement of financial position (separate, in accordance with IFRS) |
| 149 | Statement of recognized income (separate, in accordance with IFRS), Statement of comprehensive income (separate, in accordance with IFRS) |
| 150 | Statement of cash-flows (separate, in accordance with IFRS) |
| 151 | Statement of changes in shareholders' equity (separate, in accordance with IFRS) |
| 152 | Notes to the separate IFRS financial statements for the year ended 31 December 2013 |
| 225 | Corporate Governance |
| 226 | Senior management of OTP Bank and executive members of the Board of Directors |
| 228 | Non-executive members of the Board of Directors of OTP Bank |
| 230 | Members of OTP Bank Supervisory Board |
| 232 | Information for Shareholders |
| 235 | Statement on Corporate Governance Practice |
| 239 | Anti-money laundering measures |
| 240 | With trust and responsibility for each other |

Message from the Chairman & CEO

DEAR SHAREHOLDERS,



I started my message last year by saying that 2013 would be a tough year. It turned out I was right, though I'm not at all happy about that. Five years after the global financial crisis broke out, we need to get used to the fact that forecasts carry innumerable risks, and there's no harm in caution. While certain issues appear to be being resolved, or at least are abating, new and often totally unexpected problems, with even more serious outcomes, are surfacing. As regards the global environment, it's clearly a positive development that the eurozone crisis is now effectively off the agenda, the US economy is performing well, and consequently the Fed has gradually started phasing out its earlier liquidity expansion measures. At the same time the BRIC countries, which formerly displayed dynamic growth, are showing signs of a slump in economic performance; one of the most prominent among the emerging markets, Turkey, underperformed massively last year, and, in a development that directly impacts the OTP Group, we witnessed the growth in domestic political tensions in Ukraine from November 2013 onwards, the toppling of its government in February 2014, followed by an increasingly serious Ukrainian-Russian, and indeed a Russian-European and Russian-American conflict. I don't believe that anyone allowed for these problems when putting together their 2013 business plans.

I mention these events merely in order to give a sense of how, in an environment such as this, factors that promote stable operation, such as, for a bank, a sound liquidity and capital position, take on much greater importance. However, this does not mean that we are giving up our constant search for growth opportunities, whether organic or through acquisition.

As far as the Bank Group's regional operating environment is concerned, the picture is still mixed: In Hungary, compared to the weak performance of previous years, the 1.1% GDP growth of 2013 represented something of an upturn, while the financial stability indicators also continued to develop favourably. Inflation fell to a record low (1.7%), and the central bank's base rate dropped by 275 basis points in the course of 2013. At the same time, the ratio of investments is stuck far below the desired level, especially in the private sector, and in spite of the favourable trend in real wages, household consumption remains exceptionally restrained, and the country's ability to attract capital investment has dropped significantly

in recent years. I have to say that these factors are by no means unrelated to the frequent, often unpredictable changes in the regulatory environment. Efforts to boost the bank's core activity, namely lending, are not helped by what is even by international standards an unprecedentedly high, and indeed, growing, proportion of burdens borne by the banking sector, with no tangible reference point or timetable with respect to their phasing out. The solving of the problem of foreign currency borrowers, or to be more precise, the constant mooting of possible solutions, does nothing to strengthen trust between the banks and their customers, but on the other hand, it clearly damages payment discipline. We trust that after the 2014 elections, government measures will be aimed at accelerating economic growth and substantively increasing employment, and for this, the wholehearted participation of the banking sector will also be needed. For its part, with its liquidity and capital, OTP Bank is fully prepared to participate actively in such a process, and as the figures of last year show, so far the Bank

has made the fullest possible use of all available opportunities to expand its loan portfolio. For the other members of the Bank Group, overall the economic environment improved in 2013; the signs of our activities focused on consumer lending are observable everywhere, and the efforts made since the crisis to strengthen self-financing capacity have led to a notable improvement in the base of deposits at the subsidiary banks. In 2014 we expect to see a continuation of these processes, owing to which the consolidated exchange rate-adjusted loan portfolio could finally begin to grow. In my introduction I made special mention of Ukraine and Russia: In view of the fact that our subsidiary banks in these two countries represent some 15% of the overall balance sheet total, in terms of the Group's short and medium-term performance the way events unfold there is by no means irrelevant. The performance of our Ukrainian subsidiary depends largely on which scenario develops. We hope and trust that the current political tension will abate; the country has received a financial package from the European Union and international financial organisations that assures the protection of national solvency, and also serves as a guarantee that the necessary structural reforms will get under way. This could stabilise the local currency and strengthen investors' confidence in the country. If the opposite were to occur, however, this would raise the prospect of negative processes similar to those seen in 2008, of an unsustainable macroeconomic environment, and of sustained domestic political tensions. In the case of Russia, a big question is how willing the political leadership is to compromise with respect to Ukraine, and what impact the international sanctions could have on the growth prospects of the already slowing Russian economy.

In other words, the year ahead of us remains fraught with challenges, although there are also developments that give cause for cautious optimism.

In my view, the more-detailed-than-usual examination of the factors that fundamentally determine our activity should not be construed as an attempt to explain away the fact that profit in 2013 was slightly lower than analysts had expected. Instead, it should be seen as a

demonstration of just how complex the tasks we have had to grapple with in the past five years have been, and I cannot claim that the years ahead will be any easier either.

In 2013 the Bank Group achieved a consolidated, adjusted after-tax profit of HUF 146 billion; our profitability, liquidity position and capital adequacy continue to be exceptionally good by international standards. Although our foreign subsidiary banks' contribution to profit was more modest than in previous years – primarily as a negative consequence of the drop in profit at the Russian subsidiary bank – none of these factors alter our strategic objective of supplementing our relatively limited growth opportunities in the domestic market with other markets and market segments that can compensate for the declining performance of the Hungarian operation in the long term through more rapid growth, greater penetration and higher operating margins. Our activities focused on consumer lending yielded tangible results again in 2013: many of our subsidiaries produced solid, double-digit growth in this segment, while our successful acquisition in Croatia, which began in 2013 but was completed in February 2014, has further reinforced our strategy in this regard.

Overview of financial performance in the year 2013

The OTP Group achieved an adjusted after-tax profit of HUF 146 billion in 2013, which was 3% below the previous year's figure. The accounting profit, which includes one-off items, was significantly lower than this, amounting to a total of HUF 64 billion. The substantial annual drop of 48% in the latter is essentially due to a tripling of correction items. Firstly, the HUF 28.9 billion Hungarian bank tax bill accounted for in the first quarter of 2013 was added to in the second quarter by a one-off HUF 13.2 billion transaction-duty charge. In addition to this, the Slovakian bank tax represented a burden of some HUF 1 billion at annual level. Furthermore, in the third quarter, some HUF 37.2 billion out of the HUF 64.0 billion in goodwill recorded in relation to the Ukrainian subsidiary under IFRS was written off. Of the total write-off, HUF 6.4 billion was recognised

against equity, and HUF 30.8 billion against profit and loss. In the fourth quarter two more items – of which the management had given prior warning – were charged to the accounting profit: the HUF 3.2 billion (after corporate tax) fine imposed by the Hungarian Competition Office on OTP Bank (but appealed by the latter), and the one-off tax liability (HUF 5.5 billion) that was payable by OTP Core in relation to the transfer of funds from the general risk reserve into the profit reserve. The correction items listed above amounted to almost HUF 82 billion in 2013. Within the Bank Group's accounting profit figure, the core activity in Hungary (2012: HUF 68 billion, 2013: HUF 34 billion), and the profit of foreign subsidiaries (2012: HUF 60 billion, 2013: HUF 24 billion) both decreased. In line with this change, the profit contribution of the foreign subsidiaries declined from 49% to 37%. The Bank Group's profitability indicators remain good by international standards; the adjusted return on assets was 1.4%, while the return on equity came to 9.6%. The Bank Group's operating profit excluding one-offs was HUF 448 billion, which is effectively the same as in the previous year. I regard it as a clear success that operating profit remained stable, which was primarily due to the net interest income from core banking activity and to the balanced development of net fee and commission income. The 2013 consolidated revenue excluding one-offs continued to rise, with the HUF 865 billion figure representing a 2% growth. Within this figure net interest income grew only minimally as the net result of a decrease in Hungarian and Bulgarian, and an increase in Russian and Ukrainian interest income, while net fee and commission income was 10% higher than in the previous year. It is especially positive that despite its already high value (8.44%) the consolidated gross margin improved further (+13 basis points), and within this figure the net interest margin (6.37%) only decreased minimally. Consolidated operating costs increased by 6% year-on-year, primarily displaying growth in markets where the expansion in lending required additional sales capacity. As a part of the network rationalisation process, the only major branch closures in 2013 took place in Ukraine (–10 branches y-o-y). In Russia, on the other hand, 54, mainly small,

branches were opened, and in both these markets consumer lending resulted in a further expansion of the network of agents. Besides this, the Bank continues to devote considerable attention to boosting the effectiveness of its collection and factoring operations. One feature of the crisis is the way all the players in the economy are forced to adapt: the cautious consumption habits of households and the restrained investment activity of companies have clearly inhibited credit demand, and in several markets the strict regulatory measures in place are also far from supportive of lending on a larger scale, although we have also seen examples to the contrary, such as the provision of funds at favourable interest for SME customers. The Bank Group's exchange rate-adjusted loan portfolio decreased by 1% year-on-year; the annual change was mainly due to the 7% fall in the size of OTP Core's portfolio, and the 2% decline in that of DSK Bank. It is a welcome sign, however, that after several years, the decline in the portfolio came to a halt in Ukraine, while in Montenegro there was a notable (+9%) increase. Mortgage loan portfolios declined in practically every market, with the only exception being Slovakia. At the same time, growth in consumer lending remained strong (+9%), with the largest annual portfolio increases occurring in Slovakia (+175%), Ukraine (+126%) and Romania (+98%), but the portfolio growth was also in double digits at the Russian, Montenegrin and Serbian subsidiary banks (10%, 20% and 26% respectively). A question that has kept recurring since the crisis hit is that of how long the share of non-performing loans within the portfolio will continue to grow, and whether any improvement is visible. The substantial non-performing loan portfolio and resulting provisions, in themselves, detract considerably from the profit, and they also suppress the banks' appetite for risk. In this regard, it gives cause for optimism that from the second half of 2013 the growth in loans overdue by more than 90 days slowed discernibly, as the increase in loans overdue by more than 90 days dropped from HUF 222 billion in 2012 to HUF 190 billion (adjusted for exchange rates and stripped of the impact of loan sales and write-offs). Furthermore, the share of loans overdue by more than 90 days decreased for the first time since the crisis, from 20.8% at the end of June

2013, to 19.8%. Meanwhile, due to the prudent provisioning regime and to the higher costs of risk, the provision coverage ratio of the non-performing loans increased (+4.4% y-o-y). The consolidated deposit volume adjusted for exchange rates rose 5%, and as a consequence of all these factors, by the end of 2013 the Bank Group's net loans/deposits + retail bonds) ratio (89%) had fallen by five percentage points. Capital and liquidity positions improved further in 2013: the OTP Group's IFRS consolidated capital adequacy ratio was 19.9% at the end of December (+0.2 ppt y-o-y), the Tier1 capital ratio was 17.4% and the Core Tier1 capital ratio was 16.0% (+1.4 ppts y-o-y). On 31 December 2013 the Bank Group's gross liquidity reserve was the equivalent of EUR 6 billion, and by the end of the year the Bank had also fully renewed its FX swaps that were due in 2014.

So as far as OTP Bank is concerned, its capital and liquidity position would certainly permit more active lending, but in terms of demand, there are significant differences between the markets.

Improvement in profitability in Hungary due to the lower cost of risk, stable market shares, constant developments in the area of service, declining foreign contribution to profit, improvement in portfolio quality

Within the Bank Group, in 2013, the adjusted profit of the **Hungarian core operation** was HUF 115 billion, which is 21% higher than the figure for the previous year. The improvement in profit was due, first and foremost, to the 40% decrease in risk costs, while the operating profit decreased by 8%, which was the combined result of the lower net interest income (-7% y-o-y) on the one hand, and the 4% increase in operating costs on the other. The annual accounting profit fell from HUF 68 billion to HUF 34 billion (-50% y-o-y). The 27 basis point shrinkage in the annual interest margin (4.31%) was primarily due to the reductions in the base interest rate and the resulting environment of lower general interest rates. A favourable development was the further slowing in the rate of portfolio deterioration, factors in which were the stability of the forint on average over the year, and the increased use

of the exchange rate cap scheme. Against the backdrop of a significant decrease in the cost of risk, the provision coverage ratio of loans overdue by more than 90 days improved notably (85.2%, or +3.3 ppts y-o-y).

The exchange rate-adjusted loan portfolio shrank by 7% at annual level. The retail portfolio decreased both in the case of mortgage loans (-9%) and in the case of consumer loans (-5%), while the 21% annual drop in municipality loans principally reflects the impact of state debt consolidation. It is a positive development that – due in part to the Funding for Growth scheme of the National Bank of Hungary – loans granted by OTP Bank to Hungarian companies increased by 8%, while the banking sector's corporate placements overall declined at a similar rate over the same period. In keeping with the management's objective, the Bank increased its loans to micro and small business customers, and to agricultural enterprises, by 2% and 6% respectively, which is an outstanding achievement. Besides this, the contribution of the Bank's retail lending activity remains decisive; its share of disbursements was 29% in the mortgage loans market and 52% in the personal loans market.

As one of the most important strategic objectives of recent years, we focused on continuously improving the standard of service, and as a part of this we have launched 24 different projects focusing on the intensification of customer acquisition and cross-selling, as well as strengthening operational efficiency.

In recognition of our efforts and innovations, in addition to the usual professional accolades (World's Best Emerging Markets Banks in Central and Eastern Europe and Best Bank in Hungary award from trade magazine Global Finance), in 2013 OTP Bank also earned the MasterCard **Most Innovative Hungarian Bank in the Development of Financial Literacy** award, while a professional panel invited by The Banker judged OTP Private Banking to be the best in two categories. Among the key members of the Hungarian group, **OTP Fund Management** posted an annual after-tax profit, excluding bank tax and one-offs, of HUF 3.6 billion; the substantial 76% year-on-year improvement was due to the growth in the fund and asset management portfolios and, in connection with this, the massive increase in fee and commission revenues. In Hungary's

environment of declining interest rates, the popularity of alternative forms of investment grew considerably. The **Merkantil Group** produced an adjusted after-tax profit of HUF 2.0 billion in 2013; this improvement can be attributed to a significant decrease in the costs of risk. The loan portfolio continued to decrease, but the pace of growth in new loans is showing an improvement. The contribution of the foreign subsidiary banks to profit fell in comparison to 2012, with the most important factor influencing the after-tax profit – in both a positive and negative sense – being the trend in the costs of risk. Where profit improved, it was mainly due to the lower costs of risk – positive exceptions to this were Ukraine and Romania, which also saw a substantial improvement in the operating profit. Where there was a significant fall in profit – primarily in Russian and Serbia – the costs of risk had increased considerably. The excellent performance of the **Bulgarian** DSK Bank in 2013 also stood out in terms of its weight: in a relatively stable macroeconomic environment it succeeded in raising its after-tax profit by 25% (HUF 30.2 billion), while its market position in the most important segments is stable or improving. The improvement in profit at the **Ukrainian** subsidiary bank is also outstanding; following the HUF 0.5 billion profit in 2012, the 2013 profit came in at HUF 6.7 billion, owing to a 20% year-on-year improvement in operating profit. The portfolio of consumer loans grew 126%, and all these factors improved net interest income through the higher interest margin. It appears, therefore, that we have successfully adapted the Russian model in Ukraine as well; indeed, the risk cost ratio is lower there than in Russia. The performance of the **Russian** subsidiary in 2013 fell significantly short of our expectations, with profit far below the levels seen in 2011–2012, at only HUF 2.4 billion. The cost of risk almost doubled, and the 2% increase in operating profit was insufficient to compensate for this. In the period ahead, the main focus will shift from the growing of portfolios to improving profitability, specifically focusing on boosting the effectiveness of collection activity, while we also intend to strengthen the bank's positioning as a universal bank, for example by making inroads into the SME sector. Together, the above three subsidiary banks represent almost 30% of the Bank Group's

total asset portfolio, and the bulk of the profit generated by the subsidiaries originates from here; so for the OTP Group, the future performance of the Russian, Bulgarian and Ukrainian subsidiary banks is of particular importance.

It is a welcome development that, among the smaller subsidiaries of the Bank Group, following their loss-making operation of the past year **Montenegro** and **Slovakia** turned a profit in 2013, while in **Romania** the losses decreased year-on-year, as the combined result of a 10% improvement in operating profit and a decrease in the cost of risk that was of a similar extent.

The **Croatian** subsidiary bank was profitable again, and in 2013 it contributed HUF 2.2 billion to the group-level profit. In February 2014 the bank carried out a successful acquisition, buying up the Banco Popolare's Croatian subsidiary, which mainly specialises in consumer lending. As regards the **Serbian** subsidiary bank's considerable, HUF 13.2 billion annual loss, this is due to the bank's revised provisioning policy, and the exceptionally conservative estimate relating to the likely return on collaterals securing non-performing loans, and on the loans themselves. Owing to the substantial costs of risk, the coverage ratio of non-performing loans rose to 82.6%.

So with regard to our business policy objectives for 2013, although the exchange rate-adjusted loan portfolio has decrease in a minimal extent, the growth in consumer lending remains strong. On the funding side, our base of deposits continued to strengthen; we did not procure any funds from the capital market, and had no need to do so. Our operating margin and net interest margin remain stable. In line with our expectations, the rate of deterioration in the consolidated loan portfolio slowed, and at the same time we succeeded in substantially improving – by more than 4.4 ppts – the coverage ratio of problem loans.

As regards the share price, we effectively ended the year at the 2012 closing market price (HUF 4,100), although the price topped HUF 5,300 in the first half of the year. The Fed's liquidity reduction and the more cautious attitude of investors towards the emerging markets kept the share price under pressure in the second half of the year. Naturally it did not help that the Hungarian banking sector has been loss-making for four years now, and the best that can be

said is that OTP Bank maintained its profitability throughout this period, and the overall trend is that the sector's losses are on the decline.

As Hungary's market-leading financial institution, we are committed to providing our domestic retail and corporate customers with a high standard of service. In the first phase of the Funding for Growth scheme announced by the National Bank of Hungary we concluded contracts for loans totalling HUF 91 billion, and it is our firm intention to participate actively in the second phase as well. Our branch network is making concerted efforts to contact the highest possible number of customers with home or mortgage loans that are in arrears or at risk, and who may be in need of the scheme, to inform them about the opportunity to fix their repayment instalments for a period of five years; and we are also playing an active part in the disbursement of the subsidised home loans that have been available since August 2012.

Expectations for 2014

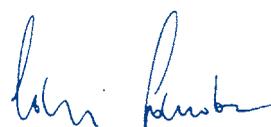
As we expect all the countries where the Bank Group does business to show positive GDP growth, and the trend of deterioration observed in the portfolio to date has come to a halt, and indeed an improvement can be seen in the case of new portfolios, in 2014 even the formerly loss-making subsidiaries can hopefully be expected to break even; in other words, in a cautiously optimistic scenario not a single subsidiary bank will make a loss. The crisis also brings opportunity: the challenges of recent years have constantly motivated the Bank's management, while retaining the key values espoused to date, to seek opportunities to ensure that the Company's operation is stable and predictable, as well as efficient and profitable, even when compared with that of our regional competitors. We continuously sought acquisition targets that complement our business policy strategy, and thus contribute to increasing shareholder value. At the same time, we took care to ensure that the Bank's capital strength complies with the strictest regulatory requirements that are set to be introduced in the future. We believe that our 16% Core Tier1 capital ratio represents a safe level, but also provides the opportunity to pay out an increasing dividend: since 2010

we have been steadily raising the amount of dividend paid, and we hope that in respect of the 2013 financial year this will exceed HUF 40 billion, which represents a dividend yield of HUF 145 per share, or around 3.8–3.9%.

As for the perception of financial institutions in society, I feel I should point out that this is considerably better than the politicians of a few countries would have us believe. This is another reason why I hope that, against the backdrop of improved economic performance there could be an abatement of the distorting effect of special taxes burdening the sector, and other fines that are sometimes difficult to justify on a professional basis. The appropriate functioning of the financial intermediation system is a shared interest and responsibility of the credit institutions, the economic policy makers and the regulatory authorities. And lasting trust is a primary prerequisite for ensuring that we can perform our work successfully.

Looking back over the Bank Group's performance during the crisis I am proud to say that our operation has been successful in spite of all the difficulties, and besides the stable fundamentals – the excellent, and improving, capital and liquidity positions – we owe this to the selfless, dedicated attitude and receptiveness to innovation displayed by the Bank's employees. It fills me with pride that we succeeded in increasing our market share in numerous markets that are of key importance to us, which is due in no small measure to the Bank's excellent reputation. With respect to 2014, for me the greatest achievement would be if our exchange rate-adjusted consolidated loan portfolio were to grow again, and OTP Bank could claim the largest share of the improvement in lending activity, thus contributing to the development of the national economies concerned, and to increasing the prosperity of our retail, corporate and municipality customers.

I would ask for your continued support and confidence in the fulfilment of the objectives we have set ourselves.



Dr. Sándor Csányi

Chairman & CEO

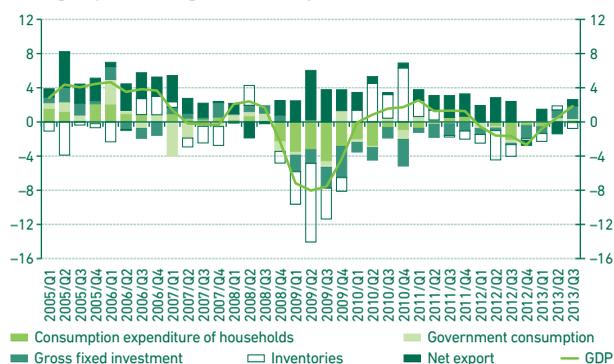
Macroeconomic and financial environment in 2013

MACROECONOMIC AND FINANCIAL DEVELOPMENTS IN HUNGARY

In 2013, Hungary's economy was shaped by weak external demand, supportive money market environment, and the stabilization of domestic demand. A fragile quarter-on-quarter recovery began in the eurozone, but the area's 2013 GDP contracted in year on year terms, chiefly because of the peripheral countries. The eurozone's weak recovery had an adverse effect on export-driven economies, causing most countries in the CEE region to slow down. Nevertheless, money markets were helpful, as the Bank of Japan embarked on a major stimulus programme in March, following the Fed's example. The huge excess liquidity resulted in a permanent, albeit interrupted, capital influx into emerging economies' bond markets.

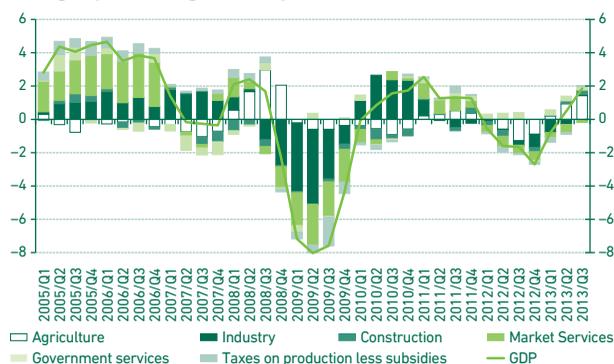
In 2013, Hungary's economy grew by 1.1%, recovering from its 1.7% contraction in 2012. Looking at the expenditure side, net exports remained vital to bolstering growth, but the first signs of improvement in domestic demand have already come into sight. Even though investments dropped in year-on-year terms, a quarter-on-quarter growth began in the second half of the year. At this point, the recovery is chiefly linked to the EU funds that surged at the end of the seven-year budget period, to the flood protection investments, and to other publicly financed projects. The private sector's investment activity remained subdued.

Hungary's GDP growth, expenditure side (%)



Sources: HCSO, OTP Research

Hungary's GDP growth, production side (%)



Sources: HCSO, OTP Research

Consumption also seems to have bottomed out. The key labour market statistics signify major improvement, while the indices that exclude the effect of public work schemes indicate a smaller rate of advance, but households' income position clearly improved last year. Private sector wages grew by 3–4%, while the government raised pensions and public employees' wages at a slightly higher rate than the near 5% inflation that had been expected at the beginning of the year. Given the strong disinflation in 2013, which was supported by the cut in retail utility tariffs, the real value of households' disposable income could meaningfully increase. Although this did not raise households' final consumption expenditure by the same rate because of the persisting uncertainty on the labour market, the almost steady fall that started in 2006 seems to have ended.

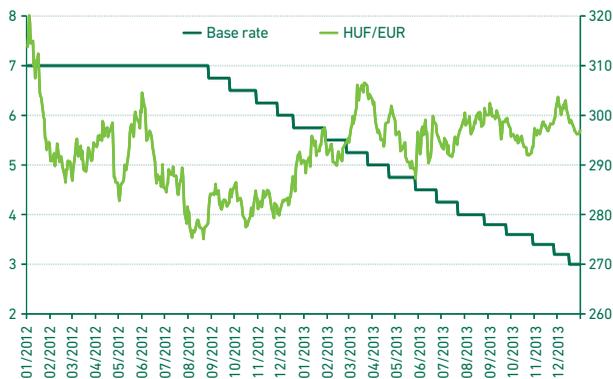
In a huge fall, inflation came down to 1.7%, from 5.7% a year earlier. The government

measures' (e.g. utility rate cuts vs. the duty on financial transactions, higher excise tax) effect of inflation was practically zero. But the subdued domestic demand, the decline in commodity and food prices, and the 27% VAT rate's drop from the base have significantly reduced inflation in Hungary.

The above facts gave underlying principle of the National Bank of Hungary's statements issued after the rate cut decision each month. In the first half of the year, the benchmark rate was trimmed in 25 basis point steps, then a 20-basis-point lowering sequence started in August, which led the benchmark rate to 3% by the end of year.

Thanks to the supportive global environment (ample liquidity), government bond yields followed the rate cuts in the first half of 2013, but long-term yields decoupled from the central bank's base rate in the summer.

HUF/EUR and base rate



Sources: Reuters, MNB, OTP Elemzés

Government bond yields (%)



Sources: ÁKK, OTP Research



Because of the major central banks' monetary stimulus programmes, and owing to Hungary's encouraging external balance indicators, the forint was not under significant pressure in 2013. Hungary's current account surplus exceeded 3% of GDP, and its net financing capacity surpassed 7% of GDP last year. No wonder that the rapid deceleration of external indebtedness continued: gross external debt fell to 89% of GDP, down from 100%. Nevertheless, the Hungarian currency steadily depreciated versus the euro throughout 2013, by an average of more than 2%.

Macroeconomic and financial developments in the countries of OTP Bank's foreign subsidiaries

Because of the weak domestic demand, net exports remained the main engine of growth in most countries. However, the eurozone's

slow growth had an adverse effect on other countries of the CEE region too; only Romania could achieve exceptional growth, Serbia's and Montenegro's GDP might have increased by 2%, while the growth in other countries where OTP has presence was 0–1.3%. Croatia's GDP contracted further. The positive development in most countries is the declining inflation, but fiscal adjustment measures have not borne fruit for the budget balance in all countries yet.

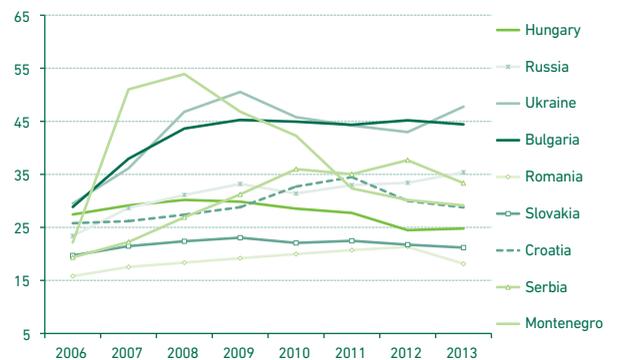
Looking at the banking market, Central and Eastern Europe's countries remained largely diverse. Both retail and corporate loan stock grew in Russia, Ukraine, and Montenegro. Net lending, both retail and corporate, was negative in Romania and Croatia. In most of the remaining countries, net lending to the household sector was positive, while the debts non-financial corporations repaid were bigger than the loans they took out.

Banking system's retail loan penetration (as % of GDP)



Sources: National bank, OTP Research

Banking system's non-financial corporate loan penetration (as % of GDP)



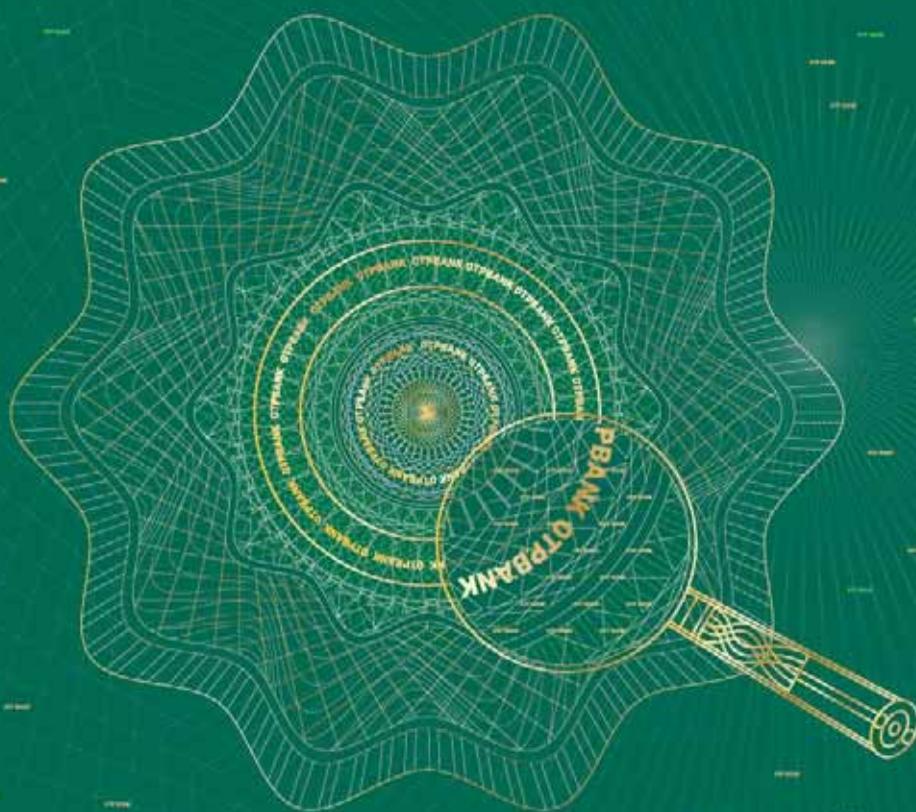
Sources: National bank, OTP Research

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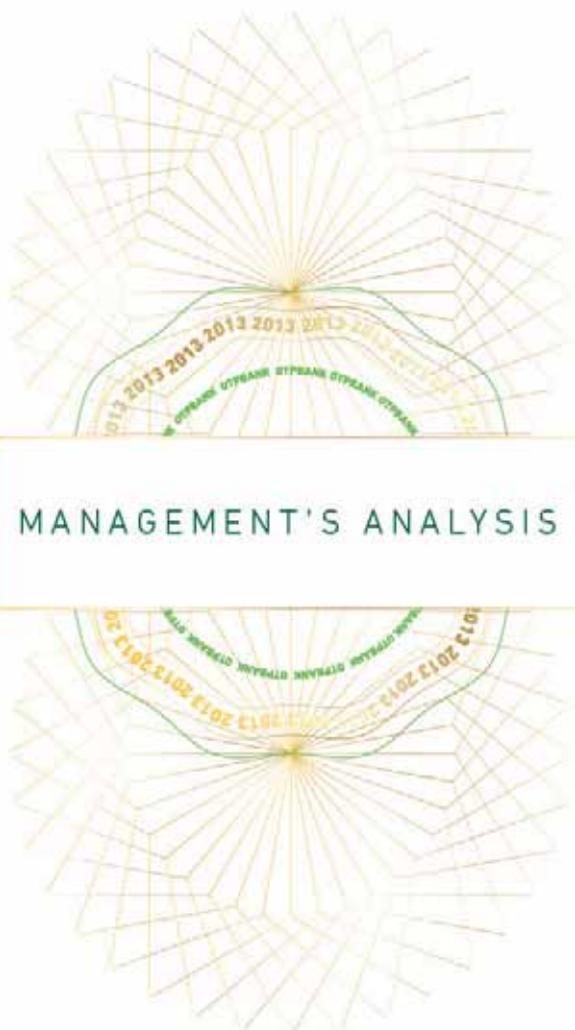
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MANAGEMENT'S ANALYSIS

Management's analysis of the 2013 results of the OTP Group

CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA¹

| Main components of the Statement of recognised income | 2012 | 2013 | Change % |
|---------------------------------------------------------------------------------|------------------|------------------|-------------|
| | HUF million | HUF million | |
| Consolidated after tax profit | 122,586 | 64,108 | (48) |
| Adjustments (total) | (27,363) | (81,775) | 199 |
| Consolidated adjusted after tax profit without the effect of adjustments | 149,949 | 145,882 | (3) |
| Pre-tax profit | 192,192 | 184,894 | (4) |
| Operating profit | 449,664 | 447,710 | 0 |
| Total income | 844,553 | 864,910 | 2 |
| Net interest income | 650,319 | 653,126 | 0 |
| Net fees and commissions | 151,570 | 166,936 | 10 |
| Other net non-interest income | 42,664 | 44,848 | 5 |
| Operating expenses | (394,890) | (417,201) | 6 |
| Total risk costs | (253,692) | (272,459) | 7 |
| One off items | (3,779) | 9,643 | (355) |
| Corporate taxes | (42,243) | (39,012) | (8) |
| Main components of balance sheet closing balances | 2012 | 2013 | % |
| Total assets | 10,113,466 | 10,381,047 | 3 |
| Total customer loans (net, FX adjusted) | 6,433,930 | 6,245,210 | (3) |
| Total customer loans (gross, FX adjusted) | 7,579,455 | 7,480,844 | (1) |
| Allowances for possible loan losses (FX adjusted) | (1,145,525) | (1,235,634) | 8 |
| Total customer deposits (FX adjusted) | 6,536,735 | 6,866,606 | 5 |
| Issued securities | 643,123 | 445,218 | (31) |
| Subordinated loans | 291,495 | 267,162 | (8) |
| Total shareholders' equity | 1,514,553 | 1,509,332 | 0 |
| Indicators based on one-off adjusted earnings | 2012 | 2013 | ppts |
| ROE (from adjusted net earnings) | 10.2% | 9.6% | (0.6) |
| ROA (from adjusted net earnings) | 1.5% | 1.4% | (0.1) |
| Operating profit margin | 4.43% | 4.37% | (0.06) |
| Total income margin | 8.31% | 8.44% | 0.13 |
| Net interest margin | 6.40% | 6.37% | (0.03) |
| Cost-to-asset ratio | 3.89% | 4.07% | 0.18 |
| Cost/income ratio | 46.8% | 48.2% | 1.4 |
| Risk cost to average gross loans | 3.11% | 3.51% | 0.40 |
| Total risk cost-to-asset ratio | 2.50% | 2.66% | 0.16 |
| Effective tax rate | 22.0% | 21.1% | (0.9) |
| Net loan/(deposit+retail bond) ratio (FX adjusted) | 95% | 89% | (6) |
| Capital adequacy ratio (consolidated, IFRS) – Basel2 | 19.7% | 19.9% | 0.2 |
| Core Tier1 ratio – Basel2 | 14.7% | 16.0% | 1.3 |
| Share Data | 2012 | 2013 | % |
| EPS diluted (HUF) (from unadjusted net earnings) | 457 | 240 | (47) |
| EPS diluted (HUF) (from adjusted net earnings) | 563 | 546 | (3) |
| Closing price (HUF) | 4,150 | 4,100 | (1) |
| Highest closing price (HUF) | 4,391 | 5,302 | 21 |
| Lowest closing price (HUF) | 2,960 | 4,059 | 37 |
| Market Capitalization (EUR billion) | 4.0 | 3.9 | (3) |
| Book Value Per Share (HUF) | 5,409 | 5,390 | 0 |
| Tangible Book Value Per Share (HUF) | 4,561 | 4,699 | 3 |
| Price/Book Value | 0.8 | 0.8 | (0) |
| Price/Tangible Book Value | 0.9 | 0.9 | (0) |
| P/E (trailing, from accounting net earnings) | 9.5 | 17.9 | 88 |
| P/E (trailing, from adjusted net earnings) | 7.7 | 7.9 | 3 |
| Average daily turnover (EUR million) | 22 | 18 | (18) |
| Average daily turnover (million share) | 1.7 | 1.1 | (35) |

¹ Structural adjustments made on consolidated IFRS profit and loss statement together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of the Report.

Share price performance (indexed)



MOODY'S RATINGS

| | | |
|-------------------------------------|--|--------|
| OTP Bank | | |
| Foreign currency long term deposits | | Ba1 |
| Financial strength | | D |
| OTP Mortgage Bank | | |
| Covered mortgage bond | | Baa3 |
| DSK Bank | | |
| Foreign currency long term deposits | | Ba1 |
| Financial strength | | D |
| OTP Bank Russia | | |
| Foreign currency long term deposits | | Ba2 |
| Financial strength | | D |
| Long term national rating | | Aa2.ru |

STANDARD & POOR'S RATING

| | | |
|---------------------------------------|--|----|
| OTP Bank and OTP Mortgage Bank | | |
| Long term credit rating | | BB |

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

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

GDP was 2.5% with the public debt to GDP dropping to 79.0% (down by 0.8 ppt y-o-y). Balance indicators provided strong cushion for the local currency: in 2013 the forint was one of the best performing Emerging Market currencies, refinancing of the marketable public debt was accomplished within safe framework and declining borrowing costs. Also, the share of local households in public debt financing increased substantially, which made refinancing more secure. Under the first phase of the Funding for Growth Scheme (FGS) launched by the National Bank of Hungary, financial institutions contracted for HUF 701 billion, whereas OTP Bank's own portion represented HUF 91 billion. From early October the Hungarian National Bank commenced the second phase of the Programme with a HUF 500 billion tranche as a starter. Funds can be drawn down for financing new investment purposes or working capital by end 2014. Given the longer application period loan demand may strengthen gradually. At the end of 2013, growth was seen

accelerating in a number of CEE countries, which may be attributable to the recovery of external demand. With the outstanding Romanian GDP growth of 5.2% in 4Q 2013 the overall economic expansion in 2013 reached 3.3%. In Bulgaria growth was slower (2013: 0.6%), however the external and fiscal balance indicators remained excellent. Given their weight in OTP Group's performance, Russia and the Ukraine deserve special attention. Economic activity slowed down in both countries. However, while in Russia it was mainly due to structural problems and a more stringent regulatory approach from the central bank, in the Ukraine the domestic political situation escalated from late November. The fiscal package offered – and then suspended – by Russia could only temporarily stabilize the situation: FX-reserves melted down to critical levels, the artificially stable hryvnia supported by continuous central bank interventions started depreciating, credit downgrades became almost a routine, as a result, the sovereign CDS spread is well over 1,000 basis points. Under the current circumstances the likelihood of putting together a massive EU-IMF rescue package increased. Overall, in 2014 most of the economies where OTP Group operates can achieve a y-o-y stronger economic performance which might be coupled with a slow increase in loan portfolio.

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

In 2013 OTP Group posted HUF 64.1 billion accounting profit, almost half of the profit

reached a year ago (HUF 122.6 billion). The key driver of that meaningful decline is explained by the trebling adjustment items. In 2013 HUF 28.9 billion Hungarian banking tax for the year had to be booked enhanced by a one-off HUF 13.2 billion financial transaction duty (after corporate income tax in both cases). The Slovakian banking tax represented another HUF 1 billion for the full year. Furthermore out of the registered HUF 64.0 billion goodwill at the Ukrainian subsidiary, HUF 37.2 billion was written down. Of that HUF 6.4 billion was recognised against equity and HUF 30.8 billion against the P&L. Additionally, two more items took their toll on profit: the Hungarian Competition Office imposed a penalty (the Bank appealed against the sentence) of HUF 3.2 billion (after tax) on OTP. Also, OTP Core had to pay HUF 5.5 billion additional contribution tax after the transfer of general risk reserves to retained earnings². As a result, the aforementioned adjustment items in total represented almost HUF 82 billion. Within the consolidated accounting profit the share of the Hungarian operation decreased (2012: HUF 68 billion, 2013: HUF 34 billion), simultaneously net earnings from non-Hungarian businesses fell, too (2012: HUF 60 billion, 2013: 24 billion). As a result the profit contribution from foreign subsidiaries moderated from 49% to 37%. In 2013 OTP Group posted HUF 146 billion adjusted net profit versus HUF 150 billion a year ago. It was positive, that the consolidated total income without one-off items kept growing and reached HUF 865 billion (+2% y-o-y). There was a moderate increase in net interest income as a joint result of stronger Russian and Ukrainian, but weaker Hungarian and Bulgarian contribution. Net fees advanced by 10%. During the year operating expenses grew by 6%. The FX-adjusted consolidated loan portfolio declined by 1% y-o-y. The yearly melt-down was mainly due to a 7% contraction at OTP Core and a 2% decrease in Bulgaria. In the

² According to the new CRR rules ('Capital Requirements Regulation') effective from 1 January 2014, general risk reserve is going to be treated as Tier2 Capital element as opposed to the previous practice where it was recognised as Tier1 Capital when calculating the stand alone capital adequacy ratio of OTP Bank under Hungarian accounting standards. The new Hungarian Law on Financial Institutions becoming effective in parallel with the CRR from 1 January 2014 allowed the transfer of HUF 29.1 billion general risk reserves to retained earnings by the balance sheet date of 31 December 2013. Thus the transferred after tax amount of the general risk reserves can be recognised as Tier1 Capital going forward. According to the prevailing regulation the Bank had to pay 19% contribution tax after the transfer.

Ukraine the drop of loan book stopped after several years, whereas in Montenegro it grew substantially (+9%). As for the different loan categories mortgages declined in all markets, but in Slovakia. The consumer book, however showed strong dynamics (+9% y-o-y) with the highest growth captured in Slovakia (+175%), the Ukraine (+126%) and Romania (+98%). The Russian, Montenegrin and Serbian consumer loan portfolio also reached doubly-digit growth (+10, 20 and 26%, respectively). As for deposits, group level volumes grew by 5% y-o-y. The fastest increase was posted by the Romanian and Serbian subsidiaries, however, given their absolute weight both the Hungarian and Bulgarian deposit increase were substantial (+5% and 6% respectively).

The "net loan-to-(deposit+retail bonds)" ratio stood at 89% by December underpinning a 5 ppts drop y-o-y.

The stable liquidity position of the Group did not require any FX-denominated external funding, the ongoing banking operation generated enough excess liquidity to reduce net swap positions. By 31 December 2013 the gross liquidity reserves were close to EUR 6 billion equivalent and all maturing swaps for 2014 were rolled over by the Bank. In 2013 from the Upper Tier2 Perpetual bonds EUR 70.1 million was repurchased by the Group, while EUR 12.5 million was bought back from the Lower Tier2 bond maturing in 2015.

Despite the DPD90+ ratio slightly increased y-o-y – partly due to the eroding loan book –, it already improved in the second half of 2013 as a result of write-offs and sales. The DPD90+ ratio was 19.8% (a quarterly changes in 2013, in ppt: 1Q: +0.8, 2Q: +0.9, 3Q: -0.1, 4Q: -0.9). Regarding the key markets, the DPD90+ ratio grew by 1.3 ppts at OTP Core, by 1.5 ppts in Russia, by 1.7 ppts in Bulgaria, respectively; it dropped, however in the Ukraine by 1.8 ppts. Underlying portfolio quality trends are better described by the FX-adjusted DPD90+ loan formation: its total volume was HUF 190 billion versus HUF 222 billion in 2012. DPD90+ loan formation moderated significantly in three countries (in HUF billions, FX adjusted: OTP Core: 2012: 75, 2013: 31, DSK: 2012: 23,

2013: 15, OTP Ukraine 2012: 32, 2013: 24).

On the contrary, DPD90+ volumes increased substantially in Russia (2012: 54, 2013: 89).

Consolidated risk cost for the full year amounted to HUF 272 billion (+7% y-o-y).

As a result the Group-level coverage improved further (2013: 84.4%, +4.4 ppts y-o-y).

Two subsidiaries posted outstanding coverage increase y-o-y, namely Russia (+14.3 ppts) and Serbia (+26.8 ppts), but OTP Core and DSK Bank also boosted the coverage by 3.3 ppts each.

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

The adjusted after tax profit of **OTP Core** (basic activity in Hungary) in 2013 represented HUF 115 billion (+21% y-o-y). The accounting profit, however, dropped from HUF 68 billion to HUF 34 billion y-o-y. The stronger adjusted result was mainly due to lower risk cost (-40% y-o-y). The operating profit weakened by 8% y-o-y reasoned by lower net interest income (-7%) and higher operating expenses (+4%). Net interest margin (4.31%) melted down by 27 bps due to the lower base rate environment. It was positive, that portfolio deterioration slowed as a result of the stable forint and the mortgage borrowers' growing participation in the fixed exchange rate scheme. Despite risk cost eroding a lot y-o-y, the DPD90+ coverage ratio further increased and reached 85.2% (+3.3 ppts y-o-y).

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

State. Positive though, that OTP Bank's exposure to Hungarian companies³ advanced by 8% y-o-y, whereas the volumes of the rest of the banking sector dropped by 8% y-o-y. As a result, OTP Group's market share in loans to Hungarian companies further improved and reached 12.4% (+1.8 ppts y-o-y). The Bank managed to maintain strong market position within new retail loan flows: out of newly disbursed mortgages OTP captured 29% in 2013, whereas in case of cash loans its share represented 52% for the same period. FX-adjusted deposits with retail bonds grew by 1% y-o-y. Retail deposits and bonds melted down by 11% to a great extent due to the lower yield environment and the crowding out effect of appealing investment alternatives (ie. government securities and mutual funds). This trend, however, was successfully off-set by stronger corporate deposit flows (+20% y-o-y). The net loan-to-deposit ratio dropped to 66% (-7 ppts y-o-y).

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

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

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

The 2013 HUF 30.2 billion net profit at the **Bulgarian subsidiary** underpins a 25% y-o-y increase and was very close to the highest-ever profit of HUF 31 billion in 2008. With the operating profit falling short of 2012 level by 7% the key driver behind the strong results was the y-o-y 32% decline in risk cost. It was encouraging that amid slowing portfolio deterioration the DPD90+ coverage improved a lot (2013: 88.1%, +3.3 ppts y-o-y) despite risk costs being lower. Net interest income somewhat declined, but the net interest margin remained stable (5.5%). As for FX-adjusted loan volumes, there was a y-o-y 2% decline, only consumer loans could grow by a moderate 1%. Deposits on the other hand increased by 6% despite lower offered rates reflecting the safe operation and good reputation of the bank. The net loan-to-deposit ratio dropped below 90% showing a y-o-y 10 ppts improvement. After an outstanding result in 2012 (HUF 47.2 billion) the **Russian subsidiary** posted a tiny profit of HUF 2.4 billion in 2013. The weak performance was almost exclusively due to elevating risk costs (+99% y-o-y) with loan portfolio deterioration accelerating: DPD90+ volumes grew by HUF 89 billion in 2013 versus HUF 54 billion in 2012 (adjusted for the FX-effect). Furthermore, the DPD90+ coverage had to be increased (4Q 2013: 106.6%, +14.3 ppts y-o-y) since on a yearly base the efficiency of the collection activity worsened. The DPD90+ rate increased only moderately y-o-y (from 16.6% to 18.1%), true, this level was influenced

³ The estimate for volume changes is based on the balance sheet data provision to the National Bank of Hungary, calculated from the "Loans to non-financial and other-financials companies" line, adjusted for FX-effect.

by portfolio write-offs and sales in 4Q. Total income grew by 7% y-o-y, within that the net interest income advanced by 8% while fees and commission grew by 5%. With operating expenses increasing by 16%, the operating profit improved only by 2% y-o-y. The yearly net interest margin grew to 18.7% (+77 bps y-o-y). Against the massive expansion experienced in the last few years, in 2013 FX-adjusted consumer loans advanced only by 10%. It is the reflection of a shift in the management's focus: improving profitability and collection effectiveness instead of seeking volume growth. POS loan sales for the full year of 2013 reached RUB 68 billion (-6.3% y-o-y), while sales performance for the last quarter showed a significant slowdown (4Q 2013: RUB 17.8 billion, -29% y-o-y).

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

The **Romanian subsidiary** managed to decrease its loss with the negative results of HUF 4.1 billion against -HUF 5.5 billion posted a year ago. The lower loss is partly due to the improving operating profit (+10%), but also to lower risk costs (-10% y-o-y). Weaker net interest income was the result of higher interest expenditures on significantly growing deposits. The net loan-to-deposit ratio improved by 47 ppts y-o-y. As for the lending activity, consumer loan growth was in the focus, their volume almost doubled y-o-y with cash loans growing by 104%. The strong lending activity

and deposit collection was the main driver behind the substantial increase in fees and commissions (+35% y-o-y). Despite lower risk costs the DPD90+ coverage increased by 2.8 ppts. The **Croatian subsidiary** remained profitable in 2013, though its net earnings of HUF 2.2 billion represented a y-o-y 41% decline.

The lower profit was due to weaker operating result (-7%), but higher risk costs (+37%) also took their toll. The latter is a reflection of the ailing macroeconomic performance and the higher DPD90+ ratio. Also, higher risk costs were reasoned by a precautionary provision set aside for ongoing litigations on Swiss franc mortgages. The FX-adjusted loan book increased on the back of strong lending activity towards the municipality sector.

The **Slovakian subsidiary** managed to turn its operation into profit: against a loss of HUF 1.2 billion in 2012, the bank posted the same amount of profit in 2013 (without banking tax). The major drivers behind the improvement on one hand were the higher operating profit (+19% y-o-y), and the declining risk costs on the other (-41%). Taking advantage of the improving macroeconomic environment the FX-adjusted loan book advanced by 14% y-o-y with deposits growing by 9%. In both cases the retail segment was the engine of growth: retail loans advanced by 17% and the deposits by 10%, respectively. The DPD90+ ratio moderated by 0.4 ppt y-o-y to 11.5%, the provision coverage stood at 58.1%. After a loss of HUF 4.9 billion in 2012 the **Serbian subsidiary** posted a negative result of HUF 13.2 billion in 2013. The record level of this negative performance was related to elevated risk costs: their yearly burden jumped to HUF 13.6 billion with a sizeable portion made in 4Q (HUF 10.8 billion). One could have a more realistic picture about the bank's operation judged by its operating profit: it turned into positive (HUF 409 million versus -HUF 1.7 billion in the base period) supported by a meaningful increase in net interest income (+48% y-o-y) and lower operating expenses (-11%). The steady increase of the consumer lending portfolio (+26%) was a key driver behind the improving net interest margin (4.35%, +1.84 ppts y-o-y). The DPD90+ ratio dropped to

48.9% (-3.7 ppts), while the coverage jumped to 82.6% (+27 ppts y-o-y) due to the significant risk costs.

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

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

By the end of December 2013 the consolidated capital adequacy ratio of OTP Group under IFRS was at 19.9% (+0.2 ppt y-o-y) with the Tier1 ratio (after deducting goodwill and intangible assets) at 17.4% and the Core Tier1 ratio (further deducting hybrid instruments) at 16% (+1.4 ppts y-o-y). The improvement of the consolidated Core Tier1 ratio y-o-y was supported by the continuous profit generation of the Group and declining risk weighted assets. OTP Bank's stand-alone capital adequacy ratio reached 23% by end-2013 showing a 2.5 ppts improvement y-o-y. At the Serbian bank subordinated debt (LT2) of EUR 40 million was converted into ordinary shares in January 2013. The Montenegrin bank obtained EUR 10 million subordinated capital from OTP Hungary in 2Q 2013, the conversion of this subdebt

into ordinary shares was executed in 3Q.

In November further EUR 7 million subdebt was provided for the subsidiary.

Credit rating, shareholder structure

As for the credit ratings assigned by Moody's, the following changes occurred in 2013 related to OTP Bank and its subsidiaries: on 14 February 2013 Moody's Investors Services completed the rating review process started in December 2012. As a result while it confirmed the rating of OTP Bank and OTP Mortgage Bank at 'Ba1' with negative outlook, it downgraded both companies' BFSR rating from 'D+/ba1' into 'D/ba2'. Accordingly OTP Bank (Hungary)'s FX debt carries 'Ba1/BB' ratings, OTP Mortgage Bank's covered bonds are rated at 'Baa3'. On 15 February 2013 Moody's downgraded DSK Bank from 'Baa3' to 'Ba1' (negative outlook), whereas it left unchanged OTP Bank Russia's 'Ba2' rating (negative outlook). OTP Bank Ukraine's 'Caa1' rating was downgraded to 'Caa2' on 25 September following a similar move in case of the sovereign. The ratings were put on review for downgrade. OTP Bank Ukraine's credit ratings were further downgraded in 2014 (see: Post Balance Sheet events). At the end of 2013 the Bulgarian DSK Bank held an unsolicited rating of 'Ba1' from Moody's. The S&P and Fitch ratings of the rated Group members did not change in 2013. Regarding the ownership structure of the bank, the Hungarian National Asset Management Inc. holding pierced 5% in 2013 (5.1%). Furthermore, another four investors had more than 5% influence (beneficial ownership) in the Company, namely the Rahimkulov family (9%), MOL (the Hungarian Oil and Gas Company 8.68%), Groupama Group (8.4%) and Lazard Group (5.58%).

KEY POST BALANCE SHEET EVENTS

Hungary

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

Russia

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

Ukraine

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

Bulgaria

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

Romania

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

Croatia

- On 24 January 2014 S&P lowered Croatia's long-term foreign and local currency sovereign credit ratings to 'BB' from 'BB+'. At the same time, affirmed the short-term ratings at 'B'. The outlook is stable.
- On 28 January the European Union launched an Excessive Deficit Procedure against Croatia. Accordingly, Croatia has to reduce the deficit to below the EU's ceiling by 2016.
- On 31 January OTP banka Hrvatska signed an agreement in Zagreb with the Italian Banco Popolare banking group on the purchase of its 98.37% ownership in its Croatian subsidiary.
- On 14 February Fitch revised the outlook Croatia's rating to Negative from Stable. Its Long-term foreign and local currency Issuer Default Ratings (IDR) have been affirmed at 'BB+' and 'BBB-' respectively.

Slovakia

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

Serbia

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



CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)⁴

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

⁴ Belonging footnotes are in the Supplementary data section of the Report.

THE OTP GROUP'S CONSOLIDATED STATEMENT OF RECOGNIZED INCOME⁵

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

⁵ Adjustments on the consolidated Statement of recognized income are summarised in the Supplementary data section of this report.

| Average exchange rate of the HUF | 2012 HUF | 2013 HUF | Change % |
|----------------------------------|-------------|-------------|-------------|
| HUF/EUR | 289 | 297 | 3 |
| HUF/CHF | 240 | 241 | 0 |
| HUF/USD | 225 | 224 | (1) |
| HUF/100JPY | 283 | 230 | (19) |

ASSET-LIABILITY MANAGEMENT

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

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

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

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

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

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

... and kept its interest-rate risk exposures low.

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd.

Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank regards the reduction and closing of this exposure as a strategic matter. Consequently it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income. The Bank maintains a closed interest-rate position in euro and swiss franc, consequently the recent yield volatility has not caused significant changes in the FX interest income.

Market Risk Exposure of OTP Group

At end-December 2013 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure

represented HUF 44.5 billion in total, primarily due to the capital requirement of the FX risk exposure at HUF 31.4 billion.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE OTP GROUP

| Main components of balance sheet closing balances | 2012 HUF million | 2013 HUF million | Change % |
|---------------------------------------------------------|---------------------|---------------------|-------------|
| TOTAL ASSETS | 10,113,466 | 10,381,047 | 3 |
| Cash and amount due from banks | 602,521 | 539,125 | (11) |
| Placements with other banks | 356,866 | 273,479 | (23) |
| Financial assets at fair value | 222,874 | 415,605 | 86 |
| Securities available-for-sale | 1,411,177 | 1,637,255 | 16 |
| Net customer loans | 6,464,191 | 6,245,210 | (3) |
| Net customer loans (FX adjusted) | 6,433,930 | 6,245,210 | (3) |
| Gross customer loans | 7,618,367 | 7,480,844 | (2) |
| Gross customer loans (FX adjusted) | 7,579,455 | 7,480,844 | (1) |
| o/w Retail loans | 5,037,320 | 4,991,611 | (1) |
| Retail mortgage loans (incl. home equity) | 2,811,648 | 2,623,097 | (7) |
| Retail consumer loans | 1,766,094 | 1,916,282 | 9 |
| SME loans | 459,577 | 452,231 | (2) |
| Corporate loans | 2,178,439 | 2,177,149 | 0 |
| Loans to medium and large corporates | 1,872,292 | 1,904,700 | 2 |
| Municipal loans* | 306,147 | 272,449 | (11) |
| Car financing loans | 289,350 | 240,100 | (17) |
| Bills and accrued interest receivables related to loans | 74,346 | 71,984 | (3) |
| Allowances for loan losses | (1,154,176) | (1,235,634) | 7 |
| Allowances for loan losses (FX adjusted) | (1,145,525) | (1,235,634) | 8 |
| Equity investments** | 7,936 | 23,837 | 200 |
| Securities held-to-maturity | 429,303 | 580,051 | 35 |
| Premises, equipment and intangible assets, net | 489,142 | 455,244 | (7) |
| o/w Goodwill, net | 189,619 | 145,564 | (23) |
| Premises, equipment and other intangible assets, net | 299,523 | 309,680 | 3 |
| Other assets | 129,456 | 211,241 | 63 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 10,113,466 | 10,381,047 | 3 |
| Liabilities to credit institutions and governments | 534,324 | 784,212 | 47 |
| Customer deposits | 6,550,708 | 6,866,606 | 5 |
| Customer deposits (FX adjusted) | 6,536,735 | 6,866,606 | 5 |
| o/w Retail deposits | 4,745,716 | 4,773,981 | 1 |
| Household deposits | 4,135,511 | 4,120,649 | 0 |
| SME deposits | 610,205 | 653,332 | 7 |
| Corporate deposits | 1,750,010 | 2,054,222 | 17 |
| Deposits to medium and large corporates | 1,458,870 | 1,700,799 | 17 |
| Municipal deposits | 291,140 | 353,422 | 21 |
| Accrued interest payable related to customer deposits | 41,009 | 38,403 | (6) |
| Issued securities | 643,123 | 445,218 | (31) |
| o/w Retail bonds | 230,626 | 70,447 | (69) |
| Issued securities without retail bonds | 412,497 | 374,771 | (9) |
| Other liabilities | 579,263 | 508,517 | (12) |
| Subordinated bonds and loans | 291,495 | 267,162 | (8) |
| Total shareholders' equity | 1,514,553 | 1,509,332 | 0 |
| Indicators | 2012 | 2013 | ppts |
| Loan/deposit ratio (FX adjusted) | 11.6% | 10.9% | (7) |
| Net loan/(deposit + retail bond) ratio (FX adjusted) | 9.5% | 8.9% | (6) |
| 90+ days past due loan volume | 1,442,646 | 1,463,645 | 1 |
| 90+ days past due loans/gross customer loans | 19.1% | 19.8% | 0.7 |
| Total provisions/90+ days past due loans | 80.0% | 84.4% | 4.4 |

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

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

| Consolidated capital adequacy – Basel2 | 2012 | 2013 | %/ppts |
|--------------------------------------------------------------------------|-------------|-------------|---------------|
| Capital adequacy ratio (consolidated, IFRS) | 19.7% | 19.9% | 0.2 |
| Tier1 ratio | 16.0% | 17.4% | 1.4 |
| Core Tier1 ratio | 14.7% | 16.0% | 1.3 |
| Leverage (Total Assets/Shareholder's Equity) | 6.7x | 6.9x | |
| Regulatory capital (consolidated) | 1,473,525 | 1,440,962 | (2) |
| o/w Tier1 Capital | 1,203,019 | 1,264,286 | 5 |
| o/w Core Tier1 Capital | 1,098,882 | 1,164,261 | 6 |
| Hybrid Tier1 Capital | 104,136 | 100,025 | (4) |
| Tier2 Capital | 270,849 | 177,043 | (35) |
| Deductions from the regulatory capital | (343) | (367) | 7 |
| Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk) | 7,496,894 | 7,255,192 | (3) |
| o/w RWA (Credit risk) | 6,015,748 | 5,784,649 | (4) |
| RWA (Market & Operational risk) | 1,481,146 | 1,470,543 | (1) |
| Closing exchange rate of the HUF | 2012 | 2013 | Change |
| | HUF | HUF | % |
| HUF/EUR | 291 | 297 | 2 |
| HUF/CHF | 241 | 242 | 0 |
| HUF/USD | 221 | 216 | (2) |
| HUF/100JPY | 257 | 205 | (20) |

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognised income (segmented):

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

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

P&L developments

Without the effect of adjustment items⁶ OTP Core posted a net profit of HUF 114.9 billion in 2013, underpinning a 21% y-o-y increase. Decelerating portfolio deterioration coupled with a 40% decline in risk cost played a key role in the improvement, in addition gains realised on the available-for-sale government bonds reached HUF 8.3 billion in 2013 (vs. HUF 2.2 billion a year before) boosting the non-interest income line. Furthermore, HUF 3.5 billion one-off profit was realised in 2013 in relation to the treasury share swap agreement and the revaluation of FX swaps. In the base period on the contrary, a loss of HUF 3.8 billion was recognised, mainly on the same items. The operating profit for the full year deteriorated by 8%. On the income side the net interest result melted down by 7% in parallel with a 27 bps lowering in the net interest margin (2012: 4.58%, 2013: 4.31%). Key reasons behind the smaller net interest income were as follows: deposit margins narrowed amid the declining yield environment, the interest-bearing loan portfolio shrank and the regulatory ceiling for interest rates on loans had an unfavourable effect, too. Furthermore the fixed exchange rate scheme available for FX mortgage borrowers had a negative impact of HUF 2.2 billion on net interest income in 2013 (mostly recognised in the first quarter). By the end of December around 30% of eligible borrowers of OTP Bank,

OTP Mortgage Bank and OTP Flat Lease concluded 36,422 FX protection contracts, as a result loan volumes under the FX protection scheme reached HUF 248 billion, an equivalent of 45% of the outstanding FX mortgage portfolio of these companies.⁷ The yearly deterioration of the net interest income was partly offset by gains realised on the available-for-sale government bond portfolio in the amount of HUF 8.3 billion versus HUF 2.2 billion realized in 2012. As a result, other net non-interest income expanded by 25% y-o-y. Operating income was hit by operating costs increasing by 4% y-o-y – mostly on the back of rising personnel expenses.

The annual risk cost moderated by 40%.

In 2013 the portfolio deterioration was much slower than in 2012 (FX adjusted DPD90+ loan formation in HUF billion in 2012: 76, in 2013: 32). In 4Q 2013 DPD90+ volumes decreased by HUF 9 billion, that is the best reading since the onset of the crisis (2012 1Q: 20, 2Q: 34, 3Q: 12, 2013 1Q: 14, 2Q: 18, 3Q: 9, 4Q –9). Portfolio improvement of the last quarter of 2013 was induced mostly by declining non-performing mortgage loans partly in relation to recoveries from real estates sold to the National Asset Management Company. As an additional positive development, DPD90+ corporate and SME loans declined y-o-y, while the formation of DPD90+ consumer loans slowed from quarter to quarter in 2013. The overall DPD90+ ratio stood at 17.4% by end-2013 with the annual

⁶ Special tax on financial institutions, one-timer extra payment of the financial transaction duty, goodwill/investment impairment charges, dividends/net cash transfers, the impact of early repayment of FX mortgage loans in Hungary, the fine imposed by the Hungarian Competition Authority and the tax impact of the transfer of general risk reserves to retained earnings.

⁷ From November 2013 borrowers in more than 90 days of delay or participating in other financial relief programme of the banks or having a principal of over HUF 20 million equivalent at the initiation of the contract gained eligibility.

increase of the ratio being the lowest since 2008 (1.3% ppts), while showing the first time quarterly decline, since the onset of the crisis (in 4Q 2013: -0.4 ppt q-o-q). The provision coverage of DPD90+ loans increased to 85.2% – up by 3.3 ppts y-o-y. Such high coverage is justified, because a project financing loan with principal

amount at HUF 34 billion is expected to reach 90 days of delinquency in the first quarter of 2014. Should this default event materialise, ceteris paribus it would lower the provision coverage ratio of OTP Core by 5.1 ppts to 80.1% and the consolidated provision coverage by 1.9 ppts to 82.5%.

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

| Main components of the balance sheet (closing balances) | 2012 | 2013 | Change |
|----------------------------------------------------------------|--------------------|--------------------|---------------|
| | HUF million | HUF million | % |
| Total Assets | 6,229,359 | 6,454,938 | 4 |
| Net customer loans | 2,807,565 | 2,584,717 | (8) |
| Net customer loans (FX adjusted) | 2,819,478 | 2,584,717 | (8) |
| Gross customer loans | 3,234,343 | 3,034,469 | (6) |
| Gross customer loans (FX adjusted) | 3,248,907 | 3,034,469 | (7) |
| Retail loans | 2,186,423 | 2,017,466 | (8) |
| Retail mortgage loans (incl. home equity) | 1,626,829 | 1,479,182 | (9) |
| Retail consumer loans | 438,832 | 415,155 | (5) |
| SME loans | 120,762 | 123,129 | 2 |
| Corporate loans | 1,062,483 | 1,017,003 | (4) |
| Loans to medium and large corporates | 794,306 | 806,141 | 1 |
| Municipal loans* | 268,177 | 210,862 | (21) |
| Provisions | (426,779) | (449,752) | 5 |
| Provisions (FX adjusted) | (429,428) | (449,752) | 5 |
| Deposits from customers + retail bonds | 3,863,322 | 3,903,396 | 1 |
| Deposits from customers + retail bonds (FX adjusted) | 3,869,974 | 3,903,396 | 1 |
| Retail deposits + retail bonds | 2,571,768 | 2,345,633 | (9) |
| Household deposits + retail bonds | 2,260,959 | 2,004,269 | (11) |
| o/w Retail bonds | 230,626 | 70,447 | (69) |
| SME deposits | 310,809 | 341,364 | 10 |
| Corporate deposits | 1,298,206 | 1,557,763 | 20 |
| Deposits of medium and large corporates | 1,058,307 | 1,254,574 | 19 |
| Municipal deposits | 239,898 | 303,189 | 26 |
| Liabilities to credit institutions | 403,947 | 591,856 | 47 |
| Issued securities without retail bonds | 249,012 | 276,916 | 11 |
| Total shareholders' equity | 1,195,655 | 1,244,473 | 4 |
| Loan Quality | 2012 | 2013 | %/ppts |
| 90+ days past due loan volume | 521,062 | 527,591 | 1 |
| 90+ days past due loans/gross customer loans | 16.1% | 17.4% | 1.3 |
| Total provisions/90+ days past due loans | 81.9% | 85.2% | 3.3 |
| Market Share | 2012 | 2013 | ppts |
| Loans | 19.0% | 19.0% | 0.0 |
| Deposits | 23.0% | 23.7% | 0.7 |
| Total Assets | 26.6% | 26.9% | 0.3 |
| Performance Indicators | 2012 | 2013 | ppts |
| Net loans to (deposits + retail bonds) (FX adjusted) | 73% | 66% | (7) |
| Leverage (Shareholder's Equity/Total Assets) | 19.2% | 19.3% | 0.1 |
| Leverage (Total Assets/Shareholder's Equity) | 5.2x | 5.2x | |
| Capital adequacy ratio (OTP Bank, non-consolidated, HAS) | 20.4% | 23.0% | 2.6 |
| Tier1 ratio (OTP Bank, non-consolidated, HAS) | 19.3% | 23.0% | 3.7 |

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

Balance sheet trends

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

It was encouraging, however that the Funding for Growth Programme initiated by the Hungarian National Bank gave boost to corporate loan expansion: the volume of OTP Bank's loans⁸ to Hungarian companies expanded further (+8% y-o-y), while the portfolio of the Hungarian financial institutions excluding OTP dropped by 8%. Consequently, the market share of OTP Group in loans to Hungarian companies⁹ increased to 12.4% (up by 1.8 ppts y-o-y). The 21% y-o-y drop in municipality loans was the result of the debt consolidation of Hungarian local governments¹⁰. During 2013 in the first phase of the Funding for Growth Programme OTP Group managed to conclude contracts with a principal value of HUF 91 billion. Out of that amount HUF 71 billion was originated under the first pillar, within that new placements represented 62%. The second phase of the Programme was opened for the clients from the beginning of October 2013. The initial size of funding available for banks was set at HUF 500 billion, however this time the funding will not be allocated to banks,

but banks can withdraw funding in line with approved client applications.

The erosion of the mortgage loan book continued. Positive though, that mortgage loan applications¹¹ for the first time since 2010 showed a significant increase y-o-y reflecting the positive impact of the new State subsidized housing loan programme (application in HUF billion, 2012¹²: 74, 2013: 80, +8% y-o-y, loan origination: 2012¹³: 49, 2013: 55, +11% y-o-y). In 2013 at OTP, applications for subsidised housing loans with the amount of HUF 24 billion represented 43% of total housing loan applications and 30% of total mortgage loan applications. OTP's market share in mortgage loan origination remained outstanding (2013: 29%).

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

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

⁸ The calculation is based on the supervisory balance sheet of the Hungarian National Bank: estimated FX adjusted change of the portfolio of "Loans to enterprises – Non-financial and other financial enterprises".

⁹ Based on the balance sheet data provision to the Hungarian National Bank (MNB), calculated from the aggregated financials for the "Loans to non-financial companies, other-financials companies and non-profit organisations supporting households" line of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil Bank.

¹⁰ By end-June 2013 out of the total debt of local governments with more than 5 thousands inhabitants HUF 41.5 billion equivalent was prepaid, while HUF 101.2 billion equivalent was refinanced by a loan originated by OTP Bank for the Government Debt Management Agency. The latter exposure continues to be recognised as a municipal loan in the balance sheet of OTP Bank.

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

¹² Without applications for refinancing forint loans under the early repayment programme of FX mortgage loans.

¹³ Without loans taken out for refinancing forint loans under the early repayment programme of FX mortgage loans.

OTP FUND MANAGEMENT (HUNGARY)

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

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

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

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

expanded by 18% y-o-y, while private equity funds suffered capital withdrawal.

The volume of asset under management of OTP Fund Management increased by 28% y-o-y, nearly three times higher over the level of increase in the base period. Asset growth represented HUF 280 billion in 2013.

The indisputable winners of capital inflow were OTP Premium Money Market Fund, OTP Optima and OTP Supra. At the same time equity funds suffered further asset decline. The company's market share (without duplication) represented 26.9% by end-December 2013 (+1 ppt y-o-y).

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

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

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

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

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

In 2013 net interest income dropped by 5% compared to the base period. Net interest margin continued eroding: in 2013 it came down by 43 bps to 5.54%. The yearly setback of other revenues in 2013 stems from a one-off accounting entry.¹⁴

The ratio of DPD90+ loans decreased to 14.5%

(-4.7 ppts y-o-y). The provision coverage ratio didn't change notably in 2013.

The FX-adjusted car financing loan book continued eroding: it contracted by 16% y-o-y.

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

¹⁴ The yearly setback of other revenues in 2013 can be explained mainly by the sale of receivables 100% covered by provisions. The write-off of those receivables was booked on other revenues line, while the provision release affected other provisions.

IFRS reports of the main subsidiaries

DSK GROUP (BULGARIA)

Performance of DSK Group:

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

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

DSK Group reached HUF 30.2 billion after tax profit in 2013 underpinning a 25% increase over the base period. Improving annual profitability was stemming mainly from the 32% lower risk cost while operating income deteriorated by 7%. On the income side net interest result melted down by 2% y-o-y. The change in interest accrual methodology starting from October 2012 played a key role in this setback (the Bank no longer accrues interest on DPD180+ loans and also terminated the related provisioning) and lower interest income was realized on diminishing loan book (–2% y-o-y), whereas net interest margin for the full year decreased to 5.53%. Net fees grew across the board (+8% y-o-y). Other revenues fell by 56%, driven partly by the non-realized loss on government securities. Operating expenses grew by 3% on a yearly basis, owing mainly to personnel expenses. The development of other costs was determined mainly by higher deductible taxes and supervisory fees. As for the FX-adjusted formation of DPD90+ loan volumes, after the spike experienced in the second quarter of 2013 relating mainly to corporate loans, in the second half of the year it moderated significantly (quarterly change of DPD90+ loan volumes in HUF billion: 2Q: 9.1, 3Q: 2.9, 4Q: 0.1). Sale or write-down of non-performing loans (in the amount of HUF 1.6 billion) was booked only in the fourth quarter of the year, mainly corporate exposures were involved.

Parallel with the moderate pace of portfolio deterioration risk cost fell back by 32%, whereas the provision coverage ratio improved by 3.3 ppts, standing at 88% by end-2013. The loan book contracted by 2% y-o-y (adjusted for FX-effect). Retail lending remained sluggish: the mortgage loan portfolio kept slowly eroding on yearly basis (–3%), despite strengthening sales. The new origination of consumer loans decreased gradually with slightly increasing lending rates from 2H. The FX-adjusted deposit base – despite persistently lower interest rate versus market rate – increased by 3% q-o-q and by 6% y-o-y. In the retail segment the expansion of sight deposit base continued. The capital position of DSK Bank remained strong: by end-December the capital adequacy ratio stood at 16.3%. The BGN 293 million subordinated loan with original maturity date of 2016 was paid back by DSK Bank to the mother company in the fourth quarter. The purpose of the transaction was to reduce liabilities to the mother company due to the improving liquidity position. From mid-2013 DSK launched a project targeting SME and corporate clients with the aim of improving efficiency and potentially market share both in lending and deposit collection. That would include network rationalization, as well as product development and target-oriented customer segmentation. The project is to be completed by mid-2014.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

| Main components of P&L account | 2012 | 2013 | Change % |
|-----------------------------------------------------------------|-------------|-------------|-------------|
| | HUF million | HUF million | |
| After tax profit w/o dividends, net cash transfers and one-offs | 47,158 | 2,356 | (95) |
| Income tax | (13,690) | (1,051) | (92) |
| Profit before income tax | 60,849 | 3,409 | (94) |
| Operating profit | 121,541 | 124,223 | 2 |
| Total income | 193,273 | 207,493 | 7 |
| Net interest income | 170,001 | 184,041 | 8 |
| Net fees and commissions | 20,998 | 21,990 | 5 |
| Other net non-interest income | 2,273 | 1,462 | (36) |
| Operating expenses | (71,732) | (83,270) | 16 |
| Total risk costs | (60,692) | (120,814) | 99 |
| Provision for possible loan losses | (59,567) | (121,310) | 104 |
| Other provision | (1,126) | 496 | (144) |
| Main components of balance sheet closing balances | 2012 | 2013 | % |
| Total assets | 1,027,763 | 940,320 | (9) |
| Gross customer loans | 843,424 | 833,223 | (1) |
| Gross customer loans (FX-adjusted) | 765,491 | 833,223 | 9 |
| Retail and SME loans | 730,480 | 792,928 | 9 |
| Corporate loans | 28,889 | 36,911 | 28 |
| Car financing loans | 6,122 | 3,384 | (45) |
| Allowances for possible loan losses | (129,491) | (160,989) | 24 |
| Allowances for possible loan losses (FX-adjusted) | (117,150) | (160,989) | 37 |
| Deposits from customers | 590,958 | 554,645 | (6) |
| Deposits from customer (FX-adjusted) | 542,864 | 554,645 | 2 |
| Retail and SME deposits | 432,160 | 429,805 | (1) |
| Corporate deposits | 110,703 | 124,840 | 13 |
| Liabilities to credit institutions | 75,112 | 56,343 | (25) |
| Issued securities | 118,063 | 101,969 | (14) |
| Subordinated debt | 16,399 | 15,728 | (4) |
| Total shareholders' equity | 191,883 | 177,906 | (7) |
| Loan Quality | 2012 | 2013 | %/ppts |
| 90+ days past due loan volume (in HUF million) | 140,239 | 150,982 | 7.7 |
| 90+ days past due loans/gross customer loans (%) | 16.6% | 18.1% | 1.5 |
| Cost of risk/average gross loans (%) | 7.57% | 14.47% | 6.90 |
| Cost of risk/average (FX-adjusted) gross loans (%) | 8.46% | 15.18% | 6.72 |
| Total provisions/90+ days past due loans (%) | 92.3% | 106.6% | 14.3 |
| Performance Indicators | 2012 | 2013 | ppts |
| ROA | 5.0% | 0.2% | (4.7) |
| ROE | 28.0% | 1.3% | (26.7) |
| Total income margin | 20.39% | 21.09% | 0.70 |
| Net interest margin | 17.93% | 18.70% | 0.77 |
| Cost/income ratio | 37.1% | 40.1% | 3.0 |
| Net loans to deposits (FX-adjusted) | 119% | 121% | 2 |
| FX rates | 2012 | 2013 | Change % |
| | HUF | HUF | |
| HUF/RUB (closing) | 7.26 | 6.55 | (10) |
| HUF/RUB (average) | 7.25 | 7.03 | (3) |

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

After tax profit of **OTP Bank Russia** for 2013 amounted to HUF 2.4 billion which is a fraction of the 2012 profit. The significant drop in 2013 profits is attributable partly to higher risk cost due to methodology changes in provisioning, and also the weaker net interest income as a result of the higher provisions on interest on non-performing loans and write-off of interest related to non-performing loans. Combined after-tax effect of these methodological changes on 4Q results was about HUF 13 billion. Total income in 2013 increased by 7%, within that net interest income grew by 8% while net fees were up by 5%. The increase in total income was fuelled by the growth of the loan portfolio, while net interest margin improved (2013: 18.7%, +0.8 ppt y-o-y) and net fee margin was stable. Net interest income could improve in 2013 despite the fact that non-accrued interest of non-performing loans more than doubled (+135% y-o-y in RUB terms) due to higher volume of non-performing loans and the newly introduced methodological changes to provisioning. Increase in net fees was driven by the still outstandingly strong dynamics of the credit card business. Operating expenses grew in 2013 (+16% y-o-y), mainly due to the stronger business activity, the cost of newly opened 54 branches (number of branches reached 200 by end-2013) and the advisory expenses related to the transformation project since 2Q 2013. In the course of the year number of employees grew by 843 to 6,020. The number of active sales points exceeded 32 thousand by end-2013. Accordingly, 2013 operating profit was higher by only 2% on yearly basis, cost/income ratio grew by 3 ppts to 40.1% y-o-y. In 4Q the total loan portfolio deteriorated less than in the previous 2 quarters (2Q: +26, 3Q +23, 4Q +22 billion HUF increase in DPD90+ loans adjusted for sales, write-off and FX-effect), nevertheless, on yearly basis new formation of non-performing loans was substantial (2012: +54, 2013: +89 billion HUF). Risk cost almost doubled y-o-y due to changes in provisioning methodology (effect of methodology changes on risk cost: about HUF 11.5 billion) and the deteriorating loan portfolio. In 2013 RUB 10.8 billion non-performing was sold or written-off which

improved significantly the DPD90+ ratio and the coverage of the DPD90+ portfolio. DPD90+ ratio increased by 1.5 ppts to 18.1% y-o-y by the end of December, without the portfolio cleaning the ratio would have been 23.7%. The DPD90+ ratio worsened in all segments but corporate loans. Due to the higher risk cost, coverage of DPD90+ loans improved significantly (2013: 106.6%, +14.3 ppts y-o-y). Consumer loans remained the main products of the bank, however, total volumes are influenced by the effects of internal and external measures, that eventually result in portfolio shrinkage. In the course of 2H 2013 the Bank's main targets were the improvement of the profitability of consumer loan products and improvement of the risk profile of these portfolios. The new measures introduced by the supervisory authorities were aimed at cutting back market growth. The overall consumer lending market was less so characterised by the strong seasonal increase as in the previous years, consequently OTP Russia's consumer loan portfolio grew by 10% in 2013. Adjusted for sale and write-off of non-performing loans, this change was +21%. In case of POS loan products, the 2013 disbursements were 7% below the last year's performance; but the bank still keeps its second position in the market. With regards to credit card business, the bank showed robust growth (+35% y-o-y adjusted for sales and write-offs). The kept its ranking on the market, currently being the seventh largest player in this segment. Cash loan disbursements were picking up; the adjusted portfolio growth was 42% compared to end-2012. Other retail and SME lending products sale is still muted. Among the corporate banking products the Russian bank rather focuses on trade finance, bank guarantee, treasury products and documentary businesses. In 2013 FX-adjusted total deposits grew by 2% y-o-y. Retail deposits grew by 3% y-o-y. FX-adjusted net loan-to-deposit ratio increased by 2 ppts y-o-y to 121%. The Russian bank made no bond issuance in the last 12 months. The capital adequacy ratio of the Russian bank stood at 14.2% at the end of December 2013, underpinning a 2 ppts decrease y-o-y.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

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

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

OTP Bank Ukraine posted HUF 6.7 billion after tax profit in 2013 against HUF 0.5 billion realized in 2012. The outstanding profitability improvement was boosted by strong operating results (+20% y-o-y), while risk costs moderated by 5%. In 4Q the bank reached HUF 1.8 billion net results thus it was already the 6th consecutive quarters when it made profit. As a result, in 2013 the bank's profit contribution to the consolidated earnings represented 5% versus 0.4% in 2012. As for the main components of net earnings: in line with soaring disbursements of high-margin consumer loans – especially POS and cash loans – and parallel with the decline in interest expense attributable to lower interest rates on stagnating deposit volumes, net interest income grew. Also, in the corporate segment there was a shift into higher margin hryvnia loans, the overall volume of dollar-based loans declined amid lower lending rates. As a result, the yearly net interest margin improved by 1.47% ppts. The remarkable y-o-y increase (35%) of net fee and commission income was related to the insurance fee income on consumer loans sold with payment protection policies. The overall volume of those loans increased substantially during 2013. Also, in 4Q there was a change in accounting methodology of those insurance fees: against the previous practice of booking those fees by 1 month after the disbursement of the loan, the bank started to recognise the fee income in the month of the disbursement. As a result in 4Q the bank practically recognised 4 months of such fees. Furthermore, stronger fee income was also supported by a pick-up in credit card related transactions. The 5% y-o-y increase of operating expenses (FX-adjusted) was reasoned by higher costs related to enhanced consumer lending and stronger focus on agent-based distribution. Higher y-o-y other expenses were mainly due to higher collection-related legal advisory fees and supervisory fees related to deposit insurance. In the process of network rationalization 10 branches were closed in 2013, while the number of selling agents (own and contracted) increased further and reached 3.965 people. As a result of those developments

the cost-to-income ratio improved by 3.4 ppts y-o-y to 44.7%.

The DPD90+ ratio (34.6%) declined by 1.8 ppts y-o-y supported by higher gross loan volumes, but also by slower portfolio deterioration (FX-adjusted quarterly DPD90+ loan formation in HUF billion: 1Q 2013: 4, 2Q: 18, 3Q: 0, 4Q: 2). The DPD90+ ratio of the consumer portfolio improved substantially (2013: 9.4% versus 11% in 2012) on the back of strong lending dynamics and falling default rates of new disbursements. The overall portfolio deterioration decelerated in 2H and DPD90+ volumes shrank due to portfolio write-offs and sales, risk costs decreased by 5% y-o-y. As a result, the coverage ratio of DPD90+ loans improved (79.6%).

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

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

During 2013 the Ukrainian subsidiary paid back a substantial part of its intra-group funding in the amount of HUF 30 billion equivalent.

The capital adequacy of the bank reached 20.6% by end-2013.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

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

OTP Bank Romania realized HUF 4.1 billion loss in 2013, 25% lower than in the base period. The annual operating result advanced by 10%, reflecting both the strict cost control pursued by the Bank and the 3% increase in total revenues. Within revenues, the net interest income showed a 10% setback over 2013, explained mainly by the elevated interest expenses on customer deposits. Furthermore, interest revenues were negatively influenced by the deterioration of loan quality. However, in line with the Bank's strategy, the weight of consumer loans (carrying higher interest rates) is gradually increasing in the balance sheet being supportive to the net interest revenues. After the gradual and trend-like decline in net interest margin in the last two years, in the second half of 2013 it showed a turnaround and started improving. The 35% growth of annual net fee and commission income was mainly due to the strengthening business activity. The other net non-interest income was primarily driven by the improving FX result. The operating expenses were under control, the 1% cost saving in 2013 reflects lower other expenses, while personnel expenses remained practically unchanged. Although the ratio of loans with more than 90 days of delay increased further in 2013

(by 1.9 ppts to 17.8%), in the fourth quarter of 2013 it showed a quarterly drop for the first time in two years. The pace of DPD90+ loan formation moderated (adjusted for FX rate changes and loan sales and write-downs). The annual risk cost went down by 10%, still resulting in a 2.8 ppts rise in the provision coverage ratio (to 75.9%). Gross loans expanded by 3% y-o-y adjusted for the FX-effect. In 2013 cash loans remained in the focus of sales efforts; thanks to disbursements growing to 2.5-fold cash loan volumes doubled in the last 12 months. Mortgage loan volumes kept on eroding (-5% y-o-y), while corporate loans grew by 6%. Deposits grew by a remarkable 28% pace y-o-y. Household deposits expanded altogether by 17% in the course of 2013, however they stagnated in the second half of 2013. Parallel with general market trends, from the second quarter of 2013 the Bank started to lower household deposit rates. In addition to this, pricing steps have been made in order to bring down funding costs even in the corporate segment. Corporate deposits more than doubled on a yearly basis. The Bank's capital adequacy ratio came down from 15.6% in December 2012 to 12.7% in December 2013. The number of branches declined by 5 units to 84.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

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

OTP banka Hrvatska posted HUF 2.2 billion after tax profit in 2013 against HUF 3.7 billion in the base period. The 7% lower operating result y-o-y and increasing risk costs (+37%) explain the diminishing net earnings. In 2013 net interest income moderated by 1%. In spite of increasing gross loan book, the pricing of deposits didn't follow changes in reference rates to the same extent as for loans, thus the annual net interest margin shrank by 6 basis points.

Net fees improved by 5% y-o-y mainly due to higher utilization of deposit and money transfer services in the wake of the growing deposit book. Non-interest income increased by 8% compared to the base period. The operating costs in 2013 expanded moderately by 5% y-o-y. The share of loans with more than 90 days of delay reached 12.5% by the end of 2013, underpinning a y-o-y 1.4 ppts deterioration. Annual risk costs went up by 37% y-o-y, mainly due to ongoing litigations on

CHF mortgage loans (litigation related provisioning represented HUF 1.2 billion in 2013). Furthermore, the Croatian authorities prescribed stricter provisioning for banks, which also affected the risk costs of the corporate segment. In 2013 the coverage ratio of DPD90+ loans improved to 61.5%. The gross loan portfolio advanced by 6% y-o-y

FX-adjusted. The yearly increase was mainly stemming from the municipal segment (+62% y-o-y) – the Bank places particular emphasis on lending to state-backed companies with guarantees and adequate collaterals. Retail loans stagnated due to sluggish demand. The capital adequacy ratio of the Bank reached 16% at the end of December.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance OTP Banka Slovensko*:

| Main components of P&L account | 2012 | 2013 | Change |
|-----------------------------------------------------------------|-------------|-------------|---------------|
| | HUF million | HUF million | % |
| After tax profit w/o dividends, net cash transfers and one-offs | (1,161) | 1,153 | (199) |
| Income tax | (182) | (351) | 93 |
| Profit before income tax | (979) | 1,503 | (254) |
| Operating profit | 3,440 | 4,099 | 19 |
| Total income | 13,932 | 14,908 | 7 |
| Net interest income | 12,019 | 12,088 | 1 |
| Net fees and commissions | 2,930 | 3,101 | 6 |
| Other net non-interest income | (1,017) | (280) | (72) |
| Operating expenses | (10,491) | (10,810) | 3 |
| Total risk costs | (4,420) | (2,595) | (41) |
| Provision for possible loan losses | (4,420) | (2,594) | (41) |
| Other provision | 1 | (2) | (331) |
| Main components of balance sheet closing balances | 2012 | 2013 | % |
| Total assets | 374,224 | 425,219 | 14 |
| Gross customer loans | 291,991 | 339,602 | 16 |
| Gross customer loans (FX-adjusted) | 297,590 | 339,602 | 14 |
| Retail and SME loans | 226,616 | 265,686 | 17 |
| Corporate loans | 70,444 | 73,497 | 4 |
| Allowances for possible loan losses | (21,042) | (22,670) | 8 |
| Allowances for possible loan losses (FX-adjusted) | (21,448) | (22,670) | 6 |
| Deposits from customers | 299,014 | 332,452 | 11 |
| Deposits from customer (FX-adjusted) | 304,624 | 332,452 | 9 |
| Retail and SME deposits | 280,000 | 308,624 | 10 |
| Corporate deposits | 24,625 | 23,827 | (3) |
| Liabilities to credit institutions | 6,074 | 25,821 | 325 |
| Issued securities | 28,296 | 24,881 | (12) |
| Subordinated debt | 8,464 | 8,627 | 2 |
| Total shareholders' equity | 26,993 | 27,028 | 0 |
| Loan Quality | 2012 | 2013 | %/ppts |
| 90+ days past due loan volume (in HUF million) | 34,823 | 39,044 | 12.1 |
| 90+ days past due loans/gross customer loans (%) | 11.9% | 11.5% | (0.4) |
| Cost of risk/average gross loans (%) | 1.49% | 0.82% | (0.67) |
| Cost of risk/average (FX-adjusted) gross loans (%) | 1.51% | 0.81% | (0.70) |
| Total provisions/90+ days past due loans (%) | 60.4% | 58.1% | (2.3) |
| Performance Indicators | 2012 | 2013 | ppts |
| ROA | (0.3%) | 0.3% | 0.6 |
| ROE | (4.0%) | 4.3% | 8.3 |
| Total income margin | 3.66% | 3.73% | 0.07 |
| Net interest margin | 3.16% | 3.02% | (0.14) |
| Cost/income ratio | 75.3% | 72.5% | (2.8) |
| Net loans to deposits (FX-adjusted) | 91% | 95% | (4) |
| FX rates | 2012 | 2013 | Change |
| | Ft | Ft | % |
| HUF/EUR (closing) | 291.3 | 296.9 | 2 |
| HUF/EUR (average) | 289.3 | 297.0 | 3 |

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

In 2013 **OTP Banka Slovensko** posted HUF 1.15 billion after tax profit without the banking tax, compared to the similar sized loss in the preceding year. Apart from the 19% improvement of operating income y-o-y, the material increase of the profit was due to the 41% drop in risk cost (without the one-off positive element on this line in 1Q 2013 the risk cost would still have decreased by 24% y-o-y). The special banking tax paid by the bank amounted to HUF 1.1 billion in 2013, which is treated as an adjustment in the consolidated results in this Report.

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

only moderately. Consequently, operating profit increased by 19% in HUF terms in the course of 2013. Cost/income ratio showed substantial improvement (2013: 72.5%, -2.8 ppts y-o-y).

DPD90+ ratio improved by 0.4 ppt y-o-y, reasoned by the dynamic loan growth.

Risk cost for 2013 dropped by 41% y-o-y.

The provision coverage of DPD90+ loans stood at 58.1% (-2.3 ppts y-o-y).

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

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

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

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

| Loan Quality | 2012 | 2013 | %/ppts |
|----------------------------------------------------|-------------|-------------|---------------|
| 90+ days past due loan volume (in HUF million) | 47,329 | 44,793 | (5) |
| 90+ days past due loans/gross customer loans (%) | 52.6% | 48.9% | (3.7) |
| Cost of risk/average gross loans (%) | 3.50% | 14.31% | 10.81 |
| Cost of risk/average gross loans (FX-adjusted) (%) | 3.61% | 14.21% | 10.60 |
| Total provisions/90+ days past due loans (%) | 55.8% | 82.6% | 26.8 |
| Performance Indicators | 2012 | 2013 | ppts |
| ROA | (4.0%) | (12.7%) | (8.7) |
| ROE | (18.7%) | (53.8%) | (35.1) |
| Total income margin | 5.17% | 7.25% | 2.08 |
| Net interest margin | 2.51% | 4.35% | 1.84 |
| Cost/income ratio | 127.0% | 94.6% | (32.4) |
| Net loans to deposits (FX-adjusted) | 166% | 125% | (41) |
| FX rates | 2012 | 2013 | Change |
| | HUF | HUF | % |
| HUF/RSD (closing) | 2.56 | 2.59 | 1 |
| HUF/RSD (average) | 2.56 | 2.63 | 3 |

OTP banka Srbija posted HUF 13.2 billion net loss in 2013 against the negative result of HUF 4.9 billion last year. The operating profit notably improved in 2013, the HUF 1.7 billion loss of base period was replaced by HUF 0.4 billion positive result. The 2013 total revenues expanded by 20% y-o-y, fuelled by net interest income surging by 48%. The improvement of net interest income was caused by several factors: consumer loans expanded, the interest bearing subordinated loan within the bank's liabilities was converted into equity in 2013 (in the amount of RSD 4.5 billion). The performing loan volumes increased, furthermore with lending interest rate remaining stable deposit rates moderated remarkably. As a result, annual net interest margin improved by 1.8 ppts y-o-y. Apart from the marginal increase of annual net fees, other net non-interest revenues sank by 18% y-o-y. The drop can be explained by lower suspended interest collection, in addition impairment on collaterals at the

factoring company was booked on this line, too. The 2013 operating expenses diminished by 11% y-o-y, mainly due to the base effect of costs related to litigations in 2012. The DPD90+ ratio moderated to 48.9% (-3.7 ppts y-o-y), as a result of the write-down of non-performing loans. At end-2013 the Bank revised its provisioning policy and assessed the collaterals of non-performing loans and the expected recovery of loans by adopting statutory regulations conservatively. The review generated notable increase in risk cost. The coverage ratio of DPD90+ loans improved to 82.6% (+26.8 ppts y-o-y). Performing loans expanded by 10% y-o-y. In the retail segment the Bank focused its lending activity on consumer loans that grew by 26% y-o-y (FX-adjusted) due to the success of new cash loan products introduced in April. Loans in other segments stagnated or eroded marginally y-o-y. The capital adequacy ratio of the Bank stood at 37.8%.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

| Main components of P&L account | 2012 | 2013 | Change |
|----------------------------------------------------------|--------------------|--------------------|---------------|
| | HUF million | HUF million | % |
| After tax profit w/o dividends and net cash transfer | (3,872) | 801 | (121) |
| Corporate income tax | (7) | 0 | (100) |
| Pre-tax profit | (3,865) | 801 | (121) |
| Operating profit | 2,830 | 3,506 | 24 |
| Total income | 10,047 | 10,516 | 5 |
| Net interest income | 7,238 | 7,804 | 8 |
| Net fees and commissions | 2,489 | 2,475 | (1) |
| Other net non-interest income | 319 | 237 | (26) |
| Operating expenses | (7,217) | (7,010) | (3) |
| Total risk costs | (6,695) | (2,705) | (60) |
| Provision for possible loan losses | (2,655) | (3,007) | 13 |
| Other provision | (4,039) | 302 | (107) |
| Main components of balance sheet closing balances | 2012 | 2013 | % |
| Total assets | 208,633 | 196,209 | (6) |
| Gross customer loans | 147,244 | 164,124 | 11 |
| Gross customer loans (FX-adjusted) | 150,085 | 164,124 | 9 |
| Retail loans | 66,537 | 69,464 | 4 |
| Corporate loans | 83,548 | 94,660 | 13 |
| Allowances for possible loan losses | (46,252) | (49,836) | 8 |
| Allowances for possible loan losses (FX-adjusted) | (47,144) | (49,836) | 6 |
| Deposits from customers | 157,924 | 145,882 | (8) |
| Deposits from customers (FX-adjusted) | 160,736 | 145,882 | (9) |
| Retail deposits | 123,886 | 119,378 | (4) |
| Corporate deposits | 36,851 | 26,505 | (28) |
| Liabilities to credit institutions | 21,671 | 18,013 | (17) |
| Subordinated debt | 2,041 | 4,173 | 104 |
| Total shareholders' equity | 17,048 | 21,151 | 24 |
| Loan Quality | 2012 | 2013 | %/ppts |
| 90+ days past due loan volume (in HUF million) | 60,034 | 61,339 | 2.2 |
| 90+ days past due loans/gross customer loans (%) | 40.8% | 37.4% | (3.4) |
| Cost of risk/average gross loans (%) | 1.70% | 1.93% | 0.23 |
| Cost of risk/average (FX-adjusted) gross loans (%) | 1.72% | 1.91% | 0.19 |
| Total provisions/90+ days past due loans (%) | 77.0% | 81.2% | 4.2 |
| Performance Indicators | 2012 | 2013 | ppts |
| ROA | (1.8%) | 0.4% | 2.2 |
| ROE | (23.3%) | 4.2% | 27.5 |
| Total income margin | 4.55% | 5.20% | 0.65 |
| Net interest margin | 3.28% | 3.86% | 0.58 |
| Cost/income ratio | 71.8% | 66.7% | (5.1) |
| Net loans to deposits (FX-adjusted) | 64% | 78% | 14 |
| FX rates | 2012 | 2013 | Change |
| | HUF | HUF | % |
| HUF/EUR (closing) | 291.3 | 296.9 | 2 |
| HUF/EUR (average) | 289.3 | 297.0 | 3 |

The Montenegrin **CKB Bank** posted HUF 801 million after tax profit in 2013 versus a loss of HUF 3.9 billion a year ago. This improvement to a large extent was driven by improving operating profit (+24%) and the decline in risk cost, due to the higher base in 2012 caused by a one-off element. Operating profit for 2013 increased by 24% y-o-y, which is the result of advancing incomes and lower operating expenses. Regarding the income side net

interest income increased by 8%, since the bank managed to pay lower interest on customer and interbank deposits in the course of the cutback of excess liquidity. Although net fees slightly decreased due to lower deposit base and decreasing number of card related and payment transactions, total income margin improved by 65 basis points y-o-y.

The 6% saving on operating expenses (y-o-y, FX-adjusted) was mainly driven by the 12%

saving on personnel expenses. The decline of personnel expenses was partly offset by the 7% y-o-y growth of general and administrative costs. Accordingly, the cost to income ratio of the bank improved by 5.1 ppts to 66.7% in 2013: while the branch network shrank by 2 branches (4Q: 29 branches) and number of active employees slightly increased (4Q 2013: 449 people, +27 people y-o-y). The total loan book advanced by 9% y-o-y (FX-adjusted), reflecting partly the stronger consumer loan demand supported by successful sales campaigns. Also, there was a one-off loan book growth related to loans to the Montenegrin Government¹⁵, which boosted the annual corporate loan dynamics. Throughout the whole year cash loan sales were spectacular with 31% y-o-y volume increase. The mortgage loan book kept shrinking (-6% y-o-y).

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

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

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

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

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 37,893 as of 31 December 2013. During 2013 there was an increase in Russia and the Ukraine in the headcount of agents as consumer lending increased further in the wake of partnering up with new retail chains.

OTP Group provides services through 1,434 branches and close to 4,000 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 382 branches and 2,017 ATM terminals. The bank (Hungary) has around 52 thousands POS terminals at the same time.

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

* In case of DSK Group the ytd change of headcount reflects the impact of methodological change.

SUPPLEMENTARY DATA

Footnotes to the table 'consolidated net profit breakdown by subsidiaries (IFRS)'

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

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

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

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

Leasing Ltd., OTP Real Estate Leasing Ltd., OTP Fund Management Ltd., OTP Real Estate Fund Management Ltd., OTP Life Annuity Ltd.; foreigners: leasing companies, factoring companies.

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

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

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

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

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

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

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

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

OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).

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

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

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

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

Calculation of adjusted lines of ifrs profit and loss statements presented in the business report

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

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

banking tax refund related to the early repayments.

- Other non-interest income elements stemming from provisioning release in connection with loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations, which are quasi marketing expenses but kept as paid cash transfer on the P&L –, Other non-interest expenses, Special tax on financial institutions and the one-timer payment compensating the underperformance of the financial transaction duty.
- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense in the accounting income statement. Earlier this item had been booked as fee

expense. In order to create a comparable time series, since 4Q 2010 dealer fees have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.

- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.
- Cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, the after tax effect of the goodwill write-downs, the effect of special banking tax, the loss from early repayment of FX mortgage loans in Hungary and the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments. Cost/income ratio is calculated from operating costs, excluding other risk costs.
- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- In 3Q 2012 and in 2Q 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies' previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Tax deductible transfers paid by Hungarian group members in 2H 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (ie. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L. Thus these transfers had no material P&L effect in the adjusted P&L in 2H 2012.
- From 2012 credit institutions' contribution tax started to be recognised in the accounting P&L of OTP Group and OTP Core as OTP Core's burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction duty paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fees and commissions.
- The profit impact of the repurchase from the perpetual EUR 500 million subordinated Notes series executed in 4Q 2013 was eliminated from the performance of both parties, OTP Bank (Hungary) and OTP Bank Russia, since the transaction had no direct impact on consolidated earnings.
- Within the report, FX-adjusted statistics for business volumes are disclosed. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier.

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (IFRS)

| in HUF million | 2012 | 2013 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Net interest income | 645,465 | 653,728 |
| (-) Agent fees paid to car dealers by Merkantil Group | (2,768) | (2,319) |
| (+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme | (442) | (2,206) |
| Net interest income (adj.) with one-offs | 647,791 | 653,841 |
| (-) Revaluation result of FX swaps at OTP Core (booked within net interest income) | (2,528) | 715 |
| Net interest income (adj.) without one-offs | 650,319 | 653,126 |
| Net fees and commissions | 154,337 | 201,757 |
| (+) Agent fees paid to car dealers by Merkantil Group | (2,767) | (2,318) |
| (+) Financial Transaction Duty | 0 | (32,503) |
| Net fees and commissions (adj.) | 151,570 | 166,936 |
| Foreign exchange result on Consolidated IFRS P&L | 3,171 | 18,279 |
| (-) Revaluation result of FX positions hedging the revaluation of FX provisions | (16,692) | 96 |
| Foreign exchange result (adj.) with one-offs | 19,863 | 18,183 |
| Foreign exchange result (adj.) without one-offs | 19,863 | 18,183 |
| Gain/loss on securities, net | (235) | 11,546 |
| Gain/loss on securities, net (adj.) with one-offs | (235) | 11,546 |
| (-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj.) at OTP Core) | (4,932) | 508 |
| Gain/loss on securities, net (adj.) without one-offs | 4,696 | 11,038 |
| Gains and losses on real estate transactions | 1,131 | 1,552 |
| (+) Other non-interest income | 23,987 | 24,840 |
| (-) Received cash transfers | 14 | 43 |
| (-) Non-interest income from the release of pre-acquisition provisions | 416 | 156 |
| (+) Other non-interest expenses | (7,132) | (4,940) |
| (+) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd. | 307 | 224 |
| (+) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd. | 1,657 | 254 |
| Net other non-interest result (adj.) with one-offs | 19,520 | 21,731 |
| (-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core and at the Corporate Centre) | 1,415 | 6,104 |
| Net other non-interest result (adj.) without one-offs | 18,105 | 15,627 |
| (+) Provision for impairment on loan and placement losses | (229,470) | (262,569) |
| (+) Gains/Losses on loans related to early repayment | 2,490 | 0 |
| Provision for possible loan losses | (226,980) | (262,569) |
| (+) Non-interest income from the release of pre-acquisition provisions | 416 | 156 |
| (-) Revaluation result of FX provisions | 16,692 | (96) |
| (-) Loss from early repayment of FX mortgage loans in Hungary | 4,409 | 0 |
| (-) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments | (5,278) | 0 |
| (-) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd. | 307 | 224 |
| Provision for possible loan losses (adj.) | (242,694) | (262,541) |
| After tax dividends and net cash transfers | (7,963) | (11,909) |
| (-) Sponsorships, subsidies and cash transfers to public benefit organisations | (9,837) | (13,819) |
| (-) Dividend income of swap counterparty shares kept under the treasury share swap agreement | 2,265 | 2,316 |
| After tax dividends and net cash transfers | (391) | (406) |
| Depreciation | (47,420) | (78,017) |
| (-) Goodwill impairment charges (OTP Bank JSC [Ukraine]) | 0 | (30,819) |
| Depreciation (adj.) | (47,420) | (47,198) |
| Income taxes | (23,088) | (20,944) |
| (-) Corporate tax impact of goodwill/investment impairment charges | 3,977 | 1,379 |
| (-) Corporate tax impact of the special tax on financial institutions | 6,580 | 6,825 |
| (-) Corporate tax impact of the loss from early repayment of FX mortgage loans in Hungary | (838) | 0 |
| (-) Corporate tax impact of the special banking tax refund | 251 | 0 |
| (-) Corporate tax impact of the revaluation of FX purchased from the National Bank of Hungary to cover the FX need of early repayments | 1,003 | 0 |
| (+) Tax deductible transfers | (8,182) | (11,562) |
| (-) Corporate tax impact of the one-timer payment compensating the underperformance of the Financial transaction Duty Tax | 0 | 3,091 |
| (-) Corporate tax impact of the fine imposed by the Hungarian Competition Authority | 0 | 745 |
| (-) Corporate tax impact of the transfer of general risk reserves to retained earnings | 0 | (5,533) |
| Corporate income tax (adj.) | (42,243) | (39,013) |

| in HUF million | 2012 | 2013 |
|------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Other operating expense, net | (35,033) | (39,795) |
| (+) Provision on securities available-for-sale and securities held-to-maturity | 505 | 11 |
| (-) Other costs and expenses | (7,276) | (10,756) |
| (-) Other non-interest expenses | (17,912) | (19,366) |
| (-) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd. | 1,657 | 254 |
| Other provisions | (10,997) | (9,916) |
| Other administrative expenses | (187,105) | (244,477) |
| (+) Other costs and expenses | (7,276) | (10,756) |
| (+) Other non-interest expenses | (17,912) | (19,366) |
| (-) Paid cash transfers | (10,780) | (14,426) |
| (+) Film subsidies and cash transfers to public benefit organisations | (9,837) | (13,819) |
| (-) Other non-interest expenses | (7,132) | (4,939) |
| (-) Special tax on financial institutions | (35,754) | (36,867) |
| (-) Special banking tax refund | (1,323) | 0 |
| (-) Tax deductible transfers | (8,182) | (11,562) |
| (-) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme | (442) | (2,205) |
| (-) Financial Transaction DutyTax | 0 | (32,503) |
| (-) One-timer payment compensating the underperformance of the Financial Transaction DutyTax | 0 | (16,267) |
| (-) Fine imposed by the Hungarian Competition Authority | 0 | (3,922) |
| Other non-interest expenses | (158,517) | (165,727) |

Statement of recognized income of OTP Bank Plc., according to Hungarian Accounting standards (unconsolidated, audited)

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

Balance sheet of OTP Bank Plc., according to Hungarian Accounting Standards (unconsolidated, audited)

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

Statement of recognized income of OTP Bank Plc., according to IFRS standards (consolidated, audited, accounting structure)

| | 2013 | 2012 | Change |
|--------------------------------------------------------------------------------------------------|------------------|------------------|--------------|
| | HUF million | HUF million | % |
| Interest Income | | | |
| Loans | 771,542 | 795,475 | (3) |
| Placements with other banks | 207,951 | 341,071 | (39) |
| Securities available-for-sale | 71,743 | 78,624 | (9) |
| Securities held-to-maturity | 33,002 | 20,204 | 63 |
| Amounts due from banks and balances with the National Banks | 4,207 | 6,749 | (38) |
| Securities held for trading | 924 | 1,827 | (49) |
| Total Interest Income | 1,089,369 | 1,243,950 | (12) |
| Interest Expense | | | |
| Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks | 189,539 | 294,631 | (36) |
| Deposits from customers | 199,794 | 237,898 | (16) |
| Liabilities from issued securities | 34,896 | 54,033 | (35) |
| Subordinated bonds and loans | 11,412 | 11,923 | (4) |
| Total Interest Expense | 435,641 | 598,485 | (27) |
| NET INTEREST INCOME | 653,728 | 645,465 | 1 |
| Provision for impairment on loan and placement losses | 262,569 | 229,470 | 14 |
| Gains on loans related to early repayment | 0 | (2,490) | |
| NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES | 391,159 | 418,485 | (7) |
| Income from fees and commissions | 257,135 | 203,499 | 26 |
| Expense from fees and commissions | 55,378 | 49,162 | 13 |
| Net profit from fees and commissions | 201,757 | 154,337 | 31 |
| Foreign exchange gains, net | 18,279 | 3,171 | 476 |
| Gains/(losses) on securities, net | 11,546 | (235) | (5,013) |
| Gains on real estate transactions | 1,552 | 1,131 | 37 |
| Dividend income | 2,474 | 2,803 | (12) |
| Release of provision on securities available-for-sale and securities held-to-maturity | 11 | 505 | (98) |
| Other operating income | 24,840 | 23,987 | 4 |
| Other operating expense | (39,795) | (35,033) | 14 |
| Net operating result | 18,907 | (3,671) | (615) |
| Personnel expenses | 204,277 | 188,952 | 8 |
| Depreciation and amortization | 78,017 | 47,420 | 65 |
| Other administrative expenses | 244,477 | 187,105 | 31 |
| Other administrative expenses | 526,771 | 423,477 | 24 |
| PROFIT BEFORE INCOME TAX | 85,052 | 145,674 | (42) |
| Income tax | (20,944) | (23,088) | (9) |
| NET PROFIT FOR THE PERIOD | 64,108 | 122,586 | (48) |
| From this, attributable to: | | | |
| Non-controlling interest | (91) | 896 | (110) |
| Owners of the company | 64,199 | 121,690 | (47) |
| Consolidated earnings per share (in HUF) | | | |
| Basic | 241 | 457 | (47) |
| Diluted | 240 | 457 | (47) |

Statement of comprehensive income

(consolidated, based on IFRS, for the year ended 31 December 2013, in HUF million)

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

Balance sheet of OTP Bank Plc., according to IFRS standards (Consolidated, audited)

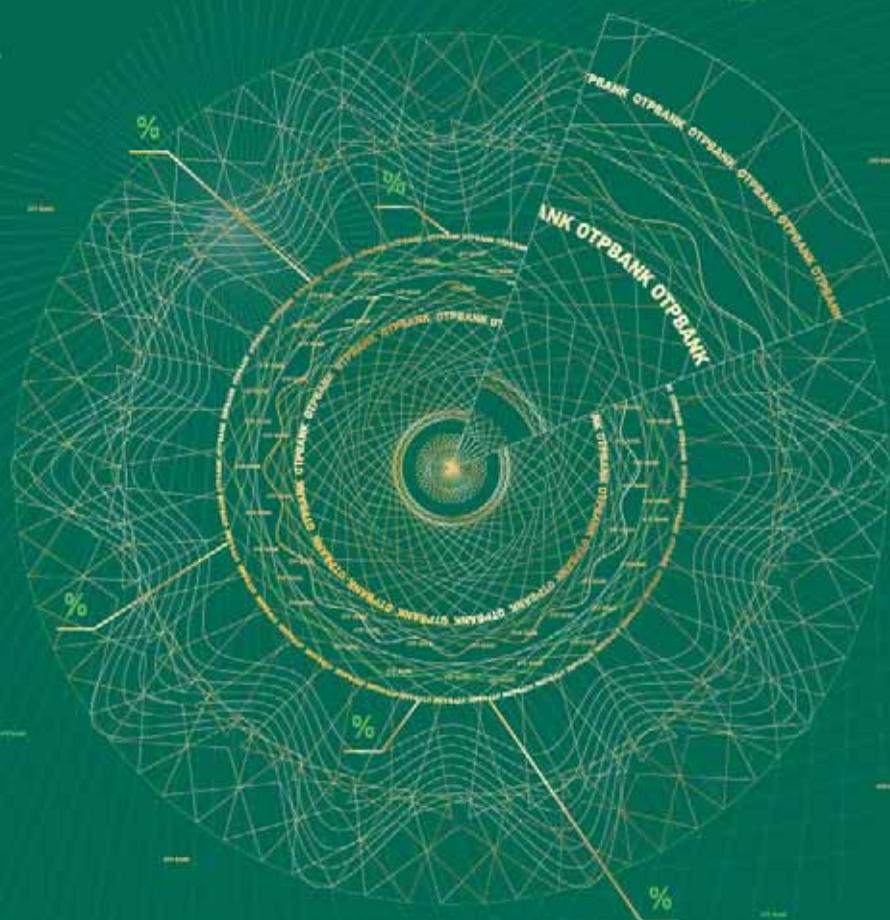
| | 2013 | 2012 | Change |
|--------------------------------------------------------------------------------------------------|-------------------|-------------------|----------|
| | HUF million | HUF million | % |
| Cash, amounts due from banks and balances with the National Banks | 539,125 | 602,521 | (11) |
| Placements with other banks, net of allowance for placement losses | 273,479 | 356,866 | (23) |
| Financial assets at fair value through profit or loss | 415,605 | 222,874 | 86 |
| Securities available-for-sale | 1,637,255 | 1,411,177 | 16 |
| Loans, net of allowance for loan losses | 6,245,210 | 6,464,191 | (3) |
| Associates and other investments | 23,837 | 7,936 | 200 |
| Securities held-to-maturity | 580,051 | 429,303 | 35 |
| Property and equipment | 261,523 | 251,393 | 4 |
| Intangible assets | 193,721 | 237,749 | (19) |
| Other assets | 211,241 | 129,456 | 63 |
| TOTAL ASSETS | 10,381,047 | 10,113,466 | 3 |
| Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks | 784,212 | 534,324 | 47 |
| Deposits from customers | 6,866,606 | 6,550,708 | 5 |
| Liabilities from issued securities | 445,218 | 643,123 | (31) |
| Financial liabilities at fair value through profit or loss | 87,164 | 122,032 | (29) |
| Other liabilities | 421,353 | 457,231 | (8) |
| Subordinated bonds and loans | 267,162 | 291,495 | (8) |
| TOTAL LIABILITIES | 8,871,715 | 8,598,913 | 3 |
| Share capital | 28,000 | 28,000 | 0 |
| Retained earnings and reserves | 1,532,164 | 1,534,572 | 0 |
| Treasury shares | (55,599) | (53,802) | 3 |
| Non-controlling interest | 4,767 | 5,783 | (18) |
| TOTAL SHAREHOLDERS' EQUITY | 1,509,332 | 1,514,553 | 0 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 10,381,047 | 10,113,466 | 3 |

OTP BANK

ANNUAL REPORT

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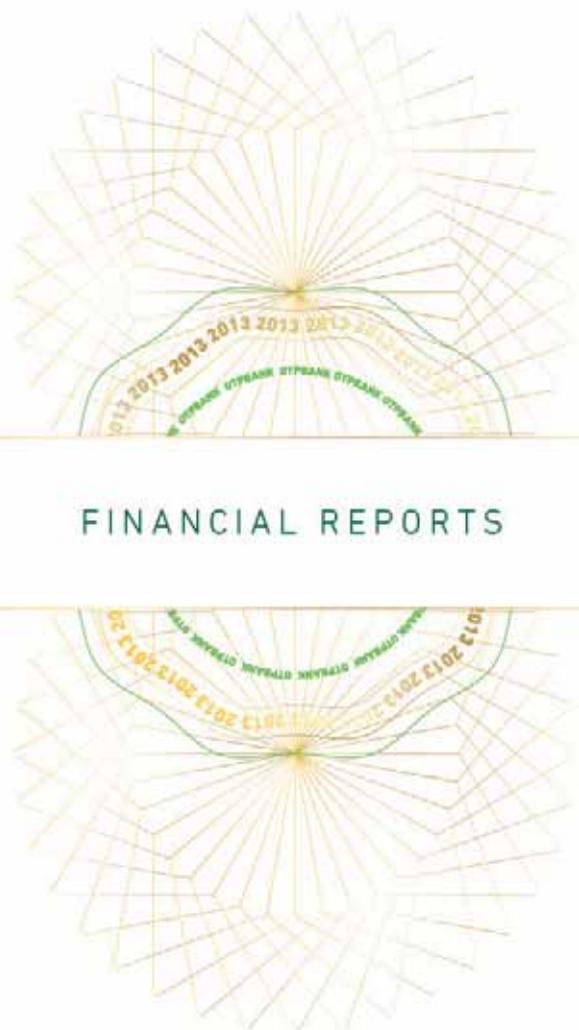
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FINANCIAL REPORTS



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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OTP Bank Plc. (the "Bank") and its subsidiaries for the year 2013, which financial statements comprise the consolidated statement of financial position as at December 31, 2013 - which shows total assets of 10,381,047 million HUF, - and the related consolidated statement of recognized and consolidated statement of comprehensive income – which shows a net profit for the year of 64,108 million HUF -, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 64 to 145 of this Annual Report.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of OTP Bank Plc. and its subsidiaries as at December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

We issued our auditors' report dated March 25, 2014, on the consolidated financial statements submitted for the General Meeting. The effects of subsequent events were examined until that date. The consolidated financial statements and the dividend were approved by the General Meeting on April 25, 2014. Our procedures regarding the subsequent events occurred after March 25, 2014 were limited to the General Meeting's decision on the dividend. The consolidated financial statements do not reflect and we have not examined the effects of subsequent events that occurred in the period between March 25, 2014 and May 30, 2014.

Other Reporting Obligation: Report on the Consolidated Business Report

We have examined the accompanying consolidated business report of OTP Bank Plc. for the year 2013.

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

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

In our opinion, the consolidated business report of OTP Bank Plc. for the year 2013, corresponds to the figures included in the consolidated financial statements of OTP Bank Plc. for the year 2013.

Budapest, May 30, 2014


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Gábor Bion
Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
000083


.....

dr. Attila Hruby
registered statutory auditor
007118

Statement of financial position

(consolidated, based on IFRS, as at 31 December 2013, in HUF million)

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

Budapest, 25 March 2014

The accompanying notes to consolidated financial statements on pages 68 to 145 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards.

Statement of recognized income

(consolidated, based on IFRS, for the year ended 31 December 2013, in HUF million)

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

Statement of comprehensive income

(consolidated, based on IFRS, for the year ended 31 December 2013, in HUF million)

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

The accompanying notes to consolidated financial statements on pages 68 to 145 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards.

Statement of cash-flows

(consolidated, based on IFRS, for the year ended 31 December 2013, in HUF million)

| OPERATING ACTIVITIES | Note | 2013 | 2012 |
|-----------------------------------------------------------------------------------------------------------------------------|---------|------------------|------------------|
| Profit before income tax | | 85,052 | 145,674 |
| Goodwill impairment | 11. | 30,819 | – |
| Depreciation and amortization | 11. | 47,198 | 47,420 |
| Release of provision for impairment on securities | 7., 10. | (11) | (505) |
| Provision for impairment on loan and placement losses | 5., 8. | 262,569 | 226,980 |
| Provision for impairment on investments | 9. | 1,370 | 1,335 |
| Provision for impairment on other assets | 12. | 4,313 | 6,375 |
| Provision for impairment on off-balance sheet commitments and contingent liabilities | 17. | 3,990 | 2,135 |
| Share-based payment | 2., 29. | 5,704 | 4,584 |
| Change of actuarial losses related to employee benefits | | (39) | – |
| Unrealized gains/(losses) on fair value adjustment of securities held for trading | | 859 | (1,938) |
| Unrealized gains/(losses) on fair value adjustment of derivative financial instruments | | 4,921 | (8,829) |
| Net changes in assets and liabilities in operating activities | | | |
| Changes in financial assets at fair value through profit or loss | | (219,517) | 20,512 |
| Net (increase)/decrease in loans, net of allowance for loan losses | | (113,672) | 278,246 |
| (Increase)/decrease in other assets before provisions for impairment | | (67,833) | 1,585 |
| Net increase in deposits from customers | | 315,898 | 151,855 |
| (Decrease)/increase in other liabilities | | (1,785) | 45,657 |
| Net decrease in compulsory reserves at the National Banks | | 7,414 | 10,217 |
| Dividend income | | (2,474) | (2,803) |
| Income tax paid | | (21,739) | (25,259) |
| Net Cash Provided by Operating Activities | | 343,037 | 903,241 |
| INVESTING ACTIVITIES | | | |
| Net decrease in placement with other banks before allowance for placements losses | | 83,761 | 65,870 |
| Net increase in securities available-for-sale | | (227,341) | (216,170) |
| Net (increase)/decrease in investments in subsidiaries | | (14,560) | 1,071 |
| Net increase in investments in associates | | (2,711) | – |
| Buy-out of non-controlling interests | | (1,124) | – |
| Dividend income | | 2,474 | 2,803 |
| Net increase in securities held-to-maturity | | (150,738) | (304,401) |
| Additions to property, equipment and intangible assets | | (59,286) | (63,127) |
| Disposals of property, equipment and intangible assets | | 15,190 | 18,430 |
| Net (increase)/decrease in advances for investments included in other assets | | (29) | 1,434 |
| Net Cash Used in Investing Activities | | (354,364) | (494,090) |
| FINANCING ACTIVITIES | | | |
| Net increase/(decrease) in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks | | 249,888 | (112,644) |
| Cash used for redemption of issued securities | | (197,905) | (169,740) |
| Decrease in subordinated bonds and loans | | (24,333) | (24,952) |
| (Decrease)/increase in non-controlling interest | | (1,016) | 182 |
| Foreign currency translation | | (32,270) | (53,391) |
| Payments to ICES holders* | | (4,111) | (4,144) |
| Net change in Treasury shares | | (1,316) | 430 |
| Dividend paid | | (33,592) | (28,140) |
| Net Cash Used in Financing Activities | | (44,655) | (392,399) |
| Net (decrease)/increase in cash and cash equivalents | | (55,982) | 16,752 |
| Cash and cash equivalents at the beginning of the period | | 331,929 | 315,177 |
| Cash and cash equivalents at the end of the period | | 275,947 | 331,929 |
| Analysis of cash and cash equivalents | | | |
| Cash, amounts due from banks and balances with the National Banks | | 602,521 | 595,986 |
| Compulsory reserve established by the National Banks | | (270,592) | (280,809) |
| Cash and cash equivalents at the beginning of the period | | 331,929 | 315,177 |
| Cash, amounts due from banks and balances with the National Banks | 4. | 539,125 | 602,521 |
| Compulsory reserve established by the National Banks | 4. | (263,178) | (270,592) |
| Cash and cash equivalents at the end of the period | | 275,947 | 331,929 |

The accompanying notes to consolidated financial statements on pages 68 to 145 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards.

*See more details in Note 20.

Statement of changes in shareholders' equity

(consolidated, based on IFRS, for the year ended 31 December 2013, in HUF million)

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

The accompanying notes to consolidated financial statements on pages 68 to 145 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1:

ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1 General information

OTP Bank Plc. (the "Bank" or "OTP") was established on 31 December 1990, when the previously State-owned company was transformed into a public liability company.

The Bank's registered office address is 16 Nador Street, Budapest 1051.

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

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

| | 2013 | 2012 |
|------------------------------------------------------------|-------------|-------------|
| The structure of the Share capital by shareholders: | | |
| Domestic and foreign private and institutional investors | 97% | 97% |
| Employees | 2% | 2% |
| Treasury shares | 1% | 1% |
| Total | 100% | 100% |

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

network of 1,441 branches. The Group has operations in Hungary, Bulgaria, Russia, Ukraine, Croatia, Romania, Slovakia, Serbia and Montenegro.

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

1.2 Base of Accounting

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

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

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

Certain adjustments have been made to the entities' statutory accounts in order to present the Consolidated Financial Position and Statement of Recognized and Comprehensive Income of the Bank in accordance with all standards and

interpretations approved by the International Accounting Standards Board ("IASB").

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

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

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

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 1 (Amendment) "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 1 (Amendment) "First-time Adoption of IFRS" – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 7 (Amendment) "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 1 (Amendment) "Presentation of Financial Statements" – Presentation of Items of Other

Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),

- IAS 12 (Amendment) "Income Taxes" – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 19 (Amendment) "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (cycle 2009–2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

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

At the date of authorization of these financial statements, the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 10 (Amendment) "Consolidated Financial Statements", IFRS 11 (Amendment) "Joint Arrangements" and IFRS 12 (Amendment) "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 10 (Amendment) "Consolidated Financial Statements", IFRS 12 (Amendment) "Disclosures of Interests in Other Entities" and IAS 27 (Amendment) (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- IAS 32 (Amendment) "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19

December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

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

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

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

2.1 Basis of Presentation

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

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

2.2 Foreign currency translation

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

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss

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

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

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

2.3 Principles of consolidation

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

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

2.4 Accounting for acquisitions

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

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

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

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

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

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

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

Negative goodwill, when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized

immediately in the Consolidated Statement of Recognized Income as other income.

2.5 Securities held-to-maturity

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

2.6 Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

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

2.6.2 Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a very low

initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and option pricing models as appropriate. The Group adopts multi curve valuation approach for calculating the net present value of future cash-flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as the Group has almost all of its open derivative transactions collateralised.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the Consolidated Statement of Recognized Income for the period.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the

hedged risk, are recorded in the Consolidated Statement of Recognized Income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.

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

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

2.8 Offsetting

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

2.9 Embedded derivatives

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

accounted for as a separate derivative if, and only if:

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

2.10 Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities available-for-sale are measured at subsequent reporting dates at fair value. Unrealized gains and losses on available-for-sale financial instruments are recognized directly in Other Comprehensive Income, except for interest and foreign exchange gains/losses on monetary items, unless such available-for-sale security is part of an effective hedge. Such gains and losses will be reported when realized in Consolidated Statement of Recognized Income for the applicable period.

Such securities consist of Hungarian and foreign government bonds, bonds issued by NBH, corporate bonds, discounted Treasury bills and other securities. Other securities include shares in investment funds and shares in non-financing companies.

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

Securities available-for-sale are remeasured at fair value based on quoted prices or amounts derived from cash-flow models. In circumstances where the quoted market

prices are not readily available, the fair value of debt securities is estimated using the present value of future cash-flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

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

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

Loans and placements with other banks are accounted at amortized cost, stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively. Interest is accounted using effective interest rate method. When a borrower is unable to meet payments as they fall due or, in the opinion of the Management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired.

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

The amount of allowance is the difference between the carrying amount and the recoverable amount, being the present value

of the expected cash-flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

Allowance for loan and placement losses with other banks represent Management assessment for potential losses in relation to these activities.

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

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

2.12 Sale and repurchase agreements, security lending

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

or Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the Statement of Financial Position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement.

In the case of security lending transactions the Group doesn't recognize or derecognize the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

2.13 Associates and other investments

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

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

2.14 Property and equipment, Intangible assets

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

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

Intangible assets

| | |
|--------------------------------|-----------|
| Software | 3.33–50% |
| Property rights | 1–50% |
| Property | 1–50% |
| Office equipments and vehicles | 2.5–67.5% |

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

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

The Group may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Group.

Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.

In the case of effective hedge the realised profit or loss of hedging instrument is stated as the part of the cost of the hedged asset as it

has arisen until recognising the asset and it is tightly connecting to the purchasing.

2.15 Financial liabilities

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

2.16 Leases

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

The Group as a lessor

Amounts due from lessees under finance leases are recorded as other receivables at the amount of the net investment in the lease of the Group. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the net investment outstanding of the Group in respect of the leases. Direct costs such as commissions are included in

the initial measurement of the finance lease receivables.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as a lessee

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

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

2.17 Treasury shares

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

2.18 Interest income and interest expense

Interest income and expenses are recognized in profit or loss in the period to which they relate,

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

2.19 Fees and Commissions

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

2.20 Dividend income

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

2.21 Income tax

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

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases

of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

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

2.22 Off-balance sheet commitments and contingent liabilities

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

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

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

2.23 Share-based payment and employee benefit

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

The Bank issues equity-settled share-based payment to certain employees. Equity-settled

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

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

2.24 Consolidated Statement of cash-flows

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

2.25 Segment reporting

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

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

2.26 Comparative figures

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

2.27 Measures related to FX based mortgage loans

Fixing of the exchange rate for calculating the monthly installments, escrow account loan contract

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

debtors arising from the difference between the fixed and the exceeding actual spot exchange rate.

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

According to modified terms and conditions, contract of fixed exchange rate escrow account loan can be concluded for 60 months or until the last installment due before 30 June 2017 the latest. Closing date has been prolonged until 29 March 2013 in consequence of 22 December 2012 amendment of the Act. The fixed exchange rates were modified and set at 180 HUF/CHF, 250 HUF/EUR and 2.5 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provide a special purpose HUF denominated mortgage loan ("escrow account loan"), granting of which is not regulated by the rules of prudent

lending. Escrow account loan is paid in HUF backing joint and several state guarantee during the fixed exchange rate period. During the fixed exchange rate period the Hungarian Government is refunding credit institutions the full proportion of monthly installments of retail FX mortgage loans above the fixed exchange rate, but not more than the highest exchange rate (270 HUF/CHF, 340 HUF/EUR, 3.3 HUF/JPY). Credit institutions are obliged to off-set 50% of the refunded amount – exempted receivable – for the year of 2012 by paying it back to the central budget as credit institutions' contribution.

The Government backs the escrow account in full through a State Guarantee during the fixed exchange rate period, subsequently the guarantee applies to 25% of the escrow account. In case of utilizing of state guarantee credit institutions are obliged to pay contribution.

Regarding the fact that the expected number of debtors who concluded escrow account loan contract is low, the Bank decided not to employ the state guarantee.

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

| | OTP | OTP Mortgage Bank | OTP Real Estate Leasing | Group |
|-----------------------------------------------------------------------|--------|-------------------|-------------------------|---------|
| As at 31 December 2013 | | | | |
| Number of escrow account loans (number of loans) | 4,787 | 31,165 | 470 | 36,422 |
| Number of new contracts made after 1 April 2012 (number of contracts) | 4,728 | 31,340 | 553 | 36,621 |
| Gross value of escrow account loans (in HUF mn) | 320 | 2,483 | 50 | 2,853 |
| Gross amount of fixed FX loans (in HUF mn) | 19,422 | 223,286 | 5,904 | 248,612 |
| As at 31 December 2012 | | | | |
| Number of escrow account loans (number of loans) | 3,060 | 23,817 | 380 | 27,257 |
| Number of new contracts made after 1 April 2012 (number of contracts) | 2,988 | 23,324 | 386 | 26,698 |
| Gross value of escrow account loans (in HUF mn) | 79 | 831 | 3 | 913 |
| Gross amount of fixed FX loans (in HUF mn) | 13,444 | 187,606 | 5,346 | 206,396 |

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

| | OTP | OTP Mortgage Bank | OTP Real Estate Leasing | Group |
|-----------------------------------------------------------------|-----|-------------------|-------------------------|-------|
| As at 31 December 2013 | | | | |
| Loss on interest from fixed exchange rate refunded by the State | 408 | 1,084 | 113 | 1,605 |
| Contribution paid for the State (50%) | 204 | 542 | 57 | 803 |
| As at 31 December 2012 | | | | |
| Loss on interest from fixed exchange rate refunded by the State | 60 | 824 | 23 | 907 |
| Contribution paid for the State (50%) | 30 | 412 | 12 | 454 |

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

- a) the total value of the loan exceeded HUF 20 million at conclusion of FX loan contract,
- b) loan is over 90 days past due,

c) debtor is participating in payments facilitating program.

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

NOTE 3:

SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of financial statements in conformity with IFRS requires the Management of the Group to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial 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.

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

3.3 Provisions

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

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

3.4 Impairment on goodwill

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

The Group calculates the fair value based on discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the

strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash-flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected. Goodwill impairment is recorded among the Depreciation and amortization in the Consolidated Statement of Recognized Income.

NOTE 4:

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

| | 2013 | 2012 |
|--------------------------------------------------------------------|----------------|----------------|
| Cash on hand | | |
| In HUF | 68,063 | 59,693 |
| In foreign currency | 120,069 | 127,126 |
| | 188,132 | 186,819 |
| Amounts due from banks and balances with the National Banks | | |
| Within one year: | | |
| In HUF | 51,807 | 134,828 |
| In foreign currency | 298,528 | 279,755 |
| | 350,335 | 414,583 |
| Over one year: | | |
| In HUF | – | – |
| In foreign currency | 435 | 659 |
| | 435 | 659 |
| Accrued interest | 223 | 460 |
| | 350,993 | 415,702 |
| Total | 539,125 | 602,521 |
| Compulsory reserve set by the National Banks | 263,178 | 270,592 |

NOTE 5:

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

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

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

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

Interest conditions of placements with other banks:

| | 2013 | 2012 |
|--------------------------------------------------------------|--------------|--------------|
| In HUF | 0.1%–9.0% | 0.1%–9.4% |
| In foreign currency | 0.01%–11.9% | 0.002%–10.1% |
| Average interest rates on placements with other banks | 1.48% | 2.28% |

NOTE 6:

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

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

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

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

An analysis of securities held for trading portfolio by currency:

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

*CCIRS: Cross Currency Interest Rate Swaps (see Note 28).

An analysis of government bond portfolio by currency:

| | 2013 | 2012 |
|--------------------------------------------------------------|---------------|---------------|
| Denominated in HUF (%) | 9.5% | 9.9% |
| Denominated in foreign currency (%) | 90.5% | 90.1% |
| Total | 100.0% | 100.0% |
| Interest rates on securities held for trading | 2.9%–13.0% | 1.2%–12.0% |
| Average interest rates on securities held for trading | 1.46% | 5.54% |

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

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

NOTE 7:

SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

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

An analysis of securities available-for sale by currency:

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

An analysis of government bonds by currency:

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

| | 2013 | 2012 |
|-----------------------------------------------------------------------------------------|------------|------------|
| Interest rates on securities available-for-sale denominated in HUF | 2.9%–8.0% | 6.0%–8.0% |
| Interest rates on securities available-for-sale denominated in foreign currency | 0.3%–22.0% | 0.8%–20.0% |
| Average interest rates on securities available-for-sale denominated in HUF | 4.10% | 7.92% |
| Average interest rates on securities available-for-sale denominated in foreign currency | 9.12% | 3.99% |

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

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

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

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

Certain securities are hedged against interest rate risk (see Note 39).

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

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

An analysis of the loan portfolio by currency:

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

Interest rates of the loan portfolio are as follows:

| | 2013 | 2012 |
|--------------------------------------------------------------------------|-------------|------------|
| Short-term loans denominated in HUF | 0.3%–40.4% | 4.5%–43% |
| Long-term loans denominated in HUF | 0.3%–40.4% | 2.7%–43% |
| Short-term loans denominated in foreign currency | 0.01%–66% | 1%–66% |
| Long-term loans denominated in foreign currency | 0.01%–64.9% | 0.1%–58.6% |
| Average interest rates on loans denominated in HUF | 4.94% | 5.27% |
| Average interest rates on loans denominated in foreign currency | 16.54% | 15.44% |
| Gross loan portfolio on which interest to customers is not being accrued | 18.4% | 18.2% |

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

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

Through debt consolidation the central government provided a non-refundable subsidy to municipalities with less than five thousands inhabitants for the total repayment of their outstanding obligations (loans, bonds, bills of exchange) as at 12 December 2012. In case of the Bank HUF 28.8 billion total debt of 957 municipalities was repaid (at exchange rates as at 27 December 2012).

Furthermore the debt consolidation of municipalities with more than five thousands inhabitants was completed by end of June 2013, which was carried out from three sources: subsidy provided by the Hungarian Treasury, funds of the Government Debt Management

Agency ("GDMA"), long-term loan originated by OTP for the GDMA.

At the Bank the total amount of loans to 192 municipalities with more than five thousands inhabitants represented HUF 245 billion by the end of 2012. Out of this portfolio the debt consolidation covered volumes of HUF 142.6 billion equivalent (at exchange rates as at 31 December 2012). HUF 41.5 billion equivalent of debt was prepaid, while HUF 101.2 billion equivalent was refinanced by a loan originated by OTP for the GDMA.

By the end of 2013 the principal of the loan to the GDMA amounted to HUF 101.6 billion in the financial statements of the Bank.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| | 2013 | 2012 |
|----------------------------------------------------------------------|-------------|-----------|
| Interest rates of securities held-to-maturity with variable interest | 0.02%–4.25% | 0.3%–7.1% |
| Interest rates of securities held-to-maturity with fixed interest | 2.6%–10.9% | 3.5%–30% |
| Average interest rates on securities held-to-maturity | 6.71% | 7.47% |

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

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

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

For the year ended 31 December 2013:

| | Intangible assets and goodwill | Property | Office equipments and vehicles | Construction in progress | Total |
|------------------------------------------|--------------------------------|----------------|--------------------------------|--------------------------|----------------|
| Cost | | | | | |
| Balance as at 1 January | 363,524 | 214,736 | 187,618 | 18,928 | 784,806 |
| Additions | 32,622 | 11,394 | 22,509 | 29,217 | 95,742 |
| Foreign currency translation differences | (7,438) | (901) | (893) | 97 | (9,135) |
| Disposals | (13,939) | (2,605) | (20,562) | (22,755) | (59,861) |
| Change in consolidation scope | 142 | 10 | 234 | 854 | 1,240 |
| Balance as at 31 December | 374,911 | 222,634 | 188,906 | 26,341 | 812,792 |
| Depreciation and Amortization | | | | | |
| Balance as at 1 January | 125,775 | 44,867 | 125,022 | – | 295,664 |
| Charge for the period | 22,192 | 5,644 | 19,362 | – | 47,198 |
| Goodwill impairment | 30,819 | – | – | – | 30,819 |
| Foreign currency translation differences | 6,164 | 173 | (776) | – | 5,561 |
| Disposals | (3,818) | (963) | (17,135) | – | (21,916) |
| Change in consolidation scope | 58 | 78 | 86 | – | 222 |
| Balance as at 31 December | 181,190 | 49,799 | 126,559 | – | 357,548 |
| Net book value | | | | | |
| Balance as at 1 January | 237,749 | 169,869 | 62,596 | 18,928 | 489,142 |
| Balance as at 31 December | 193,721 | 172,835 | 62,347 | 26,341 | 455,244 |

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

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

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

| List of units | HUF million |
|--------------------------|----------------|
| OA0 OTP Bank | 61.534 |
| DSK Bank EAD | 28.541 |
| OTP Bank JSC | 26.179 |
| OTP banka Hrvatska d.d. | 17.236 |
| OTP Bank Romania S.A. | 5.900 |
| OTP Banka Slovensko a.s. | 88 |
| Other* | 6.086 |
| Total | 145.564 |

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

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

Present value calculation with the DCF method

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

country risk premiums that are published on damodaran.com with the CDS of the different countries spread as of 31 December 2013.

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

Present value calculation with the EVA method

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

Summary of the impairment test for the year ended 31 December 2013

Based on the valuations of the subsidiaries HUF 30,819 million consolidated IFRS goodwill impairment was recorded for OTP Bank JSC.

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

For the year ended 31 December 2012:

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

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

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

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

| List of units | HUF mn |
|--------------------------|----------------|
| OA0 OTP Bank | 68,205 |
| OTP Bank JSC | 64,003 |
| DSK Bank EAD | 28,541 |
| OTP banka Hrvatska d.d. | 16,910 |
| OTP Bank Romania S.A. | 5,788 |
| OTP Banka Slovensko a.s. | 86 |
| Other* | 6,086 |
| Total | 189,619 |

Summary of the 2012 year end impairment test

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

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

NOTE 12:

OTHER ASSETS* (in HUF mn)

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

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

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

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

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

NOTE 13:

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

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

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

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

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

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

| | 2013 | 2012 |
|----------------------------------------------------------------------------------------------------------------------------|------------|-------------|
| Within one year: | | |
| In HUF | 0.2%–5.8% | 0.2%–7.6% |
| In foreign currency | 0.02%–8.9% | 0.01%–10.1% |
| Over one year: | | |
| In HUF | 0.2%–5.2% | 0.2%–8.1% |
| In foreign currency | 0.1%–18% | 0.1%–9% |
| Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks | 2.13% | 3.25% |

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

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

Interest rates on deposits from customers are as follows:

| | 2013 | 2012 |
|-----------------------------------------------------------------------------------|-------------|-------------|
| Within one year: | | |
| In HUF | 0.01%–10.3% | 0.1%–11% |
| In foreign currency | 0.01%–27% | 0.01%–25.5% |
| Over one year: | | |
| In HUF | 0.01%–5% | 0.2%–7.8% |
| In foreign currency | 0.01%–28.5% | 0.01%–20% |
| Average interest rates on deposits from customers denominated in HUF | 1.62% | 2.57% |
| Average interest rates on deposits from customers denominated in foreign currency | 6.98% | 6.94% |

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

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

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

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

* Without accrued interest liability.

Interest rates on liabilities from issued securities are as follows:

| | 2013 | 2012 |
|---------------------------------------------------|-------------|-------------|
| Issued securities denominated in HUF | 0.25%–10.0% | 0.25%–12.0% |
| Issued securities denominated in foreign currency | 0.44%–4% | 0.3%–10.9% |
| Average interest rates on issued securities | 6.61% | 7.66% |

Issued securities denominated in HUF as at 31 December 2013:

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

| Name | Date of issue | Maturity | Nominal value (in HUF mn) | Interest conditions (in % p.a.) | Hedged |
|------------------------------------------|-----------------------|------------|------------------------------|------------------------------------|--------|
| 57. OTP 2021/Bx | 17/06/2011 | 21/06/2021 | 370 | indexed floating | hedged |
| 58. OTP 2021/Cx | 19/09/2011 | 24/09/2021 | 320 | indexed floating | hedged |
| 59. OTP 2021/Dx | 21/12/2011 | 27/12/2021 | 395 | indexed floating | hedged |
| 60. OTP 2022/Ax | 22/03/2012 | 23/03/2022 | 280 | indexed floating | hedged |
| 61. OTP 2022/Bx | 16/07/2012 | 18/07/2022 | 265 | indexed floating | hedged |
| 62. OTP 2022/Cx | 29/10/2012 | 28/10/2022 | 310 | indexed floating | hedged |
| 63. OTP 2022/Dx | 28/12/2012 | 27/12/2022 | 350 | indexed floating | hedged |
| 64. OTP 2023/Ax | 22/03/2013 | 24/03/2023 | 395 | indexed floating | hedged |
| 65. OTP 2023/Bx | 28/06/2013 | 26/06/2023 | 295 | indexed floating | hedged |
| 66. OTP 2014/RA/A | 25/03/2011 | 24/03/2014 | 945 | indexed floating | hedged |
| 67. OTP 2014/RA/Bx | 16/09/2011–23/09/2011 | 15/09/2014 | 1,126 | indexed floating | hedged |
| 68. OTP 2020/RF/A | 12/07/2010 | 20/07/2020 | 1,934 | indexed floating | hedged |
| 69. OTP 2020/RF/B | 12/07/2010 | 20/07/2020 | 970 | indexed floating | hedged |
| 70. OTP 2020/RF/C | 11/11/2010 | 05/11/2020 | 1,798 | indexed floating | hedged |
| 71. OTP 2021/RF/A | 05/07/2011 | 13/07/2021 | 1,264 | indexed floating | hedged |
| 72. OTP 2021/RF/B | 20/10/2011 | 25/10/2021 | 1,385 | indexed floating | hedged |
| 73. OTP 2021/RF/C | 21/12/2011 | 30/12/2021 | 212 | indexed floating | hedged |
| 74. OTP 2021/RF/D | 21/12/2011 | 30/12/2021 | 147 | indexed floating | hedged |
| 75. OTP 2021/RF/E | 21/12/2011 | 30/12/2021 | 37 | indexed floating | hedged |
| 76. OTP 2022/RF/A | 22/03/2012 | 23/03/2022 | 615 | indexed floating | hedged |
| 77. OTP 2022/RF/B | 22/03/2012 | 23/03/2022 | 211 | indexed floating | hedged |
| 78. OTP 2022/RF/C | 28/06/2012 | 28/06/2022 | 238 | indexed floating | hedged |
| 79. OTP 2022/RF/D | 28/06/2012 | 28/06/2022 | 114 | indexed floating | hedged |
| 80. OTP 2022/RF/E | 29/10/2012 | 31/10/2022 | 66 | indexed floating | hedged |
| 81. OTP 2022/RF/F | 28/12/2012 | 28/12/2022 | 56 | indexed floating | hedged |
| 82. OTP 2023/RF/A | 22/03/2013 | 24/03/2023 | 51 | indexed floating | hedged |
| 83. OTP DNT HUF 140108 6% | 12/07/2013 | 08/01/2014 | 2,916 | indexed floating | hedged |
| 84. OTP EK 2015/I | 29/07/2013 | 29/01/2015 | 5,619 | 4.25 fixed | |
| 85. OTP OVK 2014/I | 31/01/2012–03/07/2012 | 27/01/2014 | 224 | 6.75 fixed | |
| 86. OTP OJK 2016/I | 26/08/2011–21/12/2011 | 26/08/2016 | 171 | 5.75 fixed | |
| 87. OTP OJK 2017/I | 27/01/2012–13/07/2012 | 27/01/2017 | 32 | 7 fixed | |
| 88. OJB 2014/I | 14/11/2003 | 12/02/2014 | 13,483 | 8 fixed | |
| 89. OJB 2014/J | 17/09/2004 | 17/09/2014 | 102 | 8.69 fixed | |
| 90. OJB 2015/I | 10/06/2005 | 10/06/2015 | 3,242 | 7.7 fixed | |
| 91. OJB 2015/J | 28/01/2005 | 28/01/2015 | 80 | 8.69 fixed | |
| 92. OJB 2016/I | 03/02/2006 | 03/02/2016 | 1,249 | 7.5 fixed | |
| 93. OJB 2016/II | 31/08/2006 | 31/08/2016 | 4,671 | 10 fixed | |
| 94. OJB 2016/J | 18/04/2006 | 28/09/2016 | 173 | 7.59 fixed | |
| 95. OJB 2019/I | 17/03/2004 | 18/03/2019 | 31,514 | 9.48 fixed | |
| 96. OJB 2019/II | 25/05/2011 | 18/03/2019 | 1,079 | 9.48 fixed | |
| 97. OJB 2020/I | 19/11/2004 | 12/11/2020 | 5,503 | 9 fixed | |
| 98. OJB 2020/II | 25/05/2011 | 12/11/2020 | 1,487 | 9 fixed | |
| 99. Other* | | | 35,288 | | |
| Subtotal issued securities in HUF | | | 218,446 | | |
| Unamortized premium | | | (56) | | |
| Fair value adjustment | | | 8,294 | | |
| Total issued securities in HUF | | | 226,684 | | |

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

Issued securities denominated in foreign currency as at 31 December 2013:

| | Name | Date of issue | Maturity | Type of FX | Nominal value | | Interest conditions | | Hedged |
|-----|----------------------|---------------|------------|------------|---------------|----------|---------------------|-------|--------|
| | | | | | (FX mn) | (HUF mn) | (in % p.a.) | | |
| 1. | OTP EUR 1 2014/I | 11/01/2013 | 11/01/2014 | EUR | 3.35 | 994 | 2.75 | fixed | |
| 2. | OTP EUR 1 2014/II | 25/01/2013 | 25/01/2014 | EUR | 2.54 | 753 | 2.5 | fixed | |
| 3. | OTP EUR 1 2014/III | 01/02/2013 | 01/02/2014 | EUR | 2.68 | 796 | 2.5 | fixed | |
| 4. | OTPEUR 1 2014/IV | 15/02/2013 | 15/02/2014 | EUR | 4.06 | 1,205 | 2.5 | fixed | |
| 5. | OTP EUR 1 2014/V | 01/03/2013 | 01/03/2014 | EUR | 3.81 | 1,130 | 2.5 | fixed | |
| 6. | OTP EUR 1 2014/VI | 22/03/2013 | 22/03/2014 | EUR | 3.19 | 948 | 2.5 | fixed | |
| 7. | OTP EUR 1 2014/VII | 05/04/2013 | 05/04/2014 | EUR | 1.37 | 405 | 2.25 | fixed | |
| 8. | OTP EUR 1 2014/VIII | 19/04/2013 | 19/04/2014 | EUR | 3.01 | 894 | 2.25 | fixed | |
| 9. | OTP EUR 1 2014/IX | 10/05/2013 | 10/05/2014 | EUR | 5.80 | 1,721 | 2.25 | fixed | |
| 10. | OTP EUR 1 2014/X | 24/05/2013 | 24/05/2014 | EUR | 2.37 | 704 | 2 | fixed | |
| 11. | OTP EUR 1 2014/XI | 07/06/2013 | 07/06/2014 | EUR | 2.59 | 770 | 2 | fixed | |
| 12. | OTP EUR 1 2014/XII | 21/06/2013 | 21/06/2014 | EUR | 2.20 | 653 | 2 | fixed | |
| 13. | OTP EUR 1 2014/XIII | 28/06/2013 | 28/06/2014 | EUR | 1.38 | 411 | 2 | fixed | |
| 14. | OTP EUR 1 2014/XIV | 12/07/2013 | 12/07/2014 | EUR | 2.79 | 828 | 2 | fixed | |
| 15. | OTP EUR 1 2014/XV | 26/07/2013 | 26/07/2014 | EUR | 5.15 | 1,529 | 2 | fixed | |
| 16. | OTP EUR 1 2014/XVI | 16/08/2013 | 16/08/2014 | EUR | 10.35 | 3,071 | 2 | fixed | |
| 17. | OTP EUR 1 2014/XVII | 30/08/2013 | 30/08/2014 | EUR | 6.89 | 2,046 | 2 | fixed | |
| 18. | OTP EUR 1 2014/XVIII | 13/09/2013 | 13/09/2014 | EUR | 7.9 | 2,346 | 2 | fixed | |
| 19. | OTP EUR 1 2014/XIX | 27/09/2013 | 27/09/2014 | EUR | 8.31 | 2,466 | 2 | fixed | |
| 20. | OTP EUR 1 2014/XX | 11/10/2013 | 11/10/2014 | EUR | 6.75 | 2,003 | 2 | fixed | |
| 21. | OTP EUR 1 2014/XXI | 31/10/2013 | 31/10/2014 | EUR | 8.11 | 2,406 | 1.75 | fixed | |
| 22. | OTP EUR 1 2014/XXII | 15/11/2013 | 15/11/2014 | EUR | 4.6 | 1,366 | 1.75 | fixed | |
| 23. | OTP EUR 1 2014/XXIII | 29/11/2013 | 13/12/2014 | EUR | 5.9 | 1,752 | 1.65 | fixed | |
| 24. | OTP EUR 1 2015/I | 20/12/2013 | 10/01/2015 | EUR | 7.10 | 2,107 | 1.65 | fixed | |
| 25. | OTP EUR 2 2014/I | 13/01/2012 | 13/01/2014 | EUR | 0.05 | 15 | 4 | fixed | |
| 26. | OTP EUR 2 2014/II | 27/01/2012 | 27/01/2014 | EUR | 0.19 | 57 | 4 | fixed | |
| 27. | OTP EUR 2 2014/III | 10/02/2012 | 10/02/2014 | EUR | 0.24 | 72 | 4 | fixed | |
| 28. | OTP EUR 2 2014/IV | 24/02/2012 | 24/02/2014 | EUR | 0.44 | 132 | 4 | fixed | |
| 29. | OTP EUR 2 2014/V | 09/03/2012 | 09/03/2014 | EUR | 0.09 | 28 | 4 | fixed | |
| 30. | OTP EUR 2 2014/VI | 23/03/2012 | 14/09/2014 | EUR | 0.10 | 31 | 4 | fixed | |
| 31. | OTP EUR 2 2014/VII | 06/04/2012 | 06/04/2014 | EUR | 0.15 | 44 | 4 | fixed | |
| 32. | OTP EUR 2 2014/VIII | 20/04/2012 | 20/04/2014 | EUR | 0.25 | 74 | 4 | fixed | |
| 33. | OTP EUR 2 2014/IX | 04/05/2012 | 04/05/2014 | EUR | 0.32 | 95 | 4 | fixed | |
| 34. | OTP EUR 2 2014/X | 11/05/2012 | 11/05/2014 | EUR | 0.05 | 15 | 3.75 | fixed | |
| 35. | OTP EUR 2 2014/XI | 25/05/2012 | 25/05/2014 | EUR | 0.10 | 28 | 3.75 | fixed | |
| 36. | OTP EUR 2 2014/XII | 08/06/2012 | 08/06/2014 | EUR | 0.13 | 38 | 3.75 | fixed | |
| 37. | OTP EUR 2 2014/XIII | 22/06/2012 | 22/06/2014 | EUR | 0.20 | 59 | 3.75 | fixed | |
| 38. | OTP EUR 2 2014/XIV | 13/07/2012 | 13/07/2014 | EUR | 0.17 | 51 | 3.75 | fixed | |
| 39. | OTP EUR 2 2014/XV | 03/08/2012 | 03/08/2014 | EUR | 0.22 | 64 | 3.75 | fixed | |
| 40. | OTP EUR 2 2014/XVI | 17/08/2012 | 17/08/2014 | EUR | 0.17 | 50 | 3.5 | fixed | |
| 41. | OTP EUR 2 2014/XVII | 31/08/2012 | 31/08/2014 | EUR | 0.46 | 135 | 3.5 | fixed | |
| 42. | OTP EUR 2 2014/XVIII | 14/09/2012 | 14/09/2014 | EUR | 0.31 | 91 | 3.25 | fixed | |
| 43. | OTP EUR 2 2014/XIX | 28/09/2012 | 28/09/2014 | EUR | 0.25 | 74 | 3.25 | fixed | |
| 44. | OTP EUR 2 2014/XX | 12/10/2012 | 12/10/2014 | EUR | 0.22 | 64 | 3.25 | fixed | |
| 45. | OTP EUR 2 2014/XXI | 26/10/2012 | 26/10/2014 | EUR | 0.36 | 108 | 3.25 | fixed | |
| 46. | OTP EUR 2 2014/XXII | 09/11/2012 | 09/11/2014 | EUR | 0.20 | 61 | 3.25 | fixed | |
| 47. | OTP EUR 2 2014/XXIII | 23/11/2012 | 23/11/2014 | EUR | 0.37 | 111 | 3.25 | fixed | |
| 48. | OTP EUR 2 2014/XXIV | 07/12/2012 | 07/12/2014 | EUR | 0.41 | 122 | 3.25 | fixed | |
| 49. | OTP EUR 2 2014/XXV | 21/12/2012 | 21/12/2014 | EUR | 0.36 | 108 | 3 | fixed | |
| 50. | OTP EUR 2 2015/I | 11/01/2013 | 11/01/2015 | EUR | 0.16 | 48 | 3 | fixed | |
| 51. | OTP EUR 2 2015/II | 25/01/2013 | 25/01/2015 | EUR | 0.17 | 51 | 2.75 | fixed | |
| 52. | OTP EUR 2 2015/III | 01/02/2013 | 01/02/2015 | EUR | 0.16 | 47 | 2.75 | fixed | |
| 53. | OTP EUR 2 2015/IV | 15/02/2013 | 15/02/2015 | EUR | 0.15 | 45 | 2.75 | fixed | |
| 54. | OTP EUR 2 2015/V | 01/03/2013 | 01/03/2015 | EUR | 0.26 | 78 | 2.75 | fixed | |
| 55. | OTP EUR 2 2015/VI | 22/03/2013 | 22/03/2015 | EUR | 0.20 | 59 | 2.75 | fixed | |
| 56. | OTP EUR 2 2015/VII | 05/04/2013 | 05/04/2015 | EUR | 0.38 | 114 | 2.75 | fixed | |
| 57. | OTP EUR 2 2015/VIII | 19/04/2013 | 19/04/2015 | EUR | 0.30 | 90 | 2.75 | fixed | |
| 58. | OTP EUR 2 2015/IX | 10/05/2013 | 10/05/2015 | EUR | 0.74 | 219 | 2.75 | fixed | |
| 59. | OTP EUR 2 2015/X | 24/05/2013 | 24/05/2015 | EUR | 0.36 | 108 | 2.5 | fixed | |
| 60. | OTP EUR 2 2015/XI | 07/06/2013 | 07/06/2015 | EUR | 0.39 | 116 | 2.5 | fixed | |
| 61. | OTP EUR 2 2015/XII | 21/06/2013 | 21/06/2015 | EUR | 0.21 | 63 | 2.5 | fixed | |
| 62. | OTP EUR 2 2015/XIII | 28/06/2013 | 28/06/2015 | EUR | 0.27 | 81 | 2.5 | fixed | |
| 63. | OTP EUR 2 2015/XIV | 12/07/2013 | 12/07/2015 | EUR | 0.12 | 37 | 2.25 | fixed | |
| 64. | OTP EUR 2 2015/XV | 26/07/2013 | 26/07/2015 | EUR | 0.63 | 187 | 2.25 | fixed | |
| 65. | OTP EUR 2 2015/XVI | 16/08/2013 | 16/08/2015 | EUR | 0.79 | 235 | 2.25 | fixed | |
| 66. | OTP EUR 2 2015/XVII | 30/08/2013 | 30/08/2015 | EUR | 0.42 | 126 | 2.25 | fixed | |
| 67. | OTP EUR 2 2015/XVIII | 13/09/2013 | 13/09/2015 | EUR | 0.65 | 193 | 2.25 | fixed | |

| Name | Date of issue | Maturity | Type of FX | Nominal value | | Interest conditions | | Hedged |
|-----------------------------------------|---------------|------------|------------|----------------|----------|---------------------|----------|--------|
| | | | | (FX mn) | (HUF mn) | (in % p.a.) | | |
| 68. OTP EUR 2 2015/XIX | 27/09/2013 | 27/09/2015 | EUR | 0.51 | 151 | 2.25 | fixed | |
| 69. OTP EUR 2 2015/XX | 11/10/2013 | 11/10/2015 | EUR | 0.30 | 89 | 2.25 | fixed | |
| 70. OTP EUR 2 2015/XXI | 31/10/2013 | 31/10/2015 | EUR | 2.35 | 698 | 2.25 | fixed | |
| 71. OTP EUR 2 2015/XXII | 15/11/2013 | 15/11/2015 | EUR | 1.18 | 349 | 2.25 | fixed | |
| 72. OTP EUR 2 2015/XXIII | 29/11/2013 | 29/11/2015 | EUR | 1.30 | 387 | 2 | fixed | |
| 73. OTP EUR 2 2015/XXIV | 20/12/2013 | 20/12/2015 | EUR | 1.55 | 461 | 2 | fixed | |
| 74. OTP 2015/Cx | 27/12/2010 | 29/12/2015 | EUR | 0.97 | 288 | indexed | floating | hedged |
| 75. OTP 2015/Fx | 21/12/2012 | 23/12/2015 | EUR | 2.07 | 616 | indexed | floating | hedged |
| 76. OTP 2016/Cx | 22/04/2011 | 22/04/2016 | EUR | 1.56 | 463 | indexed | floating | hedged |
| 77. OTP 2016/Dx | 22/12/2011 | 29/12/2016 | EUR | 1.25 | 370 | indexed | floating | hedged |
| 78. OTP 2017/Fx | 14/06/2012 | 16/06/2017 | EUR | 0.78 | 231 | indexed | floating | hedged |
| 79. OTP 2018/Fx | 19/12/2013 | 21/12/2018 | EUR | 0.62 | 183 | indexed | floating | hedged |
| 80. OMB2014_I | 15/12/2004 | 15/12/2014 | EUR | 198.24 | 58,859 | 4 | fixed | |
| 81. OMB2014_II | 02/08/2011 | 10/08/2014 | EUR | 15.5 | 4,602 | 3.23 | floating | hedged |
| 82. OMB2015_I | 30/08/2012 | 06/03/2015 | EUR | 5 | 1,485 | 4.24 | floating | hedged |
| 83. Mortgage bonds OTP VII | 21/12/2005 | 21/12/2015 | EUR | 22.47 | 6,672 | 0.44 | floating | |
| 84. Mortgage bonds OTP XXIV | 23/11/2010 | 23/11/2013 | EUR | 7.88 | 2,339 | 3.33 | fixed | |
| 85. Mortgage bonds OTP XXV | 28/09/2012 | 28/09/2016 | EUR | 7.96 | 2,364 | 4.0 | fixed | |
| 86. OTPRU 14/03 | 29/03/2011 | 25/03/2014 | RUB | 2,500 | 16,375 | 8.55 | fixed | |
| 87. OTPRU 14/07 | 02/08/2011 | 29/07/2014 | RUB | 5,000 | 32,750 | 8.21 | fixed | |
| 88. OTPRU 14/10 | 03/11/2011 | 30/10/2014 | RUB | 4,000 | 26,200 | 10.88 | fixed | |
| 89. OTPRU 15/03 | 06/03/2012 | 03/03/2015 | RUB | 4,940 | 32,095 | 10.84 | fixed | |
| 90. Other* | | | | | 11,340 | | | |
| Subtotal issued securities in FX | | | | 236,295 | | | | |
| Unamortized premium | | | | (28,958) | | | | |
| Fair value adjustment | | | | 49 | | | | |
| Total issued securities in FX | | | | 207,386 | | | | |
| Accrued interest | | | | 11,148 | | | | |
| Total issued securities | | | | 445,218 | | | | |

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 17: OTHER LIABILITIES* (in HUF mn)

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

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

** On 16 April 2009 OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the loss of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 31 December 2013 and 2012 HUF 71,548 and HUF 89,308 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

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

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

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

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

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

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

NOTE 18:

SUBORDINATED BONDS AND LOANS (in HUF mn)

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

Interest rates on subordinated bonds and loans are as follows:

| | 2013 | 2012 |
|--------------------------------------------------------|------------|-----------|
| Denominated in HUF | – | 3.3% |
| Denominated in foreign currency | 0.8%–8.25% | 0.7%–8.0% |
| Average interest rates on subordinated bonds and loans | 4.13% | 3.97% |

Partial cancellation of EUR 125 million subordinated notes

The Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 4 March 2015 in the total

notional amount of EUR 12.5 million. The Bank initiated the cancellation of the Notes. Following the cancellation on 30 August 2013 the total outstanding amount of Notes decreased to EUR 93,450,000.

Purchase from EUR 500 million subordinated Notes series

With a value date of 23 December 2013, the Bank purchased from OAO OTP Bank (Russia) Notes from the perpetual EUR 500 million subordinated Notes series, in the total notional

amount of EUR 80 million, at an average price of 80% of the notional price. The transaction has no direct impact on the consolidated profit or loss. Following the transaction the total notional amount of Notes owned by the Issuer is EUR 146.888 million.

Subordinated bonds and loans can be detailed as follows:

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

NOTE 19:

SHARE CAPITAL (in HUF mn)

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

* European Medium Term Note Program

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

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

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

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

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in April 2014.

In 2014 dividend of HUF 40,600 million are expected to be proposed by the Management from the profit of the year 2013, which means 145 HUF payable dividend by share to the shareholders. In 2013 the Bank paid dividend of HUF 33,600 million from the profit of the year 2012, which meant 120 HUF payable dividend by share.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 664,856 million and HUF 701,935 million) and reserves (HUF 867,308 million and HUF 832,637 million) as at 31 December 2013 and 31 December 2012 respectively.

The reserves include mainly net profit for the year attributable to the owners of the company, the fair value adjustment of securities available-for-sale, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous year at the subsidiaries, changes due to consolidation and exchange differences. In the Consolidated Financial Statement the Group presents the difference between the historical cost of the non-monetary items in forint amount and the translated foreign

currencies into the presentation currency using the exchange rate at the balance sheet date, among the shareholders' equity as difference of translation. The accumulated amounts of exchange differences were HUF 14,381 million and HUF 17,889 million as at 31 December 2013 and 31 December 2012 respectively.

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

NOTE 21:

TREASURY SHARES (in HUF mn)

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

The changes in the carrying value of treasury shares are due to repurchase and sale

transactions on market authorised by the General Assembly.

| Change in number of shares: | 2013 | 2012 |
|-----------------------------------------|-------------------|-------------------|
| Number of shares as at 1 January | 18,755,373 | 19,218,344 |
| Additions | 4,247,043 | 1,490,134 |
| Disposals | (5,030,011) | (1,953,105) |
| Closing number of shares | 17,972,405 | 18,755,373 |
| Change in carrying value: | 2013 | 2012 |
| Balance as at 1 January | 53,802 | 54,386 |
| Additions | 19,740 | 5,758 |
| Disposals | (17,943) | (6,342) |
| Closing balance | 55,599 | 53,802 |

NOTE 22:

NON-CONTROLLING INTEREST (in HUF mn)

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

NOTE 23:

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

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

NOTE 24:

NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions:

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

Expense from fees and commissions:

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

NOTE 25:

OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

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

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

| Other administrative expenses | 2013 | 2012 |
|----------------------------------------|----------------|----------------|
| Personnel expenses | | |
| Wages | 150,462 | 139,386 |
| Taxes related to personnel expenses | 40,677 | 36,881 |
| Other personnel expenses | 13,138 | 12,685 |
| Subtotal | 204,277 | 188,952 |
| Depreciation and amortization** | 78,017 | 47,420 |

* See details in Note 9.

** See details in Note 11.

| Other administrative expenses | 2013 | 2012 |
|------------------------------------------------|----------------|----------------|
| Taxes, other than income tax* | 121,002 | 69,858 |
| Administration expenses, including rental fees | 50,775 | 49,147 |
| Services | 44,831 | 41,700 |
| Professional fees | 14,490 | 13,416 |
| Advertising | 13,379 | 12,984 |
| Subtotal | 244,477 | 187,105 |
| Total | 526,771 | 423,477 |

NOTE 26: INCOME TAX (in HUF mn)

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

The breakdown of the income tax expense is:

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

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

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

*Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by the Group. The total tax amount for the year 2013 and 2012 was HUF 36.9 billion and HUF 37.1 billion recognized as an expense thus decreased the corporate tax base. Based on the 2012 approved regulation financial institutions' obligation to pay this special tax was finalized.

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

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

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

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

A reconciliation of the income tax expense is as follows:

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

Income tax adjustments due to permanent differences are as follows:

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

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

FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1 Credit risk

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

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

27.1.1 Analysis by loan types and by DPD categories**Classification into DPD categories**

The Group presents the performing loan portfolio according delay of payment above 90 days past due. When determining the impairment beside the delay of payment other information available for the Group is also taking into consideration. The foreseeable risks and expected losses are considered, when the Group during determining the result of the current year, calculates and

accounts impairment and credits provisions.

The impairments and provisions are accounted notwithstanding whether the result recognized in the current year is gain or loss. The Group when calculates the impairment of the loans applies the requirement of IFRS and the principles defined in the impairment policy of the Group.

Exposures with small amounts are subject to **collective valuation** method, which is a simplified assessment. The exposures subject to collective valuation method are classified – instead of the previously used risk classes – into five valuation groups which have been formed based on past due days from which there classes were presented (A: 0–90 days past due – DPD, B: 91–360 DPD, C: over 360 days past due). The three new groups do not match one by one to the earlier used risk classes, the composition of the classes has changed due to the different criteria.

The Group intends – where enough large number of items and enough long experiences are available – applying models on statistical bases. The impairment is calculated according to the possibility of listing the loan into default categories examined on the base of objective valuation criteria (delay of payment, change of exchange) and the expected recovery from the collecting. If the loss of the exposure can't be modelled reliably, the impairment is determined by expert keys.

Impairment on **claims above the limit** are under **individual assessment** method. Depending on the incurred loss of each item is determined based on the consideration of all of the following criteria:

- the credit rating of the customer or the partner: the financial position, stability and income-generating capacity affected by the financial or investment service and issuer of the security, and any changes thereto;
- compliance with the rules of repayment (delay): delays in the repayment of the loan principal and its interests, regularity of the fulfillment of payment obligations;

- the status of the restructuring (renegotiating) of risk taking contracts;
 - the country risk relating to the customer (both political and transfer risks) and any changes thereto;
 - the value of collaterals, their liquidity and accessibility, and any changes therein;
 - the transferability and liquidity of the exposures (the market conditions of supply and demand, the available market prices and participation in the shareholders' equity of the issuer in proportion to the investment);
 - the future payment obligation recognized as a loss arising from the exposure.
- The expected future losses of the individually assessed item are determined by taking into considerations the above listed objective valuation aspects. The expected loss, the volume of the necessary reserve is defined by taking into account the value of the collaterals, comparing with the value of the collaterals relating to the exposure. The expected recovery is calculated by applying the effective interest rate method and the discounted cash-flow method. The impairment accounted for the item before should be completed to this level by increasing the amount of the impairment or by releasing the provision accounted before.

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

As at 31 December 2013:

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

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

As at 31 December 2012:

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

The Group's loan portfolio decreased by 2.8% in year 2013. Analysing the contribution of loan types to the loan portfolio, the share of the consumer and corporate loan type slightly increased, the SME loans types remained almost the same while the other types of loan portfolios slightly decreased as at 31 December 2013 comparing with the previous year. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the more than 90 days past due to

the above 360 days past due loans compared to the gross loan portfolio increased from 18.3% to 19%. Among the qualified loan portfolio, the loans classified to the risk class of "Above 360 days" expanded at the fastest level.

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

Not impaired loan portfolio

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

As at 31 December 2013:

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

As at 31 December 2012:

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

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

The loans that are past due but not impaired are concentrated mainly in the mortgage

loan type. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Group.

Loans individually assessed for provision

The individually rated exposures contain both the loans and the off-balance sheet commitments.

The rating has been performed based on the factors used at determining the provision for impairment for them.

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 31 December 2013 and 31 December 2012 is as follows:

As at 31 December 2013:

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

As at 31 December 2012:

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

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

Transactions with high level of risk:

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

Business lines risks:

Transactions are classified by using this category name, if the client works in a business line which was most exposed to the financial crisis (vehicle industry, building industry, real estate services, metal processing, financial services).

Loan portfolio by countries

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

| Country | 2013 | | 2012 | |
|----------------|------------------------------------------------------------------------|-----------|------------------------------------------------------------------------|-----------|
| | Carrying amount of gross loan and placement with other banks portfolio | Allowance | Carrying amount of gross loan and placement with other banks portfolio | Allowance |
| Hungary | 3,216,051 | 436,238 | 3,357,030 | 434,240 |
| Bulgaria | 1,183,984 | 202,410 | 1,195,475 | 179,544 |
| Russia | 859,917 | 163,704 | 889,162 | 132,242 |
| Ukraine | 673,677 | 183,574 | 696,921 | 197,099 |
| Romania | 474,080 | 63,308 | 449,843 | 49,324 |
| Croatia | 417,850 | 30,892 | 385,520 | 25,292 |
| Slovakia | 335,866 | 22,824 | 291,881 | 21,648 |
| Montenegro | 200,175 | 80,312 | 204,957 | 83,637 |
| Serbia | 108,274 | 36,998 | 117,117 | 26,435 |
| United Kingdom | 54,179 | 1,867 | 89,855 | 1,801 |
| Cyprus | 50,082 | 10,412 | 46,455 | 1,854 |
| Germany | 28,289 | 81 | 63,604 | 75 |

| Country | 2013 | | 2012 | |
|--------------------------|------------------------------------------------------------------------|------------------|------------------------------------------------------------------------|------------------|
| | Carrying amount of gross loan and placement with other banks portfolio | Allowance | Carrying amount of gross loan and placement with other banks portfolio | Allowance |
| France | 14,772 | – | 29,485 | – |
| United States of America | 11,611 | 33 | 32,576 | 131 |
| Belgium | 11,506 | 1 | 4,154 | – |
| Austria | 8,655 | 4 | 10,264 | – |
| Switzerland | 6,480 | 2 | 11,210 | – |
| Czech Republic | 6,299 | – | 4,062 | – |
| The Netherlands | 4,828 | 4 | 149 | 1 |
| Seychelles | 4,624 | 2,317 | 4,912 | 1,473 |
| Poland | 3,417 | – | 290 | – |
| Sweden | 1,759 | 8 | 212 | – |
| Norway | 1,404 | 2 | 2,204 | – |
| Turkey | 1,228 | – | 1,708 | – |
| Denmark | 1,062 | – | 276 | – |
| Egypt | 685 | 480 | 664 | 332 |
| Ireland | 209 | 66 | 216 | 52 |
| Kazakhstan | 191 | 25 | 224 | 34 |
| Italy | 180 | 1 | 118 | – |
| Canada | 128 | – | 429 | – |
| Japan | 126 | – | 1,417 | – |
| Australia | 107 | – | 242 | – |
| Latvia | 44 | 28 | 38 | 26 |
| Island | 39 | 27 | 57 | 19 |
| Spain | 28 | – | 25 | – |
| Luxembourg | 3 | 2 | 11,361 | – |
| Other* | 284 | 45 | 508 | 28 |
| Total** | 7,682,093 | 1,235,665 | 7,904,621 | 1,155,287 |

The loan portfolio decreased mostly in Serbia and Hungary and increased in the Netherlands, Slovakia and Croatia but there were no significant changes in the other countries. Their stock of provision increased mostly in Cyprus, the Netherlands and Serbia but there

were no significant decreases in none of the countries.

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

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

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

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

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

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

** Without the amount of bill of exchange.

27.1.3 Collaterals

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

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

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

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

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

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

The coverage level of the loan portfolio (total collaterals) decreased by 7.9%, as well as the

coverage level to the extent of the exposures decreased by 5.7% as at 31 December 2013.

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

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

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

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

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

27.1.4 Restructured loans

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

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

Restructured portfolio definition:

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

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

Hungarian FX mortgage loans in the fixed exchange rate scheme are not included.

In case of loans that have been restructured more than once the last restructuring is considered.

Restructured portfolio for **corporate/**

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

- independently from the date of the restructuring the following restructuring tool was applied:

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

Other modifications of contract not mentioned above are not considered as restructuring (i.e. modifying the collateral structure, modification of the credit purpose).

In case of loans that have been restructured more than once the last restructuring is considered.

27.1.5 Financial instruments by rating categories*

Securities held for trading as at 31 December 2013:

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

Securities available-for-sale as at 31 December 2013:

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

Securities held-to-maturity as at 31 December 2013:

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

* Moody's ratings.

** Corporate shares listed on Budapest Stock Exchange.

27.2 Market risk

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

27.2.1 Market Risk sensitivity analysis

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

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

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

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

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

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

27.2.2 Foreign currency sensitivity analysis

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

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

The strategic open position related to the foreign operations was short, amounted to EUR 310 million as at 31 December 2013. High portion of strategic positions is considered as effective hedge of future profit inflows of

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

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

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

Notes:

- (1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
- (2) The HUF/EUR volatility decreased slightly in 2013, but the asymmetric shape of the price change distribution remained, so potential losses on weakening are higher than potential gains.
- (3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2013.

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

The simulations were prepared by assuming two scenarios:

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

27.2.3 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date.

The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date were outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes.

The main assumptions were as follows:

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

The net interest income in a one year period after 31 December 2013 would be decreased by HUF 2,208 million (probable scenario) and HUF 3,432 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 2,076 million (probable scenario) and HUF 9,847 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2012.

This effect is counterbalanced by capital gains (HUF 1,344 million for probable scenario, HUF 1,978 million for alternative scenario) as at 31 December 2013 and (HUF 3,867 million for probable scenario, HUF 5,284 million for alternative scenario) as at 31 December 2012 on the government bond portfolio held for hedging.

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

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

27.2.4 Equity price sensitivity analysis

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

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

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

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

27.2.5 Capital management

Capital management

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

The capital management of the Group members includes the management and evaluation of the shareholders' equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.

The Group members maintain the capital adequacy required by the regulatory bodies and

the planned risk taking mainly by means of ensuring and developing their profitability.

In case the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

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

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

The Group uses the standard method for determining the regulatory capital

requirements of the credit risk and market risk, and parallel to that, the base indicator method and the advanced method (AMA) in case of the operational risk.

The Capital Requirements Directive package (CRDIV/CRR) which transposes the new global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The new rules will be applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity.

This new framework will make institutions in the EU more solid and will strengthen their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.

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

Calculation on HAS basis:

| | 2013 | 2012 |
|---------------------------------------------|------------------|------------------|
| Core capital | 1,269,168 | 1,221,476 |
| Supplementary capital | 186,940 | 236,245 |
| Deductions | (367) | (343) |
| due to investments | (367) | (343) |
| Regulatory capital | 1,455,741 | 1,457,378 |
| Credit risk capital requirement | 462,772 | 481,260 |
| Market risk capital requirement | 37,295 | 38,090 |
| Operational risk capital requirement | 80,348 | 80,402 |
| Total requirement regulatory capital | 580,415 | 599,752 |
| Surplus capital | 875,326 | 857,626 |
| Tier1 ratio | 17.5% | 16.3% |
| Capital adequacy ratio | 20.1% | 19.4% |

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

The positive components of the Supplementary capital are the following: Supplementary loan capital, Subordinated loan capital. The negative components of the Supplementary capital are the following: Changes due to consolidation of equity. The components of the Deductions: deductions due to investments.

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

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

The ratios of the foreign subsidiaries exceed the requirements of the local regulations in every cases.

For international comparison purposes, the Group calculates the Regulatory capital in accordance with the Basel II directive based on IFRS data, and the consolidated Capital adequacy ratio based on this. The Capital

adequacy ratio of the Group was 19.9% as at 31 December 2013 and 19.7% as at 31 December 2012. The Regulatory capital was HUF 1,440,962 million and HUF 1,473,525 million, the Total regulatory capital requirement was HUF 580,415 million and HUF 599,752 million as at 31 December 2013 and 31 December 2012 respectively.

Calculation on IFRS basis:

| | 2013 | 2012 |
|---------------------------------------------|------------------|------------------|
| Core capital (Tier1) | 1,264,286 | 1,203,019 |
| Positive components | 1,513,448 | 1,494,427 |
| Issued capital | 28,000 | 28,000 |
| Reserves | 1,385,423 | 1,362,290 |
| Other issued capital components | 100,025 | 104,137 |
| Negative components | (249,162) | (291,408) |
| Treasury shares | (55,599) | (53,802) |
| Goodwill and other intangible assets | (193,563) | (237,606) |
| Supplementary capital (Tier2) | 177,043 | 270,849 |
| Fair value corrections | 12,650 | 13,688 |
| Subordinated bonds and loans | 164,393 | 257,161 |
| Deductions | (367) | (343) |
| Regulatory capital | 1,440,962 | 1,473,525 |
| Credit risk capital requirement | 462,772 | 481,260 |
| Market risk capital requirement | 37,295 | 38,090 |
| Operational risk capital requirement | 80,348 | 80,402 |
| Total requirement regulatory capital | 580,415 | 599,752 |
| Surplus capital | 860,547 | 873,773 |
| Tier1 ratio | 16.0% | 16.0% |
| Capital adequacy ratio | 19.9% | 19.7% |

The positive components of the Core capital are the following: Issued capital, Profit reserve, Other reserves, Changes in the equity of subsidiaries, Profit for the year, Changes due to consolidation, Other issued capital components.

The negative components of the Core capital are the following: Treasury shares, Goodwill and other intangible assets, dividend.

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

The components of the Deductions: deductions due to investments.

NOTE 28:

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

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

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

Contingent liabilities:

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

Legal disputes

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

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

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

On 28 October 2011 the Bank initiated liquidation process against a company in

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

Commitments to extend credit, guarantees and letters of credit

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

Documentary and commercial letters of credit, which are written undertakings by the Group on

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

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

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

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Group to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount, until a determined date, in case of fulfilling conditions, without checking the undermined transactions. The guarantee's liability is joint and primary with the principal, in case of payment undertaking, while the Group assumes the obligation derived from guarantee independently by the conditions established by the Group.

A guarantee is most typically required when the ability of the primary obligor or principal to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency. A contract of guarantee is subject to the statute of frauds (or its equivalent local

laws) and is only enforceable if recorded in writing and signed by the surety and the principal.

If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Derivatives

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

Foreign currency contracts

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

Foreign currency contracts are used by the Group for risk management and trading purposes. The risk management foreign

currency contracts of the Group were used to hedge the exchange rate fluctuations of loans and deposits to credit institutions denominated in foreign currency.

Foreign exchange swaps and interest rate swaps

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

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

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

Cross-currency interest rate swaps

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

Equity and commodity swaps

Equity swaps obligate two parties to exchange more payments calculated with reference periodically reset rates of interest and

performance of indexes. A specific notional principal amount is the base of the interest calculation. The payment of index return is calculated on the basis of current market price compared to the previous market price. In case of commodity swaps payments are calculated on the basis of the strike price of a predefined commodity compared to its average market price in a period.

Forward rate agreements (FRA)

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

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

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

NOTE 29:

SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS

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

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

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

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

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

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

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies. In case of the jubilee benefits both standards contain regulations.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

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

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

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

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

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

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

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

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

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

In connection with shares as a part of the Bank Group Policy on Payments modified by

7/2013 resolution of Annual General Meeting and the share-based compensation for Board of Directors detailed in 8/2013 resolution of Annual General Meeting and connecting compensation based on performance assessment accounted as equity-settled share based transactions, HUF 5,704 million was recognized as expense as at 31 December 2013.

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

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

| Compensations | 2013 | 2012 |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Short-term employee benefits | 9,534 | 8,720 |
| Share-based payment | 3,297 | 2,711 |
| Other long-term employee benefits | 965 | 1,050 |
| Termination benefits | 89 | 218 |
| Redundancy payments | – | 10 |
| Total | 13,885 | 12,709 |
| Loans provided to companies owned by the Management (normal course of business) | 38,828 | 36,130 |
| Commitments to extend credit and guarantees | 1,221 | 690 |
| Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions) | 559 | 432 |
| Loans provided to unconsolidated subsidiaries | 1,124 | 1,526 |

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned credit line "A" in the amount of HUF 175.4 million and HUF 181.6 million as at 31 December 2013 and as at 31 December 2012.

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

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

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

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

One member of Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million as at 31 December 2013 and 2012, respectively. Chief executives owned AMEX Gold credit card loan in the amount of HUF 3.5 million as at 31 December 2013 and HUF 2.5 million as at 31 December 2012, respectively. Members of Board of Directors, members of Supervisory Board and chief executives owned other kinds of credit card loan, which are not listed above in the amount of HUF 35.4 and 32.6 million as at 31 December 2013 and 2012, respectively.

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

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

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

NOTE 31:**SIGNIFICANT SUBSIDIARIES AND ASSOCIATES**

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

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

Significant subsidiaries

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

Significant associates

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

As at 31 December 2013:

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

As at 31 December 2012:

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

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

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds.

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

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

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

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

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

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

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

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

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

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

economy (exchange rate shock yield curve shock) and the global financial system (capital market shock).

The essential of the liquidity risk management strategy is to identify all relevant systemic and idiosyncratic sources of liquidity risk and to measure the probability and severity of such events. During liquidity risk management the Group considers the effect of liquidity risk events caused by reasons arising in the bank business line (deposit withdrawal), the national

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

The liquidity reserves can be divided to two parts. There are separate decentralized liquid

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

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

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

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash-flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash-flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash-flows are exchanged; gross loan commitments.

Such undiscounted cash-flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash-flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

The following tables provide an analysis of liabilities about the non-discounted cash-flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

As at 31 December 2013:

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

As at 31 December 2012:

| | Within 3 months | Within one year and over 3 months | Within 5 years and over one year | Over 5 years | Without maturity | Total |
|--------------------------------------------------------------------------------------------------|--------------------|-----------------------------------------|----------------------------------------|-----------------|---------------------|------------------|
| Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks | 134,024 | 154,010 | 132,778 | 129,183 | – | 549,995 |
| Deposits from customers | 5,184,325 | 1,144,699 | 418,969 | 22,403 | – | 6,770,396 |
| Liabilities from issued securities | 126,493 | 147,946 | 360,370 | 60,971 | – | 695,780 |
| Other liabilities | 326,193 | 14,449 | 41,963 | 4,670 | – | 387,275 |
| Subordinated bonds and loans | 3,703 | 6,730 | 177,128 | – | 137,845 | 325,406 |
| TOTAL LIABILITIES | 5,774,738 | 1,467,834 | 1,131,208 | 217,227 | 137,845 | 8,728,852 |
| Receivables from derivative financial instruments classified as held for trading | 430,448 | 272,371 | 400,724 | 48,369 | – | 1,151,912 |
| Liabilities from derivative financial instruments classified as held for trading | (457,854) | (292,415) | (432,755) | (60,878) | – | (1,243,902) |
| Negative fair value of financial instruments classified as held for trading | (27,406) | (20,044) | (32,031) | (12,509) | – | (91,990) |
| Receivables from derivative financial instruments designated as fair value hedge | 189,804 | 68,952 | 997,234 | 11,350 | – | 1,267,340 |
| Liabilities from derivative financial instruments designated as fair value hedge | (228,775) | (83,899) | (1,059,369) | (8,295) | – | (1,380,338) |
| Negative fair value of financial instruments designated as fair value hedge | (38,971) | (14,947) | (62,135) | 3,055 | – | (112,998) |
| Negative fair value of derivative financial instruments total | (66,377) | (34,991) | (94,166) | (9,454) | – | (204,988) |
| Commitments to extend credit | 614,296 | 359,498 | 166,576 | 15,079 | 1,427 | 1,156,876 |
| Bank guarantees | 81,699 | 74,012 | 148,142 | 11,199 | 1,107 | 316,159 |
| Off-balance sheet commitments | 695,995 | 433,510 | 314,718 | 26,278 | 2,534 | 1,473,035 |

* Without derivative financial instruments designated as fair value hedge.

** See Note 18.

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

| As at 31 December 2013 | USD | EUR | CHF | Others | Total |
|-----------------------------------------------|----------------|---------------|-----------------|----------------|----------------|
| Assets | 490,095 | 1,523,379 | 934,116 | 2,620,053 | 5,567,643 |
| Liabilities | (423,536) | (1,477,154) | (209,899) | (2,312,443) | (4,423,032) |
| Off-balance sheet assets and liabilities, net | 44,933 | (2,758) | (743,924) | (109,072) | (810,821) |
| Net position | 111,492 | 43,467 | (19,707) | 198,538 | 333,790 |

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

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.

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 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.

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

As at 31 December 2013:

| | Within 1 month | | Over 1 month and within 3 months | | Over 3 months and within 12 months | | Over 1 year and within 12 months | | Over 2 years | | Non-interest-bearing | | Total | | Total | |
|---------------------------------------------------------------------|----------------|-----------|----------------------------------|-----------|------------------------------------|----------|----------------------------------|----------|--------------|----------|----------------------|----------|-----------|-----------|-----------|-----|
| | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | | |
| ASSETS | | | | | | | | | | | | | | | | |
| Cash, amounts due from banks and balances with the National Banks | 51,843 | 51,999 | 208 | 143 | - | 54 | - | 84 | - | - | 68,122 | 366,681 | 120,164 | 418,961 | 539,125 | |
| fixed rate | 49,234 | 15,062 | 14 | 9 | - | 54 | - | 84 | - | - | - | - | 49,248 | 15,209 | 64,457 | |
| variable rate | 2,600 | 36,937 | 194 | 134 | - | - | - | - | - | - | - | - | 2,794 | 37,071 | 39,865 | |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 68,122 | 366,681 | - | - | 434,803 | |
| Placements with other banks, net of allowance for placements losses | 32,423 | 189,021 | - | 27,182 | - | 919 | - | - | - | 4,804 | 1,033 | 18,097 | 33,456 | 240,023 | 273,479 | |
| fixed rate | 32,423 | 168,781 | - | 7,059 | - | 919 | - | - | - | 4,677 | - | - | 32,423 | 181,436 | 213,859 | |
| variable rate | - | 20,240 | - | 20,123 | - | - | - | - | - | 127 | - | - | - | 40,490 | 40,490 | |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 1,033 | 18,097 | 1,033 | 18,097 | 19,130 | |
| Securities held for trading | 211,318 | 81 | 2,515 | 2,104 | 4,629 | 6,019 | 604 | 2,019 | 3,562 | 28,279 | 73,201 | 7,209 | 295,829 | 45,711 | 341,540 | |
| fixed rate | 211,318 | 81 | 2,327 | 2,104 | 4,484 | 5,808 | 604 | 2,019 | 3,562 | 28,279 | - | - | 222,295 | 38,291 | 260,586 | |
| variable rate | - | - | 188 | - | 145 | 211 | - | - | - | - | - | - | - | 333 | 211 | 544 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 73,201 | 7,209 | 73,201 | 7,209 | 80,410 | |
| Securities available-for-sale | 1,152,169 | 38,649 | 10,449 | 36,614 | 26,967 | 52,259 | 37,793 | 48,589 | 87,696 | 96,282 | 30,794 | 18,994 | 1,345,868 | 291,387 | 1,637,255 | |
| fixed rate | 1,152,169 | 36,443 | 10,449 | 35,109 | 26,967 | 52,259 | 37,793 | 48,066 | 87,696 | 96,282 | - | - | 1,315,074 | 268,159 | 1,583,233 | |
| variable rate | - | 2,206 | - | 1,505 | - | - | - | 523 | - | - | - | - | - | 4,234 | 4,234 | |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 30,794 | 18,994 | 30,794 | 18,994 | 49,788 | |
| Loans, net of allowance for loan losses | 927,001 | 2,354,717 | 267,460 | 884,164 | 58,677 | 401,809 | 38,844 | 193,812 | 305,968 | 496,783 | 53,295 | 262,680 | 1,651,245 | 4,593,965 | 6,245,210 | |
| fixed rate | 2,349 | 336,096 | 8,559 | 136,371 | 13,891 | 350,547 | 4,400 | 191,254 | 31,227 | 461,702 | - | - | 60,426 | 1,475,970 | 1,536,396 | |
| variable rate | 924,652 | 2,018,621 | 258,901 | 747,793 | 44,786 | 51,262 | 34,444 | 2,558 | 274,741 | 35,081 | - | - | 1,537,524 | 2,855,315 | 4,392,839 | |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 53,295 | 262,680 | 53,295 | 262,680 | 315,975 | |
| Securities held-to-maturity | - | 1,653 | 10,682 | 2,692 | 5,368 | 25,977 | 57,681 | 1,301 | 434,086 | 26,693 | 12,782 | 1,136 | 520,599 | 59,452 | 580,051 | |
| fixed rate | - | 1,429 | - | 2,199 | 341 | 25,946 | 57,681 | 1,301 | 434,086 | 26,693 | - | - | 492,108 | 57,568 | 549,676 | |
| variable rate | - | 224 | 10,682 | 493 | 5,027 | 31 | - | - | - | - | - | - | 15,709 | 748 | 16,457 | |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 12,782 | 1,136 | 12,782 | 1,136 | 13,918 | |
| Derivative financial instruments | 577,139 | 1,217,265 | 473,140 | 1,004,215 | 75,883 | 100,740 | 12,228 | 28,152 | 30,284 | 21,430 | - | 666 | 1,168,674 | 2,372,468 | 3,541,142 | |
| fixed rate | 255,095 | 787,732 | 30,759 | 189,203 | 52,259 | 97,755 | 12,149 | 28,152 | 30,284 | 21,430 | - | - | 380,546 | 1,124,272 | 1,504,818 | |
| variable rate | 322,044 | 429,533 | 442,381 | 815,012 | 23,624 | 2,985 | 79 | - | - | - | - | - | 788,128 | 1,247,530 | 2,035,658 | |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | - | 666 | - | 666 | 666 | |

As at 31 December 2013:

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

As at 31 December 2012:

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

As at 31 December 2012:

| | Within 1 month | | Over 1 month and within 3 months | | Over 3 months and within 12 months | | Over 1 year and within 12 months | | Over 2 years | | Non-interest-bearing | | 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 customer | 1,435,223 | 1,930,614 | 649,539 | 478,089 | 172,472 | 711,795 | 102,808 | 87,577 | 633,666 | 146,083 | 13,412 | 189,430 | 3,007,120 | 3,543,588 | 6,550,708 |
| fixed rate | 1,042,679 | 825,021 | 633,649 | 478,089 | 172,472 | 604,827 | 102,808 | 87,577 | 14,392 | 26,670 | - | - | 1,966,000 | 2,022,184 | 3,988,184 |
| variable rate | 392,544 | 1,105,593 | 15,890 | - | - | 106,968 | - | - | 619,274 | 119,413 | - | - | 1,027,708 | 1,331,974 | 2,359,682 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 13,412 | 189,430 | 13,412 | 189,430 | 202,842 |
| Liabilities from issued securities | 30,498 | 7,229 | 52,031 | 17,900 | 85,478 | 36,609 | 52,604 | 160,111 | 175,857 | 3,857 | 17,077 | 3,872 | 413,545 | 229,578 | 643,123 |
| fixed rate | 30,169 | 7,229 | 50,595 | 6,524 | 84,653 | 36,609 | 30,779 | 160,111 | 164,395 | 3,857 | - | - | 360,591 | 214,330 | 574,921 |
| variable rate | 329 | - | 1,436 | 11,376 | 825 | - | 21,825 | - | 11,462 | - | - | - | 35,877 | 11,376 | 47,253 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 17,077 | 3,872 | 17,077 | 3,872 | 20,949 |
| Derivative financial instruments | 103,114 | 1,924,409 | 43,868 | 2,099,382 | 33,570 | 152,268 | 14,961 | 18,715 | 125,471 | 35,659 | 1,679 | 1,408 | 322,663 | 4,231,841 | 4,554,504 |
| fixed rate | 102,630 | 640,675 | 42,109 | 202,255 | 33,565 | 144,147 | 14,961 | 18,470 | 125,471 | 34,688 | - | - | 318,736 | 1,040,235 | 1,358,971 |
| variable rate | 484 | 1,283,734 | 1,759 | 1,897,127 | 5 | 8,121 | - | 245 | - | 971 | - | - | 2,248 | 3,190,198 | 3,192,446 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 1,679 | 1,408 | 1,679 | 1,408 | 3,087 |
| Subordinated bonds and loans | - | - | 5,000 | 26,009 | - | 15,706 | - | 80 | - | 241,673 | - | 3,027 | 5,000 | 286,495 | 291,495 |
| fixed rate | - | - | - | - | - | - | - | - | - | 241,632 | - | - | - | 241,632 | 241,632 |
| variable rate | - | - | 5,000 | 26,009 | - | 15,706 | - | 80 | - | 41 | - | - | 5,000 | 41,836 | 46,836 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 3,027 | - | 3,027 | 3,027 | |
| Net position | 1,356,181 | 8,746 | 268,748 | (274,547) | (210,116) | (280,009) | (21,188) | (1,024) | (271,287) | 83,448 | 199,219 | 424,666 | 1,321,557 | (38,721) | 1,282,837 |

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

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

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

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

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

NOTE 38:**NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)****As at 31 December 2013:**

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

As at 31 December 2012:

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

NOTE 39:

FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

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

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

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash-flows are considered for the performing loans and for the non-

performing loans, the amortized cost less impairment is considered as fair value,

- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

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

Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2 of the fair value hierarchy.

a) Fair value of financial assets and liabilities

| | 2013 | | 2012 | |
|--------------------------------------------------------------------------------------------------|------------------|-------------------|------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash, amounts due from banks and balances with the National Banks | 539,125 | 539,125 | 602,521 | 602,521 |
| Placements with other banks, net of allowance for placements losses | 273,479 | 280,984 | 356,866 | 359,463 |
| Financial assets at fair value through profit or loss | 415,605 | 415,605 | 222,874 | 222,874 |
| Securities held for trading | 341,540 | 341,540 | 121,820 | 121,820 |
| Fair value of derivative financial instruments classified as held for trading | 74,065 | 74,065 | 101,054 | 101,054 |
| Securities available-for-sale | 1,637,255 | 1,637,255 | 1,411,177 | 1,411,177 |
| Loans, net of allowance for loan losses | 6,245,210 | 6,635,614 | 6,464,191 | 7,490,502 |
| Securities held-to-maturity | 580,051 | 588,899 | 429,303 | 154,517 |
| Fair value of derivative financial instruments designated as fair value hedge | 26,803 | 26,803 | 13,694 | 13,694 |
| Financial assets total | 9,717,528 | 10,124,285 | 9,500,626 | 10,254,748 |
| Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks | 784,212 | 765,467 | 534,324 | 495,497 |
| Deposits from customers | 6,866,606 | 6,874,230 | 6,550,708 | 6,548,734 |
| Liabilities from issued securities | 445,218 | 461,956 | 643,123 | 614,156 |
| Fair value of derivative financial instruments designated as fair value hedge | 74,695 | 74,695 | 119,027 | 119,027 |
| Fair value of derivative financial instruments classified as held for trading | 87,164 | 87,164 | 122,032 | 122,032 |
| Subordinated bonds and loans | 267,162 | 247,605 | 291,495 | 241,268 |
| Financial liabilities total | 8,525,057 | 8,511,117 | 8,260,709 | 8,140,714 |

b) Fair value of derivative instruments

| | Fair value | | Notional value, net | |
|----------------------------------------------------------------------------------|------------------|------------------|---------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest rate swaps classified as held for trading | | | | |
| Positive fair value of interest rate swaps classified as held for trading | 53,667 | 73,183 | 59,566 | 49,524 |
| Negative fair value of interest rate swaps classified as held for trading | (67,881) | (75,332) | (74,603) | (56,534) |
| Foreign exchange swaps classified as held for trading | | | | |
| Positive fair value of foreign exchange swaps classified as held for trading | 5,357 | 7,173 | 5,512 | 7,147 |
| Negative fair value of foreign exchange swaps classified as held for trading | (5,316) | (6,388) | (5,876) | (6,025) |
| Interest rate swaps designated as fair value hedge | | | | |
| Positive fair value of interest rate swaps designated as fair value hedge | 9,733 | 4,224 | 5,836 | (4,488) |
| Negative fair value of interest rate swaps designated as fair value hedge | (2,639) | (5,033) | 682 | 140 |
| CCIRS classified as held for trading | | | | |
| Positive fair value of CCIRS classified as held for trading | 8,133 | 9,674 | 8,883 | 9,808 |
| Negative fair value of CCIRS classified as held for trading | (7,521) | (30,948) | (9,126) | (31,625) |
| Mark-to-market CCIRS classified as held for trading | | | | |
| Positive fair value of mark-to-market CCIRS classified as held for trading | 311 | 624 | 171 | 376 |
| Negative fair value of mark-to-market CCIRS classified as held for trading | – | (646) | – | (320) |
| CCIRS designated as fair value hedge | | | | |
| Positive fair value of CCIRS designated as fair value hedge | 13,934 | 9,035 | 13,826 | 9,099 |
| Negative fair value of CCIRS designated as fair value hedge | (68,742) | (103,845) | (70,004) | (106,792) |
| Mark-to-market CCIRS designated as fair value hedge | | | | |
| Positive fair value of mark-to-market CCIRS designated as fair value hedge | 1,538 | 283 | 1,295 | (577) |
| Negative fair value of mark-to-market CCIRS designated as fair value hedge | (2,770) | (10,070) | (3,339) | (12,275) |
| Other derivative contracts designated as fair value hedge | | | | |
| Positive fair value of other derivative contracts designated as fair value hedge | 1,598 | 152 | 4,714 | 41,073 |
| Negative fair value of other derivative contracts designated as fair value hedge | (544) | (79) | (1,134) | (1) |
| Other derivative contracts classified as held for trading | | | | |
| Positive fair value of other derivative contracts classified as held for trading | 6,597 | 10,400 | 2,845 | 7,205 |
| Negative fair value of other derivative contracts classified as held for trading | (6,446) | (8,718) | (15,041) | (5,810) |
| Derivative financial assets total | 100,868 | 114,748 | 102,648 | 119,167 |
| Derivative financial liabilities total | (161,859) | (241,059) | (178,441) | (219,242) |
| Derivative financial instruments total | (60,991) | (126,311) | (75,793) | (100,075) |

c) Hedge accounting

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

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

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

As at 31 December 2013:

| Types of the hedges | Description of the hedging instrument | Fair value of the hedging instrument | The nature of the risk being hedged |
|--------------------------------------------|---------------------------------------|--------------------------------------|-------------------------------------|
| Cash-flow hedges | – | – | – |
| Fair value hedges | IRS/Index option | HUF 7,095 million | Interest rate |
| Net investment hedge in foreign operations | CCIRS and issued securities | HUF (1,743) million | Foreign exchange |

As at 31 December 2012:

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

d) Fair value hedges

1. Deposits from customers

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

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

| | 2013 | 2012 |
|---------------------------------------|------|------|
| Fair value of the hedging instruments | 101 | 298 |

2. Securities available-for-sale

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

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

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

3. Loans to customers

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

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

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

4. Issued securities

The cash-flows of the fixed rate securities issued by the Group are exposed to the change in the EUR/HUF foreign exchange rate and the risk of change in the risk-free interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS and index option

transactions. In the case of IRS transactions the fixed cash-flows were swapped to payments linked to 3 month EURIBOR or BUBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities. Certain structured bonds are hedged by options which give the owner the right to get amount of the structure which is equal to the structure of the hedged bond.

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

As at 31 December 2013:

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

As at 31 December 2012:

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

e) Fair value classes

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

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

Level 2: inputs other than quoted prices included within Level 1, that are

observable for the asset or liability either directly or indirectly. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

| As at 31 December 2013 | Total | Level 1 | Level 2 | Level 3 |
|---------------------------------------------------------------------------------------------------|------------------|------------------|----------------|----------------|
| Financial assets at fair value through profit or loss | 414,618 | 321,194 | 93,424 | – |
| from this: securities held for trading | 340,553 | 321,133 | 19,420 | – |
| from this: positive fair value of derivative financial instruments classified as held for trading | 74,065 | 61 | 74,004 | – |
| Securities available-for-sale | 1,628,005 | 1,474,724 | 153,254 | 27 |
| Positive fair value of derivative financial instruments designated as fair value hedge | 26,803 | 7 | 26,796 | – |
| Financial assets measured at fair value total | 2,069,426 | 1,795,925 | 273,474 | 27 |
| Negative fair value of derivative financial instruments classified as held for trading | 87,164 | 18 | 87,146 | – |
| Negative fair value of derivative financial instruments designated as fair value hedge | 74,695 | – | 74,695 | – |
| Financial liabilities measured at fair value total | 161,859 | 18 | 161,841 | – |
| As at 31 December 2012 | Total | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value through profit or loss | 222,394 | 107,840 | 114,554 | – |
| from this: securities held for trading | 121,340 | 107,450 | 13,890 | – |
| from this: positive fair value of derivative financial instruments classified as held for trading | 101,054 | 390 | 100,664 | – |
| Securities available-for-sale | 1,399,547 | 1,319,425 | 80,094 | 28 |
| Positive fair value of derivative financial instruments designated as fair value hedge | 13,694 | 11 | 13,683 | – |
| Financial assets measured at fair value total | 1,635,635 | 1,427,276 | 208,331 | 28 |
| Negative fair value of derivative financial instruments classified as held for trading | 122,032 | 1,110 | 120,922 | – |
| Negative fair value of derivative financial instruments designated as fair value hedge | 119,027 | 83 | 118,944 | – |
| Financial liabilities measured at fair value total | 241,059 | 1,193 | 239,866 | – |

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

NOTE 40:

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

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

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

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

OTP Core is an economic unit for measuring the result of core business activity of the Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in the Group's underlying banking operation in Hungary.

These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financing Netherlands Ltd. and OTP Holding Ltd.

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

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

The activities of the other subsidiaries are out of the leasing and fund management activity, like:

OTP Real Estate Ltd., OTP Life Annuity Ltd., OTP Funds Servicing and Consulting Ltd., Monicomp Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

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

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

Goodwill/investment impairment and their tax saving effect:

HUF 30,819 million goodwill impairment was recognized at the end of 2013 for OTP Bank JSC, while in 2012 there wasn't any effect of goodwill impairment after tax.

The tax saving effect of investment impairment was HUF (29,440) million in relation with investment impairment of OTP Bank JSC in year 2013, the same effect was recognized in the amount of HUF 3,977 million in relation with Crnogorska komercijalna banka a.d. and OTP banka Srbija a.d. in year 2012.

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

As at 31 December 2013:

| Main components of the Consolidated Statement of Recognized Income in HUF million | OTP Group – consolidated – in the Consolidated Statement of Recognized Income – structure of accounting reports | Adjustments on the accounting in Recognized Income | OTP Group – consolidated – in the Consolidated Statement of Recognized Income – structure of management reports | OTP CORE (Hungary) | Foreign banks subtotal (without adjustments) | OAo OTP Bank (Russia) | OTP Bank JSC (Ukraine) | DSK Bank EAD (Bulgaria) |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------------|-----------------------|------------------------|-------------------------|
| | a | b | 1=a+b 1=2+3+12+16+17 | 2 | 3=4+...+11 | 4 | 5 | 6 |
| Net profit for the year | 64,108 | | 64,108 | | | | | |
| Adjustments (total) | | (81,775) | (81,775) | | | | | |
| Dividends and net cash transfers (after income tax) | | (406) | (406) | | | | | |
| Goodwill/investment impairment (after income tax) | | (29,440) | (29,440) | | | | | |
| Bank tax on financial institutions (after income tax) | | (43,219) | (43,219) | | | | | |
| Fine imposed by the Hungarian Competition Authority (after income tax) | | (3,177) | (3,177) | | | | | |
| Corporate tax impact of the transfer of general risk reserves to retained earnings | | (5,533) | (5,533) | | | | | |
| Consolidated adjusted net profit for the year | 64,108 | 81,773 | 145,882 | 114,879 | 26,066 | 2,356 | 6,715 | 30,222 |
| Profit before income tax | 85,052 | 99,841 | 184,894 | 143,836 | 36,051 | 3,409 | 11,162 | 33,758 |
| Adjusted operating profit | 347,621 | 100,088 | 447,710 | 194,390 | 242,667 | 124,223 | 40,285 | 55,089 |
| Adjusted total income | 874,392 | (9,482) | 864,910 | 384,587 | 449,345 | 207,493 | 72,811 | 92,965 |
| Adjusted net interest income | 653,728 | (602) | 653,126 | 273,276 | 365,043 | 184,041 | 53,385 | 72,908 |
| Adjusted net profit from fees and commissions | 201,757 | (34,821) | 166,936 | 91,507 | 71,612 | 21,990 | 17,020 | 18,208 |
| Adjusted other net non-interest income | 18,907 | 25,941 | 44,848 | 19,804 | 12,690 | 1,462 | 2,406 | 1,849 |
| Adjusted other administrative expenses | (526,771) | 109,570 | (417,201) | (190,197) | (206,678) | (83,270) | (32,526) | (37,876) |
| Total risk costs | (262,569) | (9,890) | (272,459) | (54,093) | (206,616) | (120,814) | (29,123) | (21,331) |
| Adjusted provision for impairment on loan and placement losses (without the effect of revaluation of FX) | (262,569) | 28 | (262,541) | (48,899) | (204,318) | (121,310) | (27,431) | (20,723) |
| Other provision (adjustment) | 0 | (9,918) | (9,918) | (5,194) | (2,298) | 496 | (1,692) | (608) |
| Total other adjustments (one-off items)* | 0 | 9,643 | 9,643 | 3,539 | 0 | 0 | 0 | 0 |
| Income tax | (20,944) | (18,068) | (39,012) | (28,957) | (9,985) | (1,053) | (4,447) | (3,536) |
| Total Assets | 10,381,047 | 0 | 10,381,047 | 6,454,938 | 4,597,110 | 940,320 | 617,730 | 1,343,595 |
| Total Liabilities | 8,871,715 | 0 | 8,871,715 | 5,210,465 | 3,921,006 | 762,414 | 504,495 | 1,122,843 |

() used at: provisions, impairment and expenses

*One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF 715 million; gain on the repurchase of own upper and lower Tier2 capital in the amount of HUF 6,104 million; result of the treasury share swap agreement in the amount of HUF 2,824 million.

As at 31 December 2012:

| Main components of the Consolidated Statement of Recognized Income in HUF million | OTP Group – consolidated – in the Consolidated Statement of Recognized Income – structure of accounting reports | Adjustments on the accounting in Recognized Income | OTP Group – consolidated – in the Consolidated Statement of Recognized Income – structure of management reports | OTP CORE (Hungary) | Foreign banks subtotal (without adjustments) | OAo OTP Bank (Russia) | OTP Bank JSC (Ukraine) | DSK Bank EAD (Bulgaria) |
|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------|----------------------------------------------|-----------------------|------------------------|-------------------------|
| | a | b | 1=a+b 1=2+3+12+16+17 | 2 | 3=4+...+11 | 4 | 5 | 6 |
| Net profit for the year | 122,586 | | 122,586 | | | | | |
| Adjustments (total) | | (27,363) | (27,363) | | | | | |
| Dividends and net cash transfers (after income tax) | | (391) | (391) | | | | | |
| Goodwill/investment impairment (after income tax) | | 3,977 | 3,977 | | | | | |
| Bank tax on financial institutions (after income tax) | | (29,174) | (29,174) | | | | | |
| Total impact of early repayment (after income tax) | | (1,775) | (1,775) | | | | | |
| Consolidated adjusted net profit for the year | 122,586 | 27,363 | 149,949 | 94,587 | 60,119 | 47,156 | 527 | 24,216 |
| Profit before income tax | 145,674 | 46,518 | 192,192 | 117,520 | 79,965 | 60,847 | 2,707 | 27,545 |
| Adjusted operating profit | 372,654 | 77,009 | 449,664 | 211,355 | 233,534 | 121,540 | 33,511 | 58,928 |
| Adjusted total income | 796,131 | 48,422 | 844,553 | 394,243 | 426,175 | 193,272 | 64,509 | 95,732 |
| Adjusted net interest income | 645,465 | 4,854 | 650,319 | 292,570 | 348,722 | 170,001 | 49,586 | 74,671 |
| Adjusted net profit from fees and commissions | 154,337 | (2,767) | 151,570 | 85,820 | 63,867 | 20,998 | 12,634 | 16,875 |
| Adjusted other net non-interest income | (3,671) | 46,335 | 42,664 | 15,853 | 13,586 | 2,273 | 2,289 | 4,186 |
| Adjusted other administrative expenses | (423,477) | 28,587 | (394,890) | (182,888) | (192,641) | (71,732) | (30,998) | (36,804) |
| Total risk costs | (226,980) | (26,712) | (253,692) | (90,056) | (153,569) | (60,693) | (30,804) | (31,383) |
| Adjusted provision for impairment on loan and placement losses (with the effect of early repayment) | (226,980) | (15,715) | (242,695) | (86,986) | (146,979) | (59,567) | (30,597) | (31,153) |
| Other provision (adjustment) | 0 | (10,997) | (10,997) | (3,070) | (6,590) | (1,126) | (207) | (230) |
| Total other adjustments (one-off items)* | 0 | (3,779) | (3,779) | (3,779) | 0 | 0 | 0 | 0 |
| Income tax | (23,088) | (19,155) | (42,243) | (22,933) | (19,846) | (13,691) | (2,180) | (3,329) |
| Total Assets | 10,113,466 | 0 | 10,113,466 | 6,229,359 | 4,660,276 | 1,027,763 | 653,603 | 1,292,031 |
| Total Liabilities | 8,598,913 | 0 | 8,598,913 | 4,833,227 | 3,985,137 | 835,880 | 541,139 | 1,082,845 |

() used at: provisions, impairment and expenses

*One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF (2,527) million; gain on the repurchase of own upper and lower Tier2 capital in the amount of HUF 1,415 million; result of the treasury share swap agreement in the amount of HUF (2,667) million.

| OTP Bank Romania S.A. (Romania) | OTP banka Srbija a.d. (Serbia) | OTP banka Hrvatska d.d. (Croatia) | OTP Banka Slovensko a.s. (Slovakia) | Crnogorska komercijalna banka a.d. (Montenegro) | Non-banking subsidiaries subtotal | Leasing subsidiaries | Asset Management subsidiaries | Other subsidiaries | Corporate Centre | Eliminations and adjustments |
|---------------------------------|--------------------------------|-----------------------------------|-------------------------------------|-------------------------------------------------|-----------------------------------|----------------------|-------------------------------|--------------------|------------------|------------------------------|
| 7 | 8 | 9 | 10 | 11 | 12=13+14+15 | 13 | 14 | 15 | 16 | 17 |
| (4,143) | (13,246) | 2,209 | 1,152 | 801 | 1,038 | 2,286 | 3,681 | (4,929) | 2,398 | 1,501 |
| (4,143) | (13,235) | 2,796 | 1,503 | 801 | 2,005 | 2,357 | 4,284 | (4,636) | 2,832 | 170 |
| 7,147 | 409 | 7,909 | 4,099 | 3,506 | 12,688 | 6,566 | 4,226 | 1,896 | (3,272) | 1,237 |
| 20,375 | 7,580 | 22,696 | 14,909 | 10,516 | 46,423 | 17,447 | 6,692 | 22,284 | (3,105) | (12,340) |
| 14,254 | 4,553 | 16,010 | 12,088 | 7,804 | 20,042 | 15,490 | 66 | 4,486 | (3,105) | (2,130) |
| 2,269 | 1,671 | 4,878 | 3,101 | 2,475 | 3,876 | (2,555) | 6,690 | (259) | 0 | (59) |
| 3,852 | 1,356 | 1,808 | (280) | 237 | 22,505 | 4,512 | (64) | 18,057 | 0 | (10,151) |
| (13,228) | (7,171) | (14,787) | (10,810) | (7,010) | (33,735) | (10,881) | (2,466) | (20,388) | (167) | 13,576 |
| (11,290) | (13,644) | (5,113) | (2,596) | (2,705) | (10,683) | (4,209) | 58 | (6,532) | 0 | (1,067) |
| (11,109) | (13,002) | (5,142) | (2,594) | (3,007) | (7,544) | (4,413) | 0 | (3,131) | 0 | (1,780) |
| (181) | (642) | 29 | (2) | 302 | (3,139) | 204 | 58 | (3,401) | 0 | 713 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,104 | 0 |
| 0 | (11) | (587) | (351) | 0 | (967) | (71) | (603) | (293) | (434) | 1,331 |
| 449,789 | 86,136 | 538,112 | 425,219 | 196,209 | 552,425 | 325,716 | 9,742 | 216,947 | 1,561,552 | (2,784,978) |
| 420,689 | 62,086 | 475,231 | 398,191 | 175,057 | 444,291 | 294,859 | 2,315 | 147,117 | 865,010 | (1,569,057) |

| OTP Bank Romania S.A. (Romania) | OTP banka Srbija a.d. (Serbia) | OTP banka Hrvatska d.d. (Croatia) | OTP Banka Slovensko a.s. (Slovakia) | Crnogorska komercijalna banka a.d. (Montenegro) | Non-banking subsidiaries subtotal | Leasing subsidiaries | Asset Management subsidiaries | Other subsidiaries | Corporate Centre | Eliminations and adjustments |
|---------------------------------|--------------------------------|-----------------------------------|-------------------------------------|-------------------------------------------------|-----------------------------------|----------------------|-------------------------------|--------------------|------------------|------------------------------|
| 7 | 8 | 9 | 10 | 11 | 12=13+14+15 | 13 | 14 | 15 | 16 | 17 |
| (5,531) | (4,932) | 3,715 | (1,160) | (3,872) | 2,401 | 2,050 | 2,042 | (1,691) | (7,089) | (69) |
| (6,110) | (4,935) | 4,754 | (978) | (3,865) | 3,028 | 2,189 | 2,299 | (1,460) | (8,752) | 431 |
| 6,494 | (1,707) | 8,498 | 3,441 | 2,829 | 13,841 | 9,619 | 2,267 | 1,955 | (8,752) | (314) |
| 19,811 | 6,323 | 22,550 | 13,932 | 10,046 | 43,841 | 20,049 | 4,913 | 18,879 | (8,610) | (11,096) |
| 15,916 | 3,071 | 16,220 | 12,019 | 7,238 | 19,500 | 16,900 | 101 | 2,499 | (8,610) | (1,863) |
| 1,677 | 1,604 | 4,660 | 2,930 | 2,489 | 1,974 | (2,616) | 4,728 | (138) | 0 | (91) |
| 2,218 | 1,648 | 1,670 | (1,017) | 319 | 22,367 | 5,765 | 84 | 16,518 | 0 | (9,142) |
| (13,317) | (8,030) | (14,052) | (10,491) | (7,217) | (30,000) | (10,430) | (2,646) | (16,924) | (142) | 10,781 |
| (12,604) | (3,228) | (3,744) | (4,419) | (6,694) | (10,813) | (7,430) | 32 | (3,415) | 0 | 746 |
| (12,440) | (3,159) | (2,988) | (4,420) | (2,655) | (8,449) | (7,194) | 0 | (1,255) | 0 | (281) |
| (164) | (69) | (756) | 1 | (4,039) | (2,364) | (236) | 32 | (2,160) | 0 | 1,027 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 579 | 3 | (1,039) | (182) | (7) | (627) | (139) | (257) | (231) | 1,663 | (500) |
| 461,458 | 122,994 | 519,570 | 374,224 | 208,633 | 481,262 | 287,527 | 7,245 | 186,490 | 1,636,529 | (2,893,960) |
| 428,877 | 97,823 | 459,757 | 347,231 | 191,585 | 394,960 | 258,229 | 1,585 | 135,146 | 980,395 | (1,594,806) |

NOTE 41:**SIGNIFICANT EVENTS DURING THE YEAR
ENDED 31 DECEMBER 2013****1) Term Note Program**

See details in Note 15.

2) Subordinated bonds and loans

See details in Note 18.

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

See details in Note 28.

NOTE 42:**POST BALANCE SHEET EVENTS****1) Acquisition in Croatia**

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

2) Economic situation in Ukraine

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

STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS

Hungary's economy may have grown by 1.1% in 2013 according to preliminary data, higher than government's projection of 0.9%.

At the end of the year, growth was seen accelerating in a number of CEE countries, which may be attributable to the recovery of external demand. From the production side, the strongest engine of growth was agriculture, which may have added one percentage point to last year's economic performance.

After many years of contraction, construction could expand in 2013, mostly benefiting from the upsurge in EU-funded and co-funded projects. The performance of industry, which was the economy's powerhouse in recent years, may have lost steam in 2013. On the expenditure side, it is mostly the increase in public sector related investments that brought a turnaround in gross fixed capital formation, while households' consumption stayed flat, following a decline in 2012.

The government remained committed to maintain a low budget deficit: the 2013 budget gap remained below 3%, as it did in 2012; based on preliminary financial accounts data, it reached 2.5% of GDP, after the 2% deficit in 2012. The favourable international investment environment and the disinflation process (2013 annual average CPI: 1.3%) created room for the NBH to cut the base rate by altogether 275 basis points to 3.0% in the course of 2013.

In 2013 the economic growth decelerated both in Russia and Ukraine, in countries where subsidiaries contribute significantly to the overall financial performance of the Group. According to the Economic Ministry's data, Russia's economy grew by 1.4% in 2013, less than expected. To some extent, the slow growth may originate from the adverse external circumstances. Because of the high inflation (annualized 6.8%), the central bank has been applying a tight monetary policy. Investments stagnated. Fiscal policy cannot support economic growth, because the economic policy target is to attain a low,

near-zero deficit. The government is planning to help growth by boosting infrastructural investments and by supporting small and medium-sized enterprises; the idea of using fiscal reserves has also surfaced. Credit markets' growth is still considerable, albeit decelerating. New loan flow to households amounted to 3.2% of GDP in 2013, an outstanding rate in regional comparison.

In recent years OTP Bank JSC (Ukraine) adjusted its business strategy in order to become less vulnerable to potential economic shocks. FX mortgage origination was stopped in 2008, the share of US dollar denominated mortgage loans has been declining in the loan portfolio since then. Local deposit collection strengthened lowering the loan to deposit ratio as well as the intra-group funding to the Ukrainian subsidiaries. Retail lending activity is currently focused on local currency denominated short-maturity consumer loans financed entirely from local deposits. The high margin consumer lending increased the revenue margin and the profitability of the operation. The increasing operating income is considered to be a buffer against potential negative shocks.

As for business developments since the end of 2013, deposit volumes in local currency and in FX were broadly unchanged till the end of February 2014, furthermore no material change in loan portfolio quality was witnessed. The Bank experienced an increase in foreign currency exchange activity of clients. However, this client behaviour has no negative effect on the company's FX reserves since OTP Bank JSC can exchange US dollars with the central bank, it even bolsters fee revenues. As of the end of February 2014 the face value of government bonds held in the balance sheet of OTP Bank JSC was approximately UAH 0.7 billion, the overwhelming majority of the portfolio being denominated in UAH. The government bonds are mostly maturing in March 2014, leaving the Bank

with no material exposure to the Ukrainian government.

Given the current crisis there is a likelihood of extreme developments. However, according to the base-case expectation of the management, the formation of a government with strong political support and legitimacy is likely, the exchange rate of the hryvnia against the US dollar is expected to stabilize below 10, fiscal and economic consolidation potentially helped by the assistance of international institutions seems to be forthcoming.

Under this scenario OTP Bank JSC is expected to remain profitable.

Under an overly negative scenario, which is considered by the management as low probability, long-lasting political crisis with constant uncertainty about debt refinancing, severe set-back of GDP and further devaluation of the hryvnia would take their tolls and the Ukrainian subsidiary would become loss making in 2014. These potential losses are expected to come from the following sources: weaker hryvnia may trigger the deterioration of the currently performing FX mortgage loan book and may require the increase of provisioning level behind non-performing FX mortgages. Furthermore a considerable GDP decline and a recession would negatively influence the quality of corporate and consumer loan portfolios.

Funding for Growth Scheme

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

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

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

- The total amount of refinancing available for banks in the second phase was originally set at HUF 500 billion, while this limit may

be increased to a maximum of HUF 2.000 billion by the Monetary Council. Similarly to the first phase, the NBH refinancing carries zero interest rate, a maximum 10-year tenor and can be lend over to SMEs by applying a maximum interest margin of 2.5%.

- The goal of the first pillar is to originate new loans, whereas the second pillar is for refinancing forint or foreign currency denominated liabilities of SMEs. The share of loan contracts concluded under the second pillar must not surpass 10% of the total amount of contracts concluded under the two pillars. The maximum available amount of

loans for SMEs is limited at HUF 10 billion in each pillar.

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



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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT AUDITORS' REPORT

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of OTP Bank Plc. for the year 2013, which financial statements comprise the statement of financial position as at December 31, 2013 and the related statement of recognized and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 148-223 of this Annual Report.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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

Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of OTP Bank Plc. as at December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Matters

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

We issued our auditors' report dated March 25, 2014, on the separate financial statements submitted for the General Meeting. The effects of subsequent events were examined until that date. The dividend were approved by the General Meeting on April 25, 2014. Our procedures regarding the subsequent events occurred after March 25, 2014, were limited to the General Meeting's decision on the dividend. The separate financial statements do not reflect and we have not examined the effects of subsequent events that occurred in the period between March 25, 2014 and May 30, 2014.

Budapest, May 30, 2014


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Gábor Gion
Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
000083

Statement of financial position

(separate, based on IFRS, as at 31 December 2013, in HUF million)

| | Note | 2013 | 2012 |
|-----------------------------------------------------------------------------------------------------------|------|------------------|------------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary | 4. | 140,521 | 245,548 |
| Placements with other banks, net of allowance for placement losses | 5. | 632,899 | 665,417 |
| Financial assets at fair value through profit or loss | 6. | 396,565 | 243,015 |
| Securities available-for-sale | 7. | 1,997,491 | 1,953,871 |
| Loans, net of allowance for loan losses | 8. | 2,144,701 | 2,356,291 |
| Investments in subsidiaries, associates and other investments | 9. | 669,322 | 661,352 |
| Securities held-to-maturity | 10. | 525,049 | 371,992 |
| Property and equipment | 11. | 85,447 | 78,052 |
| Intangible assets | 11. | 31,554 | 31,597 |
| Other assets | 12. | 49,486 | 32,686 |
| TOTAL ASSETS | | 6,673,035 | 6,639,821 |
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | 13. | 902,744 | 826,968 |
| Deposits from customers | 14. | 3,677,450 | 3,500,790 |
| Liabilities from issued securities | 15. | 170,779 | 335,963 |
| Financial liabilities at fair value through profit or loss | 16. | 204,517 | 259,211 |
| Other liabilities | 17. | 242,444 | 232,557 |
| Subordinated bonds and loans | 18. | 278,241 | 303,750 |
| TOTAL LIABILITIES | | 5,476,175 | 5,459,239 |
| Share capital | 19. | 28,000 | 28,000 |
| Retained earnings and reserves | 20. | 1,175,591 | 1,157,516 |
| Treasury shares | 21. | (6,731) | (4,934) |
| TOTAL SHAREHOLDERS' EQUITY | | 1,196,860 | 1,180,582 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 6,673,035 | 6,639,821 |

Budapest, 25 March 2014

The accompanying notes to separate financial statements on pages 152 to 223 form an integral part of these separate financial statements.

Statement of recognized income

(separate, based on IFRS, for the year ended 31 December 2013, in HUF million)

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

Statement of comprehensive income

(separate, based on IFRS, for the year ended 31 December 2013, in HUF million)

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

The accompanying notes to separate financial statements on pages 152 to 223 form an integral part of these separate financial statements.

Statement of cash-flows

(separate, based on IFRS, for the year ended 31 December 2013, in HUF million)

| OPERATING ACTIVITIES | Note | 2013 | 2012 |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------|------------------|------------------|
| Profit before income tax | | 54,333 | 33,023 |
| Depreciation and amortization | | 21,657 | 20,959 |
| Provision for impairment on loan and placement losses | 5., 8., 22. | 30,533 | 53,308 |
| Provision for impairment on investments in subsidiaries | 9. | 52,550 | 35,584 |
| Provision for impairment on other assets | 12. | 281 | 483 |
| Provision on off-balance sheet commitments and contingent liabilities | 17. | 3,021 | 495 |
| Share-based payment | 28. | 5,704 | 4,584 |
| Unrealised gains/(losses) on fair value adjustment of securities available-for-sale and held for trading | | 863 | (2,012) |
| Unrealised gains on fair value adjustment of derivative financial instruments | | 12,629 | 2,735 |
| Net changes in assets and liabilities in operating activities | | | |
| Changes in financial assets at fair value through profit or loss | | (199,419) | 29,158 |
| Changes in financial liabilities at fair value through profit or loss | | 408 | (377) |
| Net decrease in loans, net of allowance for loan losses | | 158,480 | 245,786 |
| (Increase)/decrease in other assets, excluding advances for investments and before provisions for losses | | (12,839) | 25,815 |
| Net increase in deposits from customers | | 176,857 | 84,341 |
| Increase/(decrease) in other liabilities | | 10,694 | (28,675) |
| Net decrease/(increase) in the compulsory reserve established by the National Bank of Hungary | | 3,477 | (395) |
| Dividend income | | (47,583) | (43,098) |
| Income tax paid | | (5,370) | (4,391) |
| Net cash provided by operating activities | | 266,276 | 457,323 |
| INVESTING ACTIVITIES | | | |
| Net decrease in placements with other banks before allowance for placement losses | | 32,496 | 232,701 |
| Increase in securities available-for-sale (gross) | | (23,239,766) | (17,099,350) |
| Decrease in securities available-for-sale (gross) | | 23,193,007 | 16,932,660 |
| Net increase in investments in subsidiaries | | (60,520) | (45,227) |
| Dividend income | | 47,583 | 43,098 |
| Increase in securities held-to-maturity (gross) | | (151,139) | (335,397) |
| Decrease in securities held-to-maturity (gross) | | 2,097 | 87,936 |
| Additions to property, equipment and intangible assets (gross) | | (47,794) | (46,137) |
| Disposal to property, equipment and intangible assets (gross) | | 16,941 | 18,433 |
| Net (increase)/decrease in advances for investments included in other assets | | (11) | 40 |
| Net cash used in investing activities | | (207,106) | (211,243) |
| FINANCING ACTIVITIES | | | |
| Net increase/(decrease) in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | | 75,776 | (44,802) |
| Cash received from issuance of securities | | 72,186 | 274,329 |
| Cash used for redemption of issued securities | | (243,974) | (403,096) |
| Decrease in subordinated bonds and loans | | (25,509) | (22,247) |
| Payments to ICES holders* | | (4,288) | (4,377) |
| Net change in Treasury shares | | (1,316) | 430 |
| Dividend paid | | (33,595) | (28,140) |
| Net cash used in financing activities | | (160,720) | (227,903) |
| Net (decrease)/increase in cash and cash equivalents | | (101,550) | 18,177 |
| Cash and cash equivalents at the beginning of the year | | 164,385 | 146,208 |
| Cash and cash equivalents at the end of the year | | 62,835 | 164,385 |
| Analysis of cash and cash equivalents | | | |
| Cash, amounts due from banks and balances with the National Bank of Hungary | | 245,548 | 226,976 |
| Compulsory reserve established by the National Bank of Hungary | | (81,163) | (80,768) |
| Cash and cash equivalents at the beginning of the year | | 164,385 | 146,208 |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 4. | 140,521 | 245,548 |
| Compulsory reserve established by the National Bank of Hungary | 4. | (77,686) | (81,163) |
| Cash and cash equivalents at the end of the year | | 62,835 | 164,385 |

The accompanying notes to separate financial statements on pages 152 to 223 form an integral part of these separate financial statements.

*See Note 20.

Statement of changes in shareholders' equity

(separate, based on IFRS, for the year ended 31 December 2013, in HUF million)

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

The accompanying notes to separate financial statements on pages 152 to 223 form an integral part of these separate financial statements.

NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1 General information

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

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

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

| | 2013 | 2012 |
|------------------------------------------------------------|-------------|-------------|
| The structure of the Share capital by shareholders: | | |
| Domestic and foreign private and institutional investors | 97% | 97% |
| Employees | 2% | 2% |
| Treasury shares | 1% | 1% |
| Total | 100% | 100% |

The Bank provides a full range of commercial banking services through a nationwide network of 382 branches in Hungary.

| | 2013 | 2012 |
|---------------------------------------------|-------|-------|
| Number of the employees of the Bank: | | |
| Number of employees | 8,133 | 8,070 |
| Average number of employees | 8,074 | 8,012 |

1.2 Accounting

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

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

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

Financial Reporting Standards ("IFRS").

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

The separate financial statements have been prepared in accordance with IFRS as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") which has not been approved by the EU.

As the Bank does not apply portfolio hedge accounting under IAS 39, there would be no impact on these separate financial statements, had it been approved by the EU before the preparation of these financial statements.

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

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

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),

- Amendments to various standards "Improvements to IFRSs (cycle 2009–2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards has not led to any changes in the Entity's accounting policies.

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

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"
- Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

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

NOTE 2:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

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

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

2.2 Foreign currency translation

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

2.3 Consolidated financial statements

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

2.4 Investments in subsidiaries

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

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

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

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

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

2.5 Securities held-to-maturity

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

2.6 Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of recognized income for the period. The Bank mainly holds these securities to obtain short-term gains consequently realised and unrealised gains and losses are recognized in the net operating income since 31 December 2013. Gains and losses on securities held for trading for the year ended 31 December 2012 are recognized in the net interest income. Such

securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, securities issued by NBH, shares in non-financial commercial companies, shares in investment funds and shares in financial institutions.

2.6.2 Derivative financial instruments

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

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

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

rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the separate statement of recognized income.

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

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

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

Changes in fair value of derivatives that are designated and qualify as cash-flow hedges and that prove to be highly effective in relation to hedged risk are recognized as reserve in the shareholders' equity. Amounts deferred in equity are transferred to the separate statement of recognized income and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the separate statement of recognized and comprehensive income for the period.

The ineffective element of the hedge is charged directly to the separate statement of recognized income.

2.8 Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the statement of financial position on a net basis. The Bank does not offset any financial assets and financial liabilities.

2.9 Embedded derivatives

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

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

2.10 Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Available-for-sale securities are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognized in other comprehensive income, except for interest and foreign exchange gains/losses on monetary items, unless such available-for-sale security is part of an effective hedge. Such gains and losses will be reported when realised in profit or loss for the applicable period. Securities available-for-sale consist of Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, corporate bonds, bonds issued by NBH and foreign securities. The provision for impairment is calculated based on discounted cash-flow methodology for debt instruments and calculated based on fair value on equity instruments, using the expected future cash-flow and original effective interest rate if there is objective evidence of impairment based on significant or prolonged decrease on fair value.

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

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

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

Loans and placements with other banks are accounted at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively. Interest is accounted using effective interest rate method. When a borrower is unable to meet payments as they fall due or, in the opinion of the Management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired. According to IAS 39, initially financial asset shall be recognized at fair value which is usually equal to transaction value of loans and receivables. Initial fair value of loans and receivables lent at interest below market conditions is lower than their transaction price. As a consequence the Bank is deferring the difference between the fair value at initial recognition and the transaction price relating to loans and receivables because input data for measuring the fair values are not available on observable markets (see Note 8, 13 and 41 for Funding for Growth Scheme).

The amount of allowance is the difference between the carrying amount and the

recoverable amount, being the present value of the expected cash-flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate. Allowance for losses on loans and placements with other banks represent management assessment for potential losses in relation to these activities.

The allowances for loan and placement losses are maintained to cover losses that have been specifically identified. Collective impairment losses of portfolios of loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date.

The expected cash-flows for portfolios of similar assets are estimated based on historical loss experience. Historical loss experience is the basis for calculating the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio at the balance sheet date. Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Provisions for impairment on loan and placement losses" in the statement of recognized income. If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into income.

2.12 Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the statement of financial position and the consideration received is recorded in Other liabilities or Amounts due to banks and Hungarian Government, deposits from the

National Bank of Hungary and other banks, or Deposits from customers. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the statement of financial position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement.

In the case of security lending transactions the Bank do not recognize or derecognize the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

2.13 Property, equipment and intangible assets

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

The depreciable amount (book value less residual value) of the non-current assets must be allocated over their useful lives. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets

| | |
|--------------------------------|----------|
| Software | 20–3.33% |
| Property rights | 16.7% |
| Property | 1–2% |
| Office equipments and vehicles | 8–33.3% |

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

If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable

amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

The Bank may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Bank.

Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.

In the case of effective hedge the realised profit or loss of hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognising the asset and it is tightly connecting to the purchasing.

2.14 Financial liabilities

The financial liabilities are presented within financial liabilities at fair value through profit or loss or financial liabilities measured at amortized costs. In connection to the financial liabilities at fair value through profit or loss, the Bank presents the amount of change in their fair value originated from the changes of market conditions and business environment. Financial liabilities at fair value through profit or loss are either financial liabilities held for trading or they are designated upon initial recognition as at fair value through profit or loss. In the case of financial liabilities measured at amortized cost fees and commissions related to the origination of the financial liability are recognized through profit or loss during the maturity of the instrument. In certain cases the Bank repurchases a part of financial liabilities

(mainly issued securities or subordinated bonds) and the difference between the carrying amount of the financial liability and the amount paid for it is recognized in the net profit or loss for the period and included in other operating income.

2.15 Leases

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

Payments made under operating leases are charged to the separate statement of recognized income on a straight-line basis over the life of the lease terms. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.16 Treasury shares

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

2.17 Interest income and interest expense

Interest income and expenses are recognised in profit or loss in the period to which they relate, using the effective interest rate method.

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

2.18 Fees and Commissions

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

2.19 Dividend income

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

2.20 Income tax

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised

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

2.21 Off-balance sheet commitments and contingent liabilities

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

2.22 Share-based payment and employee benefit

The Bank has applied the requirements of IFRS 2 Share-based Payment. The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on

Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Bank has applied the requirement of IAS 19 Employee Benefits. IAS 19 requires to recognise employee benefits to be paid as a liability and as an expense in financial statements.

2.23 Separate statement of cash-flows

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

2.24 Segment reporting

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

Based on the above, the segments identified by the Bank are the business and geographical segments.

At separate level, the Management does not separate and makes decisions based on different segments, the segments are identified by the Bank only at consolidated level in line with IFRS 8 paragraph 4. At Group level the segments identified by the Bank are the business and geographical segments.

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

2.25 Comparative figures

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

2.26 Measures related to FX based mortgage loans

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

On 28 June 2011, Act LXXV 2011 on fixing the exchange rate for calculating the monthly instalments of retail FX mortgage loans and on the foreclosure order of residential real estates was announced. Accordingly, in favour of performing FX mortgage debtors with up to 90 days of delinquency, the natural person FX mortgage debtor could initiate in writing between 12 August and 31 December 2011 the fixing of the exchange rate used to specify his monthly instalments for 36 months or until 31 December 2014 the latest. The fixed exchange rates were set at 180 HUF/CHF, 250 HUF/EUR and 2 HUF/JPY.

For the difference between the fixed and the exceeding actual spot exchange rate, banks provided a special purpose HUF denominated mortgage loan ("escrow account loan"), granting of which is not regulated by the rules of prudent lending. Escrow account loan is an appropriation established by the Hungarian Government to help FX mortgage debtors during the repayment of FX mortgage loans to finance the instalment-proportion non-paid by debtors arising from the difference between the fixed and the exceeding actual spot exchange rate.

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

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

The Government backs the escrow account in full through a State Guarantee during the fixed exchange rate period, subsequently the guarantee applies to 25% of the escrow account. In case of utilising of state guarantee credit institutions are obliged to pay contribution.

Regarding the fact that the expected number of debtors who concluded escrow account loan contract is low, OTP Bank decided not to employ the state guarantee.

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

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

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

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

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

- a) the total value of the loan exceeded HUF 20 million at conclusion of FX loan contract
- b) loan is over 90 days past due

c) debtor is participating in payments facilitating program.

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

NOTE 3:

SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

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

3.1 Impairment on loans and placements

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

3.2 Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and

estimates (eg. for correlations, volatilities, etc). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

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

3.3 Provisions

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

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

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

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

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

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

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

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

Interest conditions of placements with other banks:

| | 2013 | 2012 |
|-------------------------------------------------|-------------|---------------|
| Placements with other banks in HUF | 2.5%–7.4% | 4.8%–6.5% |
| Placements with other banks in foreign currency | 0.26%–11.9% | 0.002%–10.09% |
| Average interest of placements with other banks | 3.26% | 3.34% |

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

Securities held for trading:

| | 2013 | 2012 |
|------------------------------------------------------|----------------|---------------|
| Securities issued by the NBH | 209,347 | 1,333 |
| Shares | 73,256 | 90,431 |
| Hungarian government interest bearing Treasury Bills | 6,466 | 2,111 |
| Government bonds | 4,090 | 1,331 |
| Hungarian government discounted Treasury Bills | 2,159 | 2,098 |
| Securities issued by credit institutions | 1,162 | 49 |
| Mortgage bonds | 237 | 408 |
| Other securities | 26 | 10 |
| Subtotal | 296,743 | 97,771 |
| Accrued interest | 105 | 164 |
| Total | 296,848 | 97,935 |

Derivative financial instruments classified as held for trading:

| | 2013 | 2012 |
|----------------------------------------------------------------|----------------|----------------|
| Interest rate swaps classified as held for trading | 53,728 | 73,199 |
| CCIRS and mark-to-market CCIRS* classified as held for trading | 32,763 | 54,480 |
| Foreign currency swaps classified as held for trading | 6,637 | 7,107 |
| Other derivative transactions** | 6,589 | 10,294 |
| Subtotal | 99,717 | 145,080 |
| Total | 396,565 | 243,015 |

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

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

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

* CCIRS: Cross Currency Interest Rate Swap (see Note 27).

** incl.: FX, equity and index futures; FX forward; commodity and equity swap; FRA; FX option.

NOTE 7:

SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

| | 2013 | 2012 |
|-----------------------------------------------------------------------------------|------------------|------------------|
| Bonds issued by NBH | 1,021,825 | 742,989 |
| Mortgage bonds | 789,419 | 968,048 |
| Government bonds | 90,177 | 134,034 |
| Other securities | 67,264 | 70,401 |
| listed securities | 36,883 | 36,689 |
| in HUF | – | – |
| in foreign currency | 36,883 | 36,689 |
| non-listed securities | 30,381 | 33,712 |
| in HUF | 26,589 | 31,632 |
| in foreign currency | 3,792 | 2,080 |
| Subtotal | 1,968,685 | 1,915,472 |
| Accrued interest | 28,806 | 38,399 |
| Securities available-for-sale total | 1,997,491 | 1,953,871 |
| | 2013 | 2012 |
| Securities available-for-sale denominated in HUF | 77% | 75% |
| Securities available-for-sale denominated in foreign currency | 23% | 25% |
| Securities available-for-sale total | 100% | 100% |
| Interest rates on securities available-for-sale denominated in HUF | 4.5%–11% | 6.8%–12% |
| Interest rates on securities available-for-sale denominated in foreign currency | 2.12%–10.5% | 2.7%–10.5% |
| Average interest on securities available-for-sale denominated in HUF | 6.52% | 7.42% |
| Average interest on securities available-for-sale denominated in foreign currency | 4.6% | 4.77% |

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

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

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

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

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

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

An analysis of the loan portfolio by currency:

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

Interest rates of the loan portfolio are as follows:

| | 2013 | 2012 |
|--------------------------------------------------------------------------|------------|------------|
| Loans denominated in HUF, with a maturity within one year | 6.5%–25.3% | 7.7%–32.4% |
| Loans denominated in HUF, with a maturity over one year | 2.8%–24.8% | 2.7%–24.8% |
| Loans denominated in foreign currency | 1.8%–14% | 1.8%–22.8% |
| Average interest on loans denominated in HUF | 13.14% | 14.56% |
| Average interest on loans denominated in foreign currency | 4.71% | 4.14% |
| Gross loan portfolio on which interest to customers is not being accrued | 10.80% | 10.04% |

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

| | 2013 | | 2012 | |
|-------------------------------------------|------------------|-------------|------------------|-------------|
| Retail loans | 539,340 | 24% | 581,389 | 23% |
| Retail consumer loans | 309,476 | 14% | 335,407 | 13% |
| Retail mortgage backed loans* | 123,592 | 5% | 143,650 | 6% |
| SME loans | 106,272 | 5% | 102,332 | 4% |
| Corporate loans | 1,745,532 | 76% | 1,914,201 | 77% |
| Loans to medium and large corporates | 1,537,655 | 67% | 1,650,811 | 66% |
| Municipality loans | 105,725 | 5% | 263,390 | 11% |
| Municipality loans completed by the State | 102,152 | 4% | – | – |
| Total | 2,284,872 | 100% | 2,495,590 | 100% |

Through debt consolidation the central government provided a non-refundable subsidy to municipalities with less than five thousands inhabitants for the total repayment of their outstanding obligations (loans, bonds, bills of exchange) as at 12 December 2012. In case of OTP Bank HUF 28.8 billion total debt of 957 municipalities was repaid (at exchange rates as of 27 December 2012).

Furthermore the debt consolidation of municipalities with more than five thousands inhabitants was completed by end of June 2013, which was carried out from three sources: subsidy provided by the Hungarian Treasury, funds of the Government Debt Management

Agency ("GDMA"), long-term loan originated by OTP Bank for the GDMA.

At OTP Bank the total amount of loans to 192 municipalities with more than five thousands inhabitants represented HUF 245 billion by end-2012. Out of this portfolio the debt consolidation covered volumes of HUF 142.6 billion equivalent (at exchange rates as of 31 December 2012). HUF 41.5 billion equivalent of debt was prepaid, while HUF 101.2 billion equivalent was refinanced by a loan originated by OTP Bank for the GDMA.

By end-2013 the principal of the loan to the GDMA amounted to HUF 102.1 billion in the financial statements of the Bank.

* incl. housing loans.

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

| | 2013 | 2012 |
|---------------------------------------------------|----------------|----------------|
| Balance as at 1 January | 153,370 | 160,324 |
| Provision for the period | 83,796 | 93,834 |
| Release of provision | (82,134) | (100,788) |
| Provision for impairment on promissory obligation | (4,519) | – |
| Balance as at 31 December | 150,513 | 153,370 |

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

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

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

NOTE 9:

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

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

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

Significant subsidiaries

Investments in companies in which the Bank has a controlling interest are detailed below.

All companies are incorporated in Hungary unless indicated otherwise:

| | 2013 | | 2012 | |
|----------------------------------------------------------------|------------------------------|------------------|------------------------------|------------------|
| | % Held (direct and indirect) | Gross book value | % Held (direct and indirect) | Gross book value |
| OTP Bank JSC (Ukraine) | 100% | 266,513 | 100% | 266,513 |
| DSK Bank EAD (Bulgaria) | 100% | 86,832 | 100% | 86,832 |
| OTP banka Srbija a.d. (Serbia) | 97.56% | 84,727 | 96.79% | 84,433 |
| OA0 OTP Bank (Russia) | 97.81% | 74,296 | 97.78% | 74,280 |
| OTP banka Hrvatska d.d. (Croatia) | 100% | 72,940 | 100% | 72,940 |
| OTP Mortgage Bank Ltd. | 100% | 70,257 | 100% | 70,257 |
| Crnogorska komercijalna banka a.d. (Montenegro) | 100% | 58,484 | 100% | 55,439 |
| OTP Bank Romania S.A. (Romania) | 100% | 57,638 | 100% | 57,638 |
| OOO AlyansReserv (Russia) | 100% | 50,074 | 100% | 50,074 |
| OTP Factoring Ltd. | 100% | 40,825 | 100% | 24,925 |
| Balansz Real Estate Institute Fund | 100% | 18,370 | – | – |
| Inga Kettő Ltd. | 100% | 17,892 | 100% | 5,892 |
| Bank Center No. 1. Ltd. | 100% | 16,063 | 100% | 10,063 |
| OTP Life Annuity Ltd. | 100% | 15,300 | 100% | 15,300 |
| OTP Banka Slovensko a.s. (Slovakia) | 99.21% | 13,649 | 98.94% | 13,611 |
| Air-Invest Ltd. | 100% | 9,698 | 100% | 8,898 |
| Monicomp Ltd. | 100% | 9,234 | 100% | 9,234 |
| OTP Real Estate Ltd. | 100% | 4,777 | 100% | 2,318 |
| OTP Real Estate Leasing Ltd. (previously OTP Flat Lesase Ltd.) | 100% | 3,671 | 100% | 3,178 |
| OTP Funds Servicing and Consulting Ltd. | 100% | 2,469 | 100% | 2,469 |
| OTP Holding Ltd. (Cyprus) | 100% | 2,000 | 100% | 2,000 |
| OTP Building Society Ltd. | 100% | 1,950 | 100% | 1,950 |
| OTP Fund Management Ltd. | 100% | 1,653 | 100% | 1,653 |
| Merkantil Bank Ltd. | 100% | 1,600 | 100% | 1,600 |
| OTP Real Estate Investment Fund Management Ltd. | 100% | 1,352 | 100% | 1,352 |
| CIL Babér Ltd. | 100% | 1,225 | 100% | 1,225 |
| Fordulat Venture Capital Fund | 50% | 1,050 | – | – |
| OTP Financing Netherlands B.V. (the Netherlands) | 100% | 481 | 100% | 481 |
| OTP Card Factory Ltd. | 100% | 450 | 100% | 450 |
| Portfolion Ltd. | 100% | 150 | 100% | 150 |
| HIF Ltd. (United Kingdom) | 100% | 81 | 100% | 81 |
| OTP Hungaro-Projekt Ltd. | 100% | 81 | 100% | 81 |
| Magvető Day One Venture Capital Fund | 100% | 65 | – | – |
| TradeNova Ltd. "u.l." | 100% | 30 | 100% | 30 |
| OTP Facility Management Ltd. | 100% | 15 | 100% | 15 |
| Total | | 985,892 | | 925,362 |

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

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

The provision for impairment on OTP Bank JSC (Ukraine) was HUF 125,903 million, for OTP banka Srbija a.d. was HUF 63,233 million, for Crnogorska komercijalna banka a.d was HUF 26,714 million, for OTP banka Hrvatska d.d.

was 9,232 million as at 31 December 2013. OTP Bank recognized provision for impairment in amount of HUF 28,377 million for OTP Bank JSC (Ukraine) and HUF 6,430 million for OTP banka Srbija a.d. in 2013.

Significant associates

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

As at 31 December 2013:

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

As at 31 December 2012:

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

As of 22 February 2013 the registered capital of OTP Real Estate Ltd. decreased from HUF 3.333 billion to HUF 500 million.

As of 13 June 2013, the share capital of OTP Real Estate Ltd. increased to HUF 501 million.

As a consequence, the ownership ratios in OTP Real Estate Ltd. were modified as follows: OTP Bank (49.98%), OTP Holding Ltd. (36.79%), Bank Center No. 1 Ltd. (13.23%).

On 21 February 2014 the registered capital of OTP Real Estate Ltd. increased by HUF 20 thousand. The ownership ratios were not modified.

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

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

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

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

On 27 September 2013 the Securities Commission of Montenegro approved the conversion of the Lower Tier2 Capital in the amount of EUR 10,130,409 provided by OTP Bank to Crnogorska komercijalna banka a.d. ("CKB") into ordinary shares. The principal amount of the Lower Tier2 Capital was EUR 10,000,000.

The registered capital of CKB changed to EUR 136,875,398 as verified by the Central Custodian in its certificate issued.

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

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

where previously it had a weaker network capacity. The acquisition will help the Croatian subsidiary to have a better scale of economy.

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

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

NOTE 10:

SECURITIES HELD-TO-MATURITY (in HUF mn)

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

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

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

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

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

In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian government

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

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

For the year ended 31 December 2013:

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

For the year ended 31 December 2012:

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

NOTE 12:

OTHER ASSETS* (in HUF mn)

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

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

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

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

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

NOTE 13:

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

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

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

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

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

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

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

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

NOTE 14:

DEPOSITS FROM CUSTOMERS (in HUF mn)

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

Interest rates on deposits from customers are as follows:

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

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

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

NOTE 15:

LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

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

Interest rates on liabilities from issued securities are as follows:

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

Issued securities denominated in foreign currency as at 31 December 2013:

| Name | Date of issuance | Maturity | Currency | Nominal value in FX million | Nominal value in HUF million | Interest conditions (in % p.a.) | Hedged |
|----------------------|------------------|------------|----------|-----------------------------|------------------------------|---------------------------------|--------|
| 1. EUR 1 2014/XVI | 16/08/2013 | 16/08/2014 | EUR | 10.35 | 3,071 | 2 fixed | |
| 2. EUR 1 2014/XIX | 27/09/2013 | 27/09/2014 | EUR | 8.31 | 2,466 | 2 fixed | |
| 3. EUR 1 2014/XXI | 31/10/2013 | 31/10/2014 | EUR | 8.11 | 2,406 | 1.75 fixed | |
| 4. EUR 1 2014/XVIII | 13/09/2013 | 13/09/2014 | EUR | 7.90 | 2,346 | 2 fixed | |
| 5. EUR 1 2015/I | 20/12/2013 | 10/01/2015 | EUR | 7.10 | 2,107 | 1.65 fixed | |
| 6. EUR 1 2014/XVII | 30/08/2013 | 30/08/2014 | EUR | 6.89 | 2,046 | 2 fixed | |
| 7. EUR 1 2014/XX | 11/10/2013 | 11/10/2014 | EUR | 6.75 | 2,003 | 2 fixed | |
| 8. EUR 1 2014/XXIII | 29/11/2013 | 13/12/2014 | EUR | 5.90 | 1,752 | 1.65 fixed | |
| 9. EUR 1 2014/IX | 10/05/2013 | 10/05/2014 | EUR | 5.80 | 1,721 | 2.25 fixed | |
| 10. EUR 1 2014/XV | 26/07/2013 | 26/07/2014 | EUR | 5.15 | 1,529 | 2 fixed | |
| 11. EUR 1 2014/XXII | 15/11/2013 | 15/11/2014 | EUR | 4.60 | 1,366 | 1.75 fixed | |
| 12. EUR 1 2014/IV | 15/02/2013 | 15/02/2014 | EUR | 4.06 | 1,205 | 2.5 fixed | |
| 13. EUR 1 2014/V | 01/03/2013 | 01/03/2014 | EUR | 3.81 | 1,130 | 2.5 fixed | |
| 14. EUR 1 2014/I | 11/01/2013 | 11/01/2014 | EUR | 3.35 | 994 | 2.75 fixed | |
| 15. EUR 1 2014/VI | 22/03/2013 | 22/03/2014 | EUR | 3.19 | 948 | 2.5 fixed | |
| 16. EUR 1 2014/VIII | 19/04/2013 | 19/04/2014 | EUR | 3.01 | 894 | 2.25 fixed | |
| 17. EUR 1 2014/XIV | 12/07/2013 | 12/07/2014 | EUR | 2.79 | 828 | 2 fixed | |
| 18. EUR 1 2014/III | 01/02/2013 | 01/02/2014 | EUR | 2.68 | 796 | 2.5 fixed | |
| 19. EUR 1 2014/XI | 07/06/2013 | 07/06/2014 | EUR | 2.59 | 770 | 2 fixed | |
| 20. EUR 1 2014/II | 25/01/2013 | 25/01/2014 | EUR | 2.54 | 753 | 2.5 fixed | |
| 21. EUR 1 2014/X | 24/05/2013 | 24/05/2014 | EUR | 2.37 | 704 | 2 fixed | |
| 22. EUR 2 2015/XXI | 31/10/2013 | 31/10/2015 | EUR | 2.35 | 698 | 2.25 fixed | |
| 23. EUR 1 2014/XII | 21/06/2013 | 21/06/2014 | EUR | 2.20 | 653 | 2 fixed | |
| 24. 2015/Fx | 21/12/2012 | 23/12/2015 | EUR | 2.07 | 616 | indexed floating | hedged |
| 25. 2016/Cx | 22/04/2011 | 22/04/2016 | EUR | 1.56 | 463 | indexed floating | hedged |
| 26. EUR 2 2015/XXIV | 20/12/2013 | 20/12/2015 | EUR | 1.55 | 461 | 2 fixed | |
| 27. EUR 1 2014/XIII | 28/06/2013 | 28/06/2014 | EUR | 1.38 | 411 | 2 fixed | |
| 28. EUR 1 2014/VII | 05/04/2013 | 05/04/2014 | EUR | 1.37 | 405 | 2.25 fixed | |
| 29. EUR 2 2015/XXIII | 29/11/2013 | 29/11/2015 | EUR | 1.30 | 387 | 2 fixed | |
| 30. 2016/Dx | 22/12/2011 | 29/12/2016 | EUR | 1.25 | 370 | indexed floating | hedged |
| 31. EUR 2 2015/XXII | 15/11/2013 | 15/11/2015 | EUR | 1.18 | 349 | 2.25 fixed | |
| 32. 2015/Cx | 27/12/2010 | 29/12/2015 | EUR | 0.97 | 288 | indexed floating | hedged |
| 33. EUR 2 2015/XVI | 16/08/2013 | 16/08/2015 | EUR | 0.79 | 235 | 2.25 fixed | |
| 34. 2017/Fx | 14/06/2012 | 16/06/2017 | EUR | 0.78 | 231 | indexed floating | hedged |
| 35. EUR 2 2015/IX | 10/05/2013 | 10/05/2015 | EUR | 0.74 | 219 | 2.75 fixed | |
| 36. EUR 2 2015/XVIII | 13/09/2013 | 13/09/2015 | EUR | 0.65 | 193 | 2.25 fixed | |
| 37. EUR 2 2015/XV | 26/07/2013 | 26/07/2015 | EUR | 0.63 | 187 | 2.25 fixed | |
| 38. 2018/Fx | 19/12/2013 | 21/12/2018 | EUR | 0.62 | 183 | indexed floating | hedged |

| | Name | Date of issuance | Maturity | Currency | Nominal value in | | Interest conditions (in % p.a.) | Hedged |
|-----------------------------------------|------------------|------------------|------------|----------|------------------|-------------|---------------------------------|--------|
| | | | | | FX million | HUF million | | |
| 39. | EUR 2 2015/XIX | 27/09/2013 | 27/09/2015 | EUR | 0.51 | 151 | 2.25 | fixed |
| 40. | EUR 2 2014/XVII | 31/08/2012 | 31/08/2014 | EUR | 0.46 | 135 | 3.5 | fixed |
| 41. | EUR 2 2014/IV | 24/02/2012 | 24/02/2014 | EUR | 0.44 | 132 | 4 | fixed |
| 42. | EUR 2 2015/XVII | 30/08/2013 | 30/08/2015 | EUR | 0.42 | 126 | 2.25 | fixed |
| 43. | EUR 2 2014/XXIV | 07/12/2012 | 07/12/2014 | EUR | 0.41 | 122 | 3.25 | fixed |
| 44. | EUR 2 2015/XI | 07/06/2013 | 07/06/2015 | EUR | 0.39 | 116 | 2.5 | fixed |
| 45. | EUR 2 2015/VII | 05/04/2013 | 05/04/2015 | EUR | 0.38 | 114 | 2.75 | fixed |
| 46. | EUR 2 2014/XXIII | 23/11/2012 | 23/11/2014 | EUR | 0.37 | 111 | 3.25 | fixed |
| 47. | EUR 2 2014/XXV | 21/12/2012 | 21/12/2014 | EUR | 0.36 | 108 | 3 | fixed |
| 48. | EUR 2 2015/X | 24/05/2013 | 24/05/2015 | EUR | 0.36 | 108 | 2.5 | fixed |
| 49. | EUR 2 2014/XXI | 26/10/2012 | 26/10/2014 | EUR | 0.36 | 108 | 3.25 | fixed |
| 50. | EUR 2 2014/IX | 04/05/2012 | 04/05/2014 | EUR | 0.32 | 95 | 4 | fixed |
| 51. | EUR 2 2014/XVIII | 14/09/2012 | 14/09/2014 | EUR | 0.31 | 91 | 3.25 | fixed |
| 52. | EUR 2 2015/VIII | 19/04/2013 | 19/04/2015 | EUR | 0.30 | 90 | 2.75 | fixed |
| 53. | EUR 2 2015/XX | 11/10/2013 | 11/10/2015 | EUR | 0.30 | 89 | 2.25 | fixed |
| 54. | EUR 2 2015/XIII | 28/06/2013 | 28/06/2015 | EUR | 0.27 | 81 | 2.5 | fixed |
| 55. | EUR 2 2015/V | 01/03/2013 | 01/03/2015 | EUR | 0.26 | 78 | 2.75 | fixed |
| 56. | EUR 2 2014/VIII | 20/04/2012 | 20/04/2014 | EUR | 0.25 | 74 | 4 | fixed |
| 57. | EUR 2 2014/XIX | 28/09/2012 | 28/09/2014 | EUR | 0.25 | 74 | 3.25 | fixed |
| 58. | EUR 2 2014/III | 10/02/2012 | 10/02/2014 | EUR | 0.24 | 72 | 4 | fixed |
| 59. | EUR 2 2014/XV | 03/08/2012 | 03/08/2014 | EUR | 0.22 | 64 | 3.75 | fixed |
| 60. | EUR 2 2014/XX | 12/10/2012 | 12/10/2014 | EUR | 0.22 | 64 | 3.25 | fixed |
| 61. | EUR 2 2015/XII | 21/06/2013 | 21/06/2015 | EUR | 0.21 | 63 | 2.5 | fixed |
| 62. | EUR 2 2014/XXII | 09/11/2012 | 09/11/2014 | EUR | 0.20 | 61 | 3.25 | fixed |
| 63. | EUR 2 2014/XIII | 22/06/2012 | 22/06/2014 | EUR | 0.20 | 59 | 3.75 | fixed |
| 64. | EUR 2 2015/VI | 22/03/2013 | 22/03/2015 | EUR | 0.20 | 59 | 2.75 | fixed |
| 65. | EUR 2 2014/II | 27/01/2012 | 27/01/2014 | EUR | 0.19 | 57 | 4 | fixed |
| 66. | EUR 2 2015/II | 25/01/2013 | 25/01/2015 | EUR | 0.17 | 51 | 2.75 | fixed |
| 67. | EUR 2 2014/XIV | 13/07/2012 | 13/07/2014 | EUR | 0.17 | 51 | 3.75 | fixed |
| 68. | EUR 2 2014/XVI | 17/08/2012 | 17/08/2014 | EUR | 0.17 | 50 | 3.5 | fixed |
| 69. | EUR 2 2015/I | 11/01/2013 | 11/01/2015 | EUR | 0.16 | 48 | 3 | fixed |
| 70. | EUR 2 2015/III | 01/02/2013 | 01/02/2015 | EUR | 0.16 | 47 | 2.75 | fixed |
| 71. | EUR 2 2015/IV | 15/02/2013 | 15/02/2015 | EUR | 0.15 | 45 | 2.75 | fixed |
| 72. | EUR 2 2014/VII | 06/04/2012 | 06/04/2014 | EUR | 0.15 | 44 | 4 | fixed |
| 73. | EUR 2 2014/XII | 08/06/2012 | 08/06/2014 | EUR | 0.13 | 38 | 3.75 | fixed |
| 74. | EUR 2 2015/XIV | 12/07/2013 | 12/07/2015 | EUR | 0.12 | 37 | 2.25 | fixed |
| 75. | EUR 2 2014/VI | 23/03/2012 | 23/03/2014 | EUR | 0.10 | 31 | 4 | fixed |
| 76. | EUR 2 2014/XI | 25/05/2012 | 25/05/2014 | EUR | 0.10 | 28 | 3.75 | fixed |
| 77. | EUR 2 2014/V | 09/03/2012 | 09/03/2014 | EUR | 0.09 | 28 | 4 | fixed |
| 78. | EUR 2 2014/I | 13/01/2012 | 13/01/2014 | EUR | 0.05 | 15 | 4 | fixed |
| 79. | EUR 2 2014/X | 11/05/2012 | 11/05/2014 | EUR | 0.05 | 15 | 3.75 | fixed |
| Subtotal issued securities in FX | | | | | 41,214 | | | |
| Unamortized premium | | | | | | | (29) | |
| Fair value hedge adjustment | | | | | | | 49 | |
| Total | | | | | 41,234 | | | |

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

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

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

On 9 July 2013 OTP Bank initiated term note program in the value of HUF 500 billion with the intention of issuing registered dematerialized bonds in public. The Authority approved on 30 July 2013 the prospectus of Term Note Program and the disclosure as at 17 July 2013. The prospectus is valid for 12 months following the disclosure. On 30 August and 27 September 2013 the Authority approved the 1st and 2nd addition of the prospectus of the program.

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

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

changes in fair value or cash-flows attributable to the hedged risk during the period for which the hedge is designated are within a range of 80–125 per cent.

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

Issued securities denominated in HUF as at 31 December 2013:

| Name | Date of issuance | Maturity | Nominal value in HUF million | Interest conditions (in % p.a.) | Hedged |
|-----------------------|------------------|------------|------------------------------|---------------------------------|--------|
| 1. EK 2015/I | 29/07/2013 | 29/01/2015 | 5,619 | 4.25 fixed | |
| 2. TBSZ2015/I | 26/02/2010 | 30/12/2015 | 5,564 | 5.5 fixed | |
| 3. 2015/Ax | 25/03/2010 | 30/03/2015 | 4,717 | indexed floating | hedged |
| 4. 2017/Ax | 01/04/2011 | 31/03/2017 | 4,598 | indexed floating | hedged |
| 5. 2019/Dx | 22/03/2013 | 21/03/2019 | 4,500 | indexed floating | hedged |
| 6. 2017/Bx | 17/06/2011 | 20/06/2017 | 4,489 | indexed floating | hedged |
| 7. 2018/Bx | 22/03/2012 | 22/03/2018 | 4,335 | indexed floating | hedged |
| 8. 2015/Bx | 28/06/2010 | 30/03/2015 | 4,220 | indexed floating | hedged |
| 9. 2016/Ax | 11/11/2010 | 03/11/2016 | 3,981 | indexed floating | hedged |
| 10. 2017/Ex | 21/12/2011 | 28/12/2017 | 3,716 | indexed floating | hedged |
| 11. 2018/Cx | 16/07/2012 | 18/07/2018 | 3,707 | indexed floating | hedged |
| 12. 2019/Ex | 28/06/2013 | 24/06/2019 | 3,550 | indexed floating | hedged |
| 13. 2014/Bx | 05/10/2009 | 13/10/2014 | 3,512 | indexed floating | hedged |
| 14. 2014/I | 11/01/2013 | 11/01/2014 | 3,406 | 5 fixed | |
| 15. 2014/Cx | 14/12/2009 | 19/12/2014 | 3,381 | indexed floating | hedged |
| 16. 2017/Cx | 19/09/2011 | 25/09/2017 | 3,369 | indexed floating | hedged |
| 17. 2018/Ex | 28/12/2012 | 28/12/2018 | 3,250 | indexed floating | hedged |
| 18. 2018/Dx | 29/10/2012 | 26/10/2018 | 3,073 | indexed floating | hedged |
| 19. 2016/Bx | 16/12/2010 | 19/12/2016 | 2,987 | indexed floating | hedged |
| 20. DNT HUF 140108 6% | 12/07/2013 | 08/01/2014 | 2,916 | indexed floating | hedged |
| 21. 2014/Ax | 25/06/2009 | 30/06/2014 | 2,666 | indexed floating | hedged |
| 22. 2014/III | 01/03/2013 | 01/03/2014 | 2,822 | 4.5 fixed | |
| 23. 2020/RF/A | 12/07/2010 | 20/07/2020 | 1,934 | indexed floating | hedged |
| 24. TBSZ2014/I | 14/01/2011 | 15/12/2014 | 1,915 | 5.5 fixed | |
| 25. 2020/RF/C | 11/11/2010 | 05/11/2020 | 1,798 | indexed floating | hedged |
| 26. 2014/IV | 05/04/2013 | 05/04/2014 | 1,529 | 4 fixed | |
| 27. 2014/II | 01/02/2013 | 01/02/2014 | 1,467 | 5 fixed | |
| 28. 2021/RF/B | 20/10/2011 | 25/10/2021 | 1,385 | indexed floating | hedged |
| 29. 2014/VI | 24/05/2013 | 24/05/2014 | 1,279 | 3.5 fixed | |
| 30. 2021/RF/A | 05/07/2011 | 13/07/2021 | 1,264 | indexed floating | hedged |
| 31. TBSZ2016/I | 14/01/2011 | 15/12/2016 | 1,197 | 5.5 fixed | |
| 32. 2014/V | 26/04/2013 | 26/04/2014 | 1,152 | 3.5 fixed | |
| 33. 2014/Ex | 17/06/2011 | 20/06/2014 | 1,146 | indexed floating | hedged |
| 34. 2014/RA/Bx | 16/09/2011 | 15/09/2014 | 1,126 | indexed floating | hedged |
| 35. 2020/RF/B | 12/07/2010 | 20/07/2020 | 970 | indexed floating | hedged |
| 36. RA 2014A | 25/03/2011 | 24/03/2014 | 945 | indexed floating | hedged |
| 37. 2014/VII | 14/06/2013 | 14/06/2014 | 768 | 3 fixed | |
| 38. 2018/Ax | 03/01/2012 | 09/01/2018 | 745 | indexed floating | hedged |

| | Name | Date of issuance | | Maturity | Nominal value in HUF million | Interest conditions (in % p.a.) | | Hedged |
|-----|------------------------------------------|------------------|------------|------------|------------------------------|---------------------------------|----------|--------|
| 39. | TBSZ2014/II | 26/08/2011 | 29/12/2011 | 15/12/2014 | 730 | 5.5 | fixed | |
| 40. | 2016/Fx | 22/03/2013 | | 24/03/2016 | 670 | indexed | floating | hedged |
| 41. | TBSZ2016/II | 26/08/2011 | 29/12/2011 | 15/12/2016 | 647 | 5.5 | fixed | |
| 42. | 2014/VIII | 16/08/2013 | 30/08/2013 | 16/08/2014 | 626 | 3 | fixed | |
| 43. | 2022/RF/A | 22/03/2012 | | 23/03/2022 | 615 | indexed | floating | hedged |
| 44. | 2014/IX | 13/09/2013 | 27/09/2013 | 13/09/2014 | 537 | 3 | fixed | |
| 45. | 2017/Dx | 21/10/2011 | | 19/10/2017 | 505 | indexed | floating | hedged |
| 46. | TBSZ 4 2015/I | 13/01/2012 | 22/06/2012 | 15/12/2015 | 473 | 6.5 | fixed | |
| 47. | 2014/Dx | 01/04/2011 | | 03/04/2014 | 466 | indexed | floating | hedged |
| 48. | 2015/Gx | 08/11/2012 | | 16/11/2015 | 435 | indexed | floating | hedged |
| 49. | 2015/Dx | 19/03/2012 | | 23/03/2015 | 427 | indexed | floating | hedged |
| 50. | 2019/Bx | 05/10/2009 | 05/02/2010 | 14/10/2019 | 397 | indexed | floating | hedged |
| 51. | 2021/Dx | 21/12/2011 | | 27/12/2021 | 395 | indexed | floating | hedged |
| 52. | 2016/Ex | 28/12/2012 | | 27/12/2016 | 395 | indexed | floating | hedged |
| 53. | 2023/Ax | 22/03/2013 | | 24/03/2023 | 395 | indexed | floating | hedged |
| 54. | 2015/Ex | 18/07/2012 | | 20/07/2015 | 390 | indexed | floating | hedged |
| 55. | 2020/Bx | 28/06/2010 | | 09/07/2020 | 382 | indexed | floating | hedged |
| 56. | 2021/Bx | 17/06/2011 | | 21/06/2021 | 370 | indexed | floating | hedged |
| 57. | 2020/Ax | 25/03/2010 | | 30/03/2020 | 355 | indexed | floating | hedged |
| 58. | 2022/Dx | 28/12/2012 | | 27/12/2022 | 350 | indexed | floating | hedged |
| 59. | 2014/Fx | 20/10/2011 | | 21/10/2014 | 346 | indexed | floating | hedged |
| 60. | 2019/Cx | 14/12/2009 | | 20/12/2019 | 344 | indexed | floating | hedged |
| 61. | 2021/Ax | 01/04/2011 | | 01/04/2021 | 330 | indexed | floating | hedged |
| 62. | 2021/Cx | 19/09/2011 | | 24/09/2021 | 320 | indexed | floating | hedged |
| 63. | 2014/Gx | 21/12/2011 | | 30/12/2014 | 320 | indexed | floating | hedged |
| 64. | 2022/Cx | 29/10/2012 | | 28/10/2022 | 310 | indexed | floating | hedged |
| 65. | 2023/Bx | 28/06/2013 | | 26/06/2023 | 295 | indexed | floating | hedged |
| 66. | 2014/X | 11/10/2013 | 31/10/2013 | 11/10/2014 | 295 | 2.75 | fixed | |
| 67. | 2022/Ax | 22/03/2012 | | 23/03/2022 | 280 | indexed | floating | hedged |
| 68. | 2019/Ax | 25/06/2009 | | 01/07/2019 | 269 | indexed | floating | hedged |
| 69. | 2022/Bx | 16/07/2012 | | 18/07/2022 | 265 | indexed | floating | hedged |
| 70. | 2020/Cx | 11/11/2010 | | 05/11/2020 | 249 | indexed | floating | hedged |
| 71. | 2022/RF/C | 28/06/2012 | | 28/06/2022 | 238 | indexed | floating | hedged |
| 72. | TBSZ6 2017/II | 13/01/2012 | 22/06/2012 | 15/12/2017 | 234 | 6.5 | fixed | |
| 73. | 2020/Dx | 16/12/2010 | | 18/12/2020 | 225 | indexed | floating | hedged |
| 74. | OVK 2014/I | 31/01/2012 | 03/07/2012 | 27/01/2014 | 224 | 6.75 | fixed | |
| 75. | 2021/RF/C | 21/12/2011 | | 30/12/2021 | 212 | indexed | floating | hedged |
| 76. | 2022/RF/B | 22/03/2012 | | 23/03/2022 | 211 | indexed | floating | hedged |
| 77. | OJK 2016/II | 26/08/2011 | 21/12/2011 | 26/08/2016 | 171 | 5.75 | fixed | |
| 78. | 2015/Hx | 28/12/2012 | | 27/12/2015 | 170 | indexed | floating | hedged |
| 79. | TBSZ 4 2016/I | 18/01/2013 | 15/02/2013 | 15/12/2016 | 158 | 5 | fixed | |
| 80. | 2021/RF/D | 21/12/2011 | | 30/12/2021 | 147 | indexed | floating | hedged |
| 81. | 2022/RF/D | 28/06/2012 | | 28/06/2022 | 114 | indexed | floating | hedged |
| 82. | 2022/RF/E | 29/10/2012 | | 31/10/2022 | 66 | indexed | floating | hedged |
| 83. | 2022/RF/F | 28/12/2012 | | 28/12/2022 | 56 | indexed | floating | hedged |
| 84. | 2023/RF/A | 22/03/2013 | | 24/03/2023 | 51 | indexed | floating | hedged |
| 85. | TBSZ 4 2015/II | 21/12/2012 | | 15/12/2015 | 48 | 6 | fixed | |
| 86. | 2021/RF/E | 21/12/2011 | | 30/12/2021 | 37 | indexed | floating | hedged |
| 87. | OJK 2017/II | 27/01/2012 | 13/07/2012 | 27/01/2017 | 32 | 7 | fixed | |
| 88. | other | - | - | - | 231 | | | |
| | Subtotal issued securities in HUF | | | | 120,805 | | | |
| | Unamortized premium | | | | (64) | | | |
| | Fair value hedge adjustment | | | | 8,294 | | | |
| | Total issued securities in HUF | | | | 129,035 | | | |
| | Accrued interest | | | | 510 | | | |
| | Total issued securities | | | | 170,779 | | | |

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

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

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

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

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

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

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

* incl.: FX, equity and index futures; FX forward; commodity and equity swap; FRA; FX option.

** Other liabilities – except financial liabilities from OTP-MOL share swap transaction, deferred tax liabilities and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealised gains/losses on OTP-MOL share swap transaction is settled in June of each year until the maturity date. The fair value of amount being settled in 2014 is HUF 979 million as at 31 December 2013. Unrealised gains/losses on derivative financial instruments is recovering in accordance with their maturity.

*** On 16 April 2009, OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the loss of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 31 December 2013 and 2012 HUF 71,548 and HUF 89,308 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

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

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

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

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

NOTE 18:

SUBORDINATED BONDS AND LOANS (in HUF mn)

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

Interest rates on subordinated bonds and loans are as follows:

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

Partial cancellation of EUR 125 million subordinated notes

OTP Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 4 March 2015 in the total notional amount of EUR 12.5 million. OTP Bank initiated the cancellation of the Notes. Following the cancellation on 30 August 2013 the total outstanding amount of Notes decreased to EUR 93.45 million.

Purchase from EUR 500 million subordinated notes series

With a value date of 23 December 2013, OTP Bank purchased from OAO OTP Bank (Russia) Notes from the perpetual EUR 500 million subordinated Notes series, in the total notional amount of EUR 80 million, at an average price of 80% of the notional price. Following the transaction the total notional amount of Notes owned by the Issuer is EUR 146.888 million.

Subordinated loans and bonds are detailed as follows:

| Type | Nominal value | Date of issuance | Date of maturity | Issue price | Interest conditions | Interest rate as of 31 December 2013 |
|-----------------------------------------|-------------------|------------------|------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| Subordinated bond | EUR 93.45 million | 04/03/2005 | 04/03/2015 | 100% | three-month EURIBOR + 0.55% quarterly | – |
| Subordinated bond | EUR 353.1 million | 07/11/2006 | Perpetual bond | 99.375% | Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly) | – |
| Subordinated bond (under EMTN* program) | EUR 300 million | 19/09/2006 | 19/09/2016 | 100% | Fixed 5.27% annual | 5.27% |
| Subordinated bond (under EMTN* program) | EUR 200 million | 26/02/2007 | 19/09/2016 | 100% | Fixed 5.27% annual | 5.27% |

NOTE 19: SHARE CAPITAL (in HUF mn)

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

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

The reserves of the Bank under Hungarian Accounting Standards ("HAS")**:

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

The legal reserves (general reserve and tied-up reserve) are not available for distribution. Dividend was calculated on the bases of the separate annual net profit according to HAS.

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

On 19 October 2006 the Bank sold 14.5 million Treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares ("ICES"). Within the transaction 10 million shares owned by OTP Bank and 4.5 million OTP shares owned by OTP Fund Management Ltd. were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A. ("OPUS"), which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares.

* European Medium Term Note Program.

** The reserves under IFRS are detailed in statement of changes in shareholders' equity.

The exchangeable bonds have been sold at a 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds are perpetual and the investors can exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years thereafter the Issuer has the right to redeem the bonds at face value. Following the year 10, the bonds

carry a coupon of 3 month EURIBOR + 3%. OTP Bank has discretionary right to cancel the payments. The interest payable is non-cumulative.

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

NOTE 21:

TREASURY SHARES (in HUF mn)

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

The changes in the carrying value of treasury shares are due to repurchase and sale

transactions on market authorised by the General Assembly.

Change in number of shares:

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

Change in carrying value:

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

NOTE 22:

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

| | 2013 | 2012 |
|------------------------------------------------------------------------------------------|---------------|---------------|
| Provision for impairment on loan losses | | |
| Provision for the period | 83,796 | 93,834 |
| from this: release of provision for impairment on loan losses related to early repayment | – | (2,164) |
| Release of provision | (82,132) | (100,788) |
| Provision on loan losses | 28,847 | 60,400 |
| from this: provision on loan losses related to early repayment | – | 2,078 |
| | 30,511 | 53,446 |

| | 2013 | 2012 |
|--------------------------------------------------------------------------|---------------|---------------|
| Provision/release of provision for impairment on placement losses | | |
| Provision for the period | 22 | – |
| Release of provision | – | (138) |
| | 22 | (138) |
| | 2013 | 2012 |
| Provision for impairment on loan and placement losses | 30,533 | 53,308 |
| Gains on loans related to early repayment | – | (86) |
| Losses from early repayment recognizing in interest income from loans | – | 23 |
| Total loss on loans related to the early repayment | – | (63) |

NOTE 23:

NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions:

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

Expenses from fees and commissions:

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

NOTE 24:

OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

| Other operating income | 2013 | 2012 |
|----------------------------------------------------------------------------|---------------|---------------|
| Income from non-financing services | 1,242 | 818 |
| Gains on transactions related to property activities | 79 | 64 |
| Other | 2,351 | 4,205 |
| Total | 3,672 | 5,087 |
| | 2013 | 2012 |
| Net other operating expenses | | |
| Provision for impairment on investments in subsidiaries | 52,550 | 35,584 |
| Financial support for sport association and organization of public utility | 10,743 | 7,055 |
| Fine imposed by Competition Authority (see Note 27) | 3,922 | – |
| Provision for off-balance sheet commitments and contingent liabilities | 3,021 | 495 |
| Expenses from promissory obligation to OTP Financing Solutions B.V. | 2,249 | – |
| Provision for impairment on other assets | 281 | 483 |
| Other | 5,897 | 3,149 |
| Total | 78,663 | 46,766 |

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

NOTE 25: INCOME TAX (in HUF mn)

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

A breakdown of the income tax expense is:

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

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

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

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

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

*Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by OTP Bank Plc. The total tax amount for the year 2013 and 2012 was HUF 24 billion and HUF 25 billion recognized as an expense thus decreased the corporate tax base. Based on the 2012 approved regulation financial institutions' obligation to pay this special tax was finalized. In 2013 financial transaction duty was paid by the Bank in the amount of HUF 32 billion. As one-off contribution of financial transaction duty HUF 16 billion was paid for the year 2013.

A reconciliation of the income tax expense is as follows:

| | 2013 | 2012 |
|----------------------------------------|--------|--------|
| Profit before income tax | 54,333 | 33,023 |
| Income tax at statutory tax rate (19%) | 10,323 | 6,274 |

Income tax adjustments due to permanent differences are as follows:

| | 2013 | 2012 |
|-------------------------------------------------------------------------------|--------------|----------------|
| Amount removed from statutory general provision to retained earnings | 5,533 | – |
| Differences in carrying value of subsidiaries | 3,267 | 2,110 |
| Revaluation of investments denominated in foreign currency to historical cost | 3,215 | (4,316) |
| Reversal of statutory general provision | 1,198 | 1,104 |
| Share-based payment | 1,084 | 871 |
| Treasury share transaction | 113 | (36) |
| Accounting of equity instrument (ICES) | 49 | 370 |
| Reclassification of direct charges to reserves (self-revision) | – | (96) |
| OTP–MOL share swap transaction | (186) | 871 |
| Deferred use of tax allowance* | (459) | (5,945) |
| Tax accrual caused by negative taxable income | (472) | – |
| Amounts unenforceable by tax law | (766) | – |
| Dividend income | (8,984) | (8,189) |
| Use of tax allowance in the current year | (9,523) | – |
| Other | 2,050 | 1,603 |
| Income tax | 6,442 | (5,379) |
| Effective tax rate | 11.9% | (16.3%) |

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

NOTE 26:

FINANCIAL RISK MANAGEMENT (in HUF mn)

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

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

26.1 Credit risk

The Bank takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan

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

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

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

26.1.1 Analysis by loan types

Classification into risk classes

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

Exposures with small amounts are subject to **collective valuation** method, which is a simplified assessment. The exposures subject to collective valuation method are classified – instead of the previously used risk classes – into five valuation groups which have been formed based on past due days from which there classes were presented (A: 0–90 days past due – DPD, B: 91–360 DPD, C: over 360 days past due). The three new groups do not match one by one to the earlier used risk classes, the composition of the classes has changed due to the different criteria.

The Bank intends – where enough large number of items and enough long experiences are available – applying models on statistical bases. The impairment is calculated according to the possibility of listing the loan into default categories examined on the base of objective valuation criteria (delay of payment, change of exchange) and the expected recovery from the collecting. If the loss of the exposure can't be modelled reliably, the impairment is determined by expert keys.

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

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

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

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

As at 31 December 2013:

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

As at 31 December 2012:

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

The Bank's gross loan portfolio decreased by 7.71% in the year period ended 31 December 2013. Analysing the contribution of loan types to the loan portfolio, the share of placements with other banks business line decreased by 4.95%, mortgage and housing loans and municipal loans decreased slightly while the share of other business lines climbed mildly. The ratio

of the DPD090- loans compared to the gross loan portfolio increased slightly from 96.25% to 96.74% as at 31 December 2013. The ratio of DPD90+ loans in gross loan portfolio is 3.53%. The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on DPD90+ loans was 65.32% in the year ended 31 December 2013.

Not impaired loan portfolio

An analysis of the credit classification of the gross value of the loans that are not impaired, not past due and past due is as follows:

As at 31 December 2013:

| Loan type | Not past due | DPD 0–90 | DPD 91–360 | DPD 360+ | Total |
|--------------------------------------|------------------|---------------|--------------|--------------|------------------|
| Placements with other banks | 630,731 | – | – | – | 630,731 |
| Consumer loans | 220,113 | 49,210 | 60 | 11 | 269,394 |
| Mortgage and housing loans | 62,298 | 10,028 | 2,097 | 3,783 | 78,206 |
| SME loans | 98,439 | 847 | 21 | – | 99,307 |
| Loans to medium and large corporates | 1,202,456 | 627 | 5 | 100 | 1,203,188 |
| Municipal loans | 164,611 | – | 14 | 33 | 164,658 |
| Total | 2,378,648 | 60,712 | 2,197 | 3,927 | 2,445,484 |

As at 31 December 2012:

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

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio increased from 73.58% to 81.58% as at 31 December 2013 compared to 31 December 2012. The loans that are not past due nor impaired are concentrated in the corporate business line. The ratio of the gross value of the loans past due not impaired compared to the whole portfolio decreased to from 3.83% to 2.29%.

The loans that are past due but not impaired are concentrated in the retail business line. During collective valuation method the Bank recognizes provision for impairment on loans over a 30 day delay. Those loans which are guaranteed by state and are past due 30 days not impaired due to the state guarantee. The level of corporate loans past due but not impaired is possible because of endorsing collaterals considering during

the individual evaluation. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Bank. Among the past due loans, the share of consumer and mortgage loans increased at the greatest level – from 55.95% to 97.54% – as at 31 December 2013, while the share of corporate loans past due decreased from 24.87% to 1.10% compared to 31 December 2012.

Loans individually assessed for provision

The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

As at 31 December 2013:

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

As at 31 December 2012:

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

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

Refinancing of retail loans at the subsidiaries:

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

Transactions with high level of risk:

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

Business lines risks:

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

Loan portfolio by countries

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

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

The non-performing loans connected to the OTP Financing Solutions B.V. (The Netherlands) are related to the refinancing of retail loans at the subsidiaries, the actual exposure of non-

performing loans is HUF 15.2 billion as at 31 December 2013, from that HUF 4 billion is related to non-performing corporate loans and HUF 11.2 billion to retail ones.

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

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

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

* Czech Republik, Denmark, Sweden, Turkey and other.

26.1.3 Collaterals

The collateral value held by the Bank by collateral types is as follows

(total collateral value). The collaterals cover loans as well as off-balance sheet exposures.

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

The collateral value held by the Bank by collateral types is as follows **(to the extent of**

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

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

The coverage level of loan portfolio to the extent of the exposures increased from 15.13% to 15.75% as at

31 December 2013, as well as coverage to the total collateral value climbed from 33.04% to 33.07%.

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

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

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

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

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

26.1.4 Restructured loans

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

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

Restructured portfolio definition

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

Loan is considered as relevant restructured if:

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

Hungarian FX mortgage loans in the fixed exchange rate scheme are not included.

In case of loans that have been restructured more than once the last restructuring is considered.

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

- independently from the date of the restructuring the following restructuring tool was applied:

- cancellation of principal outstanding (cancelled or partially cancelled principal receivables);

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

Other modifications of contract not mentioned above are not considered as restructuring (i.e. modifying the collateral structure, modification of the credit purpose).

In case of loans that have been restructured more than once the last restructuring is considered.

* incl.: project and syndicated loans.

Financial instruments by rating categories*

Held-for-trading securities as at 31 December 2013:

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

Available-for-sale securities as at 31 December 2013:

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

Held-to-maturity securities as at 31 December 2013:

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

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

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

* Moody's ratings.

** Corporate shares listed on Budapest Stock Exchange.

*** The whole portfolio was issued by OTP Mortgage Bank Ltd.

26.2 Market risk

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

26.2.1 Market risk sensitivity analysis

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

period for a specified confidence level.

The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are applied to calculate daily risk numbers include the historical and variance-covariance approaches.

In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

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

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

While VaR captures the Bank's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of

sensitivity analysis complements VaR and helps the Bank to assess its market risk exposures.

Details of sensitivity analysis for foreign currency risk are set out in Note 26.2.2 below and, for interest rate risk, in Note 26.2.3 below.

26.2.2 Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to an increase and decrease in the HUF exchange rate against EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions

related to foreign activities. The strategic open position related to the foreign operations was short, amounted to EUR 310 million as of 31 December 2013. High portion of strategic positions is considered as effective hedge of the net investment in foreign subsidiaries, and so FX risk affects the Bank's other comprehensive income and not its income. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

| Probability | Effects to the P&L in 3 months period in HUF billion | |
|-------------|------------------------------------------------------|--------|
| | 2013 | 2012 |
| 1% | (12.7) | (12.7) |
| 5% | (8.7) | (8.8) |
| 25% | (3.6) | (3.6) |
| 50% | (0.3) | (0.3) |
| 25% | 2.8 | 2.8 |
| 5% | 7.0 | 7.2 |
| 1% | 9.9 | 10.2 |

Notes:

- (1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
- (2) The HUF/EUR volatility decreased slightly in 2013, but the asymmetric shape of the FX rate change distribution remained, so potential losses on weakening are higher than potential gains.
- (3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2013.

26.2.3 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative

instruments at the balance sheet date.

The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date were outstanding for the whole year. The analysis were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

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

The simulation was prepared by assuming two scenarios:

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

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

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

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

26.2.4 Equity price sensitivity analysis

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

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

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

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

26.2.5 Capital management

Capital management

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

The capital management of the Bank includes the management and evaluation of the shareholders' equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.

The basis of the capital management of the Bank in the short run is the continuous monitoring of its capital position, in the long run the strategic and the business planning, which

includes the monitoring and forecast of the capital position of the Bank.

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

Capital adequacy

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

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

The capital adequacy calculations of the Bank for the year ended 31 December 2013 are prepared based on the data of the audited financial statements prepared in accordance with HAS. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA) is applied since 31 December 2012.

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

The calculation of the Capital Adequacy ratio as at 31 December 2013 and 2012 is as follows:

| | 2013 | 2012 |
|---------------------------------------------|----------------|----------------|
| Core capital | 994,715 | 938,969 |
| Supplementary capital | 215,902 | 276,700 |
| Deductions | (460,870) | (466,563) |
| Deductions due to PIBB* investments | (413,220) | (425,016) |
| Deductions due to limit breaches | (47,650) | (41,547) |
| Regulatory capital | 749,747 | 749,106 |
| Credit risk capital requirement | 201,729 | 228,434 |
| Market risk capital requirement | 32,942 | 37,483 |
| Operational risk capital requirement | 25,972 | 27,134 |
| Total requirement regulatory capital | 260,643 | 293,051 |
| Surplus capital | 489,104 | 456,055 |
| Tier1 ratio | 23.01% | 19.30% |
| Capital adequacy ratio | 23% | 20.5% |

The positive components of the Core capital are: Issued capital, Capital reserve, Tied-up reserve, General reserve, Profit reserve, Profit for the year, General risk reserve.

The negative components of the Core capital

are: Treasury shares, Intangible assets.

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

Deductions: PIBB investments, limit breaches.

* PIBB: Financial Institutions, Investing Enterprises, Insurance Companies.

NOTE 27:

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

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the statement of financial position and are referred

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

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

Legal disputes

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

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

On 28 October 2011 the Bank initiated liquidation process against a company in Montenegro. The court of first instance made order for winding-up the company, as follows the Bank as a creditor handed in its claim. The liquidation is done and ordered in 2012. The official receiver however handed in a petition against the Bank, claiming that the demand of the Bank had been revoked, consequently the Bank missed to properly justify its claim, thereby the receiver disputes that the Bank had adequate ground for handing in the petition, as follows sued the Bank.

As at 31 December 2013 EUR 161,545,629 had been accounted as amount in dispute among the contingent liability at the amount of HUF 47,965 million as at 31 December 2013. On 24 September 2013 the Bank sent in an answer to the request, in which it disputed the jurisdiction of the court, the ground of the claim and the amount, as the petition is fully unfounded.

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

Commitments to extend credit, guarantees and letter of credit

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

its obligations to third parties, carry the same credit risk as loans.

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

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

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

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Bank to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount and until a determined date, in case of fulfilling conditions, without checking the undermined transactions. The guarantee's liability is joint and primary with the principal, in case of payment undertaking, while the Bank assumes the obligation derived from guarantee independently by the conditions established by the Bank. A guarantee is most typically

required when the ability of the primary obligor or principal to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency. A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal.

If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Contingent liabilities related to OTP Mortgage Bank Ltd.

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

Derivatives

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

volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except for trading with clients, where the Bank in most of the cases requires margin deposits.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts are often used to express the volume of these transactions but are

not actually exchanged between the counter-parties. The Bank's interest rate swap contracts can be hedging or held for trading contracts.

Cross-currency interest rate swaps

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

Equity and commodity swaps

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

Forward rate agreements (FRA)

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate.

Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.

The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that

establish specific limits for individual counterparties. The Bank's forward rate agreements were transacted for management of interest rate exposures.

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the

right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date.

The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another.

These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

NOTE 28:

SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT

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

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

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

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

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

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

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies. In case of the jubilee benefits both standards contain regulations.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment

benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

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

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

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

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

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

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

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

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

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

In connection with shares as a part of the Bank Group Policy on Payments modified by 7/2013

resolution of Annual General Meeting and the share-based compensation for Board of Directors detailed in 8/2013 resolution of Annual General Meeting and connecting compensation based on performance assessment accounted as equity-settled share based transactions, HUF 5,704 million was recognized as expense as at 31 December 2013.

NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn)

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

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

a) Loans provided to related parties

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

b) Deposits from related parties

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

c) Interests received by the Bank*

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

* Derivatives and interest on securities are not included.

d) Interests paid by the Bank*

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

e) Commissions received by the Bank

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

f) Commissions paid by the Bank

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

g) Transactions related to OTP Mortgage Bank Ltd.

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

h) Transactions related to OTP Factoring Ltd.

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

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

* Derivatives and interest on securities are not included.

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

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

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

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

k) Related party transactions with key management

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

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

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

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned credit line "A" in the amount of HUF 133.3 and 131.8 million as at 31 December 2013 and 2012.

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

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

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

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

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

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

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

In the normal course of business, OTP Bank enters into other transactions with its subsidiaries, the amounts

and volumes of which are not significant to these financial statements taken as a whole.

NOTE 30:

TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds.

As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying separate statement of financial position.

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

NOTE 31:

CONCENTRATION OF ASSETS AND LIABILITIES

| In the percentage of the total assets | 2013 | 2012 |
|-------------------------------------------------------------------------------|-------------|-------------|
| Receivables from, or securities issued by the Hungarian Government or the NBH | 30% | 21% |
| Securities issued by the OTP Mortgage Bank Ltd. | 11.68% | 14.43% |

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

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

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

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

NOTE 32:

MATURITY ANALYSIS LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

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

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

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

The recalculation of shocks is made at least quarterly while the recalibration of shock measurement models and review of the risk management methodology is an annual

process. The monitoring of liquidity reserves for both centralized and decentralized liquid asset portfolio has been built in the daily reporting process.

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

The following tables provide an analysis of liabilities about the non-discounted cash-flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

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

As at 31 December 2013:

| | Within 3 months | Within one year and over 3 months | Within 5 years and over one year | Over 5 years | Without maturity | Total |
|-----------------------------------------------------------------------------------------------------------|--------------------|-----------------------------------------|----------------------------------------|-----------------|---------------------|------------------|
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | 674,084 | 42,185 | 146,937 | 48,804 | – | 912,010 |
| Deposits from customers | 3,427,471 | 224,959 | 21,461 | 10,870 | – | 3,684,761 |
| Liabilities from issued securities | 20,423 | 48,476 | 79,890 | 26,357 | – | 175,146 |
| Other liabilities* | 234,546 | 145 | – | – | – | 234,691 |
| Subordinated bonds and loans | 3,424 | – | 187,091 | – | 104,842** | 295,357 |
| TOTAL LIABILITIES | 4,359,948 | 315,765 | 435,379 | 86,031 | 104,842 | 5,301,965 |
| Receivables from derivative financial instruments classified as held for trading | 1,106,691 | 418,829 | 1,078,210 | 14,337 | – | 2,618,067 |
| Liabilities from derivative financial instruments classified as held for trading | (1,148,354) | (452,579) | (1,200,157) | (31,459) | – | (2,832,549) |
| Net notional value of financial instruments classified as held for trading | (41,663) | (33,750) | (121,947) | (17,122) | – | (214,482) |
| Receivables from derivative financial instruments designated as fair value hedge | 1 | 19 | 2,680 | 3,942 | – | 6,642 |
| Liabilities from derivative financial instruments designated as fair value hedge | (1) | (24) | (3,355) | (2,579) | – | (5,959) |
| Net notional value of financial instruments designated as fair value hedge | – | (5) | (675) | 1,363 | – | 683 |
| Net notional value of derivative financial instruments total | (41,663) | (33,755) | (122,622) | (15,759) | – | (213,799) |
| Commitments to extend credit | 72,976 | 410,673 | 115,809 | 50,842 | – | 650,300 |
| Bank guarantees | 26,657 | 56,408 | 134,827 | 202,274 | – | 420,166 |
| Off-balance sheet commitments | 99,633 | 467,081 | 250,636 | 253,116 | – | 1,070,466 |

As at 31 December 2012:

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

* Derivative financial instruments designated as fair value hedge are not included.

** See Note 18.

NOTE 33:**NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)**

| As at 31 December 2013 | USD | EUR | CHF | Others | Total |
|-----------------------------------------------|---------------|------------------|------------|---------------|------------------|
| Assets* | 293,385 | 1,219,825 | 527,580 | 76,540 | 2,117,330 |
| Liabilities | (279,143) | (1,043,770) | (117,690) | (36,259) | (1,476,862) |
| Off-balance sheet assets and liabilities, net | 49,057 | (391,718) | (409,898) | (38,855) | (791,414) |
| Net position | 63,299 | (215,663) | (8) | 1,426 | (150,946) |

| As at 31 December 2012 | USD | EUR | CHF | Others | Total |
|-----------------------------------------------|---------------|------------------|----------------|---------------|-----------------|
| Assets* | 365,750 | 1,315,222 | 653,627 | 148,044 | 2,482,643 |
| Liabilities | (256,441) | (1,253,275) | (129,033) | (28,804) | (1,667,553) |
| Off-balance sheet assets and liabilities, net | (39,502) | (198,174) | (533,891) | (106,181) | (877,748) |
| Net position | 69,807 | (136,227) | (9,297) | 13,059 | (62,658) |

The table above provides an analysis of the Bank's main foreign currency exposures. The remaining foreign currencies are shown within 'Others'. Whilst the Bank monitors its foreign exchange position for compliance with the regulatory requirements of the

NBH and own limit system established in respect of limits on open positions. The measurement of the Bank's open foreign currency position involves monitoring the VaR limit on the foreign exchange exposure of the Bank.

NOTE 34:**INTEREST RATE RISK MANAGEMENT (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 Bank's interest bearing assets and liabilities are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Bank to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing dates of the Bank. Variable yield assets and liabilities have been reported in accordance with their next repricing date. Fixed income assets and liabilities have been reported in accordance with their maturity.

* The assets category contains foreign currency investments in subsidiaries that are measured at cost, and are deducted from the net position calculation.

As at 31 December 2013:

| | within 1 month | | within 3 months over 1 month | | within 1 year over 3 months | | within 2 years over 1 year | | over 2 years | | Non-interest-bearing | | Total | | Total |
|------------------------------------------------------------------------------------|----------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|--------------|------------------|----------------------|------------------|-----------|------------------|-----------|
| | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | |
| ASSETS | | | | | | | | | | | | | | | |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 48,235 | 19,529 | - | - | - | - | - | - | - | - | 67,534 | 5,223 | 115,769 | 24,752 | 140,521 |
| fixed interest | 48,235 | 19,529 | - | - | - | - | - | - | - | - | - | - | 48,235 | 19,529 | 67,764 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 67,534 | 5,223 | 67,534 | 5,223 | 72,757 |
| Placements with other banks | 222,029 | 182,597 | 6,910 | 150,096 | 680 | 32,646 | 35,000 | 773 | - | - | 1,532 | 636 | 266,151 | 366,748 | 632,899 |
| fixed interest | 36,049 | 182,597 | 1,910 | 1,960 | 680 | 32,646 | 35,000 | 773 | - | - | - | - | 73,639 | 217,976 | 291,615 |
| variable interest | 185,980 | - | 5,000 | 148,136 | - | - | - | - | - | - | - | - | 190,980 | 148,136 | 339,116 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 1,532 | 636 | 1,532 | 636 | 2,168 |
| Securities held for trading | 211,318 | 81 | 2,344 | - | 4,658 | 436 | 638 | 34 | 3,607 | 345 | 73,215 | 172 | 295,780 | 1,068 | 296,848 |
| fixed interest | 211,318 | 81 | 2,344 | - | 4,513 | 225 | 638 | 34 | 3,607 | 345 | - | - | 222,420 | 685 | 223,105 |
| variable interest | - | - | - | - | 145 | 211 | - | - | - | - | - | - | 145 | 211 | 356 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 73,215 | 172 | 73,215 | 172 | 73,387 |
| Securities available-for-sale | 1,021,825 | 150,238 | - | 217,824 | - | 21,994 | 80,925 | 30,711 | 382,525 | 32,802 | 48,852 | 9,795 | 1,534,127 | 463,364 | 1,997,491 |
| fixed interest | 1,021,825 | 9,397 | - | - | - | 21,994 | 80,925 | 30,711 | 382,525 | 32,802 | - | - | 1,485,275 | 94,904 | 1,580,179 |
| variable interest | - | 140,841 | - | 217,824 | - | - | - | - | - | - | - | - | - | 358,665 | 358,665 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 48,852 | 9,795 | 48,852 | 9,795 | 58,647 |
| Loans, net of allowance for loan losses | 670,550 | 423,095 | 169,397 | 671,680 | 13,680 | 103,065 | 8,303 | 30,396 | 32,702 | 11,491 | 4,879 | 5,463 | 899,511 | 1,245,190 | 2,144,701 |
| fixed interest | 430 | 69 | 1,268 | 14,943 | 6,907 | 11,196 | 8,303 | 30,396 | 32,702 | 8,748 | - | - | 49,610 | 65,352 | 114,962 |
| variable interest | 670,120 | 423,026 | 168,129 | 656,737 | 6,773 | 91,869 | - | - | - | 2,743 | - | - | 845,022 | 1,174,375 | 2,019,397 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 4,879 | 5,463 | 4,879 | 5,463 | 10,342 |
| Securities held-to-maturity | - | - | 10,014 | - | 5,368 | - | 57,681 | - | 438,856 | - | 13,130 | - | 525,049 | - | 525,049 |
| fixed interest | - | - | - | - | 341 | - | 57,681 | - | 438,856 | - | - | - | 496,878 | - | 496,878 |
| variable interest | - | - | 10,014 | - | 5,027 | - | - | - | - | - | - | - | 15,041 | - | 15,041 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 13,130 | - | 13,130 | - | 13,130 |
| Derivative financial instruments | 612,614 | 1,368,827 | 600,760 | 1,124,073 | 74,466 | 105,302 | 12,228 | 28,316 | 30,284 | 22,587 | - | 660 | 1,330,352 | 2,649,765 | 3,980,117 |
| fixed interest | 259,204 | 791,521 | 30,759 | 190,769 | 50,842 | 102,317 | 12,149 | 28,316 | 30,284 | 22,587 | - | - | 383,238 | 1,135,510 | 1,518,748 |
| variable interest | 353,410 | 577,306 | 570,001 | 933,304 | 23,624 | 2,985 | 79 | - | - | - | - | - | 947,114 | 1,513,595 | 2,460,709 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | - | 660 | - | 660 | 660 |

As at 31 December 2013:

| | within 1 month | | within 3 months over 1 month | | within 1 year over 3 months | | within 2 years over 1 year | | over 2 years | | Non-interest-bearing | | Total | | Total |
|------------------------------------------------------------------------------------------------------------------|----------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|--------------|------------------|----------------------|------------------|-----------|------------------|-----------|
| | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | |
| LIABILITIES | | | | | | | | | | | | | | | |
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | 376,793 | 308,524 | 10,417 | 59,271 | 69,975 | 3,028 | 798 | 5,669 | 61,496 | 5,410 | 618 | 745 | 520,097 | 382,647 | 902,744 |
| fixed interest | 365,718 | 260,785 | 6,658 | 23,225 | 1,041 | 2,969 | 798 | 5,669 | 61,496 | 5,410 | - | - | 435,711 | 298,058 | 733,769 |
| variable interest | 11,075 | 47,739 | 3,759 | 36,046 | 68,934 | 59 | - | - | - | - | - | - | 83,768 | 83,844 | 167,612 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 618 | 745 | 618 | 745 | 1,363 |
| Deposits from customers | 1,499,986 | 293,191 | 463,072 | 180,222 | 156,755 | 53,170 | 4,284 | - | 886,786 | 133,583 | 5,406 | 995 | 3,016,289 | 661,161 | 3,677,450 |
| fixed interest | 1,129,330 | 288,725 | 440,204 | 180,222 | 156,755 | 53,170 | 4,284 | - | 2,667 | - | - | - | 1,733,240 | 522,117 | 2,255,357 |
| variable interest | 370,656 | 4,466 | 22,868 | - | - | - | - | - | 884,119 | 133,583 | - | - | 1,277,643 | 138,049 | 1,415,692 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 5,406 | 995 | 5,406 | 995 | 6,401 |
| Liabilities from issued securities | 6,674 | 1,872 | 4,245 | 4,407 | 20,739 | 26,663 | 18,079 | 7,046 | 79,298 | 1,246 | 495 | 15 | 129,530 | 41,249 | 170,779 |
| fixed interest | 6,436 | 1,872 | 4,245 | 4,407 | 20,739 | 26,663 | 18,079 | 7,046 | 79,298 | 1,246 | - | - | 128,797 | 41,234 | 170,031 |
| variable interest | 238 | - | - | - | - | - | - | - | - | - | - | - | 238 | - | 238 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 495 | 15 | 495 | 15 | 510 |
| Derivative financial instruments | 423,640 | 1,575,964 | 64,868 | 1,635,778 | 44,510 | 132,077 | 126,788 | 28,595 | 22,221 | 22,757 | - | 624 | 682,027 | 3,395,795 | 4,077,822 |
| fixed interest | 423,111 | 629,717 | 63,836 | 155,154 | 40,519 | 109,502 | 126,788 | 28,595 | 22,221 | 22,757 | - | - | 676,475 | 945,725 | 1,622,200 |
| variable interest | 529 | 946,247 | 1,032 | 1,480,624 | 3,991 | 22,575 | - | - | - | - | - | - | 5,552 | 2,449,446 | 2,454,998 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | - | 624 | - | 624 | 624 |
| Subordinated bonds and loans | - | - | - | 27,746 | - | - | - | - | - | 247,071 | - | 3,424 | - | 278,241 | 278,241 |
| fixed interest | - | - | - | - | - | - | - | - | - | 247,071 | - | - | - | 247,071 | 247,071 |
| variable interest | - | - | - | 27,746 | - | - | - | - | - | - | - | - | - | 27,746 | 27,746 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 3,424 | - | 3,424 | 3,424 | |
| NET POSITION | 479,478 | (35,184) | 246,823 | 256,249 | (193,127) | 48,505 | 44,826 | 48,920 | (161,827) | (342,842) | 202,623 | 16,146 | 618,796 | (8,206) | 610,590 |

As at 31 December 2012:

| | within 1 month | | within 3 months over 1 month | | within 1 year over 3 months | | within 2 years over 1 year | | over 2 years | | Non-interest-bearing | | Total | | Total |
|-----------------------------------------------------------------------------|----------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|----------------|------------------|----------------------|------------------|------------------|------------------|------------------|
| | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | |
| ASSETS | | | | | | | | | | | | | | | |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 128,210 | 45,131 | - | - | - | - | - | - | - | - | 59,163 | 13,044 | 187,373 | 58,175 | 245,548 |
| fixed interest | 128,210 | 45,131 | - | - | - | - | - | - | - | - | - | - | 128,210 | 45,131 | 173,341 |
| variable interest | - | - | - | - | - | - | - | - | - | - | 59,163 | 13,044 | 59,163 | 13,044 | 72,207 |
| Placements with other banks | 180,452 | 296,100 | - | 161,515 | - | 12,384 | - | 10,315 | - | 2,870 | 559 | 1,222 | 181,011 | 484,406 | 665,417 |
| fixed interest | 77,494 | 178,436 | - | 4,028 | - | 12,384 | - | 10,315 | - | 2,870 | - | - | 77,494 | 208,033 | 285,527 |
| variable interest | 102,958 | 117,664 | - | 157,487 | - | - | - | - | - | - | - | - | 102,958 | 275,151 | 378,109 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 559 | 1,222 | 559 | 1,222 | 1,781 |
| Securities held for trading | 1,635 | - | 1,731 | 10 | 2,839 | 52 | 536 | 43 | 452 | 34 | 90,493 | 110 | 97,686 | 249 | 97,935 |
| fixed interest | 1,635 | - | 1,731 | 10 | 2,838 | 51 | 536 | 43 | 452 | 34 | - | - | 7,192 | 138 | 7,330 |
| variable interest | - | - | - | - | 1 | 1 | - | - | - | - | - | - | 1 | 1 | 2 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 90,493 | 110 | 90,493 | 110 | 90,603 |
| Securities available-for-sale | 742,989 | - | 8,016 | 427,295 | 88,674 | - | - | 9,690 | 568,407 | 32,547 | 67,239 | 9,014 | 1,475,325 | 478,546 | 1,953,871 |
| fixed interest | 742,989 | - | 8,016 | - | 88,674 | - | - | 9,690 | 568,407 | 32,547 | - | - | 1,408,086 | 42,237 | 1,450,323 |
| variable interest | - | - | - | 427,295 | - | - | - | - | - | - | - | - | - | 427,295 | 427,295 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 67,239 | 9,014 | 67,239 | 9,014 | 76,253 |
| Loans, net of allowance for loan losses | 728,123 | 568,419 | 162,453 | 680,831 | 8,043 | 77,166 | 1,875 | 92,096 | 11,480 | 11,734 | 5,651 | 8,420 | 917,625 | 1,438,666 | 2,356,291 |
| fixed interest | 9,534 | 327 | 47 | 1,720 | 1,432 | 2,723 | 1,875 | 92,096 | 11,480 | 11,734 | - | - | 24,368 | 108,600 | 132,968 |
| variable interest | 718,589 | 568,092 | 162,406 | 679,111 | 6,611 | 74,443 | - | - | - | - | - | - | 887,606 | 1,321,646 | 2,209,252 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 5,651 | 8,420 | 5,651 | 8,420 | 14,071 |
| Securities held-to-maturity | 13,350 | - | 9,161 | - | 54,888 | - | - | - | 283,322 | - | 11,271 | - | 371,992 | - | 371,992 |
| fixed interest | - | - | 1,950 | - | 44,764 | - | - | - | 283,322 | - | - | - | 330,036 | - | 330,036 |
| variable interest | 13,350 | - | 7,211 | - | 10,124 | - | - | - | - | - | - | - | 30,685 | - | 30,685 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 11,271 | - | 11,271 | - | 11,271 |
| Derivative financial instruments | 919,552 | 1,065,690 | 768,810 | 1,417,272 | 31,161 | 159,798 | 27,230 | 8,192 | 29,813 | 33,488 | 80 | 1,677 | 1,776,646 | 2,686,117 | 4,462,763 |
| fixed interest | 390,418 | 357,346 | 72,075 | 175,699 | 31,133 | 151,736 | 27,230 | 8,192 | 29,813 | 33,488 | - | - | 550,669 | 726,461 | 1,277,130 |
| variable interest | 529,134 | 708,344 | 696,735 | 1,241,573 | 28 | 8,062 | - | - | - | - | - | - | 1,225,897 | 1,957,979 | 3,183,876 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 80 | 1,677 | 80 | 1,677 | 1,757 |

As at 31 December 2012:

| | within 1 month | | within 3 months over 1 month | | within 1 year over 3 months | | within 2 years over 1 year | | over 2 years | | Non-interest-bearing | | Total | | Total |
|-----------------------------------------------------------------------------------------------------------|------------------|------------------|------------------------------|------------------|-----------------------------|------------------|----------------------------|------------------|----------------|------------------|----------------------|------------------|------------------|------------------|------------------|
| | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | HUF | foreign currency | |
| LIABILITIES | | | | | | | | | | | | | | | |
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | 80,255 | 329,693 | 10,604 | 187,321 | 118,626 | 19,331 | 23 | 211 | 397 | 77,825 | 727 | 1,955 | 210,632 | 616,336 | 826,968 |
| fixed interest | 79,619 | 281,656 | 2,730 | 48 | 542 | 18,642 | 23 | 211 | 397 | 77,825 | - | - | 83,311 | 378,382 | 461,693 |
| variable interest | 636 | 48,037 | 7,874 | 187,273 | 118,084 | 689 | - | - | - | - | - | - | 126,594 | 235,999 | 362,593 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 727 | 1,955 | 727 | 1,955 | 2,682 |
| Deposits from customers | 1,458,124 | 239,026 | 626,381 | 241,869 | 123,769 | 52,031 | 4,968 | 84 | 624,625 | 119,413 | 9,697 | 803 | 2,847,564 | 653,226 | 3,500,790 |
| fixed interest | 1,062,703 | 231,825 | 609,344 | 241,869 | 123,769 | 52,031 | 4,968 | 84 | 5,351 | - | - | - | 1,806,135 | 525,809 | 2,331,944 |
| variable interest | 395,421 | 7,201 | 17,037 | - | - | - | - | - | 619,274 | 119,413 | - | - | 1,031,732 | 126,614 | 1,158,346 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 9,697 | 803 | 9,697 | 803 | 10,500 |
| Liabilities from issued securities | 30,406 | 3,924 | 51,849 | 4,107 | 71,226 | 30,928 | 17,466 | 1,775 | 112,768 | 1,930 | 9,120 | 464 | 292,835 | 43,128 | 335,963 |
| fixed interest | 30,169 | 3,924 | 50,595 | 4,107 | 71,226 | 30,928 | 17,466 | 1,775 | 112,768 | 1,930 | - | - | 282,224 | 42,664 | 324,888 |
| variable interest | 237 | - | 1,254 | - | - | - | - | - | - | - | - | - | 1,491 | - | 1,491 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 9,120 | 464 | 9,120 | 464 | 9,584 |
| Derivative financial instruments | 103,114 | 1,925,289 | 43,868 | 2,107,516 | 33,570 | 152,279 | 14,961 | 18,691 | 140,113 | 34,688 | 1,679 | 1,408 | 337,305 | 4,239,871 | 4,577,176 |
| fixed interest | 102,630 | 640,256 | 42,109 | 202,255 | 33,565 | 144,158 | 14,961 | 18,470 | 140,113 | 34,688 | - | - | 333,378 | 1,039,827 | 1,373,205 |
| variable interest | 484 | 1,285,033 | 1,759 | 1,905,261 | 5 | 8,121 | - | 221 | - | - | - | - | 2,248 | 3,198,636 | 3,200,884 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | 1,679 | 1,408 | 1,679 | 1,408 | 3,087 |
| Subordinated bonds and loans | - | - | 5,000 | 26,001 | - | - | - | - | - | 269,336 | - | 3,413 | 5,000 | 298,750 | 303,750 |
| fixed interest | - | - | - | - | - | - | - | - | - | 269,336 | - | - | - | 269,336 | 269,336 |
| variable interest | - | - | 5,000 | 26,001 | - | - | - | - | - | - | - | - | 5,000 | 26,001 | 31,001 |
| non-interest-bearing | - | - | - | - | - | - | - | - | - | - | - | 3,413 | - | 3,413 | 3,413 |
| NET POSITION | 1,042,412 | (522,592) | 212,469 | 120,109 | (161,586) | (5,169) | (7,777) | 99,575 | 15,571 | (422,519) | 213,233 | 25,444 | 1,314,322 | (705,152) | 609,170 |

NOTE 35:**EARNINGS PER SHARE**

Earnings per share attributable to the Bank's ordinary shares are determined by dividing Net profit for the year attributable to ordinary shareholders, after the deduction of declared

preference dividends, by the weighted average number of ordinary shares outstanding during the year. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares.

| | 2013 | 2012 |
|-------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Net profit for the year attributable to ordinary shareholders (in HUF mn) | 47,891 | 38,402 |
| Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share) | 278,235,026 | 277,560,437 |
| Basic Earnings per share (in HUF) | 172 | 138 |
| Separate net profit for the year attributable to ordinary shareholders (in HUF mn) | 47,891 | 38,402 |
| Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share) | 278,468,896 | 277,629,003 |
| Diluted Earnings per share (in HUF) | 172 | 138 |

| | 2013 | 2012 |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Weighted average number of ordinary shares | 280,000,010 | 280,000,010 |
| Average number of Treasury shares | (1,764,984) | (2,439,573) |
| Weighted average number of ordinary shares outstanding during the year for calculating basic EPS | 278,235,026 | 277,560,437 |
| Dilutive effect of options issued in accordance with the Remuneration Policy/Management Option Program and convertible into ordinary shares* | 233,870 | 68,566 |
| The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS | 278,468,896 | 277,629,003 |

The ICES bonds could potentially dilute basic EPS in the future, but were not included in the

calculation of diluted EPS because they are antidilutive for the period presented.

NOTE 36:**NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS
(in HUF mn)**

As at 31 December 2013:

| | Net interest income and expense | Net non-interest gain and loss | Provision for impairment | Other comprehensive income |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------------|-------------------------------------|-------------------------------------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary | 3,720 | - | - | - |
| Placements with other banks, net of allowance for placement losses | 20,583 | - | (22) | - |
| Securities held for trading | - | 313 | - | - |
| Securities available-for-sale | 102,376 | 9,769 | - | 38,199 |
| Loans, net of allowance for loan losses | 181,341 | 10,258 | (1,533) | - |
| Securities held-to-maturity | 30,027 | (87) | - | - |
| Derivative financial instruments | 4,664 | (1,099) | - | - |
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | (17,388) | - | - | - |
| Deposits from customers | (87,342) | 101,329 | - | - |
| Liabilities from issued securities | (15,241) | - | - | - |
| Subordinated bonds and loans | (16,922) | - | - | - |
| Total | 205,818 | 120,483 | (1,555) | 38,199 |

* In 2013 dilutive effect is in connection with the Remuneration Policy.

As at 31 December 2012:

| | Net interest income and expense | Net non-interest gain and loss | Provision for impairment | Other comprehensive income |
|-----------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|-----------------------------|----------------------------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary | 6,523 | – | – | – |
| Placements with other banks, net of allowance for placement losses | 26,059 | – | 138 | – |
| Securities held for trading | 1,443 | (3,546) | – | – |
| Securities available-for-sale | 117,914 | (2,996) | – | 37,439 |
| Loans, net of allowance for loan losses | 208,336 | 9,136 | 6,973 | – |
| Securities held-to-maturity | 19,625 | (87) | – | – |
| Derivative financial instruments | 17,228 | (614) | – | – |
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | (29,276) | – | – | – |
| Deposits from customers | (131,483) | 69,081 | – | – |
| Liabilities from issued securities | (27,330) | – | – | – |
| Subordinated bonds and loans | (16,872) | – | – | – |
| Total | 192,167 | 70,974 | 7,111 | 37,439 |

NOTE 37:

FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 37. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortised cost, the Bank used the discounted cash-flow analysis (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Bank of Hungary represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash-flows are considered for the performing loans and for the non-

performing loans, the amortised cost less impairment is considered as fair value,

- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

Classes of assets and liabilities not measured at fair value in the statement of financial position, income approach was used to convert future cash-flows to a single current amount.

Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates, fair value of other classes not measured at fair value of the statement of financial position measured at discounted cash-flow method. Fair value of loans, net of allowance for loan losses measured at discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market.

Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2 of the fair value hierarchy.

a) Fair value of financial assets and liabilities

| | 2013 | | 2012 | |
|-----------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 140,521 | 140,521 | 245,548 | 245,548 |
| Placements with other banks, net of allowance for placement losses | 632,899 | 640,404 | 665,417 | 668,014 |
| Financial assets at fair value through profit or loss | 396,565 | 396,565 | 243,015 | 243,015 |
| Held for trading securities | 296,848 | 296,848 | 97,935 | 97,935 |
| Derivative financial instruments classified as held for trading | 99,717 | 99,717 | 145,080 | 145,080 |
| Securities available-for-sale | 1,997,491 | 1,997,491 | 1,953,871 | 1,953,871 |
| Loans, net of allowance for loan losses | 2,144,701 | 2,466,835 | 2,356,291 | 2,594,948 |
| Securities held-to-maturity | 525,049 | 533,609 | 371,992 | 366,718 |
| Derivative financial instruments designated as hedging instruments | 9,734 | 9,734 | 4,228 | 4,228 |
| FINANCIAL ASSETS TOTAL | 5,846,960 | 6,185,159 | 5,840,362 | 6,076,342 |
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | 902,744 | 883,999 | 826,968 | 788,141 |
| Deposits from customers | 3,677,450 | 3,681,927 | 3,500,790 | 3,492,666 |
| Liabilities from issued securities | 170,779 | 187,925 | 335,963 | 316,668 |
| Derivative financial instruments designated as hedging instruments | 2,639 | 2,639 | 4,512 | 4,512 |
| Financial liabilities at fair value through profit or loss | 204,517 | 204,517 | 259,211 | 259,211 |
| Financial liabilities from OTP-MOL transaction | 71,548 | 71,548 | 89,308 | 89,308 |
| Subordinated bonds and loans | 278,241 | 258,684 | 303,750 | 253,523 |
| FINANCIAL LIABILITIES TOTAL | 5,307,918 | 5,291,239 | 5,320,502 | 5,204,029 |

b) Fair value of derivative instruments

| | Fair value | | Notional value, net | |
|----------------------------------------------------------------------------------|------------------|------------------|---------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest rate swaps classified as held for trading | | | | |
| Positive fair value of interest rate swaps classified as held for trading | 53,728 | 73,199 | 59,680 | 49,566 |
| Negative fair value of interest rate swaps classified as held for trading | (67,854) | (75,835) | (74,699) | (56,965) |
| Foreign exchange swaps classified as held for trading | | | | |
| Positive fair value of foreign exchange swaps classified as held for trading | 6,637 | 7,107 | 6,876 | 6,260 |
| Negative fair value of foreign exchange swaps classified as held for trading | (5,744) | (5,884) | (5,917) | (5,874) |
| Interest rate swaps designated as fair value hedge | | | | |
| Positive fair value of interest rate swaps designated in fair value hedge | 9,722 | 4,224 | 4,491 | (4,488) |
| Negative fair value of interest rate swaps designated in fair value hedge | (2,639) | (4,512) | 682 | 589 |
| CCIRS classified as held for trading | | | | |
| Positive fair value of CCIRS classified as held for trading | 30,914 | 53,573 | 33,067 | 51,875 |
| Negative fair value of CCIRS classified as held for trading | (121,786) | (157,986) | (117,113) | (154,474) |
| Mark-to-market CCIRS classified as held for trading | | | | |
| Positive fair value of mark-to-market CCIRS classified as held for trading | 1,849 | 907 | 1,466 | (201) |
| Negative fair value of mark-to-market CCIRS classified as held for trading | (2,770) | (10,716) | (3,339) | (12,595) |
| Other derivative contracts classified as held for trading | | | | |
| Positive fair value of other derivative contracts classified as held for trading | 6,589 | 10,294 | 2,849 | 7,175 |
| Negative fair value of other derivative contracts classified as held for trading | (6,363) | (8,790) | (13,575) | (5,897) |
| Other derivative contracts designated as fair value hedge | | | | |
| Positive fair value of other derivative contracts designated in fair value hedge | 12 | 4 | (37) | (1) |
| Negative fair value of other derivative contracts designated in fair value hedge | – | – | – | – |
| Derivative financial assets total | 109,451 | 149,308 | 108,392 | 110,186 |
| Derivative financial liabilities total | (207,156) | (263,723) | (213,961) | (235,216) |
| Derivative financial instruments total | (97,705) | (114,415) | (105,569) | (125,030) |

c) Hedge accounting

OTP Bank regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting,

therefore these transactions were accounted as derivatives held for trading. Net investment hedge in foreign operations is not applicable in separate financial statements.

The summary of the hedging transactions of the Bank are as follows:

As at 31 December 2013:

| Types of the hedges | Description of the hedging instrument | Fair value of the hedging instrument | The nature of the risk being hedged |
|---------------------|---------------------------------------|--------------------------------------|-------------------------------------|
| Cash-flow hedges | – | – | – |
| Fair value hedges | IRS/Index option | HUF 7,095 million | Interest rate |

As at 31 December 2012:

| Types of the hedges | Description of the hedging instrument | Fair value of the hedging instrument | The nature of the risk being hedged |
|---------------------|---------------------------------------|--------------------------------------|-------------------------------------|
| Cash-flow hedges | – | – | – |
| Fair value hedges | IRS/Index option | HUF (284) million | Interest rate |

d) Fair value hedges

1. Deposits from customers

The interest payment cash-flows of some structured deposits of OTP Bank denominated in HUF and EUR are exposed to the change of equity prices, equity indices or the change of HUF/EUR exchange rate. In order to hedge

the interest rate risk of the interest payments OTP Bank entered into interest rate swap transactions, where the risk of the cash-flow's from the structured deposits were swapped to payments linked to 3 month BUBOR or EURIBOR, resulting in a decrease in the fair value exposure of the deposits from customers.

| | 2013 | 2012 |
|---------------------------------------|------|------|
| Fair value of the hedging instruments | 101 | 298 |

2. Securities available-for-sale

OTP Bank holds fixed interest rate securities denominated in foreign currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates. In order to hedge the interest rate

risk of the cash-flows OTP Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 12 month EURIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

| | 2013 | 2012 |
|---------------------------------------|-------|---------|
| Fair value of the hedging instruments | (879) | (1,267) |

3. Loans to customers

OTP Bank has fixed interest rate loans denominated in various currencies. These fixed interest rate loans are exposed to fair value risk of changes of risk-free interest rates. In order to hedge the interest rate risk of the

cash-flows OTP Bank entered into pay-fixed, receive-floater interest rate swap transactions, where the risk of the payments from the loans are swapped to payments linked to 3 month EURIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.

| | 2013 | 2012 |
|---------------------------------------|-------|---------|
| Fair value of the hedging instruments | (518) | (1,058) |

4.1 Issued securities

The cash-flows of the fixed rate securities issued by OTP Bank are exposed to the change in the HUF/EUR foreign exchange rate and the risk of change in the risk-free interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS and index option

transactions. In the case of IRS transactions the fixed cash-flows were swapped to payments linked to 3 month EURIBOR or BUBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities. Certain structured bonds are hedged by options which give the owner the right to get amount of the structure which is equal to the structure of the hedged bond.

| | 2013 | 2012 |
|----------------------------------------------------|-------|-------|
| Fair value of the hedging IRS instruments | 8,379 | 1,739 |
| Fair value of the hedging index option instruments | 12 | 4 |

As at 31 December 2013:

| Types of hedged items | Types of hedging instruments | Fair value of the hedged items | Fair value of the hedging instruments | Gains/losses attributable to the hedged risk | |
|------------------------------------|------------------------------|--------------------------------|---------------------------------------|----------------------------------------------|----------------------------|
| | | | | on the hedged items | on the hedging instruments |
| Securities available-for-sale | IRS | HUF 23,629 million | HUF (879) million | HUF (388) million | HUF 388 million |
| Loans to customers | IRS | HUF 12,866 million | HUF (518) million | HUF (540) million | HUF 540 million |
| Deposits from customers | IRS | HUF 5,224 million | HUF 101 million | HUF (197) million | HUF 197 million |
| Liabilities from issued securities | IRS | HUF 94,344 million | HUF 8,379 million | HUF (6,640) million | HUF 6,640 million |
| Liabilities from issued securities | Index option | HUF 644 million | HUF 12 million | HUF (8) million | HUF 8 million |

As at 31 December 2012:

| Types of hedged items | Types of hedging instruments | Fair value of the hedged items | Fair value of the hedging instruments | Gains/losses attributable to the hedged risk | |
|------------------------------------|------------------------------|--------------------------------|---------------------------------------|----------------------------------------------|----------------------------|
| | | | | on the hedged items | on the hedging instruments |
| Securities available-for-sale | IRS | HUF 19,662 million | HUF (1,267) million | HUF 552 million | HUF (552) million |
| Loans to customers | IRS | HUF 14,861 million | HUF (1,058) million | HUF 1,037 million | HUF (1,037) million |
| Deposits from customers | IRS | HUF 17,490 million | HUF 298 million | HUF (228) million | HUF 228 million |
| Liabilities from issued securities | IRS | HUF 134,992 million | HUF 1,739 million | HUF (11,307) million | HUF 11,307 million |
| Liabilities from issued securities | Index option | HUF 604 million | HUF 4 million | HUF (1) million | HUF 1 million |

e) Fair value classes

Methods and significant assumptions used to determine fair value of the different classes of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1, that are

observable for the asset or liability either directly or indirectly. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| As at 31 December 2013 | Total | Level 1 | Level 2 | Level 3 |
|---------------------------------------------------------------------------------------------------|------------------|------------------|------------------|----------------|
| Financial assets at fair value through profit or loss | 396,460 | 289,558 | 106,902 | – |
| from this: securities held for trading | 296,743 | 289,497 | 7,246 | – |
| from this: positive fair value of derivative financial instruments classified as held for trading | 99,717 | 61 | 99,656 | – |
| Securities available-for-sale | 1,968,685 | 1,051,818 | 916,867 | – |
| Positive fair value of derivative financial instruments designated as fair value hedge | 9,734 | – | 9,734 | – |
| Financial assets measured at fair value total | 2,374,879 | 1,341,376 | 1,033,503 | – |
| Negative fair value of derivative financial instruments classified as held for trading | 204,517 | 9 | 204,508 | – |
| Negative fair value of derivative financial instruments designated as fair value hedge | 2,639 | – | 2,639 | – |
| Financial liabilities measured at fair value total | 207,156 | 9 | 207,147 | – |
| As at 31 December 2012 | Total | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value through profit or loss | 242,851 | 95,583 | 147,268 | – |
| from this: securities held for trading | 97,771 | 95,556 | 2,215 | – |
| from this: positive fair value of derivative financial instruments classified as held for trading | 145,080 | 27 | 145,053 | – |
| Securities available-for-sale | 1,915,472 | 867,828 | 1,047,644 | – |
| Positive fair value of derivative financial instruments designated as fair value hedge | 4,228 | – | 4,228 | – |
| Financial assets measured at fair value total | 2,162,551 | 963,411 | 1,199,140 | – |
| Negative fair value of derivative financial instruments classified as held for trading | 259,211 | 19 | 259,192 | – |
| Negative fair value of derivative financial instruments designated as fair value hedge | 4,512 | – | 4,512 | – |
| Financial liabilities measured at fair value total | 263,723 | 19 | 263,704 | – |

NOTE 38:

**RECONCILIATION OF FINANCIAL STATEMENTS PREPARED
UNDER HAS AND FINANCIAL STATEMENTS PREPARED
UNDER IFRS (in HUF mn)**

| | Retained Earnings and Reserves 1 January 2013 | Net profit for the year ended 31 December 2013 | Dividend | Direct Movements on Reserves | Retained Earnings and Reserves as at 31 December 2013 |
|---------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|-----------------|------------------------------------|----------------------------------------------------------------|
| Financial Statements in accordance with HAS | 1,008,484 | 122,185 | (40,600) | 11,929 | 1,101,998 |
| Reversal of statutory general provision | 35,428 | (6,305) | – | (29,123) | – |
| Premium and discount amortization of financial instruments measured at amortised cost | 4,447 | (115) | – | (692) | 3,640 |
| Effect of redemption of issued securities | 20,124 | (4,682) | – | – | 15,442 |
| Differences in carrying value of subsidiaries | 34,115 | (17,194) | – | 17,194 | 34,115 |
| Difference in accounting for finance leases | (2,168) | 669 | – | – | (1,499) |
| Effects of using effective interest rate method | 5,955 | 520 | – | – | 6,475 |
| Fair value adjustment of held for trading and available-for-sale financial assets | 37,439 | (863) | – | 1,956 | 38,532 |
| Fair value adjustment of derivative financial instruments | 30,805 | (24,206) | – | – | 6,599 |
| Reversal of statutory goodwill | 40,596 | – | – | – | 40,596 |
| Revaluation of investments denominated in foreign currency to historical cost | (16,726) | (16,921) | – | – | (33,647) |
| Difference in accounting of security lending | (22,065) | (1,395) | – | – | (23,460) |
| Treasury share transaction | – | (481) | – | 481 | – |
| Reclassification of direct charges to reserves (self-revision) | – | – | – | – | – |
| Share-based payment | – | (5,704) | – | 5,704 | – |
| Payments to ICES holders | 14,605 | (256) | – | (4,288) | 10,061 |
| OTP-MOL share swap transaction | (55,468) | 979 | – | – | (54,489) |
| Deferred taxation | (11,655) | 1,360 | – | 623 | (9,672) |
| Dividend paid by Monicomp in advance | – | 300 | – | – | 300 |
| Dividend paid for 2012 | 33,600 | – | (33,600) | – | – |
| Dividend payable in 2013 | – | – | 40,600 | – | 40,600 |
| Financial Statements in accordance with IFRS | 1,157,516 | 47,891 | (33,600) | 3,784 | 1,175,591 |

NOTE 39:

**SIGNIFICANT EVENTS DURING THE YEAR ENDED
31 DECEMBER 2013**

**1) Capital transactions in
OTP Real Estate Ltd.**

**2) Capital increase in
Bank Center No. 1. Ltd.**

3) Capital transaction in CKB
See details in Note 9.

4) Term Note Program
See details in Note 15.

5) Subordinated bonds and loans
See details in Note 18.

**6) Judgment of the Competition
Council of the Hungarian
Competition Authority**
See details in Note 27.

NOTE 40:

POST BALANCE SHEET EVENTS

1) Acquisition in Croatia

**2) Capital settlement package
of OTP Real Estate Ltd. and its
subsidiaries**

**3) Capital increase in
OTP banka Srbija**
See details in Note 9.

STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE BANK'S FINANCIALS

Hungary's economy has grown by 1.1% in 2013 according to preliminary data, higher than government's projection of 0.9%. At the end of the year, growth was seen accelerating in a number of CEE countries, which may be attributable to the recovery of external demand. From the production side, the strongest engine of growth was agriculture, which added one percentage point to last year's economic performance. After many years of contraction, construction could expand in 2013, mostly benefiting from the upsurge in EU-funded and co-funded projects. The performance of industry, which was the economy's powerhouse in recent years, practically stagnated in 2013. On the expenditure side, it is mostly the increase in public sector related investments that brought a turnaround in gross fixed capital formation, while households' consumption stayed flat, following a decline in 2012. The government remained committed to maintain a low budget deficit: the 2013 budget gap remained below 3%, as it did in 2012; based on preliminary financial accounts data, it reached 2.5% of GDP, after the 2% deficit in 2012. The favourable international investment environment and the disinflation process (2013 annual average CPI: 1.3%) created room for the central bank to cut the base rate by altogether 275 basis points to 3.0% in the course of 2013.

Funding for Growth Scheme

During the summer in 2013 the National Bank of Hungary ('NBH') started its Funding for Growth Scheme ('FGS') to alleviate disruptions in lending to small and medium-sized enterprises by providing central bank financing at preferential terms.

- The first phase of the FGS took place between 1 June and 30 September. Under the programme the NBH provided collateralized, local currency denominated refinancing

loans with zero interest rate and a maximum 10-year tenor to banks. Banks could lend out this funding to SMEs by charging an interest rate margin of maximum 2.5%. The interest rate margin must have included all fees and commissions as well as the costs of potential credit guarantee. The maturity of refinancing loans provided to credit institutions was equal to the term of the loans to be provided to SMEs. The first phase of the FGS comprised two pillars:

- the first pillar was available to provide new forint loans and refinancing loans for forint liabilities assumed earlier,
 - while the second pillar was to refinance foreign currency denominated liabilities of SMEs. Under the first two pillars Hungarian credit institutions concluded contracts for 94% of the overall refinancing facility of HUF 750 billion, which means approximately HUF 701 billion principal amount.
- Out of the total contracted amount at HUF 701 billion HUF 472 and 229 billion were concluded under the first and the second pillar, respectively. The share of non-refinancing, new loans within the first pillar reached 61%.

On 11 September 2013 the NBH decided on extending the FGS with a second phase that is to be open from 1 October 2013 till 31 December 2014.

- The total amount of refinancing available for banks in the second phase was originally set at HUF 500 billion, while this limit may be increased to a maximum of HUF 2.000 billion by the Monetary Council. Similarly to the first phase, the NBH refinancing carries zero interest rate, a maximum 10-year tenor and can be lend over to SMEs by applying a maximum interest margin of 2.5%.
- The goal of the first pillar is to originate new loans, whereas the second pillar is

for refinancing forint or foreign currency denominated liabilities of SMEs. The share of loan contracts concluded under the second pillar must not surpass 10% of the total amount of contracts concluded under the two pillars. The maximum available amount of loans for SMEs is limited at HUF 10 billion in each pillar.

By end-September, that was the end of the first phase, OTP Group managed to conclude loan contracts with principal value of HUF 91 billion under the FGS. Out of HUF 91 billion HUF 71 billion was originated under the first pillar, within that new placements represented 61%. From early October 2013 the Hungarian National Bank commenced the second phase of the Programme with a HUF 500 billion tranche as a starter. Funds can be drawn down for financing new investment purposes or working capital by end 2014. Given the longer application period loan demand may strengthen gradually.

Economic situation in Ukraine

In recent years OTP Bank Ukraine adjusted its business strategy in order to become less vulnerable to potential economic shocks. FX mortgage origination was stopped in 2008, the share of US dollar denominated mortgage loans has been declining in the loan portfolio since then. Local deposit collection strengthened lowering the loan to deposit ratio as well as the intra-group funding to the Ukrainian subsidiaries. Retail lending activity is currently focused on local currency denominated short-maturity consumer loans financed entirely from local deposits.

The high margin consumer lending increased the revenue margin and the profitability of the operation. The increasing operating income is considered to be a buffer against potential negative shocks.

As for business developments since end-2013, deposit volumes in local currency and in FX

were broadly unchanged till end-February 2014, furthermore no material change in loan portfolio quality was witnessed. The Bank experienced an increase in foreign currency exchange activity of clients. However, this client behaviour has no negative effect on the company's FX reserves since OTP Bank Ukraine can exchange US dollars with the central bank, it even bolsters fee revenues. As of the end of February 2014 the face value of government bonds held in the balance sheet of OTP Bank Ukraine was UAH 0.7 billion, the overwhelming majority of the portfolio being denominated in UAH. The government bonds are mostly maturing in March 2014, leaving the Bank with no material exposure to the Ukrainian government.

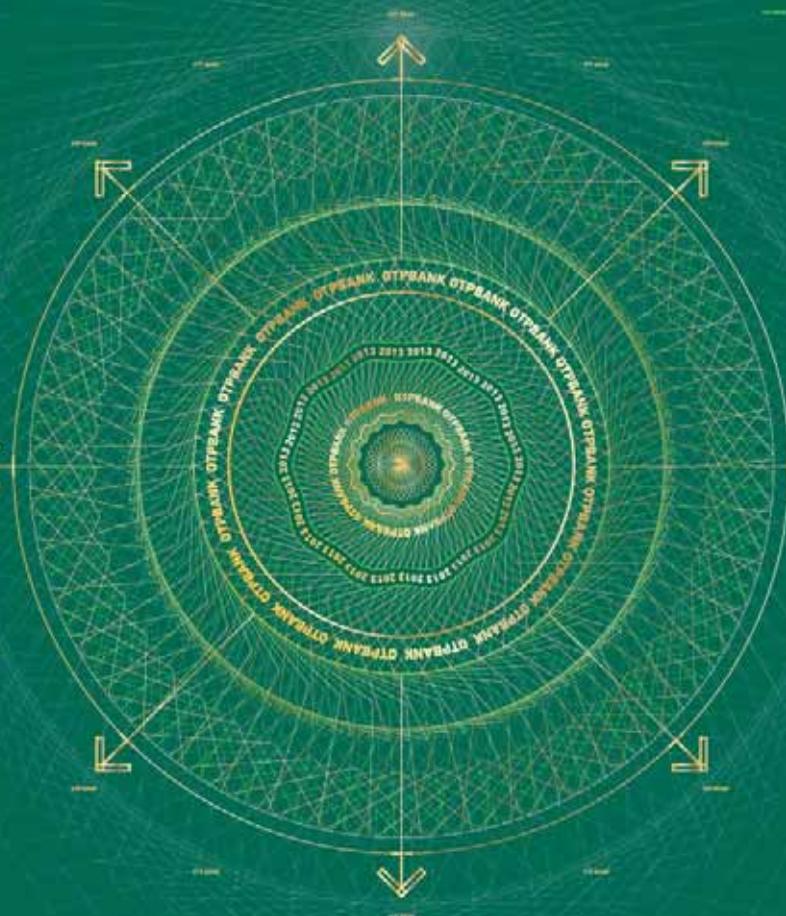
Given the current crisis there is a likelihood of extreme developments. However, according to the base-case expectation of the Management, the formation of a government with strong political support and legitimacy is likely, the exchange rate of the hryvnia against the US dollar is expected to stabilize below 10, fiscal and economic consolidation potentially helped by the assistance of international institutions seems to be forthcoming. Under this scenario OTP Bank Ukraine is expected to remain profitable.

Under an overly negative scenario, which is considered by the Management as low probability, long-lasting political crisis with constant uncertainty about debt refinancing, severe set-back of GDP and further devaluation of the hryvnia would take their tolls and the Ukrainian subsidiary would become loss making in 2014. These potential losses are expected to come from the following sources: weaker hryvnia may trigger the deterioration of the currently performing FX mortgage loan book and may require the increase of provisioning level behind non-performing FX mortgages. Furthermore a considerable GDP decline and a recession would negatively influence the quality of corporate and consumer loan portfolios.

OTP BANK
ANNUAL REPORT

2

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2013

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3



CORPORATE GOVERNANCE



Senior management of OTP Bank and executive members of the Board of Directors



Dr. Sándor Csányi
Chairman & CEO

Dr. Sándor Csányi (61) graduated from the College of Finance and Accountancy in 1974 with a bachelor's degree in business administration and in 1980 from the Budapest University of Economic Sciences with a degree in economics. He is an economist with a specialisation in finance, and is also a qualified pricing specialist and certified auditor. After graduation he worked at the Revenue Directorate and then at the Secretariat of the Ministry of Finance, after which, between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a head of department at Magyar Hitel Bank. He was deputy CEO of K&H Bank from 1989 to 1992. Since 1992 he has been Chairman & CEO of OTP Bank Plc., where he is responsible for the Bank's strategy and overall operation. He is a member of the European Board of Directors for MasterCard, one of the world's leading payment card companies, and is Vice Chairman of the Board of Directors of MOL Plc., Co-Chairman of the National Association of Entrepreneurs and Employers (VOSZ), and until April 2011 was a member of the Board of Directors of the Hungarian Banking Association. He has been Chairman of the Hungarian Football Association (MLSZ) since July 2010. As of 31 December 2013 he held 10,000 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 500,000).

Dr. Antal Pongrácz
Deputy Chairman Deputy CEO
Staff Division

Dr. Antal Pongrácz (68) graduated from the Budapest University of Economic Sciences and earned a PhD in 1971. From 1969 he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various executive positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports. Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he was CEO, and then Chairman & CEO, of the European Commercial Bank Rt. Between 1994 and 1998 he was Chairman & CEO of Szerencsejáték Rt., then in 1998–99 he served as CEO of Hungarian flagship carrier, Malév. Since 2001 he has been executive director of OTP Bank's Staff Division and more recently, Deputy CEO. He has been a member of OTP Bank's Board of Directors since 2002, and its Chairman since 9 June 2009. Since 12 April 2012 he has been Chairman of the Supervisory Board of OTP Banka Hrvatska d.d. As of 31 December 2013 he held 14,400 ordinary OTP shares.

Dr. István Gresa
Deputy CEO
Credit Approval and Risk
Management Division

Dr. István Gresa (61) graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Budapest University of Economic Sciences in 1980. He earned a PhD from the same establishment in 1983. He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank's Zalaegerszeg branch. From 1993 he was director of OTP Bank's Zala County Directorate, and from 1998 he served as the executive director of the bank's West Transdanubian Region. Since 1 March 2006 he has been Deputy CEO of OTP Bank, as well as the head of the Credit Approval and Risk Management Division and Chairman of the Board of Directors at OTP Factoring Ltd. He has been a member of OTP Bank's Board of Directors since 27 April 2012. As of 31 December 2013 he held 71,935 ordinary OTP shares.

László Bencsik
CFO, Deputy CEO
Strategy and Finance Division

Mr. László Bencsik (44) has been deputy CEO of OTP Bank Plc., and head of the Strategy and Finance Division, since August 2009. He joined OTP Bank in September 2003, when he became executive director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning. From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company. Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture). In 1996 he graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Masters in Business Administration (MBA) from INSEAD Business School in France. Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Bank. As of 31 December 2013 he held 4,780 ordinary OTP shares.



Dániel Gyuris

Deputy CEO
Real Estate, Small Enterprises
and Agriculture Division

Mr. Dániel Gyuris (55) obtained a post-graduate degree in agricultural engineering from Gödöllő University of Agricultural Sciences in 1998. Two years earlier he graduated in economics from the Budapest University of Economic Sciences, where he majored in bank management. In the same year he obtained a post-graduate diploma from the College of Finance and Accountancy. He is a certified accountant and property valuation specialist. He began his career as an agricultural engineer at an industrial cooperative, where as deputy production manager he was responsible for the overall management of the production processes. In 1989 he was appointed a head of department at Agrobank Ltd., and then from 1991 he held a similar position at Inter-Europe Bank Ltd. From 1999 he was CEO of FHB Land Credit and Mortgage Bank Plc., and was the executive director responsible for the operation of the bank group. Since 1 November 2010 he has been deputy CEO of OTP Bank Plc., and is also the head of the Real Estate, Small Enterprises and Agriculture Division, as well as Chairman & CEO of OTP Mortgage Bank Ltd. and OTP Building Society Ltd. As of 31 December 2013 he held no ordinary OTP shares.

Antal Kovács

member of Supervisory Board
Deputy CEO
Retail Division

Mr. Antal Kovács (61) graduated from the Budapest University of Economics with a degree in economics in 1985. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has served as OTP Bank's Deputy CEO. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute. He has been a member of OTP Bank's Supervisory Board since 2004. He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. As of 31 December 2013 he held 44,074 ordinary OTP shares.

Ákos Takáts

Deputy CEO
IT and Bank Operations Division

Ákos Takáts (54) graduated from the University of Horticulture and Food Industry in 1982 and earned a degree in engineering in 1985. He has worked in the banking sector since 1987. From 1993 he served as a deputy head of department at OTP Bank Plc., then, from 1995, he was managing director of the Bank's IT Development Directorate. Since 1 October 2006 he has served as OTP Bank's Deputy CEO and the head of the IT and Logistics Division. As of 31 December 2013 he held 184,963 ordinary OTP shares.

László Wolf

Deputy CEO
Commercial Banking Division

László Wolf (54) graduated from the Budapest University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993. From April 1993 he was executive director of OTP Bank's Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division. As of 31 December 2013 he held 587,182 ordinary OTP shares.

Non-executive members of the Board of Directors of OTP Bank



Mihály Baumstark
Agricultural engineer, economist

Mr. Mihály Baumstark (65) holds degrees in agricultural engineering and agricultural economics. He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was deputy head of the Investment Policy Department. After this he was managing director of Hubertus Rt., and from 1999 to 2012 he was deputy CEO and then Chairman & CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He is currently retired. He was a member of OTP Bank's Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank's Board of Directors since 1999. As of 31 December 2013 he held 16,000 ordinary OTP shares.

Dr. Tibor Bíró
College Associate Professor
Budapest Business School

Dr. Tibor Bíró (62) graduated from the Budapest University of Economic Sciences with a degree in business administration. He is a certified auditor and chartered accountant. He was head of the Finance Department of Tatabánya City Council's Executive Committee between 1978 and 1982, then from 1982 a professor at the College of Finance and Accounting, and between 1990 and 2013 head of department at the Budapest Business School. From 2000 to 2010 he was a member of the Presidium of the Budapest branch of the Chamber of Hungarian Auditors, and currently works as a member of the Chamber's Education Committee. He has been a non-executive member of OTP Bank's Board of Directors since 1992. As of 31 December 2013 he held 39,158 ordinary OTP shares.

Péter Braun
Electrical Engineer
Former Deputy CEO

Péter Braun (78) earned a degree in electrical engineering from the Technical University of Budapest. Between 1954 and 1989 he worked for the Research Institute for Electrical Energy, with his last position there being head of department. After that, he was the managing director of K&H Bank Rt., working in its Computer and Information Centre. He is a member of GIRO Rt.'s Board of Directors, and was Deputy CEO of OTP Bank Plc. from 1993 until his retirement in 2001. Since the second half of 2009 he has been the chairman of the Chief Information Officers' Association (VISZ). He has been a member of OTP Bank's Board of Directors since 1997. As of 31 December 2013 he held 343,905 ordinary OTP shares.

Tamás Erdei

Tamás Erdei (60) graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision. Since 1983 he has been employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed deputy CEO, then in 1994 he was made CEO, and from 1997 until the end of March 2012 he was chairman and CEO. Between 1997 and 2008 he was the elected president of the Hungarian Banking Association. He is the chairman of the Supervisory Board of the International Children's Safety Service. He has been a member of OTP Bank's Board of Directors since 27 April 2012. As of 31 December 2013 he held 6,439 ordinary OTP shares.



Zsolt Hernádi

Chairman & CEO
MOL Plc.

Zsolt Hernádi (54) graduated in 1986 from the department of industrial planning at the Karl Marx University of Economic Science. Between 1989 and 1994 he held a number of positions at Kereskedelmi és Hitelbank Rt., where from 1992 to 1994 he was deputy CEO of the financial institution. Between 1994 and 2001 he was CEO and a member of the Board of Directors at Magyar Takarékszövetkezeti Bank Rt. He has been a member of MOL's Board of Directors since 1994, and its Chairman since 2000, while since 11 June 2001 he has been the company's Chairman and CEO. He is also a member of the Corporate Governance and Remuneration Committee of MOL's Board of Directors. He has been a member of OTP Bank's Board of Directors since 29 April 2011. As of 31 December 2013 he held 16,000 ordinary OTP shares.

Dr. István Kocsis

Managing Director
Merkantil Bank Ltd.

Dr. István Kocsis (62) obtained his degree in mechanical engineering from the Mechanical Engineering Faculty of the Technical University of Budapest in 1976, and earned his PhD in 1985. Career highlights: 2002–2005 Paks Nuclear Power Plant, CEO; 2005–2008 Hungarian Power Companies Ltd. (MVM Ltd.), CEO; 2008–2011, CEO of Budapest Transport Corporation (BKV Ltd.); since 2011 Managing Director of Merkantil Bank Ltd. Offices held: Chairman of the Ányos Jedlik Society; chairman of the Scientific Society For Measurement, Automation and Informatics; member of the Social Senate of the University of Pécs; member of the national Presidium of the Hungarian Chamber of Commerce and Industry; chairman of the endowment advisory board of the Duna-Mecsek Regional Development Foundation. Non-executive member of OTP Bank's Board of Directors since 1997. He's membership suspended since 3 October 2012. As of 31 December 2013 he held 13,670 ordinary OTP shares.

Dr. László Utassy

Chairman & CEO
Merkantil Bank Ltd.

Dr. László Utassy (62) graduated from the Faculty of Law of ELTE University in Budapest in 1978. He held various positions at the State Insurance Company between 1978 and 1995 and then went on to work at ÁB-Aegon Rt. He was Chairman & CEO of OTP Garancia Insurance from 1996 to 2008. He was managing director of OTP Bank Plc. between 2009 and 2010. Since 1 January 2011 he has been Chairman & CEO of Merkantil Bank Ltd. He has been a member of OTP Bank's Board of Directors since 2001. As of 31 December 2013 he held 281,000 ordinary OTP shares.

Dr. József Vörös

Professor, Head of
Institute University of Pécs

Dr. József Vörös (63) earned a degree in economics from the Budapest University of Economic Science in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013. Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University. From 1994 he was a professor at JPTE, and was the senior Vice Rector of the University from 2004–2007, between 2007 and 2011 he was chairman of the Board of Trustees. Non-executive member of OTP Bank's Board of Directors since 1992. As of 31 December 2013 he held 133,200 ordinary OTP shares.

Members of OTP Bank Supervisory Board*



Tibor Tolnay

Chairman of the Supervisory Board
Chairman & CEO
Magyar Építő Ltd.

Tibor Tolnay (63) graduated from the Budapest University of Technology with a degree in civil engineering and then in economic engineering, and subsequently received a degree in economics from the Budapest University of Economics.

In 1994 he was appointed Chairman & CEO of Magyar Építő Rt. He has been Chairman of OTP Bank's Supervisory Board since 1999. He was a member of the Audit Committee between 27 April 2007 and 29 April 2011.

As of 31 December 2013 he held 54 ordinary OTP shares.

Dr. Gábor Horváth

Deputy Chairman of
the Supervisory Board
Lawyer

Dr. Gábor Horváth (58) earned a degree in law from ELTE University in Budapest. From 1983 he worked for the Hungarian State Development Bank. He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance. He has been a member of the Supervisory Board of OTP Bank Plc. since 1995, and a member of MOL Plc's Board of Directors since 1999. He has been Supervisory Board of OTP Bank's deputy Chairman since 27 April 2007. He was a member of the Audit Committee between 27 April 2007 and 29 April 2011. He has been a member of the Supervisory Board of BKV Holding Ltd. since 29 January 2014. As of 31 December 2013 he held no ordinary OTP shares.

András Michnai

Executive Director
Compliance Directorate

András Michnai (59), who represents the employees of OTP Bank, graduated from the College of Finance and Accounting with a degree in business economics.

He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. From 1981 he held a management position in the central network coordination department and then in the network. From 1994, as deputy management director, he participated in the central coordination of the branch network. Since 2005 he has headed the Bank's independent Compliance Department (since 2011 a Directorate) as executive director. He further expanded his professional skills, earning a masters degree at the College of Finance and Accounting, and is a registered tax advisor. He has been a member of OTP Bank's Supervisory Board since 25 April 2008. As of 31 December 2013 he held 14,400 ordinary OTP shares.

* Mr. Antal Kovács has been a member of OTP Bank's Supervisory Board since 2004 (see page 227).



Dominique Uzel
Director
Groupama International SA

Dominique Uzel (46) graduated as an agricultural development engineer, then obtained a Masters degree in agricultural and food industry management at the ESSEC Business School. He joined Gan in 1991 as head of the agricultural division. Five years later he left France to join Gan España, where he headed the subsidiary's department responsible for planning and auditing, then became technical director of the newly established Groupama Seguros. In 2008 he was appointed managing director of the insurance business, in which capacity he was instrumental in the launch and roll-out of Click Seguros, a direct marketing tool on the Spanish insurance market. In July 2010 he joined the international board of Groupama S.A. as Managing Director for direct insurance, but he also continued to be responsible for the management of the direct insurance division in Spain and Poland. Since 1 October 2011 he has worked as the Chief Operating Officer. He has been a member of OTP Bank's Supervisory Board since 26 April 2013. As of 31 December 2013 he held no ordinary OTP shares.

Dr. Márton Gellért Vági
General Secretary
Hungarian Football Association

Dr. Márton Gellért Vági (52) graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science (today the Corvinus University of Budapest), where he also earned his doctorate in 1994. Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Ltd.), as managing director, deputy CEO and then CEO. Between 2006 and 2010 he was Chairman of the National Development Agency. From July 2002 until 1 January 2011 he was a member of the Board of Directors of FHB Plc., during which period he also spent four years as Chairman of the Board. Since 2010 he has been general secretary of the Hungarian Football Association. He has authored or co-authored more than 80 research papers, essays and books. He has been a member of OTP Bank's Supervisory Board since 29 April 2011. As of 31 December 2013 he held no ordinary OTP shares.

Information for Shareholders

General company data

Date of foundation:

31 December 1990, registered by the Metropolitan Court of Budapest as Court of Registration on 28 October 1991 under company registration number 01-10-041585. The latest Bylaws may be requested from the company or may be downloaded from the Bank's website.

Legal predecessor:

Országos Takarékpénztár, founded 1 March 1949.

Registered head office of OTP Bank Plc.:

H-1051 Budapest, Nádor utca 16.
Telephone: (+36-1) 473-5000
Fax: (+36-1) 473-5955

Share capital:

OTP Bank's share capital as at 31 December 2013 was HUF 28,000,001,000, consisting of 280,000,010 ordinary shares of nominal value HUF 100 each.

Ownership structure as at 31 December 2013:

| Shareholder | Ownership (%) | Voting rights (%) |
|------------------------|---------------|-------------------|
| Treasury shares | 1.23% | 0.00% |
| Government held owner* | 5.13% | 5.20% |
| Foreign institutions** | 63.49% | 64.28% |
| Foreign individuals | 1.15% | 1.16% |
| Domestic institutions | 11.97% | 12.12% |
| Domestic individuals | 10.47% | 10.60% |
| Other*** | 6.56% | 6.64% |
| Total | 100.0% | 100.0% |

Stock exchange listing

The ordinary shares of OTP Bank Plc. are listed on the Budapest Stock Exchange under category "Premium Equity", and the global depository receipts (GDRs) representing the ordinary shares that are traded abroad are listed on the Luxemburg Stock Exchange. (2 GDR represents 1 ordinary shares).

Regulation S GDRs are traded on the London SEAQ International, and Rule 144A GDRs are traded in the PORTAL system. The custodian bank for OTP GDRs is the Bank of New York, and the safekeeping bank is OTP Bank Plc. (Stock exchange symbol for OTP Bank shares: OTP, Reuters: OTP.BU)

Participation and voting rights at the General Meeting

The General Meeting will be conducted with the personal presence of those entitled to participate. Shareholders may participate in the General Meeting in person or through a proxy. OTP Bank Plc. is entitled to check the personal identity of the shareholders and their proxies on the basis of documents, prior to their admission to the General Meeting.

The authorisations relating to representation as a proxy at the General Meeting must comply with the relevant provisions of Hungarian law. The authorisation must include, clearly and expressly, a statement of authorisation with respect

* E.g.: Hungarian National Asset Management Inc., Social Security, Municipality, 100% state-owned companies etc.

** Foreign institutions, and International Development Institutions (E.g.: EBRD, EIB, etc.).

*** Non-identified shareholders.

to the proxy, a specification of the authoriser and of the proxy, and any limitations that may apply to the authorisation. The authorisation must be issued in the form of a notarised deed or a private document of full probative force.

One representative may represent several shareholders; however, he/she must possess authorisations from every shareholder represented by him/her, either in the form of a notarised deed or a private document of full probative force. If several proxies are indicated in one authorisation, then it must be specified that, under the authorisation, each proxy may exercise his/her right of representation independently, as each shareholder may only have one representative.

The authorisation shall be valid with respect to one general meeting, or for the time specified therein, but at most for twelve months.

The validity of the authorisation shall extend to any continuation of a suspended general Meeting, as well as to any general meeting re-convened due to the lack of a quorum.

If a shareholder is represented at the General Meeting by its lawful representative (e.g. chief executive, managing director, mayor, etc.), the court or company court document evidencing the right of representation – in its original form, or in the form of a copy certified as authentic by a notary public, issued not more than 30 days previously – or a certificate regarding the election of the mayor, as the case may be, must be presented at the venue of the General Meeting. In the case of providing evidence of the existence of companies (and other organisations) registered abroad and of the right to represent the entity issuing the authorisation, it is essential that the foreign document shall be issued by a certified public records body or that these facts shall be attested by a notary public.

If the authorisation or any document submitted as evidence of the representation right was not issued in Hungary, the form of the document must satisfy the legal regulations pertaining to the certification and/or legalisation of documents

issued abroad. According to these regulations, in the absence of a bilateral international agreement to the contrary, (I) the diplomatic certification and/or legalisation of the document is needed, or (II) – if the given country is a party to the relevant international convention – the furnishing of the document with an apostille is required. Detailed information on the applicable rules are provided by the Hungarian foreign representation offices. If the document is written in a language other than English or Hungarian, then a certified Hungarian translation of the document must be presented.

The authorisation and the related documents must be handed over by 22 April 2014 at the very latest, at any of the designated OTP branches listed under section X below, or – if the proxy, based on a foreign document, is representing more than one shareholder – at the Corporate Secretariat of OTP Bank Plc.

Preconditions for participation in the General Meeting and for the exercising of voting rights are that:

- a) the result of the shareholder verification procedure confirms the shareholding as at the date of the shareholder verification procedure;
- b) the shareholder be registered in the Company's Share Register by the closure of the register as specified in section III of this announcement;
- c) the shareholder proxy indicate the shareholders represented by him/her, based on the requirements set forth in section III;
- d) the shareholding and/or the voting rights of the shareholder do not violate the legal regulations or the provisions of the Company's Bylaws, which circumstance the Company shall determine through a check.

Dividend

On 25 April 2014 OTP Bank Plc.'s General Meeting decided to pay dividend after fiscal year 2013.

Dividends will be HUF 145 per share, representing 145% of the face value of each share. The actual amount of dividends to be paid to the individual shareholders will be calculated and disbursed in accordance with the Company's Bylaws, that is, the Company will distribute the dividend calculated in respect of all the shares qualifying as treasury shares among the shareholders entitled to receive dividends. Dividends will be disbursed from 10 June 2014, in accordance with the procedural order set forth in the Bylaws.

Announcements

OTP Bank Plc. fulfils its disclosure obligations related to corporate events and prescribed in Act

CXX of 2001 on the website of the OTP Bank Plc. (www.otpbank.hu), on the website of the Budapest Stock Exchange (www.bet.hu), and on the website operated by the National Bank of Hungary (www.kozzetetelek.hu).

Investor relations

Institutional shareholders of OTP Bank Plc. should contact the following address if they require further information:

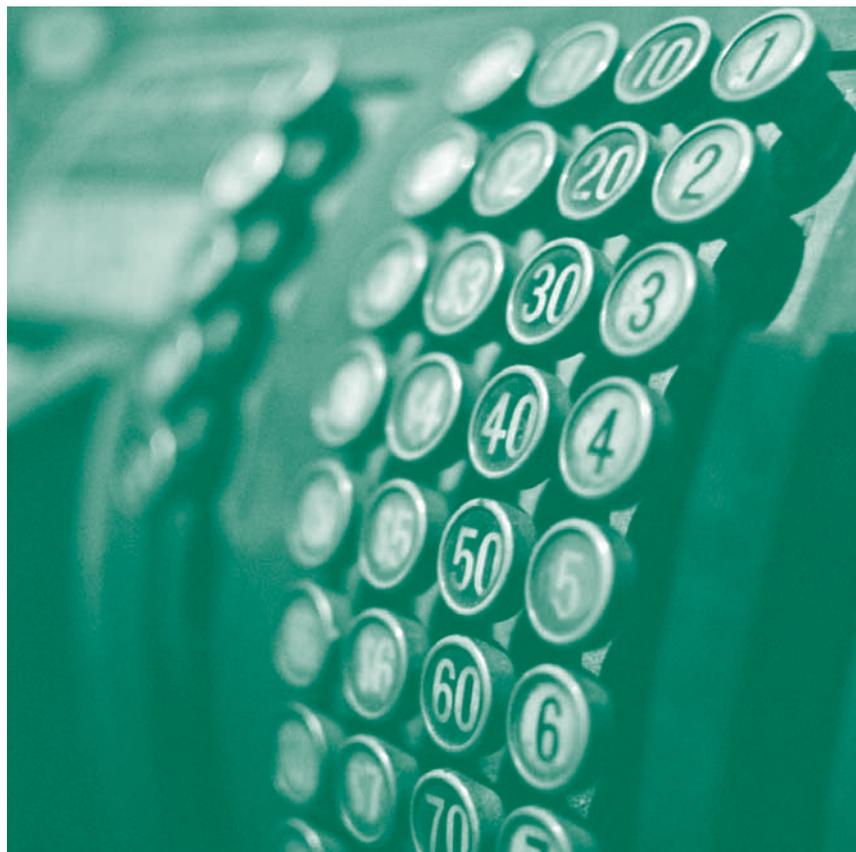
OTP Bank Plc. Investor Relations & DCM

H-1051 Budapest, Nádor utca 16.

Telephone: (+36-1) 473-5460

Fax: (+36-1) 473-5951

e-mail: investor.relations@otpbank.hu



Statement on Corporate Governance Practice

OTP Bank Plc.'s operation fully complies with the provisions of the relevant statutory regulations, the decrees of the supervisory authorities and the regulations of the Budapest Stock Exchange (BSE). The structure and operating conditions of the Company are contained in the Bylaws, which are approved by the General Meeting.

Management bodies

The Company's executive body is the Board of Directors. The scope of authority of the Board of Directors is defined in the effective statutory provisions, the Company's Bylaws, General Meeting resolutions, and the procedural rules of the Board of Directors. The procedural rules set out the structure of the Board of Directors, the tasks relating to the preparation, implementation and drafting of resolutions of its meetings, as well as all other issues relating to the operation of the Board of Directors.

The members of the Board of Directors are elected by the General Meeting for a term of five years.

All the obligations and prohibitions specified for executive officers under Act CXII of 1996 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.

The oversight of the Company's management and business activity is performed by the Supervisory Board. The Supervisory Board establishes its own procedural rules, which are approved by the General Meeting.

Supervisory Board members are elected by the General Meeting for a term of three years.

The ratio of independent (non-executive) Supervisory Board members (4 persons¹) to the

total number of Supervisory Board members (6 persons) is 66%.

In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board. The rules pertaining to the election and recall of the employee-representative member of the Board of Directors are determined by the Workers' Council operating at the Company, and this members are not considered to be independent by the Company.

The Company's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises the right of prior approval in respect of the establishment, termination and remuneration of the managers and employees of the internal audit organisation.

In 2013 the Board of Directors met on a total of 6 occasions, and the Supervisory Board on a total of 7. In addition, resolutions were passed by means of correspondence voting, by the Board of Directors on 112 occasions and by the Supervisory Board on 9 occasions.

Meetings of the Board of Directors are convened by the Chairman & CEO by means of a written invitation, in accordance with the prevailing work schedule.

The Chairman & CEO must convene a meeting of the Board of Directors if

- a resolution has been passed by the Board of Directors to hold an extraordinary meeting of the Board;
- At least three Board members requests a meeting in writing by designating the reason

¹ On 26 April 2013 the General Meeting elected 1 new Supervisory Board member, Dominique Uzel, and thus from this point on, the Supervisory Board continued its work with 6 persons (4 non-executive and 2 executive members).

and the purpose, and the items of the agenda, and by submitting a written proposal in respect of the decision to be made;

- The Supervisory Board or the auditor initiates such a meeting in writing;
- The Supervisory Board requires it;
- Under the law, a decision must be made about whether to convene an extraordinary General Meeting.

Meetings of the Supervisory Board are convened by the chairperson, and the meeting must also be convened if a member of the Supervisory Board or at least two members of the Board of Directors, or the auditor, requests it in writing, indicating the objectives of, and reasons for the meeting.

Minutes are taken of the meetings of the Board of Directors and the Supervisory Board, and their resolutions are documented.

The employer's rights towards the executive officers of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance for the appointment or withdrawal of appointment of deputy CEOs.

Determining the remuneration of the Board of Directors and the Supervisory Committee is in the competence of the Company's supreme body, the General Meeting. The principles and frameworks of the long-term remuneration and incentives system for employees in senior positions are also determined by the General Meeting. Accordingly – on the basis of the provisions relating to remuneration policies set forth in the Credit Institutions Act, which complies with the relevant EU directives – the Bank's Annual General Meeting of 2011, in its resolution no. 9/2011, approved for the first time the principles and rules of the remuneration policy of OTP Bank Plc. and the Bank Group, and the Board of Directors issued the internal regulations and procedures necessary for their implementation, which documents have been amended several

times by the Bank's General Meeting and Board of Directors in the past years.

At the Annual General Meetings the Board of Directors gives a briefing on the annual and medium-term objectives providing the basis for performance-based remuneration, and on their fulfilment.

The following management bodies have been established at the Company to assist the Board of Directors and Supervisory Board in their work: Management Committee, Subsidiary Integration and Governance Committee, Management Coordination Committee, Remuneration Committee. The following additional permanent and special committees also operate within the Company for the performance of specific tasks: Asset-Liability Committee, Credit-Limit Committee; Product Development, Sales and Pricing Committee; Workout Committee; Information Technology Control Committee; Investment Committee, Group Operational Risk Management Committee, Real Estate Advisory Committee, Ethics Committee, Communication Consultation Committee.

Audit

The main function of the internal audit system is to protect customers, the company's assets and shareholder's interests, as well as to facilitate and monitor operation in compliance with the statutory provisions.

The internal audit system extends to all of the company's organisational units, business lines and activities, including outsourced activities. To ensure effective auditing, the system's structure is subdivided both vertically and horizontally, and built on three modular levels of control, as well as being segmented by department. The elements of the internal audit system are comprised of in-process and management controls, and an independent internal audit organisation and management information system.

The independent internal audit organisation assists in the legally compliant and effective management of assets and liabilities and the protection of property; it supports secure business operation, the effectiveness, cost-efficiency and success of internal control systems, the minimisation of risks, and moreover – alongside the compliance organisation – it detects and reports departures from the provisions of the statutory regulations and internal policies, makes recommendations for the elimination of deficiencies, and monitors the implementation of the measures. It performs its activities independently, objectively and professionally. Its independence is ensured by the fact that it is professionally overseen by the Supervisory Board, within the framework set by the Credit Institutions Act.

The independent internal audit organisation has an annual audit plan which is approved by the Supervisory Board. The annual plan is prepared using a risk-based methodology and, in addition to focusing on the areas that entail regulatory, business and operational risk, and the other main risk exposures, it also takes into account the company's prevailing strategic priorities. The internal audit system, which is applied consistently throughout the Bank Group, includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the subsidiaries defined in the Credit Institutions Act as included in the scope of consolidated supervision. Uniform internal audit methods are created, continuously developed and implemented in respect of the operation and activities of the bank group members' internal audit organisations. Internal audit also liaises regularly, and cooperates, with external auditing bodies.

The internal audit organisation makes independent reports on its auditing activities for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a group-level, summary account of the audits

conducted in the given quarter, the risks identified in the course of its own audits and audits conducted by the authorities, and the success of any action taken to eliminate them. In exceptional cases that require immediate intervention, it provides the management with extraordinary briefings. It reports annually on the performance of the tasks stipulated in the group-level annual audit schedule, the audits conducted and other activities, and on the circumstances of the organisation's operation, as well as on any changes to the internal audit system.

The internal audit organisation annually prepares, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions.

The General Meeting has the authority to elect the company performing the audit, and to approve the nomination of the member responsible for the audit.

Compliance

In accordance with EU regulations and with the Hungarian statutory provisions an independent organisational unit (the Compliance Directorate) operates at the Company, with the task of exploring and managing compliance risks. This function is supported by the appropriate regulatory documents: the compliance policy, strategy and work plan. The purpose of the compliance policy is to establish the framework of compliance activities in respect of the entire OTP Bank Group, to determine the definition, purpose of compliance and the tasks and scope of the function. Another important document of the compliance policy is the OTP Bank Group's compliance strategy. The compliance policy is approved by the Board of Directors of OTP Bank Plc. The Compliance Directorate prepares a comprehensive report each year about the Bank Group's compliance activities and position, which is approved by the Bank's Board of

Directors. The OTP Bank Group's senior management is responsible for the implementation in practice of the compliance policy.

Disclosure of information

Providing regular, authentic information is essential if the shareholders and the other participants in the capital market are to make sound decisions, and the way in which the Company discloses information also has an impact on its reputation.

The Company discloses information in strict compliance with the provisions of the Companies Act, the Capital Market Act, the Credit Institutions Act and the Investment Services Act, the Accounting Act and Ministry of Finance Decree 24/2008 (VIII. 15.), as well as the relevant regulations of the Budapest Stock Exchange. In addition, the Company has effective internal regulations that ensure compliance with the obligation to disclose information.

The aforementioned regulations ensure that all material information pertaining to the Company and having a bearing on the price of the Company's shares is published accurately, in full, and in good time.

The Board of Directors describes its business and strategic goals of the given year at every ordinary General Meeting. The proposal to the General Meeting is published by the Company on the website of the Budapest Stock Exchange in accordance with its rules of disclosure and the provisions of the relevant regulations of the BSE.

The Company, in accordance with the statutory regulations, publishes on the Company's

website and in its Annual Report the professional careers of the members of the Board of Directors, the Supervisory Board and the management.

The proposal pertaining to the remuneration of the chairman and members of the Board of Directors and the chairman and members of the Supervisory Board constitute a part of the proposals of the General Meeting.

The Company has detailed risk management regulations that include every type of risk (liquidity, market and credit risk) which are consistent with the statutory regulations pertaining to prudential banking operation. The Annual Report provides information about the Company's risk management practices, the relevant limits and compliance with the limits.

The Company has detailed internal regulations pertaining to insiders and potential insiders that fully comply with the restrictions and prohibitions regulated in detail by the Capital Market Act. In addition, the guidelines pertaining to securities trading by insiders are also available on the website. All transactions involving the Company's shares performed by the members of the Board of Directors and the Supervisory Board are published by the Company in accordance with the rules on disclosure, and the shareholdings in the Company of the officers of the Company (number of shares) are published in the Company's Annual Report.

The Board of Directors has assessed the effectiveness of information disclosure processes in 2013, and found them to be satisfactory.

Anti-money laundering measures

Money laundering is where criminals or their accomplices attempt to conceal the origins of money acquired from criminal acts by, for example, using the services of financial institutions.

In order to prevent the use of our bank for money-laundering purposes, we will do our best to ascertain the true identities of those who use our services, and OTP Bank will refuse to execute orders made by clients who fail to give evidence of their true identities in accordance with the relevant legal stipulations.

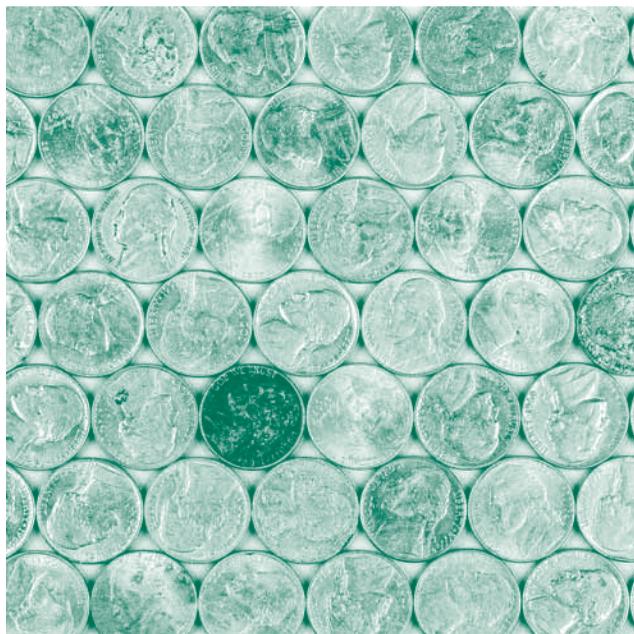
In keeping with the provisions of Act CXXXVI of 2007 on the prevention and impeding of money laundering and the financing of terrorism (hereinafter: Act on Money Laundering), OTP Bank has introduced, and applies, the following measures and rules:

- It operates an internal control and information system designed to prevent banking or financial operations that might

enable, or in themselves constitute, money laundering.

- It has internal regulations, in accordance with Ministry of Finance Decree 35/2007. (XII. 29.) and the recommendations of the Hungarian Financial Supervisory Authority, that all employees of the bank must observe.
- The employees of the bank must fulfill their customer due diligence and reporting obligations.
- Compliance with the reporting obligations are not construed as a breach of bank, securities, insurance or trade secrets.
- Failure to fulfill the reporting obligation may result in prosecution under criminal law.
- OTP Bank cooperates with the criminal investigation authorities in the investigation of all circumstances suggestive of money laundering.

OTP Bank discloses the customer identification procedure applied by the bank in an Announcement posted in all rooms open for serving customers.



With trust and responsibility for each other

OTP Bank's CSR activities in 2013

OTP Group devotes considerable attention to its social and natural environment, as well as to the values that are important to communities.

It performs its corporate social responsibility (CSR) activity in an integrated manner at every level of its organisational operation, and aims to share best practices across the group.

The Bank's website gives interested parties a comprehensive overview of its own corporate social responsibility guidelines, objectives and initiatives.



The year 2013 saw the implementation of the objectives defined in the CSR strategy, and of programmes launched earlier. This year promoting financial literacy and equal opportunities continued to be at the focus of the bank's CSR activities. As in previous years, a substantial proportion of our charitable donations served the creation of opportunities and the conservation of cultural heritage.

Complex accessibility developments at OTP Bank

OTP Bank leads the way among Hungary's credit institutions in ensuring accessibility to banking services; the programme aimed at ensuring that people with disabilities can administer their financial affairs without difficulty, both in branches and outside them, has been running for more than a decade now. In order to gain the fullest possible understanding of needs and expectations, our bank consults on a continuous basis with the Hand in Hand Foundation, whose experts provide assistance in the implementation of the accessibility programme, and in planning its next steps.

When the programme was first launched, the most important objective was to ensure physical access to the bank branches for all customers, including wheelchair users. In the branch network renovation programme, this aspect has been given priority, with the result that today 90 percent of our branches meet the requirements for barrier-free physical access. The ramps and other technical solutions make life much easier not only for people who use a wheelchair, but also for customers arriving with children in strollers.

Today the objective of accessibility developments is not only to ensure barrier-free access to the branch, but also to facilitate the unimpeded use of the branch equipment found inside – such as the customer calling system, and the counters – and to train and sensitise members of staff. To help the bank gain a better understanding of the needs and expectations of people living with disabilities, and to identify the tasks to be resolved, last year it conducted comprehensive surveys. It also made contact

with professional organisations that represent people living with disabilities, the employees and **experienced experts** of which provided invaluable assistance in the detailed elaboration of the bank's comprehensive accessibility programme.

The adapted bank branch environment, the new equipment and special aids all improve accessibility to banking services:

- To ensure accessibility in terms of communication, our customers who are deaf or hard of hearing are served by **staff trained in sign language** at 35 of our busiest branches.
- **Special induction loops** to assist communication, and special communication guides to improve dialogue, have been installed in, or delivered to, some 120 of our branches.
- Nine out of ten OTP branches already fulfil the requirements of **physical accessibility**, which relates not only to approaching and entering the branch, but also to movement and orientation within the customer service area.
- The height of the **queue ticket machines** makes it easy for anyone to use the device, and where possible we also install the accessible version of the "Browser" information and entertainment terminal in the customer service area.
- For our visually impaired customers, our bank's **accessible website** offers assistance in obtaining information.
- When using the **appointment booking function**, which is available to everyone and growing in popularity, customers with disabilities can indicate any special needs, so that our branch staff can make the necessary preparations for the meeting.
- Ensuring physical accessibility is naturally also a primary consideration when designing ATMs. At the same time, the braille markings on the buttons of ATMs and POS terminals make shopping and withdrawing cash easier and safer by ensuring **communication accessibility**; in other words, they make our services accessible, in an integrated way, to all of our customers.

As a result of the Bank's complex accessibility programme and continuous developments, more and more of our customers with disabilities have access to a full-featured service.

Involvement and sensitisation of staff

In 2013 OTP Bank again devoted particular attention to ensuring a further strengthening of a responsible attitude within the bank. It expanded the range of opportunities for employees to take part in the widest variety of corporate social responsibility programmes, since the success of achieving CSR objectives is largely dependent on the commitment of employees.

In the spirit of equal opportunities and social inclusion and acceptance, in 2013 employees once again participated in the Hand in Hand Foundation's "Accept them! Accept me!" events, holding branch open days with financial education sessions for hearing and visually impaired, as well as mobility-impaired people. The company's contribution to protecting the environment was not limited to its reductions in energy and material usage, as it launched a new series of programmes jointly with the Hungarian Nature Trail Association, for the continuous maintenance of Hungary's popular protected tourist trails. The "Bike to Work!" movement, aimed at promoting cycling as a means of transport, continued to enjoy great popularity among employees in 2013, as did the Earth Hour initiative to encourage energy saving, and the Walk Across the Chain Bridge event that was part of a campaign to raise awareness of breast cancer.

Financial education

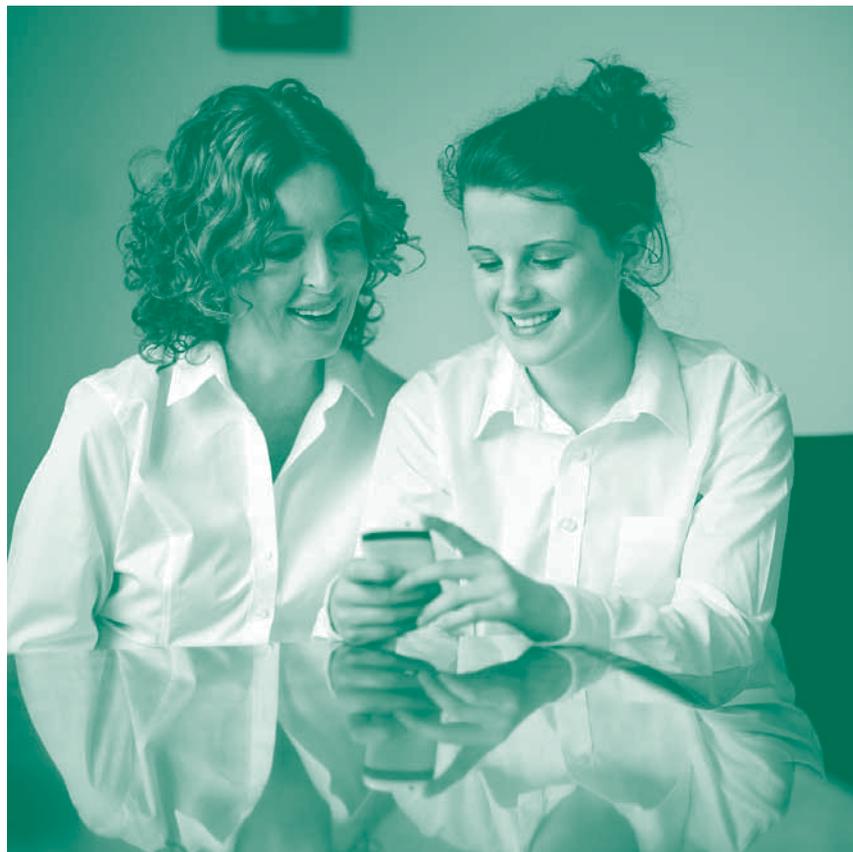
It is important for OTP Bank to set an example with its activities in the field of financial and economics education. With its expertise and commitment to promoting financial literacy, its stated aim is to engender a new culture of financial awareness.

It was in this spirit that the **O.K. Centre, established by the OTP Fáy András Foundation**, began its operation at the end of 2012. This programme, which also represents a milestone in Hungarian public education, earned our bank the title of "Most Active Bank in the Promotion of Financial Literacy" in the MasterCard awards. The National Financial and Economics Education Centre for Secondary Schools, which is overseen by the OTP Fáy András Foundation with its 20 years of professional experience, was established as a part of EU Social Renewal Programme project 3.2.1. B-11/1, with the assistance of the Hungarian government and the support of OTP Bank. The total budget for the first two years of the project – calculated without taking

into account the provision of premises and development of the know-how – exceeds HUF 1.6 billion.

In the year since the O.K. Centre operated by the OTP Fáy András Foundation was established, it has:

- provided training and personal advice to 6,512 students (a total of 83 schools from 14 counties),
- hosted 300 groups in the O.K. Centre's building, and taught 174 groups in secondary schools and camps,
- participated in 471 attitude-shaping events (professional forums, workshops, trade fairs, conferences), at which it reached 16,000 active participants.



Creating opportunities

Providing assistance for disadvantaged people, especially children, remains an important part of OTP Bank's social participation.

The purpose of the Home Making Assistance scheme run jointly by OTP Bank and the Ministry for Human Resources is to raise society's awareness of parents who are raising another person's child as their own. A total of 12 socially disadvantaged foster families and adoptive families were awarded housing assistance under the scheme, which had a HUF 20 million budget.

For the third year running our bank provided a donation of HUF 25 million to the **mobile playground programme of the Hungarian Maltese Charity Service**, which brings the joy of play to around a thousand children a year in

the most disadvantaged regions of the country. The project enjoys the priority support of our bank, which initially purchased the vehicles and has subsequently ensured their continued operation. The lump-sum aid payment was supplemented in 2013 by a donation of more than HUF 500,000 collected by staff.

At the end of the year, users had the opportunity to vote on the financial institution's social networking page, regarding which project of the Hungarian Maltese Charity Service should receive fixed assets in a value of HUF 500,000 courtesy of the bank.

Thanks to those who voted, the beneficiary was the Day Centre for People with Disabilities, run by the Hungarian Maltese Charity Service in Keszthely.

You can read more about OTP Bank's CSR activities and its latest programmes on our website, at www.otpbank.hu/csr/en/main.

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