



OTP BANK PLC.

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

***FOR THE YEAR ENDED
31 DECEMBER 2013***

OTP BANK PLC.
CONSOLIDATED FINANCIAL STATEMENTS

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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.

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 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, March 25, 2014


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Gábor Gion

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


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dr. Attila Hruby

registered statutory auditor
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OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(in HUF mn)

	Note	2013	2012
Cash, amounts due from banks and balances with the National 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.	<u>211,241</u>	<u>129,456</u>
TOTAL ASSETS		<u>10,381,047</u>	<u>10,113,466</u>
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.	<u>267,162</u>	<u>291,495</u>
TOTAL LIABILITIES		<u>8,871,715</u>	<u>8,598,913</u>
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.	<u>4,767</u>	<u>5,783</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,509,332</u>	<u>1,514,553</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>10,381,047</u>	<u>10,113,466</u>

Budapest, 25 March 2014



 Dr. Sándor Csányi
 Chairman and Chief Executive Officer



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

	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		<u>924</u>	<u>1,827</u>
Total Interest Income		<u>1,089,369</u>	<u>1,243,950</u>
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		<u>11,412</u>	<u>11,923</u>
Total Interest Expense		<u>435,641</u>	<u>598,485</u>
NET INTEREST INCOME		<u>653,728</u>	<u>645,465</u>
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		<u>391,159</u>	<u>418,485</u>
Income from fees and commissions	24.	257,135	203,499
Expense from fees and commissions	24.	<u>55,378</u>	<u>49,162</u>
Net profit from fees and commissions		<u>201,757</u>	<u>154,337</u>
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.	<u>(39,795)</u>	<u>(35,033)</u>
Net operating result		<u>18,907</u>	<u>(3,671)</u>
Personnel expenses		204,277	188,952
Depreciation and amortization	11.	78,017	47,420
Other administrative expenses		<u>244,477</u>	<u>187,105</u>
Other administrative expenses	25.	<u>526,771</u>	<u>423,477</u>
PROFIT BEFORE INCOME TAX		<u>85,052</u>	<u>145,674</u>
Income tax	26.	<u>(20,944)</u>	<u>(23,088)</u>
NET PROFIT FOR THE PERIOD		<u>64,108</u>	<u>122,586</u>
From this, attributable to:			
Non-controlling interest		<u>(91)</u>	<u>896</u>
Owners of the company		<u>64,199</u>	<u>121,690</u>
Consolidated earnings per share (in HUF)			
Basic	37.	<u>241</u>	<u>457</u>
Diluted	37.	<u>240</u>	<u>457</u>

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

	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	<u>(39)</u>	-
NET COMPREHENSIVE INCOME	<u>28,363</u>	<u>122,172</u>
From this, attributable to:		
Non-controlling interest	<u>(1,016)</u>	<u>182</u>
Owners of the company	<u>29,379</u>	<u>121,990</u>

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

OPERATING ACTIVITIES	Note	2013	2012
Profit before income tax		85,052	145,674
Goodwill impairment	<i>11.</i>	30,819	-
Depreciation and amortization	<i>11.</i>	47,198	47,420
Release of provision for impairment on securities	<i>7., 10.</i>	(11)	(505)
Provision for impairment on loan and placement losses	<i>5., 8.</i>	262,569	226,980
Provision for impairment on investments	<i>9.</i>	1,370	1,335
Provision for impairment on other assets	<i>12.</i>	4,313	6,375
Provision for impairment on off-balance sheet commitments and contingent liabilities	<i>17.</i>	3,990	2,135
Share-based payment	<i>2., 29.</i>	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)
<i>Net changes in assets and liabilities in operating activities</i>			
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		<u>(21,739)</u>	<u>(25,259)</u>
Net Cash Provided by Operating Activities		<u>343,037</u>	<u>903,241</u>
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		<u>(354,364)</u>	<u>(494,090)</u>

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

FINANCING ACTIVITIES	Note	2013	2012
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 ¹		(4,111)	(4,144)
Net change in Treasury shares		(1,316)	430
Dividend paid		<u>(33,592)</u>	<u>(28,140)</u>
Net Cash Used in Financing Activities		<u>(44,655)</u>	<u>(392,399)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(55,982)</u>	<u>16,752</u>
Cash and cash equivalents at the beginning of the period		<u>331,929</u>	<u>315,177</u>
Cash and cash equivalents at the end of the period		<u>275,947</u>	<u>331,929</u>

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		<u>(270,592)</u>	<u>(280,809)</u>
Cash and cash equivalents at the beginning of the period		<u>331,929</u>	<u>315,177</u>
Cash, amounts due from banks and balances with the National Banks	4.	539,125	602,521
Compulsory reserve established by the National Banks	4.	<u>(263,178)</u>	<u>(270,592)</u>
Cash and cash equivalents at the end of the period		<u>275,947</u>	<u>331,929</u>

¹ See more details in Note 20.

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

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2012		<u>28,000</u>	<u>52</u>	<u>6,216</u>	<u>1,488,296</u>	<u>(55,468)</u>	<u>(54,387)</u>	<u>5,601</u>	<u>1,418,310</u>
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		<u>28,000</u>	<u>52</u>	<u>10,800</u>	<u>1,579,188</u>	<u>(55,468)</u>	<u>(53,802)</u>	<u>5,783</u>	<u>1,514,553</u>
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		<u>28,000</u>	<u>52</u>	<u>16,504</u>	<u>1,571,076</u>	<u>(55,468)</u>	<u>(55,599)</u>	<u>4,767</u>	<u>1,509,332</u>

The accompanying notes to consolidated financial statements on pages 8 to 98 form an integral part of these Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards.

OTP BANK PLC.
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.

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

	2013	2012
Domestic and foreign private and institutional investors	97%	97%
Employees	2%	2%
Treasury shares	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

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.

The number of employees at the Group:

	2013	2012
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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

1.2. Base of Accounting [continued]

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

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

1.2. Base of Accounting [continued]

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

- 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).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

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

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

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss [continued]

2.6.2. Derivative financial instruments [continued]

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 instalments, escrow account loan contract

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

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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:

As at 31 December 2013

	OTP	OTP Mortgage Bank	OTP Real Estate Leasing Ltd.	Group
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

	OTP	OTP Mortgage Bank	OTP Real Estate Leasing Ltd.	Group
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:

As at 31 December 2013

	OTP	OTP Mortgage Bank	OTP Real Estate Leasing Ltd.	Group
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

	OTP	OTP Mortgage Bank	OTP Real Estate Leasing Ltd.	Group
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**.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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.

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

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	<u>235,898</u>	<u>294,509</u>
	<u>268,322</u>	<u>335,391</u>
Over one year		
In HUF	-	15,000
In foreign currency	<u>4,911</u>	<u>7,183</u>
	<u>4,911</u>	<u>22,183</u>
Accrued interest	<u>277</u>	<u>403</u>
Provision for impairment on placement losses	<u>(31)</u>	<u>(1,111)</u>
Total	<u>273,479</u>	<u>356,866</u>

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

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

	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	<u>(29)</u>	<u>(158)</u>
Closing balance	<u>31</u>	<u>1,111</u>

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%

	2013	2012
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	<u>5,912</u>	<u>6,913</u>
	<u>340,553</u>	<u>121,340</u>
Accrued interest	<u>987</u>	<u>480</u>
Total	<u>341,540</u>	<u>121,820</u>

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

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

	2013	2012
Interest rate swaps classified as held for trading	53,667	73,183
CCIRS and mark-to-market CCIRS ¹ 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	<u>6,493</u>	<u>10,400</u>
	<u>74,065</u>	<u>101,054</u>
Total	<u>415,605</u>	<u>222,874</u>

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

	2013	2012
Denominated in HUF (%)	86.9%	80.2%
Denominated in foreign currency (%)	<u>13.1%</u>	<u>19.8%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

An analysis of government bond portfolio by currency (%):

	2013	2012
Denominated in HUF (%)	9.5%	9.9%
Denominated in foreign currency (%)	<u>90.5%</u>	<u>90.1%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

	2013	2012
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	<u>249,085</u>	<u>21,587</u>
	<u>256,330</u>	<u>21,589</u>
Over five years		
With variable interest	663	-
With fixed interest	<u>3,945</u>	<u>2,059</u>
	<u>4,608</u>	<u>2,059</u>
Non-interest bearing securities	<u>79,615</u>	<u>97,692</u>
Total	<u>340,553</u>	<u>121,340</u>

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

OTP BANK PLC.
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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
<i>From this:</i>		
<i>Listed securities:</i>		
<i>In HUF</i>	-	-
<i>In foreign currency</i>	<u>67,930</u>	<u>45,966</u>
	<u>67,930</u>	<u>45,966</u>
<i>Non-listed securities:</i>		
<i>In HUF</i>	3,218	-
<i>In foreign currency</i>	-	<u>5,561</u>
	<u>3,218</u>	<u>5,561</u>
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
<i>From this:</i>		
<i>Listed securities:</i>		
<i>In HUF</i>	-	-
<i>In foreign currency</i>	<u>6,521</u>	<u>6,829</u>
	<u>6,521</u>	<u>6,829</u>
<i>Non-listed securities:</i>		
<i>In HUF</i>	27,013	28,647
<i>In foreign currency</i>	<u>8,168</u>	<u>4,334</u>
	<u>35,181</u>	<u>32,981</u>
	<u>1,628,971</u>	<u>1,400,773</u>
Accrued interest	<u>9,250</u>	<u>11,630</u>
Provision for impairment on securities available-for-sale	<u>(966)</u>	<u>(1,226)</u>
Total	<u>1,637,255</u>	<u>1,411,177</u>
 An analysis of securities available-for sale by currency (%):		
	2013	2012
Denominated in HUF (%)	82.6%	81.4%
Denominated in foreign currency (%)	<u>17.4%</u>	<u>18.6%</u>
Total	<u>100.0%</u>	<u>100.0%</u>
 An analysis of government bonds by currency (%):		
	2013	2012
Denominated in HUF (%)	47.1%	64.1%
Denominated in foreign currency (%)	<u>52.9%</u>	<u>35.9%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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

	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%
	2013	2012
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	<u>478,490</u>	<u>1,282,459</u>
	<u>1,504,574</u>	<u>1,291,977</u>
Over five years		
With variable interest	3,730	2,521
With fixed interest	<u>78,965</u>	<u>66,465</u>
	<u>82,695</u>	<u>68,986</u>
Non-interest bearing securities	<u>41,702</u>	<u>39,810</u>
Total	<u>1,628,971</u>	<u>1,400,773</u>

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	<u>5</u>	<u>(131)</u>
Closing balance	<u>966</u>	<u>1,226</u>

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

OTP BANK PLC.
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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)	<u>4,875,633</u>	<u>4,973,154</u>
	<u>7,412,800</u>	<u>7,547,047</u>
Accrued interest	<u>68,044</u>	<u>71,320</u>
Provision for impairment on loan losses	<u>(1,235,634)</u>	<u>(1,154,176)</u>
Total	<u>6,245,210</u>	<u>6,464,191</u>

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

	2013	2012
In HUF	27%	26%
In foreign currency	<u>73%</u>	<u>74%</u>
Total	<u>100%</u>	<u>100%</u>

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%

	2013	2012
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%

	2013	2012
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%
<i>from this completed by the State</i>	<u>102,152</u>	<u>1%</u>	=	=
Total	<u>7,412,800</u>	<u>100%</u>	<u>7,547,047</u>	<u>100%</u>

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn) [continued]

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	<u>(24,301)</u>	<u>(39,427)</u>
Closing balance	<u>1,235,634</u>	<u>1,154,176</u>

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	<u>262,943</u>	<u>226,939</u>
Total	<u>262,569</u>	<u>226,980</u>

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) ¹	<u>4,189</u>	<u>3,408</u>
	<u>28,068</u>	<u>10,904</u>
Provision for impairment on investments	<u>(4,231)</u>	<u>(2,968)</u>
Total	<u>23,837</u>	<u>7,936</u>

¹ These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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

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	<u>25</u>	<u>1</u>
Closing balance	<u>4,231</u>	<u>2,968</u>

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	<u>457</u>	<u>6,432</u>
	<u>566,542</u>	<u>417,663</u>
Accrued interest	<u>14,284</u>	<u>12,410</u>
Provision for impairment on securities held-to-maturity	<u>(775)</u>	<u>(770)</u>
Total	<u>580,051</u>	<u>429,303</u>

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	<u>212,112</u>	<u>230,287</u>
	<u>228,569</u>	<u>262,906</u>
Over five years		
With variable interest	-	252
With fixed interest	<u>337,973</u>	<u>154,505</u>
	<u>337,973</u>	<u>154,757</u>
Total	<u>566,542</u>	<u>417,663</u>

An analysis of securities held-to-maturity by currency (%):

	2013	2012
Denominated in HUF (%)	89.8%	85.7%
Denominated in foreign currency (%)	<u>10.2%</u>	<u>14.3%</u>
Total	<u>100%</u>	<u>100%</u>

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

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%

	2013	2012
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	<u>16</u>	<u>(70)</u>
Closing balance	<u>775</u>	<u>770</u>

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

For the year ended 31 December 2013

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
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	<u>142</u>	<u>10</u>	<u>234</u>	<u>854</u>	<u>1,240</u>
Balance as at 31 December	<u>374,911</u>	<u>222,634</u>	<u>188,906</u>	<u>26,341</u>	<u>812,792</u>

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

For the year ended 31 December 2013 [continued]

Depreciation and Amortization	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
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	<u>181,190</u>	<u>49,799</u>	<u>126,559</u>	<u>-</u>	<u>357,548</u>
Net book value					
Balance as at 1 January	<u>237,749</u>	<u>169,869</u>	<u>62,596</u>	<u>18,928</u>	<u>489,142</u>
Balance as at 31 December	<u>193,721</u>	<u>172,835</u>	<u>62,347</u>	<u>26,341</u>	<u>455,244</u>

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	<u>145,564</u>
Net book value	
Balance as at 1 January	<u>189,619</u>
Balance as at 31 December	<u>145,564</u>

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

List of units	HUF mn
OAo 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 ¹	6,086
Total	<u>145,564</u>

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.

¹ Other category includes: Monicomp Ltd., OTP Real Estate Leasing Ltd., Nimo 2002 Ltd., POK DSK-Rodina a.d.

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

For the year ended 31 December 2013 [continued]

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.

For the year ended 31 December 2012

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	381,658	199,654	187,460	16,343	785,115
Additions	30,937	16,753	24,635	27,309	99,634
Foreign currency translation differences	(12,047)	(7,311)	(6,465)	(571)	(26,394)
Disposals	(37,048)	(2,871)	(18,117)	(24,155)	(82,191)
Change in consolidation scope	24	8,511	105	2	8,642
Balance as at 31 December	<u>363,524</u>	<u>214,736</u>	<u>187,618</u>	<u>18,928</u>	<u>784,806</u>
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	<u>125,775</u>	<u>44,867</u>	<u>125,022</u>	<u>=</u>	<u>295,664</u>
Net book value					
Balance as at 1 January	<u>249,869</u>	<u>159,552</u>	<u>65,902</u>	<u>16,343</u>	<u>491,666</u>
Balance as at 31 December	<u>237,749</u>	<u>169,869</u>	<u>62,596</u>	<u>18,928</u>	<u>489,142</u>

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

For the year ended 31 December 2012 [continued]

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	<u>189,619</u>

Net book value	
Balance as at 1 January	<u>198,896</u>
Balance as at 31 December	<u>189,619</u>

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

List of units	HUF mn
OAo OTP Bank	68,205
OTP Bank JSC	64,003
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	16,910
OTP Bank Romania S.A.	5,788
OTP Banka Slovensko a.s.	86
Other ¹	<u>6,086</u>
Total	<u>189,619</u>

Summary of the 2012 year end impairment test

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

¹ Other category includes: Monicomp Ltd., OTP Real Estate Leasing Ltd., Nimo 2002 Ltd., POK DSK-Rodina a.d.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 12: OTHER ASSETS¹ (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	<u>65,766</u>	<u>30,931</u>
	<u>234,488</u>	<u>150,721</u>
Provision for impairment on other assets ²	<u>(23,247)</u>	<u>(21,265)</u>
Total	<u>211,241</u>	<u>129,456</u>

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	<u>34</u>	<u>10</u>
Total	<u>26,803</u>	<u>13,694</u>

¹ Other assets – except income tax receivable and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Income tax receivable will be enforced in the tax return for the year 2014. Unrealised gains/losses on derivative financial instruments is recovering in accordance with their maturity.

² Provision for impairment on other assets mainly consists of provision for impairment on inventories and trade receivables.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12: OTHER ASSETS (in HUF mn) [continued]

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	<u>23,247</u>	<u>21,265</u>

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	<u>162,714</u>	<u>200,599</u>
	<u>515,355</u>	<u>279,201</u>
Over one year		
In HUF	139,958	110,267
In foreign currency	<u>127,436</u>	<u>142,424</u>
	<u>267,394</u>	<u>252,691</u>
Accrued interest	<u>1,463</u>	<u>2,432</u>
Total¹	<u>784,212</u>	<u>534,324</u>

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%

¹ 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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13: AMOUNTS DUE TO BANKS, THE HUNGARIAN GOVERNMENT, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn) [continued]

	2013	2012
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	<u>3,518,242</u>	<u>3,381,095</u>
	<u>6,563,613</u>	<u>6,245,631</u>
Over one year		
In HUF	140,582	131,023
In foreign currency	<u>124,008</u>	<u>133,045</u>
	<u>264,590</u>	<u>264,068</u>
Accrued interest	<u>38,403</u>	<u>41,009</u>
Total	<u>6,866,606</u>	<u>6,550,708</u>

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%

	2013	2012
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%

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]

An analysis of deposits from customers by type, is as follows¹:

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

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	<u>163,580</u>	<u>59,632</u>
	<u>214,375</u>	<u>267,458</u>
Over one year		
In HUF	175,889	185,893
In foreign currency	<u>43,806</u>	<u>169,564</u>
	<u>219,695</u>	<u>355,457</u>
Accrued interest	<u>11,148</u>	<u>20,208</u>
Total	<u>445,218</u>	<u>643,123</u>

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%
	2013	2012
Average interest rates on issued securities	6.61%	7.66%

¹ Without accrued interest liability.

OTP BANK PLC.
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NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

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

	Name	Date of 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
57	OTP 2021/Bx	17/06/2011	21/06/2021	370	indexed	floating	hedged
	Subtotal			97,834			

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

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

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		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 ¹			35,288			
	Subtotal			<u>120,612</u>			
	Subtotal issued securities in HUF			<u>218,446</u>			
	Unamortized premium			(56)			
	Fair value adjustment			8,294			
	Total issued securities in HUF			<u>226,684</u>			

¹ From the total amount HUF 34,862 million is mobil deposits of Merkantil Bank.

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

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

	Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)	Hedged
					(FX mn)	(HUF mn)		
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
	Subtotal					35,563		

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

Issued securities denominated in foreign currency as at 31 December 2013 (in HUF mn) [continued]

Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged	
				(FX mn)	(HUF mn)				
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	
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	floating	
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	floating	
85	Mortgage bonds OTP XXV	28/09/2012	28/09/2016	EUR	7.96	2,364	4.0	floating	
86	OTPRU 14/03	29/03/2011	25/03/2014	RUB	2,500	16,375	8.55	floating	
87	OTPRU 14/07	02/08/2011	29/07/2014	RUB	5,000	32,750	8.21	floating	
88	OTPRU 14/10	03/11/2011	30/10/2014	RUB	4,000	26,200	10.88	floating	
89	OTPRU 15/03	06/03/2012	03/03/2015	RUB	4,940	32,095	10.84	floating	
90	Other ¹					<u>11,340</u>			
	Subtotal					<u>200,732</u>			
	Subtotal issued securities in FX					<u>236,295</u>			
	Unamortized premium					(28,958)			
	Fair value adjustment					49			
	Total issued securities in FX					<u>207,386</u>			
	Accrued interest					11,148			
	Total issued securities					<u>445,218</u>			

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.

¹ 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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

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.

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	<u>647</u>	<u>338</u>
Total	<u>87,164</u>	<u>122,032</u>

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17: OTHER LIABILITIES¹ (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 ²	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	<u>39,892</u>	<u>43,804</u>
	<u>421,182</u>	<u>456,373</u>
Accrued interest	<u>171</u>	<u>858</u>
Total	<u>421,353</u>	<u>457,231</u>

¹ Other liabilities – except financial liabilities from OTP-MOL share swap transaction, deferred tax liabilities and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealised gains/losses on OTP-MOL share swap transaction is settled in June of each year until the maturity date. The fair value of amount being settled in 2014 is HUF 979 million as at 31 December 2013. Unrealised gains/losses on derivative financial instruments is recovering in accordance with their maturity. 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.

² On 16 April 2009 OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the loss of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 31 December 2013 and 2012 HUF 71,548 and HUF 89,308 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

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	<u>1,253</u>	<u>1,137</u>
Total	<u>22,180</u>	<u>19,727</u>

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	<u>(39)</u>	<u>(619)</u>
Closing balance	<u>22,180</u>	<u>19,727</u>

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	-	<u>1</u>
Total	<u>74,695</u>	<u>119,027</u>

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

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%
	2013	2012
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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

Subordinated bonds and loans can be detailed as follows:

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

¹ European Medium Term Note Program

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

NOTE 19: SHARE CAPITAL (in HUF mn)

	2013	2012
Authorized, issued and fully paid:		
Ordinary shares	<u>28,000</u>	<u>28,000</u>

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	<u>8,287</u>	<u>7,385</u>
Total	<u>1,032,631</u>	<u>994,768</u>

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21: TREASURY SHARES (in HUF mn)

	2013	2012
Nominal value (Ordinary shares)	<u>1,797</u>	<u>1,876</u>
Carrying value at acquisition cost	<u>55,599</u>	<u>53,802</u>

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	<u>(5,030,011)</u>	<u>(1,953,105)</u>
Closing number of shares	<u>17,972,405</u>	<u>18,755,373</u>

Change in carrying value:

	2013	2012
Balance as at 1 January	53,802	54,386
Additions	19,740	5,758
Disposals	<u>(17,943)</u>	<u>(6,342)</u>
Closing balance	<u>55,599</u>	<u>53,802</u>

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	<u>(502)</u>	<u>70</u>
Closing balance	<u>4,767</u>	<u>5,783</u>

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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
<i>- from this: release of provision for impairment on loan losses related to early repayment</i>	-	(35,264)
Release of provision	(328,859)	(472,154)
Provision for impairment on loan losses	77,188	96,899
<i>- from this: provision on loan losses related to early repayment</i>	-	<u>32,774</u>
	<u>262,943</u>	<u>226,939</u>
(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	<u>(35)</u>	<u>(63)</u>
	<u>(374)</u>	<u>41</u>
Provision for impairment on loan and placement losses	<u>262,569</u>	<u>226,980</u>
Gains on loans related to early repayment	-	(2,490)
Losses from early repayment recognizing in interest income from loans	-	<u>127</u>
Total gains related to early repayment	=	<u>(2,363)</u>

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

	2013	2012
Income from fees and commissions		
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	<u>27,430</u>	<u>21,199</u>
Total	<u>257,135</u>	<u>203,499</u>

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

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	<u>6,298</u>	<u>5,473</u>
Total	<u>55,378</u>	<u>49,162</u>
 Net profit from fees and commissions	 <u>201,757</u>	 <u>154,337</u>

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	<u>24,840</u>	<u>23,987</u>
Total	<u>24,840</u>	<u>23,987</u>
 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	1,370	1,335
Other expense from non-financial activities	19,366	17,912
Other operating costs	<u>10,756</u>	<u>7,276</u>
Total	<u>39,795</u>	<u>35,033</u>
 Other administrative expenses	 2013	 2012
Personnel expenses		
Wages	150,462	139,386
Taxes related to personnel expenses	40,677	36,881
Other personnel expenses	<u>13,138</u>	<u>12,685</u>
Subtotal	<u>204,277</u>	<u>188,952</u>

¹ See details in Note 9.

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

Other administrative expenses	2013	2012
Depreciation and amortization¹	<u>78,017</u>	<u>47,420</u>
Other administrative expenses		
Taxes, other than income tax ^{2,3}	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	<u>13,379</u>	<u>12,984</u>
Subtotal	<u>244,477</u>	<u>187,105</u>
Total	<u>526,771</u>	<u>423,477</u>

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	<u>(3,598)</u>	<u>2,561</u>
Total	<u>20,944</u>	<u>23,088</u>

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	<u>251</u>	<u>300</u>
Closing balance	<u>(12,273)</u>	<u>(17,295)</u>

¹ See details in Note 11.

² 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.

³ 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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 26: INCOME TAXES (in HUF mn) [continued]

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	<u>6,176</u>	<u>9,630</u>
Deferred tax asset	<u>26,573</u>	<u>23,909</u>
	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	<u>(8,838)</u>	<u>(7,673)</u>
Deferred tax liabilities	<u>(38,846)</u>	<u>(41,204)</u>
Net deferred tax liability	<u>(12,273)</u>	<u>(17,295)</u>

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 ¹	(459)	(5,945)
Use of tax allowance in the current year	(9,523)	-
Other	<u>(5,978)</u>	<u>(4,955)</u>
Income tax expense	<u>20,944</u>	<u>23,088</u>
Effective tax rate	<u>24.62%</u>	<u>15.85%</u>

¹ 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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

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

27.1. Credit risk

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

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

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;

OTP BANK PLC.
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and by DPD categories [continued]

- 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 ¹	271,379	106	965	272,450
Car-finance loans	<u>188,221</u>	<u>13,286</u>	<u>38,594</u>	<u>240,101</u>
Gross portfolio	<u>5,945,215</u>	<u>281,689</u>	<u>1,181,956</u>	<u>7,408,860</u>
Placement with other banks	273,224	-	9	273,233
Bill of exchange	<u>3,940</u>	=	=	<u>3,940</u>
Total gross portfolio	<u>6,222,379</u>	<u>281,689</u>	<u>1,181,965</u>	<u>7,686,033</u>
Allowance for loans	(198,928)	(156,362)	(880,344)	(1,235,634)
Allowance for placements	<u>(23)</u>	=	<u>(8)</u>	<u>(31)</u>
Total allowance	<u>(198,951)</u>	<u>(156,362)</u>	<u>(880,352)</u>	<u>(1,235,665)</u>
Total net portfolio	<u>6,023,428</u>	<u>125,327</u>	<u>301,613</u>	<u>6,450,368</u>
Accrued interest				
for loans				68,044
for placements				<u>277</u>
Total accrued interest				<u>68,321</u>
Total net loans				<u>6,245,210</u>
Total net placements				<u>273,479</u>
Total net exposures				<u>6,518,689</u>

¹ 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.

OTP BANK PLC.
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and by DPD categories [continued]

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	<u>219,443</u>	<u>17,114</u>	<u>53,098</u>	<u>289,655</u>
Gross portfolio	<u>6,101,374</u>	<u>304,743</u>	<u>1,137,904</u>	<u>7,544,021</u>
Placement with other banks	356,787	-	787	357,574
Bill of exchange	<u>3,026</u>	=	=	<u>3,026</u>
Total gross portfolio	<u>6,461,187</u>	<u>304,743</u>	<u>1,138,691</u>	<u>7,904,621</u>
Allowance for loans	(195,941)	(156,810)	(801,425)	(1,154,176)
Allowance for placements	<u>(324)</u>	=	<u>(787)</u>	<u>(1,111)</u>
Total allowance	<u>(196,265)</u>	<u>(156,810)</u>	<u>(802,212)</u>	<u>(1,155,287)</u>
Total net portfolio	<u>6,264,922</u>	<u>147,933</u>	<u>336,479</u>	<u>6,749,334</u>
Accrued interest				
for loans				71,320
for placements				403
Total accrued interest				<u>71,723</u>
Total net loans				<u>6,464,191</u>
Total net placements				<u>356,866</u>
Total net exposures				<u>6,821,057</u>

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and by DPD categories [continued]

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	<u>3,134,667</u>	<u>291,643</u>	<u>8,522</u>	<u>9,704</u>	<u>3,444,536</u>

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	<u>3,115,754</u>	<u>331,934</u>	<u>12,443</u>	<u>18,392</u>	<u>3,478,523</u>

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and by DPD categories [continued]

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	<u>22,159</u>	<u>7,399</u>	<u>9,509</u>	<u>6,000</u>	<u>379</u>
Corporate total	<u>692,072</u>	<u>350,227</u>	<u>304,736</u>	<u>20,549</u>	<u>5,204</u>
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	<u>14,583</u>	<u>456</u>	<u>-</u>	<u>1,044</u>	<u>10</u>
Municipal total	<u>27,153</u>	<u>1,780</u>	<u>8,716</u>	<u>1,143</u>	<u>11</u>
Placements with other banks	=	=	=	=	=
Total	<u>719,225</u>	<u>352,007</u>	<u>313,452</u>	<u>21,692</u>	<u>5,215</u>

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

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and by DPD categories [continued]

Loans individually assessed for provision [continued]

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	<u>36,971</u>	<u>5,876</u>	<u>2,435</u>	<u>3,843</u>	<u>458</u>
Corporate total	<u>693,243</u>	<u>305,178</u>	<u>284,850</u>	<u>14,407</u>	<u>1,262</u>
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	<u>31,755</u>	<u>2,907</u>	<u>-</u>	<u>6,287</u>	<u>402</u>
Municipal total	<u>58,082</u>	<u>5,498</u>	<u>4,049</u>	<u>6,720</u>	<u>470</u>
Placements with other banks	<u>761</u>	<u>761</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>752,086</u>	<u>311,437</u>	<u>288,899</u>	<u>21,127</u>	<u>1,732</u>

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).

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and by DPD categories [continued]

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
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 ¹	284	45	508	28
Total²	<u>7,682,093</u>	<u>1,235,665</u>	<u>7,904,621</u>	<u>1,155,287</u>

¹ 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.

² Without the amount of bill of exchange.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and by DPD categories [continued]

Loan portfolio by countries [continued]

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	<u>(3,670)</u>	<u>(4,608)</u>
Net value	<u>1,574,327</u>	<u>1,470,224</u>

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.

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	<u>842,311</u>	<u>932,442</u>
Total	<u>7,645,772</u>	<u>8,478,888</u>

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

27.1. Credit risk [continued]

27.1.3. Collaterals [continued]

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	<u>524,051</u>	<u>538,266</u>
Total	<u>3,823,672</u>	<u>4,410,278</u>

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	<u>439,510</u>	<u>558,383</u>

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	<u>223,084</u>	<u>258,840</u>

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

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.1. Credit risk [continued]

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	<u>1,386</u>	<u>28</u>	<u>8,401</u>	<u>152</u>
Total	<u>379,555</u>	<u>91,734</u>	<u>439,166</u>	<u>83,081</u>

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.

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

27.1. Credit risk [continued]

27.1.5. Financial instruments by rating categories¹

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 ²	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

¹ Moody's ratings

² Corporate shares listed on Budapest Stock Exchange

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

27.1. Credit risk [continued]

27.1.5. Financial instruments by rating categories¹ [continued]

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	=	=	=	=	=	<u>341</u>	=	<u>116</u>	<u>457</u>
Total	<u>5,196</u>	<u>493</u>	<u>20,475</u>	<u>2,157</u>	<u>9,126</u>	<u>527,257</u>	<u>1,063</u>	<u>775</u>	<u>566,542</u>
Accrued interest									<u>14,284</u>
Total									<u>580,826</u>

¹ Moody's ratings

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

27.2. Market risk

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

27.2.1. Market Risk sensitivity analysis

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

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

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

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

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

27.2. Market risk [continued]

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.

The strategic open position related to the foreign operations was short, amounted to EUR 310 million as at 31 December 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	2012
	In HUF billion	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.

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.
- 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.

OTP BANK PLC.
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.3. Interest rate sensitivity analysis [continued]

The simulations were prepared by assuming two scenarios:

- (1) 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 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 (in HUF million):

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	<u>(864)</u>	<u>240</u>	<u>(1,256)</u>	<u>592</u>

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)

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

27.2. Market risk [continued]

27.2.5. Capital management

Capital management

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

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

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

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

Capital adequacy

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

The Group has entirely complied with the regulatory capital requirements 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)
<i>due to investments</i>	<i>(367)</i>	<i>(343)</i>
Regulatory capital	<u>1,455,741</u>	<u>1,457,378</u>
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	<u>580,415</u>	<u>599,752</u>
Surplus capital	<u>875,326</u>	<u>857,626</u>
Tier 1 ratio	17.5%	16.3%
Capital adequacy ratio	<u>20.1%</u>	<u>19.4%</u>

OTP BANK PLC.
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

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

The negative components of the Core capital are the following: Treasury shares, Intangible assets.

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

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

The components of the Deductions: deductions due to investments.

The 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 (Tier 1)	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 (Tier 2)	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
Tier 1 ratio	16.0%	16.0%
Capital adequacy ratio	19.9%	19.7%

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

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

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

The components of the Supplementary capital are the following: Revaluation reserve, Fair value adjustments, Share-based payment, Cash-flow hedge, Hedges of net investments in foreign operations (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	<u>138,422</u>	<u>117,316</u>
Total	<u>1,810,508</u>	<u>1,606,017</u>

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 28: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS
(in HUF mn) [continued]

Legal disputes [continued]

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.

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

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.

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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	-	-

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NOTE 29: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS [continued]

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	-	<u>10</u>
Total	<u>13,885</u>	<u>12,709</u>
	2013	2012
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

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

	2013	2012
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	<u>71</u>	<u>70</u>
Total	<u>616</u>	<u>354</u>

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.

OTP BANK PLC.
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NOTE 31: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES [continued]

Significant subsidiaries

<u>Name</u>	<u>Ownership (Direct and Indirect)</u>		<u>Activity</u>
	2013	2012	
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAD 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

	<i>KITE</i> <i>Mezőgazdasági</i> <i>Szolgáltató és</i> <i>Kereskedelmi Ltd.</i>	<i>D-ÉG</i> <i>Thermoset</i> <i>Ltd.</i>	<i>Company</i> <i>for Cash</i> <i>Services Ltd.</i>	<i>Suzuki Pénzügyi</i> <i>Szolgáltató</i> <i>Ltd.</i>	<i>Total</i>
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

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NOTE 31: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES [continued]

Significant associates [continued]

As at 31 December 2012

	<i>Company for Cash Services Ltd</i>	<i>Suzuki Pénzügyi Szolgáltató Ltd.</i>	<i>Total</i>
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

	2013	2012
In the percentage of the total assets		
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.

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

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

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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

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.

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

As at 31 December 2013	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks, 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 ¹	329,973	15,572	12,223	1,222	-	358,990
Subordinated bonds and loans	<u>3,211</u>	<u>4,311</u>	<u>178,764</u>	-	<u>104,842</u> ²	<u>291,128</u>
TOTAL LIABILITIES	<u>6,381,657</u>	<u>1,401,655</u>	<u>764,337</u>	<u>175,092</u>	<u>104,842</u>	<u>8,827,583</u>
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	<u>(772,367)</u>	<u>(114,122)</u>	<u>(94,783)</u>	<u>(32,048)</u>	-	<u>(1,013,320)</u>
Net notional value of financial instruments classified as held for trading	<u>(31,083)</u>	<u>(10,338)</u>	<u>(38,578)</u>	<u>(17,128)</u>	=	<u>(97,127)</u>
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	<u>(261,502)</u>	<u>(264,224)</u>	<u>(735,838)</u>	<u>(2,579)</u>	-	<u>(1,264,143)</u>
Net notional value of financial instruments designated as fair value hedge	<u>(10,689)</u>	<u>(15,194)</u>	<u>(46,851)</u>	<u>1,363</u>	=	<u>(71,371)</u>
Net notional value of derivative financial instruments total	<u>(41,772)</u>	<u>(25,532)</u>	<u>(85,429)</u>	<u>(15,765)</u>	=	<u>(168,498)</u>
Commitments to extend credit	652,949	379,707	158,340	69,161	6,028	1,266,185
Bank guarantees	<u>53,902</u>	<u>78,177</u>	<u>154,536</u>	<u>25,876</u>	<u>503</u>	<u>312,994</u>
Off-balance sheet commitments	<u>706,851</u>	<u>457,884</u>	<u>312,876</u>	<u>95,037</u>	<u>6,531</u>	<u>1,579,179</u>

¹ Without derivative financial instruments designated as fair value hedge.

² See Note 18.

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

As at 31 December 2012	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks, 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 ¹	326,193	14,449	41,963	4,670	-	387,275
Subordinated bonds and loans	<u>3,703</u>	<u>6,730</u>	<u>177,128</u>	-	<u>137,845</u> ²	<u>325,406</u>
TOTAL LIABILITIES	<u>5,774,738</u>	<u>1,467,834</u>	<u>1,131,208</u>	<u>217,227</u>	<u>137,845</u>	<u>8,728,852</u>
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	<u>(457,854)</u>	<u>(292,415)</u>	<u>(432,755)</u>	<u>(60,878)</u>	-	<u>(1,243,902)</u>
Negative fair value of financial instruments classified as held for trading	<u>(27,406)</u>	<u>(20,044)</u>	<u>(32,031)</u>	<u>(12,509)</u>	=	<u>(91,990)</u>
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	<u>(228,775)</u>	<u>(83,899)</u>	<u>(1,059,369)</u>	<u>(8,295)</u>	-	<u>(1,380,338)</u>
Negative fair value of financial instruments designated as fair value hedge	<u>(38,971)</u>	<u>(14,947)</u>	<u>(62,135)</u>	<u>3,055</u>	=	<u>(112,998)</u>
Negative fair value of derivative financial instruments total	<u>(66,377)</u>	<u>(34,991)</u>	<u>(94,166)</u>	<u>(9,454)</u>	=	<u>(204,988)</u>
Commitments to extend credit	614,296	359,498	166,576	15,079	1,427	1,156,876
Bank guarantees	<u>81,699</u>	<u>74,012</u>	<u>148,142</u>	<u>11,199</u>	<u>1,107</u>	<u>316,159</u>
Off-balance sheet commitments	<u>695,995</u>	<u>433,510</u>	<u>314,718</u>	<u>26,278</u>	<u>2,534</u>	<u>1,473,035</u>

¹ Without derivative financial instruments designated as fair value hedge.

² See Note 18.

OTP BANK PLC.
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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	<u>44,933</u>	<u>(2,758)</u>	<u>(743,924)</u>	<u>(109,072)</u>	<u>(810,821)</u>
Net position	<u>111,492</u>	<u>43,467</u>	<u>(19,707)</u>	<u>198,538</u>	<u>333,790</u>

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	<u>(49,684)</u>	<u>206,904</u>	<u>(971,435)</u>	<u>(152,508)</u>	<u>(966,723)</u>
Net position	<u>91,238</u>	<u>78,468</u>	<u>(35,737)</u>	<u>278,421</u>	<u>412,390</u>

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

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

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

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

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

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

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

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 2 years		Over 2 years		Non-interest-bearing		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	51,834	51,999	208	143	-	54	-	84	-	-	68,122	366,681	120,164	418,961
<i>fixed rate</i>													49,248	15,209
<i>variable rate</i>	49,234	15,062	14	9	-	54	-	84	-	-	-	-	2,794	37,071
<i>non-interest-bearing</i>	2,600	36,937	194	134	-	-	-	-	-	-	68,122	366,681	68,122	366,681
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Placements with other banks, net of allowance for placements losses	32,423	168,781	-	27,182	-	919	-	-	4,804	1,033	18,097	33,456	240,023	273,479
<i>fixed rate</i>														
<i>variable rate</i>	32,423	168,781	-	7,059	-	919	-	-	4,677	-	-	32,423	181,436	213,859
<i>non-interest-bearing</i>	-	20,240	-	20,123	-	-	-	-	127	-	-	-	-	40,490
	-	-	-	-	-	-	-	-	-	-	1,033	18,097	1,033	18,097
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	341,540
<i>fixed rate</i>														
<i>variable rate</i>	211,318	81	2,327	2,104	4,484	5,808	604	2,019	3,562	28,279	-	-	222,295	38,291
<i>non-interest-bearing</i>	-	-	188	-	145	211	-	-	-	-	-	-	333	211
	-	-	-	-	-	-	-	-	-	-	73,201	7,209	73,201	7,209
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
<i>fixed rate</i>														
<i>variable rate</i>	1,152,169	38,649	10,449	35,109	26,967	52,259	37,793	48,066	87,696	96,282	-	-	1,315,074	268,159
<i>non-interest-bearing</i>	-	2,206	-	1,505	-	-	-	523	-	-	-	-	-	4,234
	-	-	-	-	-	-	-	-	-	-	30,794	18,994	30,794	18,994
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
<i>fixed rate</i>														
<i>variable rate</i>	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
<i>non-interest-bearing</i>	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
	-	-	-	-	-	-	-	-	-	-	53,295	262,680	53,295	262,680
Securities held-to-maturity	-	1,653	10,682	2,692	5,368	25,977	57,681	1,301	434,086	26,693	1,136	520,599	59,452	580,051
<i>fixed rate</i>														
<i>variable rate</i>	-	1,429	-	2,199	341	25,946	57,681	1,301	434,086	26,693	-	-	492,108	57,568
<i>non-interest-bearing</i>	-	224	10,682	493	5,027	31	-	-	-	-	-	-	15,709	748
	-	-	-	-	-	-	-	-	-	-	12,782	1,136	12,782	1,136
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
<i>fixed rate</i>														
<i>variable rate</i>	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
<i>non-interest-bearing</i>	322,044	429,533	442,381	815,012	23,624	2,985	79	-	-	-	-	788,128	1,247,530	2,035,658
	-	-	-	-	-	-	-	-	-	-	666	-	-	666

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

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 2 years		Over 2 years		Non-interest-bearing		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
<i>fixed rate</i>	315,291	135,680	6,548	1,839	1,041	9,822	798	10,171	85,647	25,541	-	-	409,325	183,053
<i>variable rate</i>	13,035	33,364	3,788	58,731	66,416	1,401	-	93	-	643	-	-	83,239	94,232
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	12,323	2,040	12,323	2,040
Deposits from customers	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
<i>fixed rate</i>	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
<i>variable rate</i>	366,029	1,055,051	20,560	8,649	107	131,892	-	12,547	884,119	209,814	-	-	1,270,815	1,417,953
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	9,022	175,137	9,022	175,137
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
<i>fixed rate</i>	6,436	3,510	17,729	21,524	20,713	126,792	25,040	39,431	121,923	3,610	-	-	191,841	194,867
<i>variable rate</i>	331	-	145	12,224	659	-	1,538	-	31,596	-	-	-	34,269	12,224
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	8,556	3,461	8,556	3,461
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
<i>fixed rate</i>	434,025	593,255	63,836	1,552,299	40,519	106,518	28,699	28,541	22,221	21,096	-	-	589,300	904,709
<i>variable rate</i>	529	775,501	1,032	1,303,871	3,991	22,575	-	-	-	-	-	-	5,552	2,101,947
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	624	-	624
Subordinated bonds and loans	-	100	-	27,746	-	15,117	-	-	-	221,041	-	3,158	-	267,162
<i>fixed rate</i>	-	-	-	-	-	-	-	-	-	221,041	-	-	-	221,041
<i>variable rate</i>	-	100	-	27,746	-	15,117	-	-	-	-	-	-	-	42,963
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	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

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

As at 31 December 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		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
<i>fixed rate</i>														602,521
<i>variable rate</i>	128,672	45,128	1,460	96	2	90	-	58	-	-	-	-	130,134	45,372
<i>non-interest-bearing</i>	4,830	36,141	1	214	-	-	-	-	-	-	-	-	4,831	36,355
	-	-	-	-	-	-	-	-	-	-	60,026	325,803	60,026	325,803
	55,842	87,510	-	165,347	-	12,810	-	12,631	-	8,319	319	14,088	56,161	300,705
Placements with other banks, net of allowance for placements losses														356,866
<i>fixed rate</i>	38,564	76,734	-	108	-	12,652	-	12,631	-	7,507	-	-	38,564	109,632
<i>variable rate</i>	17,278	10,776	-	165,239	-	158	-	-	-	812	-	-	17,278	176,985
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	319	14,088	319	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
<i>fixed rate</i>	1,635	208	1,731	10	2,838	67	458	5,542	288	10,863	-	-	6,950	16,690
<i>variable rate</i>	-	-	-	-	1	1	-	-	-	-	-	-	1	1
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	90,473	7,705	90,473	7,705
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
<i>fixed rate</i>	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
<i>variable rate</i>	-	2,560	-	6,583	-	548	-	-	-	-	-	-	-	9,691
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	35,426	17,462	35,426	17,462
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
<i>fixed rate</i>	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
<i>variable rate</i>	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
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	34,193	259,661	34,193	259,661
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
<i>fixed rate</i>	5,947	967	2,677	15,433	44,764	7,854	675	22,786	278,539	5,783	-	-	332,602	52,823
<i>variable rate</i>	13,350	264	7,211	483	10,124	36	-	-	-	-	-	-	30,685	783
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	10,966	1,444	10,966	1,444
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
<i>fixed rate</i>	390,418	339,102	72,075	173,000	31,133	180,283	27,230	15,442	29,813	33,488	-	-	550,669	741,315
<i>variable rate</i>	529,134	708,344	696,735	1,234,927	28	8,062	-	-	-	-	-	-	1,225,897	1,951,333
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	80	1,819	80	1,819

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

As at 31 December 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		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
<i>fixed rate</i>	51,596	102,663	2,730	5,732	542	15,258	23	101,444	397	3,331	-	-	55,288	228,428
<i>variable rate</i>	8,040	24,670	7,879	77,321	118,154	7,100	50	1,638	81	-	-	-	134,204	110,729
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	96	5,579	96	5,579
Deposits from customers	1,435,223	1,930,614	649,539	478,089	172,472	711,795	102,808	87,577	633,666	146,083	13,412	189,430	3,007,120	3,543,588
<i>fixed rate</i>	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
<i>variable rate</i>	392,544	1,105,593	15,890	-	106,968	-	-	-	619,274	119,413	-	-	1,027,708	1,331,974
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	13,412	189,430	13,412	189,430
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
<i>fixed rate</i>	30,169	7,229	50,595	6,524	84,653	36,609	30,779	160,111	164,395	3,857	-	-	360,591	214,330
<i>variable rate</i>	329	-	1,436	11,376	825	-	21,825	-	11,462	-	-	-	35,877	11,376
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	17,077	3,872	17,077	3,872
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
<i>fixed rate</i>	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
<i>variable rate</i>	484	1,283,734	1,759	1,897,127	5	8,121	-	245	-	971	-	-	2,248	3,190,198
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	1,679	1,408	1,679	1,408
Subordinated bonds and loans	-	-	5,000	26,009	-	15,706	-	80	-	241,673	-	3,027	5,000	286,495
<i>fixed rate</i>	-	-	-	-	-	-	-	-	-	241,632	-	-	-	241,632
<i>variable rate</i>	-	-	5,000	26,009	-	15,706	-	80	-	41	-	-	5,000	41,836
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	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

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NOTE 37: CONSOLIDATED EARNINGS PER SHARE

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

	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)	<u>241</u>	<u>457</u>
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)	<u>240</u>	<u>457</u>

	2013	2012
	Number of shares	
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	<u>266,914,990</u>	<u>266,239,227</u>
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	<u>267,148,860</u>	<u>266,307,792</u>

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.

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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)	-	-	-
	<u>653,728</u>	<u>171,612</u>	<u>(262,558)</u>	<u>(2,125)</u>

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)	-	-	-
	<u>645,465</u>	<u>121,882</u>	<u>(226,475)</u>	<u>59,481</u>

OTP BANK PLC.
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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
<i>Securities held for trading</i>	341,540	341,540	121,820	121,820
<i>Fair value of derivative financial instruments classified as held for trading</i>	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	<u>26,803</u>	<u>26,803</u>	<u>13,694</u>	<u>13,694</u>
Financial assets total	<u>9,717,528</u>	<u>10,124,285</u>	<u>9,500,626</u>	<u>10,254,748</u>

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

a) Fair value of financial assets and liabilities [continued]

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
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	<u>267,162</u>	<u>247,605</u>	<u>291,495</u>	<u>241,268</u>
Financial liabilities total	<u>8,525,057</u>	<u>8,511,117</u>	<u>8,260,709</u>	<u>8,140,714</u>

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)

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

b) Fair value of derivative instruments [continued]

	Fair value		Notional value, net	
	2013	2012	2013	2012
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	<u>100,868</u>	<u>114,748</u>	<u>102,648</u>	<u>119,167</u>
Derivative financial liabilities total	<u>(161,859)</u>	<u>(241,059)</u>	<u>(178,441)</u>	<u>(219,242)</u>
Derivative financial instruments total	<u>(60,991)</u>	<u>(126,311)</u>	<u>(75,793)</u>	<u>(100,075)</u>

c) Hedge accounting

The Group regularly enters into hedging transactions in order to decrease its financial risks. However some economically hedging transaction do not meet the criteria to account for hedge accounting, therefore these transactions were accounted as derivatives held for trading.

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

As at 31 December 2013

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash-flow hedges	-	-	-
2) Fair value hedges	IRS /Index option	HUF 7,095 million	Interest rate
3) 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
1) Cash-flow hedges	-	-	-
2) Fair value hedges	IRS /Index option	HUF (284) million	Interest rate
3) Net investment hedge in foreign operations	CCIRS and issued securities	HUF 3,737 million	Foreign exchange

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 39: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value hedges

1. Deposits from customers

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

	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	12	4

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

d) Fair value hedges [continued]

As at 31 December 2013

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

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

e) Fair value classes

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. 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	-
<i>from this: securities held for trading</i>	340,553	321,133	19,420	-
<i>from this: positive fair value of derivative financial instruments classified as held for trading</i>	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	<u>26,803</u>	<u>7</u>	<u>26,796</u>	=
Financial assets measured at fair value total	<u>2,069,426</u>	<u>1,795,925</u>	<u>273,474</u>	<u>27</u>
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	<u>74,695</u>	-	<u>74,695</u>	=
Financial liabilities measured at fair value total	<u>161,859</u>	<u>18</u>	<u>161,841</u>	<u>=</u>

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	-
<i>from this: securities held for trading</i>	121,340	107,450	13,890	-
<i>from this: positive fair value of derivative financial instruments classified as held for trading</i>	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	<u>13,694</u>	<u>11</u>	<u>13,683</u>	=
Financial assets measured at fair value total	<u>1,635,635</u>	<u>1,427,276</u>	<u>208,331</u>	<u>28</u>
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	<u>119,027</u>	<u>83</u>	<u>118,944</u>	=
Financial liabilities measured at fair value total	<u>241,059</u>	<u>1,193</u>	<u>239,866</u>	<u>=</u>

There were no transfers from and to Level 3 among the financial instruments in year 2013 and 2012.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

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)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	¹ =a+b	2	3=4+...+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	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	(4,143)	(13,246)	2,209	1,152	801	1,038	2,286	3,681	(4,929)	2,398	1,501
Profit before income tax	85,052	99,841	184,894	143,836	36,051	3,409	11,162	33,758	(4,143)	(13,235)	2,796	1,503	801	2,005	2,357	4,284	(4,636)	2,832	170
Adjusted operating profit	347,621	100,088	447,710	194,390	242,667	124,223	40,285	55,089	7,147	409	7,909	4,099	3,506	12,688	6,566	4,226	1,896	(3,272)	1,237
Adjusted total income	874,392	(9,482)	864,910	384,587	449,345	207,493	72,811	92,965	20,375	7,580	22,696	14,909	10,516	46,423	17,447	6,692	22,284	(3,105)	(12,340)
Adjusted net interest income	653,728	(602)	653,126	273,276	365,043	184,041	53,385	72,908	14,254	4,553	16,010	12,088	7,804	20,042	15,490	66	4,486	(3,105)	(2,130)
Adjusted net profit from fees and commissions	201,757	(34,821)	166,936	91,507	71,612	21,990	17,020	18,208	2,269	1,671	4,878	3,101	2,475	3,876	(2,555)	6,690	(259)	0	(59)
Adjusted other net non-interest income	18,907	25,941	44,848	19,804	12,690	1,462	2,406	1,849	3,852	1,356	1,808	(280)	237	22,505	4,512	(64)	18,057	0	(10,151)
Adjusted other administrative expenses	(526,771)	109,570	(417,201)	(190,197)	(206,678)	(83,270)	(32,526)	(37,876)	(13,228)	(7,171)	(14,787)	(10,810)	(7,010)	(33,735)	(10,881)	(2,466)	(20,388)	(167)	13,576
Total risk costs	(262,569)	(9,890)	(272,459)	(54,093)	(206,616)	(120,814)	(29,123)	(21,331)	(11,290)	(13,644)	(5,113)	(2,596)	(2,705)	(10,683)	(4,209)	58	(6,532)	0	(1,067)
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)	(11,109)	(13,002)	(5,142)	(2,594)	(3,007)	(7,544)	(4,413)	0	(3,131)	0	(1,780)
Other provision (adjustment)	0	(9,918)	(9,918)	(5,194)	(2,298)	496	(1,692)	(608)	(181)	(642)	29	(2)	302	(3,139)	204	58	(3,401)	0	713
Total other adjustments (one-off items)¹	0	9,643	9,643	3,539	0	0	0	0	0	0	0	0	0	0	0	0	0	6,104	0
Income tax	(20,944)	(18,068)	(39,012)	(28,957)	(9,985)	(1,053)	(4,447)	(3,536)	0	(11)	(587)	(351)	0	(967)	(71)	(603)	(293)	(434)	1,331
Total Assets	10,381,047	0	10,381,047	6,454,938	4,597,110	940,320	617,730	1,343,595	449,789	86,136	538,112	425,219	196,209	552,425	325,716	9,742	216,967	1,561,552	(2,784,978)
Total Liabilities	8,871,715	0	8,871,715	5,210,465	3,921,006	762,414	504,495	1,122,843	420,689	62,086	475,231	398,191	175,057	444,291	294,859	2,315	147,117	865,010	(1,569,057)

() used at: provisions, impairment and expenses

¹ One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF 715 million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 6,104 million; result of the treasury share swap agreement in the amount of HUF 2,824 million.

OTP BANK PLC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

As at 31 December 2012

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated -	Adjustments on	OTP Group - consolidated -	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	in the Consolidated Statement of Recognized Income - structure of accounting reports	the accounting in Recognized Income	in the Consolidated Statement of Recognized Income - structure of management reports																
	a	b	I=a-b	2	3=4+...+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	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	(5,531)	(4,932)	3,715	(1,160)	(3,872)	2,401	2,050	2,042	(1,691)	(7,089)	(69)
Profit before income tax	145,674	46,518	192,192	117,520	79,965	60,847	2,707	27,545	(6,110)	(4,935)	4,754	(978)	(3,865)	3,028	2,189	2,299	(1,460)	(8,752)	431
Adjusted operating profit	372,654	77,009	449,664	211,355	233,534	121,540	33,511	58,928	6,494	(1,707)	8,498	3,441	2,829	13,841	9,619	2,267	1,955	(8,752)	(314)
Adjusted total income	796,131	48,422	844,553	394,243	426,175	193,272	64,509	95,732	19,811	6,323	22,550	13,932	10,046	43,841	20,049	4,913	18,879	(8,610)	(11,096)
Adjusted net interest income	645,465	4,854	650,319	292,570	348,722	170,001	49,586	74,671	15,916	3,071	16,220	12,019	7,238	19,500	16,900	101	2,499	(8,610)	(1,863)
Adjusted net profit from fees and commissions	154,337	(2,767)	151,570	85,820	63,867	20,998	12,634	16,875	1,677	1,604	4,660	2,930	2,489	1,974	(2,616)	4,728	(138)	0	(91)
Adjusted other net non-interest income	(3,671)	46,335	42,664	15,853	13,586	2,273	2,289	4,186	2,218	1,648	1,670	(1,017)	319	22,367	5,765	84	16,518	0	(9,142)
Adjusted other administrative expenses	(423,477)	28,587	(394,890)	(182,888)	(192,641)	(71,732)	(30,998)	(36,804)	(13,317)	(8,030)	(14,052)	(10,491)	(7,217)	(30,000)	(10,430)	(2,646)	(16,924)	(142)	10,781
Total risk costs	(226,980)	(26,712)	(253,692)	(90,056)	(153,569)	(60,693)	(30,804)	(31,383)	(12,604)	(3,228)	(3,744)	(4,419)	(6,694)	(10,813)	(7,430)	32	(3,415)	0	746
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(226,980)	(15,715)	(242,695)	(86,986)	(146,979)	(59,567)	(30,597)	(31,153)	(12,440)	(3,159)	(2,988)	(4,420)	(2,655)	(8,449)	(7,194)	0	(1,255)	0	(281)
Other provision (adjustment)	0	(10,997)	(10,997)	(3,070)	(6,590)	(1,126)	(207)	(230)	(164)	(69)	(756)	1	(4,039)	(2,364)	(236)	32	(2,160)	0	1,027
Total other adjustments (one-off items) ¹	0	(3,779)	(3,779)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income tax	(23,088)	(19,155)	(42,243)	(22,933)	(19,846)	(13,691)	(2,180)	(3,329)	579	3	(1,039)	(182)	(7)	(627)	(139)	(257)	(231)	1,663	(500)
Total Assets	10,113,466	0	10,113,466	6,229,359	4,660,276	1,027,763	653,603	1,292,031	461,458	122,994	519,570	374,224	208,633	481,262	287,527	7,245	186,490	1,636,529	(2,893,960)
Total Liabilities	8,598,913	0	8,598,913	4,833,227	3,985,137	835,880	541,139	1,082,845	428,877	97,823	459,757	347,231	191,585	394,960	258,229	1,585	135,146	980,395	(1,594,806)

() used at: provisions, impairment and expenses

¹ 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 Tier 2 capital in the amount of HUF 1,415 million; result of the treasury share swap agreement in the amount of HUF (2,667) million.

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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.

NOTE 43: STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn)

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.

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NOTE 43: STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn) [continued]

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%.

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NOTE 43: STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn) [continued]

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.