

BASE PROSPECTUS



OTP Bank Nyrt.

(incorporated with limited liability in Republic of Hungary)

EUR 5,000,000,000 Euro Medium Term Note Programme

Under this EUR 5,000,000,000 Euro Medium Term Note Programme (the **Programme**), OTP Bank Nyrt. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein. **For a discussion of certain factors which should be considered in connection with an investment in any Notes, see "Risk Factors" beginning on page 13 of this Base Prospectus.**

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg act dated 10 July 2005 on prospectuses for securities to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in final terms (the **Final Terms**) which, with respect to Notes to be listed on the official list of the Luxembourg Stock Exchange, will be filed with the CSSF.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a Supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

BNP PARIBAS

Dealers

BANCA IMI

BARCLAYS CAPITAL

BNP PARIBAS

DEUTSCHE BANK

DZ BANK AG

HSBC

LANDESBANK BADEN-WÜRTTEMBERG

NOMURA INTERNATIONAL

OTP BANK NYRT.

**RAIFFEISEN ZENTRALBANK
ÖSTERREICH AG**

The date of this Base Prospectus is 26 August 2009.
This Base Prospectus replaces the Base Prospectus dated 23 April 2008.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 Directive 2003/71/EC (the Prospectus Directive).

The Issuer (the Responsible Person) accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The figures in the tables titled "Ownership structure", "Main items of the Balance Sheet", "Main items of the Profit & Loss Account" and "Asset qualification" set out on pages 105 and 106 of this Base Prospectus have been extracted from the corresponding tables set out in the document titled "Chronological Data of the Sectors Supervised by the HFSA - Financial Institutions Operating in the Form of a Company Limited by Shares (updated on 30 June 2009)" published by the Hungarian Financial Supervisory Authority. The Issuer accepts responsibility that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by Hungarian Financial Supervisory Authority, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus. This Base Prospectus may only be used for the purposes for which it has been published.

Neither the Dealers nor the Agent have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Agent as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. Neither the Dealers nor the Agent accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Agent.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Agent that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Agent to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Agent expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any

information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "*Subscription and Sale*").

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Agent do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Agent which would permit a public offering of any Notes outside the European Economic Area or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, the Republic of Hungary and France) and Japan, see "*Subscription and Sale*".

All references in this document to *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars, to *EUR*, *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended, all references to *HUF* and *Forint* are to Hungarian Forint, all references to *BGN* are to Bulgarian leva, all references to *RUB* are to Russian rubel, all references to *UAH* are to Ukrainian hryvnia, all references to *HRK* are to Croatian kuna, all references to *RON* are to Romanian lei and all references to *Sterling* and *£* refer to pounds sterling.

As at 25 August 2009:

the HUF/EUR fixing rate published by the European Central Bank was HUF 266.96 to EUR 1;

the RON/EUR fixing rate published by the European Central Bank was RON 4.2210 to EUR 1;

the HRK/EUR fixing rate published by the European Central Bank was HRK 7.3203 to EUR 1;

the BGN/EUR fixing rate published by the European Central Bank was BGN 1.9558 to EUR 1; and

the RUB/EUR fixing rate published by the European Central Bank was RUB 44.9399 to EUR 1.

Statement regarding forward-looking disclosure

This Base Prospectus contains forward-looking statements. Such statements, which are indicated by words or phrases such as "intend", "anticipate", "plan", "estimate", "project", "expects", "believes" or "currently envisions" and similar phrases are based on current expectations only, and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially

from those anticipated, estimated or projected. Included among the factors that could cause actual results to materially differ are those risks listed under the heading "*Risk Factors*" below. The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CONTENTS

| | Page |
|--|------|
| General Description of the Programme | 7 |
| Risk Factors..... | 13 |
| Documents Incorporated by Reference..... | 23 |
| Form of the Notes..... | 26 |
| Final Terms | 28 |
| Terms and Conditions of the Notes | 42 |
| Use of Proceeds..... | 71 |
| Description of the Issuer..... | 72 |
| Material Contracts..... | 103 |
| The Hungarian Banking System..... | 107 |
| Taxation | 119 |
| Subscription and Sale | 123 |
| General Information | 127 |

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

GENERAL DESCRIPTION OF THE PROGRAMME

This section "General Description of the Programme" must be read as an introduction to this Base Prospectus and any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including the documents incorporated by reference.

The following is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplement to the Base Prospectus will be published.

This General Description constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this section.

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| Issuer: | OTP Bank Nyrt. |
| Description: | Euro Medium Term Note Programme |
| Arranger: | BNP Paribas |
| Dealers: | Banca IMI S.p.A. Barclays Bank PLC BNP Paribas Deutsche Bank AG, London Branch DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main HSBC Bank plc Landesbank Baden-Württemberg Nomura International plc OTP Bank Nyrt. Raiffeisen Zentralbank Österreich AG |

and any other Dealers appointed in accordance with the Programme Agreement.

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| Risk Factors: | There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks. |
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| Certain Restrictions: | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be |
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issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".

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| Issuing and Principal Paying Agent: | BNP Paribas Securities Services, Luxembourg Branch. |
| Programme Size: | Up to EUR 5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement. |
| Distribution: | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. It is anticipated that any issue of Notes under this Programme will be offered to institutional investors or, as the case may be, other legal entities only and it is not anticipated that private individuals will purchase the Notes whether at issue or subsequently on any regulated or other market or through an over-the-counter transaction or otherwise. |
| Currencies: | Notes may be denominated in euro, Sterling, U.S. dollars, yen, Swiss francs and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer. |
| Redenomination: | The applicable Final Terms may provide that certain Notes may be redenominated in euro. |
| Maturities: | The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. |
| Issue Price: | Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. |

Form of Notes: The Notes will be issued in bearer form as described in "*Form of the Notes*".

Fixed Rate Notes: Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes: Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the

relevant Dealer may agree.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Global Note Format:

The programme provides for the issue of Notes in classic global note (CGN) or new global note (NGN) format. In order for Notes to be eligible as collateral for Eurosystem intraday credit operations, the Notes will need to be in NGN format and meet the eligibility criteria of the European Central Bank.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or (in the case of Subordinated Notes, subject to the approval of the Hungarian Financial Supervisory Authority (*Pénzügyi Szervezetek Állami Felügyelete*) (the **Regulator**)) for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity (in the case of Subordinated Notes, subject to the approval of the Regulator) and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions - Notes having a maturity of less than one year*" above.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR 50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed

by any Tax Jurisdiction, subject to certain exceptions/as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:

The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 3. The terms of the Subordinated Notes will not contain a negative pledge provision.

Cross Acceleration:

The terms of the Senior Notes will contain a cross acceleration provision as further described in Condition 10. The terms of the Subordinated Notes will not contain a cross acceleration provision.

Status of the Senior Notes:

The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Subordination:

Payments in respect of the Subordinated Notes will be subordinated as described in Condition 2.2.

Rating:

The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms.

Approval, listing and admission to trading:

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.

Substitution:

The Terms and Conditions of the Notes will contain provisions allowing for the substitution of the Issuer as principal debtor of the obligations of the Issuer under the Notes, as more fully described in "*Condition 17 – Substitution*".

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| Governing Law: | The Notes will be governed by, and construed in accordance with, English law, except for Condition 2.2 which will be governed by, and construed in accordance with, the laws of the Republic of Hungary. |
| Selling Restrictions: | There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, the Republic of Hungary and France) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see " <i>Subscription and Sale</i> ". |
| United States Selling Restrictions: | Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms. |
| Representation of holders of the Notes: | There is no provision for representation of holders of the Notes. |

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Like all other banks the Issuer is mainly exposed to credit risk and market risk (e.g. interest rate movements and currency movements).

These risk factors are addressed by the Issuer's own risk management procedures and exposures are constantly measured and supervised.

Risk factors specific to the Issuer:

- **Business Conditions and General Economy:** The profitability of the Issuer's businesses could be adversely affected by a worsening of general economic conditions in Hungary, globally or in certain markets such as the EEA. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the prospects of the Issuer.

As such, the prospects of the Issuer would also be significantly affected by the following events:

- an economic downturn or significantly higher interest rates could adversely affect the credit quality of Issuer on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of Issuer customers would be unable to meet their obligations.

Integration of the Group's business within Central and Eastern Europe

The acquisitions by the Issuer in the Central and Eastern European (CEE) markets, and the expansion and integration of the acquired businesses may impact upon the consolidated financial results of the Issuer's Group. The ongoing integration can also expose the Issuer to monitoring risk of these operations and will require continued capital expenditure that can carry execution risk in the implementation. The Issuer can give no assurances as to future profitability of its CEE acquisitions and their continued strategic viability as part of the Issuer's Group.

Proportion of mortgage loans denominated in non-HUF currencies

The proportion of mortgage loans originated by the OTP Group in non-HUF currencies represents the majority of the OTP Group's mortgage loan portfolio. Movements in exchange rates could lead to borrowers being unable to meet repayments on mortgage loans and ultimately to default under such loans as there is no

obligation on the borrowers to hedge against fluctuations in exchange rates. Such defaults could have an impact on the financial results of the OTP Group.

The repayment of the foreign currency denominated mortgage loans is dependent on the due performance of the borrowers. The risk which results from borrower defaults can be mitigated, *inter alia*, by enforcement action taken against the encumbered real property serving as collateral to the mortgage-backed loans. The market value, at which such real properties can be sold, and the realisation of such enforcement actions are determined by the current real estate market prices and the legal environment, as amended from time to time.

Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the asset. Another form of credit risk is settlement risk, which is the possibility that the Issuer may pay to a counterparty – for example, a bank in a foreign exchange transaction – but fail to receive the corresponding settlement in return.

The Issuer and the OTP Group are exposed to a variety of counterparty and credit risks. Third parties that owe the Issuer or any member of the OTP Group money, securities or other assets may not perform under their obligations due to bankruptcy, shortage in liquidity, downturns in the economy and real estate values, operational failure or any other reasons.

The development of the Issuer's and the OTP Group's operating performance, loan-loss levels, write-downs and impairments could adversely affect their results and may result in capital requirements that could constrain their operations, reducing the Issuer's ability to service payments under the Notes and potentially adversely affecting the trading price of the Notes.

Market risks could impair the value of the Issuer's assets and adversely impact its financial position and results of operations

Fluctuations in the debt and equity markets may affect the market value and liquidity of OTP Group's and the Issuer's assets. The value of the Issuer's and OTP Group's real estate holdings is also exposed to price changes in the real estate market. The occurrence of such events could have an adverse impact on the Issuer's financial condition and results of operations, and thus its ability to service its payment obligations under the Notes.

Interest rate volatility may adversely affect the Issuer's and the OTP Group's results of operations

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short- and long-term rates) may adversely affect the Issuer's and the OTP Group's results of operations and costs of funding.

Capital Risk: The Issuer bears capital risks when it has insufficient capital resources to:

- (i) meet minimum regulatory capital requirements in Hungary and in other jurisdictions where regulated activities are undertaken. The Issuer's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- (ii) support its credit rating. In addition to capital resources, the Issuer's rating is supported by a diverse portfolio of activities, prudent risk management and a focus on value creation. A weaker credit rating would increase the Issuer's cost of funds;
- (iii) support its growth and strategic options.

Exchange rate risk

The lending risk of the Issuer's foreign exchange-based transactions is increased by the fact that the typical currency of income from customers may be different from the currency of collateral sales. Lending denominated in foreign exchange and funds raised in foreign exchange do not necessarily mean that the Issuer's receivables and obligations arise in the same currency.

A large part of the Issuer's and the OTP Group's operations, assets and customers are located in CEE countries that are not part of the Euro-zone (as defined herein), and financial transactions in currencies other than the euro give rise to foreign currency risks, which may have an adverse effect on the Issuer's and the OTP Group's business, operations, financial condition or prospects.

Liquidity risk

The Issuer and the members of the OTP Group are exposed to liquidity risks which could materialise in the event that their obligations are not matched to their assets. Failure to manage such risks may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme.

Political and economic risk

The Issuer has subsidiaries in certain CEE countries as well as in Russia and Ukraine and as a result, the OTP Group's operations are exposed to risks common to all regions undergoing rapid political, economic and social change, including currency fluctuations, exchange control restrictions, an evolving regulatory environment, inflation, economic recession, local market disruption and labour unrest. The occurrence of one or more of these events may also affect the ability of the Issuer's clients or counterparties located in the affected country or region to obtain foreign exchange or credit and, therefore, to satisfy their obligations towards the Issuer. These risks could have an adverse effect on the OTP Group's operations.

Effect of government policy and regulation

- (i) The Issuer's and the OTP Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various government and regulatory authorities in the countries in which the Issuer or the OTP Group operates.
- (ii) Areas where changes could have an impact include:
 - (A) the monetary, interest rate and other policies of central banks and regulatory authorities;
 - (B) general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Issuer operates;
 - (C) general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
 - (D) changes and rules in competition and pricing environments;
 - (E) further developments in the financial reporting environment;
 - (F) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership;
 - (G) any change in a relevant jurisdiction's legislation, including but not limited to, taxation, banking regulations, customer protection rules;

- (H) any failure or malfunction of any relevant judicial system, including but not limited to, the failure or substantial delay in court proceedings and/or in enforcement matters;
- (I) any circumstance resulting in judgments becoming unenforceable or any substantial delay in the enforceability of the judgments rendered by any relevant court, including any courts of arbitration; and
- (J) other unfavourable political developments producing any legal uncertainty which in turn may affect demand for the Issuer's or the OTP Group's products and services.

The Issuer and the OTP Group is exposed to a number of operational risks, in particular the failure or malfunctioning of its IT systems

Banks and their activities are increasingly dependent on highly sophisticated information technology (IT) systems. IT systems are vulnerable to a number of problems, such as computer virus infection, malicious hacking, physical damage to vital IT centres and software or hardware malfunctions. Additionally, further operational risks may stem from inadequate or failed internal processes, people and systems or from external events. Failure to manage such risks may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme.

Competition is high in the countries where the Issuer and the OTP Group operates and may grow significantly in the future

International banks such as the Issuer are subject to intense competition, which is expected to grow further in the future. Apart from local competitors, other international banks may enter the banking market in the CEE region, Russia and Ukraine, thus increasing the pressure on the Issuer's and the OTP Group's profit margins.

There is a risk that a rating agency may suspend, downgrade or withdraw a rating of the Issuer and that such action might negatively affect the market value and trading price of the Notes

The decision by a rating agency to suspend, downgrade, put on negative watch or withdraw a rating which relates to the Issuer or issues of its financial instruments, or downgrade of the Hungarian sovereign rating may have an adverse effect on the market value and trading price of the Notes. Such action may also lead to a restriction of the access to funds and, consequently, to higher refinancing costs.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to the Base Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, investors should consult their own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of their particular circumstances.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Issuer's obligations under Subordinated Notes are subordinated

The Subordinated Notes and any relative Receipts and Coupons are unconditional, subordinated and unsecured obligations of the Issuer (*alárendelt kölcsöntőke*, as defined in Point 10 (**Lower Tier 2 Subordinated Notes**) and Point 19 (**Tier 3 Subordinated Notes**) of Annex 5 to Act CXII of 1996 on Credit Institutions and Financial Enterprises, as amended from time to time) and, subject to the provisions of the following paragraph, rank *pari passu* without any preference among themselves. The Subordinated Notes will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all the Subordinated Notes. No payment in respect of the Tier 3 Subordinated Notes (whether of principal, interest or otherwise) may be made by the Issuer if such payment would have the consequence that the Issuer would no longer meet the statutory capital adequacy requirements applicable from time to time.

In the event of the liquidation (*felszámolás*) of the Issuer in accordance with Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings, the payment obligations of the Issuer under the Subordinated Notes and any relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer but at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the Notes and in priority to the claims of shareholders of the Issuer.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

Early Redemption of Subordinated Notes

The early redemption of Subordinated Notes shall be subject to the prior consent of the Regulator. The applicable Final Terms will indicate whether an Issuer may have the right to call the Notes prior to maturity (an optional call right) if any or whether the Notes will be subject to early redemption upon the occurrence of an event specified in the applicable Final Terms (an early redemption event). The Issuer will always have the right to redeem the Notes if the Issuer is required to make additional (gross-up) payments for reasons of taxation.

If the Issuer redeems the Notes prior to maturity or the Notes are subject to early redemption due to an early redemption event, a holder of such Notes is exposed to the risk that, due to early redemption, its investment will have a lower than expected yield.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Savings Directive

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive,

the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

Trading in the clearing systems

In relation to any issue of Notes which have a minimum denomination and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

The tax impact of an investment in the Notes should be carefully considered

Interest payments on Notes, or profits realised by an investor upon the sale or repayment of Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on investors generally is described under "Taxation"; however, the tax impact on an individual investor may differ from the situation described for investors generally. Prospective investors, therefore, should contact their own tax advisors for advice on the tax impact of an investment in the Notes. Furthermore, the applicable tax regime may change to the disadvantage of the investors in the future.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Credit Risk

Investors are subject to the risk of a partial or total failure of the Issuer to make interest and/or redemption payments that the Issuer is obliged to make under the Notes. The worse the creditworthiness of the Issuer, the higher the risk of loss (see also "Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme" above). A materialisation of the credit risk may result in partial or total failure of the Issuer to make interest and/or redemption payments.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Investors in the Notes assume the risk that the credit spread of the Issuer changes (Credit Spread Risk)

A credit spread is the margin payable by the Issuer to the holder of a Note as a premium for the assumed credit risk. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price.

Factors influencing the credit spread include, among other things, the creditworthiness and rating of the Issuer, probability of default, recovery rate, remaining term to maturity of the Note and obligations under any collateralisation or guarantee and declarations as to any preferred payment or subordination. The liquidity situation, the general level of interest rates, overall economic developments, and the currency, in which the relevant obligation is denominated may also have a positive or negative effect. Investors are exposed to the risk that the credit spread of the Issuer widens resulting in a decrease in the price of the Notes.

There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor may not be able to sell his Notes at fair market prices (Liquidity Risk)

Application has been made to admit the Programme to the Luxembourg Stock Exchange. Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor might not be able to sell its Notes at any time at fair market prices or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. The possibility to sell the Notes might additionally be restricted by country-specific reasons.

There is a risk that trading in the Notes will be suspended, interrupted or terminated

The listing of the Notes may – depending on the rules applicable to such stock exchange – be suspended or interrupted by the respective stock exchange or a competent regulatory authority upon the occurrence of a number of reasons, including violation of price limits, breach of statutory provisions, occurrence of operational problems of the stock exchange or generally if deemed required in order to secure a functioning market or to safeguard the interests of investors. Furthermore, trading in the Notes may be terminated, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer.

Noteholders may be exposed to market price risk in any sale of Notes (Market Price Risk)

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. The holder of Notes is therefore exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the holder sells the Notes prior to the final maturity of such Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Inflationary risk

Inflation risk describes the possibility that the value of assets such as the Notes or income therefrom will decrease as inflation shrinks the purchasing power of a currency. Inflation causes the rate of return to decrease in value. If the inflation rate exceeds the interest paid on any Notes the yield on such Notes will become negative.

Impact of Fluctuations in the Global Economies

Hungary's economy could be adversely affected by market downturns and economic slowdowns elsewhere in the world.

Hungary's economy and currency may also be vulnerable to changes in international credit markets. For example, the subprime mortgage financial crisis began in the United States in 2006 and became a global financial crisis in July 2007. The subprime mortgage financial crisis arose from the rise in foreclosures in the subprime mortgage market due to increased borrowing costs and inadequate credit risk management by lenders. This resulted in many homeowners being unable to meet their financial commitments, while lenders were unable to recover their losses from overdue loans. This has resulted in the collapse of equity prices of some large lenders in the mortgage industry and a severe curtailment of the availability of credit, threatening the solvency of a number of banks and other financial institutions. This has been associated with declines in stock markets worldwide, a loss in investment value by several hedge funds, co-ordinated central bank interventions and the insolvency of several mortgage lenders.

A change in international investor sentiment brought on by the U.S. subprime mortgage crisis has been widely recognised as adversely affecting the availability of capital and funding. The "credit crisis" has seen the availability of funding in certain wholesale markets which the OTP Group has traditionally accessed be severely disrupted with, in certain markets, no funding being available for extended periods of time. In the event of severe curtailment of credit markets the OTP Group could be placed in a position where it had to significantly curtail growth in its balance sheet with a consequent negative impact on profitability.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF shall be incorporated in, and form part of, this Base Prospectus:

- (a) the Annual Report for 2007 containing the audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2007 and the audit report thereon including the information set out at the following pages in particular:

| Document | Section incorporated |
|--|-----------------------------|
| Consolidated IFRS Financial Statements for the financial year ended 31 December 2007 | Pages 58 to 107 |
| – Independent Auditors' Opinion | Page 58 |
| – Financial Statements: | |
| – Balance Sheet | Page 59 |
| – Profit and Loss Account | Page 60 |
| – Statement of Cash Flow | Page 61 |
| – Statement of changes in Shareholders' Equity | Page 62 |
| – Notes to the Consolidated IFRS Financial Statements as at 31 December 2007 | Pages 63 to 107 |
| Unconsolidated IFRS Financial Statements for the financial year ended 31 December 2007 | Pages 108 to 151 |
| – Independent Auditors' Opinion | Page 108 |
| – Financial Statements: | |
| – Balance Sheet | Page 109 |
| – Profit and Loss Account | Page 110 |
| – Statement of Cash Flow | Page 111 |
| – Statement of changes in Shareholders' Equity | Page 112 |
| – Notes to the unconsolidated IFRS Financial Statements as at 31 December 2007 | Pages 113 to 151 |

Any other information not listed above but contained in such document is incorporated by reference for information purposes only;

- (b) the Annual Report for 2008 containing the audited consolidated and non-consolidated annual financial statements for the financial year ended 31 December 2008 and the audit report thereon including the information set out at the following pages in particular:

| Document | Section incorporated |
|--|-----------------------------|
| Consolidated IFRS Financial Statements for the financial year ended 31 December 2008 | Pages 58 to 108 |
| – Independent Auditors' Opinion | Pages 58 to 59 |
| – Financial Statements: | |
| – Balance Sheet | Page 60 |
| – Profit and Loss Account | Page 61 |
| – Statement of Cash Flow | Page 62 |
| – Statement of changes in Shareholders' Equity | Page 63 |
| – Notes to the Consolidated IFRS Financial Statements as at 31 December 2008 | Pages 64 to 108 |
| Unconsolidated IFRS Financial Statements for the financial year ended 31 December 2008 | Pages 109 to 155 |
| – Independent Auditors' Opinion | Pages 109 to 110 |
| – Financial Statements: | |
| – Balance Sheet | Page 111 |
| – Profit and Loss Account | Page 112 |
| – Statement of Cash Flow | Page 113 |
| – Statement of changes in Shareholders' Equity | Page 114 |
| – Notes to the unconsolidated IFRS Financial Statements as at 31 December 2008 | Pages 115 to 155 |

Any other information not listed above but contained in such document is incorporated by reference for information purposes only;

- (c) the Semi-annual Financial Report regarding the First Half 2009 Results containing the non-audited unconsolidated and consolidated financial statements for the half year ended 30 June 2009 set out at the following pages in particular:

| Document | Section incorporated |
|--|-----------------------------|
| Consolidated and unconsolidated IFRS Financial Statements for the first half year ended 30 June 2009 | Pages 38 to 42 |
| – Financial Statements: | |
| – Balance Sheet | Page 38 |
| – Profit and Loss Account | Page 39 |
| – Statement of Cash Flow | Page 40 |
| – Ownership Structure of the Issuer | Page 41 |

Any other information not listed above but contained in such document is incorporated by reference for information purposes only;

- (d) the Articles of Association of the Issuer, which are incorporated by reference for information purposes only.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes which will be approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement to the Base Prospectus (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer, from the website of the Issuer, www.otpbank.hu, from the principal office of the Paying Agent for the time being in Luxembourg and from the website of the Luxembourg Stock Exchange, www.bourse.lu.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent Global Note (a **Permanent Global Note**) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for, Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 26 August 2009 and executed by the Issuer.

If the applicable Final Terms specify any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7.2), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trading on any regulated market) or 16, they will not necessitate the preparation of a supplement to this Base Prospectus. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Base Prospectus will be prepared, if appropriate.

FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

OTP Bank Nyrt.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EUR 5,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 26 August 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at and collection from the registered office of OTP Bank Nyrt. at Nádor utca 16., 1051 Budapest, Hungary and the office of BNP Paribas Securities Services, Luxembourg Branch (in its capacity as the Luxembourg Paying Agent) at 33, rue de Gasperich, Howald-Hesperange L-2085 Luxembourg and may be obtained from www.otpbank.hu.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 26 August 2009 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated 26 August 2009 and [original date]. Copies of such Base Prospectuses are available for viewing at [address] [and] [website] and copies may be obtained from [address].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. Issuer: OTP Bank Nyrt.
2. (a) Series Number: []
- (b) Tranche Number: []
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
- (a) [Series: []
- (b) [Tranche: []
5. [Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (a) Specified Denominations: []
- [The Notes will be tradeable only in integral principal amounts of at least the Specified Denomination and to the extent permitted by the relevant clearing system(s), integral multiples of the Tradeable Amount (specified in Part B, item 9 below) in excess thereof. REFER TO PART B, ITEM 9 OF THE FINAL TERMS.]*
- (Note – Where multiple denominations above EUR50,000 or equivalent are being used the following sample wording should be followed:*
- "EUR50,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR99,000. No Notes in definitive form will be issued with a denomination above EUR99,000".)*
- (N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the EUR50,000 minimum denomination is not required.)*
- (b) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination.*

If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: []
(b) Interest Commencement Date: []
8. Maturity Date: [Fixed rate - specify date/Floating rate - Interest Payment Date falling in or nearest to [specify month]]
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]

- [(further particulars specified below)]
13. (a) Status of the Notes: [Senior/[Lower Tier 2/3] Subordinated]
- (b) [Date [Board] approval for issuance of Notes obtained: [] [and []], respectively]]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi annually/quarterly] in arrear]
- (If payable other than annually, consider amending Condition 5)*
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]
- (N.B. This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount(s): [] per [] per Calculation Amount
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (f) Determination Date(s): [] in each year
- [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*
- N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration*
- N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*

(g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]

16. Floating Rate Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Specified Period(s)/Specified Interest Payment Dates: []

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]]

(c) Additional Business Centre(s): []

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []

(f) Screen Rate Determination:

• Reference Rate: []

(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)

• Interest Determination Date(s): []

(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

• Relevant Screen Page: []

(In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

(g) ISDA Determination:

• Floating Rate Option: []

- Designated Maturity: []
 - Reset Date: []
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/365
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
Other]
- (See Condition 5 for alternatives)

- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []

17. Zero Coupon Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.5(c) and 7.10 apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)

18. Index Linked Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent responsible for calculating the interest due: [] [insert name and address]
- (c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Specified Period(s)/Specified Interest Payment Dates: []
- (e) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]
- (f) Additional Business Centre(s): []
- (g) Minimum Rate of Interest: [] per cent. per annum
- (h) Maximum Rate of Interest: [] per cent. per annum
- (i) Day Count Fraction: []
19. Dual Currency Interest Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Calculation Agent, if any, responsible for calculating the interest payable: []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) If redeemable in part:
 - (i) Minimum Redemption Amount: []
 - (ii) Maximum Redemption Amount: []
- (d) Notice period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

21. Investor Put: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

22. Final Redemption Amount of each Note: [] per Calculation Amount /specify other/see Appendix]

(N.B. In relation to any issue of Notes which are expressed at item 6 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of [] in excess of [] as envisaged in item 6 above, such holding will be redeemed at its nominal amount.")

(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

23. Early Redemption Amount of each Note [] per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.5):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

- (a) Form:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. Need to amend Exchange Events to disapply any Noteholder/Issuer optional exchange where Notes are expressed to have a minimum denomination of EUR 50,000 and are tradeable in integral multiples of EUR 1,000 thereafter in order for Notes to be accepted by the clearing systems.)

(N.B. If the Specified Denominations of the Notes in Item 6 includes language substantially to the following effect: "EUR50,000 and integral multiples of EUR1,000" the Temporary Global

Note must not be exchangeable for definitive Notes.)

- (b) New Global Note: [Yes][No]
25. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(c) and 18(f) relate)
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
28. Details relating to Instalment Notes:
- (a) [Instalment Amount(s): [Not Applicable/give details]
- (b) [Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: Redenomination [not] applicable
(if Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
30. Other final terms: [Not Applicable/give details]
(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

31. (a) If syndicated, names of Managers: [Not Applicable/give names and addresses]
- (b) Stabilising Manager (if any): [Not Applicable/give name and address]
32. If non-syndicated, name of relevant Dealer: [Name and address]
33. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]

34. Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the EUR 5,000,000,000 Euro Medium Term Note Programme of OTP Bank Nyrt.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[] has been extracted from []. The Issuer accepts responsibility that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: Luxembourg/other (*specify*)/None
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from [].]
[Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: []

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: []]
- [Moody's: []]
- [[Other]: []]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. - *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) [Reasons for the offer: []]
- (See ["Use of Proceeds"] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*

- (ii) [Estimated net proceeds: []]
- (If proceeds are intended for more than one use*

will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) [Estimated total expenses: []]

(N.B.: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

5. YIELD (Fixed Rate Notes Only)

Indication of yield: [] per cent.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (INDEX-LINKED NOTES ONLY)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer include details of where the information about the index can be obtained.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

7. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes Only)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

8. OPERATIONAL INFORMATION

(i) ISIN Code: []

- (ii) Common Code:
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any):
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]

Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

9. TRADEABLE AMOUNT /Not Applicable.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by OTP Bank Nyrt. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 26 August 2009 and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and supplements these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 26 August 2009 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of OTP Bank Nyrt., being Nádor utca 16, 1051 Budapest, Hungary and www.otpbank.hu and copies may be obtained from the registered office of the Issuer save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

This Note may also be a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all

purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

So long as the relevant clearing systems so permit, the Notes may be tradeable only in principal amounts of at least the Specified Denomination (or equivalent) and integral multiples of such other Tradeable Amount(s) as shown in the final terms.

2. STATUS OF THE SENIOR NOTES AND SUBORDINATION

2.1 Status of the Senior Notes

The senior notes (**Senior Notes**) and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2.2 Subordination

The subordinated notes (**Subordinated Notes**) and any relative Receipts and Coupons are unconditional, subordinated and unsecured obligations of the Issuer (*alárendelt kölcsöntőke*, as defined in Point 10 (**Lower Tier 2 Subordinated Notes**) and Point 19 (**Tier 3 Subordinated Notes**) of Annex 5 to Act CXII of 1996 on Credit Institutions and Financial Enterprises, as amended from time to time) and, subject to the provisions of the following paragraph, rank *pari passu* without any preference among themselves. The Subordinated Notes will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all the Subordinated Notes. No payment in respect of the Tier 3 Subordinated Notes (whether of principal, interest or otherwise) may be made by the Issuer if such payment would have the consequence that the Issuer would no longer meet the statutory capital adequacy requirements applicable from time to time.

In the event of the liquidation (*felszámolás*) of the Issuer in accordance with Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings, the payment obligations of the Issuer under the Subordinated Notes and any relative Receipts and Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer but at least *pari passu* with

all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior to the Subordinated Notes and in priority to the claims of shareholders of the Issuer.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

3. **NEGATIVE PLEDGE**

This Condition 3 shall apply to Senior Notes only.

So long as any of the Senior Notes remains outstanding, the Issuer shall not create or permit to be outstanding any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital), to secure any Indebtedness (as defined below) or any Guarantee in respect of any Indebtedness, without, in the case of the creation of a Security Interest, at the same time and, in any other case, promptly according to the Noteholders an equal and rateable interest in the same or providing to the Noteholders such other security as shall be approved by an Extraordinary Resolution of the Noteholders.

As used herein:

Indebtedness means any borrowings having an original maturity of more than one year in the form of or represented by bonds, notes, debentures or other securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) which are, or are intended to be or are capable of being, listed or traded on any stock exchange, over the counter or other organised market for securities and which are:

- (i) denominated, payable or optionally payable in a currency other than Hungarian Forint; and
- (ii) not initially and primarily distributed to investors inside Hungary.

Guarantee means, in relation to any Indebtedness of any person, any obligation of another person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness.

Permitted Security Interest means a Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof that is created pursuant to an asset-based financing or like arrangement (including a securitisation transaction) whereby the payment obligations secured by such Security Interest are to be discharged primarily from such assets or revenues, provided that, the aggregate outstanding amount of assets or revenues that are the subject of such security shall not at anytime exceed an amount equal to 15 per cent. of the total assets of the Issuer, as evidenced by its most recent audited financial statements (or, if at any time the Issuer prepares consolidated financial statements, its most recent audited consolidated financial statements).

Security Interest means any mortgage, charge, pledge, lien or other similar encumbrance or security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

4. REDENOMINATION

4.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of euro 50,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than euro 50,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 6; and (ii) in the case of Notes which are not Relevant Notes, in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
 - (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and
- (g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

4.2 Definitions

In the Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 4.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

Relevant Notes means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 50,000 and which are admitted to trading on a regulated market in the European Economic Area; and

Treaty means the Treaty establishing the European Community, as amended.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period or if no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Luxembourg and any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Luxembourg and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with

the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit, being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed (in accordance with the rules of any relevant stock exchange) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth Luxembourg Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **Luxembourg Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in Luxembourg.

(f) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

6.2 Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on

which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.5 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) the relevant place of presentation;
 - (ii) Luxembourg;
 - (iii) any Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, Luxembourg and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.6 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;

- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (a) in the case of Subordinated Notes, the prior approval of the Hungarian Financial Supervisory Authority (*Pénzügyi Szervezetek Állami Felügyelete*) (the **Regulator**, which expression shall include any successor to the Hungarian Financial Supervisory Authority (*Pénzügyi Szervezetek Állami Felügyelete*) as the relevant regulator of banks operating in the Republic of Hungary), where required has been obtained; and
- (b) other than as a result of the amendments to Act CXVII of 1995 on the Personal Income Tax relating to the withholding tax on interest payments to private individuals as introduced by Section 14 of Act LXI of 2006 on the Amendments to Certain Financial Laws and as may be amended or implemented by subsequent legislation, on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (c) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions

precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, in the case of Subordinated Notes subject to the prior approval of the Regulator where required, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, in the case of Subordinated Notes subject to the prior approval of the Regulator where required and, in the case of Tier 3 Subordinated Notes, subject to the Issuer being able to continue to satisfy the statutory capital adequacy requirements applicable to it subsequent to such redemption, redeem, subject to, and in accordance with, the terms specified in the applicable

Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

7.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5.

7.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.8 Purchases

The Issuer or any subsidiary of the Issuer may at any time (in the case of Subordinated Notes, with the prior approval of the Regulator, where required) purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

7.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

7.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional

amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in the Republic of Hungary; or
- (b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) **Tax Jurisdiction** means the Republic of Hungary or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT

10.1 Events of Default relating to Senior Notes

If, in respect of any Senior Note, any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions and the failure continues for the period of 30 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer is not paid when due or (as the case may be) within any applicable grace period; (ii) any Indebtedness for Borrowed Money of the Issuer becomes due and repayable prior to its stated maturity otherwise than at the option of the Issuer by reason of an event of default (however described); or (iii) any security given by the Issuer for any Indebtedness for Borrowed Money becomes enforceable and any step is taken to enforce it; provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iii) above, amounts to at least EUR 20,000,000 (or its equivalent in any other currency); or
- (d) if any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or
- (e) if the Issuer ceases or gives notice of its intention or otherwise any indication of its intention to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, or the Issuer stops payment of, or admits inability to pay its debts (or any class of its debts) as they fall due or is adjudicated by any competent court or is found bankrupt or insolvent; or
- (f) if (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrator or other similar official, or an administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of the Issuer, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of the Issuer and (B) in any case (other than the appointment of an administrator) is not discharged within 45 days or (C) the Issuer becomes subject to any special supervisory measures of the Hungarian Financial Supervisory Authority pursuant to Section 157(1) or 163 of Act CXII of 1996 on credit institutions and financial enterprises (*1996. évi CXII. törvény a hitelintézetekről és pénzügyi vállalkozásokról*); or
- (g) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency or other similar laws (including the obtaining of a

moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors),

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

10.2 Events of Default relating to Subordinated Notes

The following events (each an **Event of Default**) shall constitute an event of default in relation to Subordinated Notes:

- (a) If a judgment is made for the dissolution and liquidation of the Issuer and is not cancelled within a period of 14 days from the date of such judgment or an effective resolution is passed for the dissolution and liquidation of the Issuer, the holder of any Subordinated Note may give written notice to the Agent at its specified office that such Note is due and payable, whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment without presentation, demand, protest or other notice of any kind.
- (b) If default is made for more than 60 days in the payment of any interest and principal due under the Subordinated Notes or any of them, any Subordinated Noteholder may institute proceedings in the Republic of Hungary (without prejudice to (c) below, but not elsewhere) in accordance with Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings for the liquidation of the Issuer.
- (c) In the event that a substitution of Issuer has occurred pursuant to Condition 17, if default is made for more than 60 days in the payment of any interest and principal due under the Subordinated Notes or any of them, any Subordinated Noteholder may institute proceedings in the jurisdiction of the Substituted Debtor and/or in the Republic of Hungary (in the latter case in accordance with Act XLIX of 1991 on Bankruptcy and Liquidation Proceedings) for the liquidation of the Substituted Debtor and/or the Issuer, as the case may be.

To the extent permitted by applicable law and by these Conditions, a Subordinated Noteholder may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Subordinated Notes or any relative Receipts or Coupons, but the institution of such proceedings shall not have the effect that the Issuer shall be obliged to pay any sum or sums sooner than would otherwise have been payable by it.

No remedy against the Issuer, other than the institution of the proceedings referred to in Condition 10.2(b) or (c) or the paragraph immediately preceding above and the proving or claiming in any dissolution and liquidation of the Issuer, shall be available to the Subordinated Noteholders, Receiptholders or Couponholders whether for the recovering of amounts owing in respect of the Subordinated Notes or any relative Receipts or Coupons or in respect of any breach by the Issuer of any other obligation, condition or provision binding on it under the Subordinated Notes or any relative Receipts or Coupons.

10.3 Definitions

For the purposes of the Conditions:

Indebtedness for Borrowed Money means any indebtedness for any borrowed money or amounts raised under any acceptance or acceptance credit facility.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) the Issuer undertakes that, for so long as such agent exists, it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (d) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer is incorporated; and
- (e) notice of any change contemplated by this Condition 12 shall be given in accordance with Condition 14.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the

payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London and (b) if and for so long as the Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that such publication will be made in the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of its seat of registration and of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers, and in the case of publication on the website of the Luxembourg Stock Exchange, on the date of such publication.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at

any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. SUBSTITUTION

- 17.1 (a) The Issuer may, without the consent of the Noteholders, the Receiptholders or the Couponholders but, in the case of Subordinated Notes, subject to the prior consent of the Regulator, be replaced and substituted by any company of which more than 90 per cent. of the shares or other equity interests (as the case may be) carrying the right to vote are directly or indirectly owned by the Issuer, as principal debtor (in such capacity, the **Substituted Debtor**) in respect of the Notes provided that:
- (b) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder, Receiptholder or Couponholder to be bound by the Terms and Conditions of the Notes and the provisions of the Agency Agreement and the Deed of Covenant as fully as if the Substituted Debtor had been named in the Notes, the Agency Agreement and the Deed of Covenant as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute) and pursuant to which the Issuer shall unconditionally and irrevocably guarantee (the **Guarantee**) in favour of each Noteholder, Receiptholder or Couponholder the payment of all sums payable by the Substituted Debtor as such principal debtor so that each Noteholder, Receiptholder or Couponholder is put in an economic position that is at least as favourable as that which would have existed if the substitution had not taken place;
 - (c) without prejudice to the generality of Condition 17.1(a), where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than the Republic of Hungary, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder, Receiptholder or Couponholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 with the substitution for the references to the Republic of Hungary of references to the territory in which the Substituted Debtor is incorporated, domiciled

and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and the Issuer to indemnify and hold harmless each Noteholder, Receiptholder or Couponholder against all liabilities, costs, charges and expenses provided that insofar as the liabilities, costs, charges and expenses are taxes or duties, the same arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Noteholder, Receiptholder or Couponholder by any political sub-division or taxing authority of any country in which such Noteholder, Receiptholder or Couponholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

- (d) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (i) that the Substituted Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving, by the Issuer of the Guarantee in respect of the obligations of the Substituted Debtor, that each of the Substituted Debtor and the Issuer has obtained all necessary governmental and regulatory approvals and consents for the performance by each of the Substituted Debtor and the Issuer of its obligations under the Documents and the Guarantee to be given by the Issuer and that all such approvals and consents are in full force and effect and (ii) that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents and the Guarantee are all legal, valid and binding in accordance with their respective terms and enforceable by each Noteholder, Receiptholder or Couponholder;
- (e) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes would continue to be listed on such stock exchange;
- (f) the Issuer shall have delivered to the Agent or procured the delivery to the Agent of a legal opinion from a leading firm of Hungarian lawyers acting for the Issuer and, where the Substituted Debtor is not incorporated under the same laws as the Issuer, a legal opinion from a leading firm of local lawyers acting for the Substituted Debtor, to the effect that the Documents (including, in the case of the Issuer, the Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Issuer and the Substituted Debtor, such opinion(s) to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders, Receiptholders or Couponholders at the specified offices of the Agent;
- (g) the Issuer shall have delivered to the Agent or procured the delivery to the Agent of a legal opinion from a leading firm of English lawyers to be effect that the Documents (including the Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders, Receiptholders or Couponholders at the specified offices of the Agent;
- (h) the Substituted Debtor shall have appointed the process agent appointed by the Issuer pursuant to Condition 19.3 as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes or the Documents;
- (i) there is no outstanding Event of Default in respect of the Notes, and in respect of Senior Notes only, a further Event of Default shall be deemed to be inserted as a new paragraph (h)

in Condition 10.1 as follows: "(h) if the Guarantee ceases to be, or is claimed by the Issuer or the Substituted Debtor not to be, in full force and effect,"; and

(j) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Issuer in respect of the Notes.

17.2 Upon the execution of the Documents and the Guarantee as referred to in Condition 17.1 above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

17.3 The Documents shall be deposited with and held by the Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or the Issuer by any Noteholder, Receiptholder or Couponholder in relation to the Notes or the Documents or the Guarantee shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents and the Issuer shall so acknowledge in the Guarantee the right of every Noteholder, Receiptholders or Couponholders to the production of the Documents and the Guarantee for the enforcement of any of the Notes or the Documents or the Guarantee.

17.4 Not later than 15 Luxembourg Business Days after the execution of the Documents and the Guarantee, the Substituted Debtor shall give notice thereof to the Noteholders, Receiptholders or Couponholders in accordance with Condition 14.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Programme Agreement, Agency Agreement, the Deed of Covenant, the Notes (except for Condition 2.2), the Receipts and the Coupons and any non-contractual obligations arising therefrom or in connection therewith are governed by, and shall be construed in accordance with, English law. Condition 2.2 and any non-contractual obligations arising therefrom or in connection therewith are governed by, and shall be construed in accordance with, the laws of the Republic of Hungary.

19.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders, the Receiptholders and the Couponholders, may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the

Coupons), against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer appoints Hungarian International Finance Ltd. at its registered office at 4th floor 43 London Wall, London EC2M 5TF as its agent for service of process, and undertakes that, in the event of Hungarian International Finance Ltd. ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit. If in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

HISTORY

The trade name of the Issuer is OTP Bank Nyrt. (the **Bank**, the **Issuer** or **OTP Bank**). OTP Bank's trade name in English is OTP Bank Plc. OTP Bank has its registered head office at Nádor utca 16., 1051 Budapest, Hungary, telephone number: +36 1 473-5000. The Bank was founded on 31 December 1990 and has been registered with the Metropolitan Court of Budapest since 28 November 1991 as a company limited by shares (in Hungarian: *részvénytársaság*) under registration number CG 01-10-041585. The Bank has been founded for an indefinite period. OTP Bank operates under Hungarian law, in particular, under Act CXII of 1996 on credit institutions and financial enterprises (the **Credit Institutions Act**), Act CXX of 2001 on the capital markets (the **Capital Markets Act**) and Act CXXXVIII of 2007 on investment firms and commodity service providers and on the rules of their activity (the **Investment Firms Act**).

The predecessor of OTP Bank, the National Savings Bank (Országos Takarékpénztár) (**National Savings Bank**), was established in 1949 as a nationwide, state-owned, banking entity providing retail deposits and loans. Its activities and the scope of its authority have gradually widened. It was initially authorised to enter into real estate transactions. Later, its role was extended to provide domestic foreign currency account and foreign exchange services as well as banking services for Hungarian municipalities. Since 1989, the National Savings Bank started operating as a multifunctional commercial bank. In addition to continuing its previous retail and municipal activities, National Savings Bank became authorised to solicit corporate loan accounts and deposits, and to provide commercial loans and banking services for corresponding banking and export-import transactions.

In 1990, the National Savings Bank became a public company with a share capital of HUF 23 billion. Its name was changed to National Savings and Commercial Bank (OTP Bank Rt.). Subsequently, its non-banking activities were separated from it, along with their supporting organisational units. The state lottery was reorganised into a separate state-owned company and OTP Real Estate Ltd. was established as a subsidiary of OTP Bank.

OTP Bank's privatisation began in 1995. As a result of three public offerings along with the admission to listing of OTP Bank's shares on the Budapest Stock Exchange, the state's ownership in OTP Bank decreased to a single voting preference (golden) share. Currently OTP Bank's ownership structure is divided amongst mostly private and institutional (financial) investors.

After the conclusion of the privatisation, OTP Bank started its international expansion, targeting countries in the Central and Eastern European region (**CEE**), which was considered to offer great economic growth potential similar to that of its domestic market.

OTP Bank has completed several acquisitions in the recent years, becoming one of the key players in the region. Besides Hungary, OTP Group currently operates in the following eight countries in the region through its subsidiaries: Bulgaria (DSK Bank EAD), Croatia (OTP banka Hrvatska d.d.), Romania (OTP Bank Romania S.A.), Serbia (OTP banka Srbija a.d.), Slovakia (OTP Banka Slovensko a.s.), Ukraine (CJSC OTP Bank), Montenegro (Crnogorska komerčijalna banka a.d.) and Russia (OAO OTP Bank).

OTP Bank and its subsidiaries (the **OTP Group**, the **OTP Bank Group** or the **Group**) provide financial services to nearly 11.8 million customers through almost 1,600 branches, agent networks and electronic channels.

Activities of OTP Group

OTP Group provides universal financial services through several subsidiaries. In Hungary traditional banking operations are performed by OTP Bank while specialised services, including car leasing, mortgage

lending and investment funds, are offered by OTP Bank's subsidiaries. OTP Group conducts its operations in the CEE region through its foreign subsidiaries.

STRATEGY

The main objective of OTP Group's business strategy remains the maximisation of shareholder value through the safe operation and development of a highly efficient, retail-focused universal bank in the CEE. The objective of OTP Group is to achieve outstanding financial performance in terms of profitability and efficiency.

OTP Group endeavours to offer customised services, constantly being improved to meet the needs of its customers. OTP Group seeks to constantly improve these services through the strengthening of its innovative skills.

In order to achieve the above objectives, OTP Bank's management believes that it is essential to rationalise operational processes and to improve operational and cost efficiency of the members of the OTP Group. Synergies between the subsidiaries can be achieved by harmonising developments and integrating activities within the Hungarian and international group.

Highly qualified human resources are indispensable in order to achieve the objectives of OTP Bank and the OTP Group. Therefore the creation and maintenance of a well prepared, sales oriented and loyal administrative workforce is of major importance in OTP Bank's strategy, just as the development of personalised careers is essential in order to keep talented professionals.

OTP Group aims to meet the following financial targets:

- to maintain their market leader position in Hungary, Bulgaria and Montenegro;
- to improve positions in other OTP Group member countries;
- to further strengthen its stable capital position and maintain safe liquidity reserves;
- to keep return-on-average-equity (**ROAE**) in the 15-20% range in the medium term;
- to reduce the cost/income ratio to below 50%.

MANAGEMENT

Under Hungarian law, the Board of Directors of OTP Bank (the **Board of Directors**) is responsible for the day-to-day management of OTP Bank. The Board of Directors reports to the shareholders on OTP Bank's management, financial position and business policy. Pursuant to OTP Bank's Articles of Association, the Board of Directors (the Board) may not consist of less than five nor more than eleven members. The Board of Directors is elected for a term of five years and the members may be re-elected. Each member of the Board of Directors has a single vote at Board meetings. In the event of a voting tie, the vote of the Chairman is decisive. The business address for members of the Board of Directors of OTP Bank is Nádor utca 16., 1051 Budapest, Hungary.

The Chairman and CEO, Dr. Sándor Csányi, and the six Deputy CEOs manage OTP Bank's course of business on a day-to-day basis.

Business address for the members of the Board of Directors

OTP Bank Plc.
Budapest
Nádor utca 16.
1051 Hungary
Tel: +36 1 473 5000.

Members of the Board of Directors of OTP Bank:

Executive members:

Dr. Sándor Csányi

Since 1992 Dr. Sándor Csányi has been Chairman and CEO of OTP Bank where he is responsible for the Bank's strategy and overall operation. He is a member of the Board of Directors for Europe of MasterCard, a Board member and vice president of the Hungarian oil and gas company MOL, and co-chairman of the National Association of Entrepreneurs and Employers (VOSZ).

As at 31 December 2008 he owned 200,000 ordinary OTP Bank shares (while the total number of OTP Bank shares held by him directly and indirectly was 3,302,000).

Dr. Antal Pongrácz

Since 2001 Dr. Antal Pongrácz has worked as the managing director of OTP Bank's Staff Division and more recently as Deputy CEO. He has been a member of OTP Bank's Board of Directors since 2002.

As at 31 December 2008, he held 230,000 ordinary OTP Bank shares.

Dr. László Utassy

From 1996 to 2008 Dr. László Utassy was the CEO, and later Chairman and CEO, of OTP Garancia Insurance Ltd. He has been an adviser to the Chairman since 2008. He has been a member of OTP Bank's Board of Directors since 2001.

As at 31 December 2008, he held 250,000 ordinary OTP Bank shares.

László Bencsik

With the official approval of his appointment by the Hungarian Financial Supervisory Authority dated 29 July 2009, László Bencsik was appointed to be OTP Bank's Deputy CEO, and head of the Strategic and Financial Division on 1 August 2009. Since 2003, he has been the managing director of the Controlling and Planning Directorate of OTP Bank.

As at 31 December 2008, he held no ordinary OTP Bank shares.

Non-executive members:

Mihály Baumstark

From 1999 Mihály Baumstark was the deputy CEO, and then Chairman and CEO of Villányi Vinery Ltd. (now Csányi Vinery Ltd.). Between 1992 and 1999 he was a non-executive member of OTP Bank's Supervisory Board, and since 1999 a non-executive member of its Board of Directors.

As at 31 December 2008 he held 50,000 ordinary OTP Bank shares.

Dr. Tibor Bíró

Dr. Tibor Bíró is a member of the Budapest Directorate of the Hungarian Chamber of Auditors. He has been a non-executive member of OTP Bank's Board of Directors since 1999.

As at 31 December 2008 he held 47,000 ordinary OTP Bank shares.

Péter Braun

Péter Braun is a member of GIRO Rt.'s Board of Directors, and was Deputy CEO of OTP Bank from 1993 until his retirement in 2001. He has been a member of OTP Bank's Board of Directors since 1997.

As at 31 December 2008 he held 587,905 ordinary OTP Bank shares.

Dr. István Kocsis

Since 1 September 2008 Dr. István Kovács has been the CEO of the Budapest Public Transport Company (BKV Zrt.) and since 1997, he has been a non-executive member of OTP Bank's Board of Directors.

As at 31 December 2008 he held 94,600 ordinary OTP Bank shares.

Dr. Sándor Pintér

Between 2003 and 2006 Dr. Sándor Pintér was a member of OTP Bank's Supervisory Board and since 28 April 2006 he has been a member of OTP Bank's Board of Directors.

As at 31 December 2008 he held 101,350 ordinary OTP Bank shares.

Dr. György Szapáry

Dr. György Szapáry is currently a guest professor of the Department of Economic Science at the Central European University. From 25 April 2008 he has been a member of OTP Bank's Board of Directors.

As at 31 December 2008 he held no ordinary OTP Bank shares.

Dr. József Vörös

From 1994 Dr. József Vörös was a professor at JPTE, and from 2003 until 2007 he was General Deputy Rector of Pécs University. He has been a non-executive member of OTP Bank's Board of Directors since 1992.

As at 31 December 2008 he held 117,200 ordinary OTP Bank shares.

Business address of the Supervisory Board

OTP Bank Plc.
Budapest
Nádor utca 16.
1051 Hungary
Tel: +36 1 473 5000.

Supervisory Board

In line with the two-tier governance structure, the Supervisory Board of OTP Bank (the **Supervisory Board**) performs the monitoring of OTP Bank's management and business activity.

Supervisory Board members are elected by the General Meeting of OTP Bank (the **General Meeting**) for a term of three years. The ratio of *independent* (non-executive) Supervisory Board members (four persons) to the total number of Supervisory Board members (six persons) is 67%.

In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board. The rules pertaining to the election and recall of the employee member of the Board of Directors are determined by the Workers' Council operating at OTP Bank, and this member is not considered to be independent by OTP Bank.

The Supervisory Board establishes its own procedural rules, which are approved by the General Meeting.

OTP Bank's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises the right of prior approval in respect of the establishment, termination and remuneration of the managers and employees of the internal audit organisation.

Members of OTP Bank's Supervisory Board:

Tibor Tolnay

Tibor Tolnay has been Chairman of OTP Bank's Supervisory Board since 1992. He has been a member of the Audit Committee since 27 April 2007.

As at 31 December 2008, he held 80,580 ordinary OTP Bank shares.

Dr. Gábor Horváth

Dr. Gábor Horváth has been a member of OTP Bank's Supervisory Board since 1995. Since 27 April 2007, he has been deputy chairman of OTP Bank's Supervisory Board, and chairman of the Audit Committee.

As at 31 December 2008, he held 10,000 ordinary OTP Bank shares.

Jean-Francois Lemoux

Since July 2003, Jean-Francois Lemoux has been Head of Groupama International. Since 25 April 2008, he has been a member of OTP Bank's Supervisory Board.

As at 31 December 2008 he held no ordinary OTP Bank shares.

Antal Kovács

Since 1995 Antal Kovács has been working for OTP Bank Ltd., first as a county director and since 1998 as the managing director of OTP Bank's South Transdanubian Region. He has been a member of OTP Bank's Supervisory Board since 2004.

As at 31 December 2008 he held 33,000 ordinary OTP Bank shares.

András Michnai

András Michnai has been an employee of OTP Bank since 1974 and represents the employees of OTP Bank. Since 25 April 2008, he has been a member of OTP Bank's Supervisory Board.

As at 31 December 2008 he held 15,600 ordinary OTP Bank shares.

Csaba Nagy

Economist, graduated at the University of Economics in Budapest. Currently he is the permanent secretary of the Finance Minister's Cabinet Office. Since 24 April 2009, he has been a member of OTP Bank's Supervisory Board.

As at 21 May 2009 he held 2,500 ordinary OTP Bank shares.

Conflicts of interest

There are no actual or potential conflicts of interest between the private interests or duties of the members of the Board of Directors, the Supervisory Board or Senior Management of OTP Bank and their duties to OTP Bank.

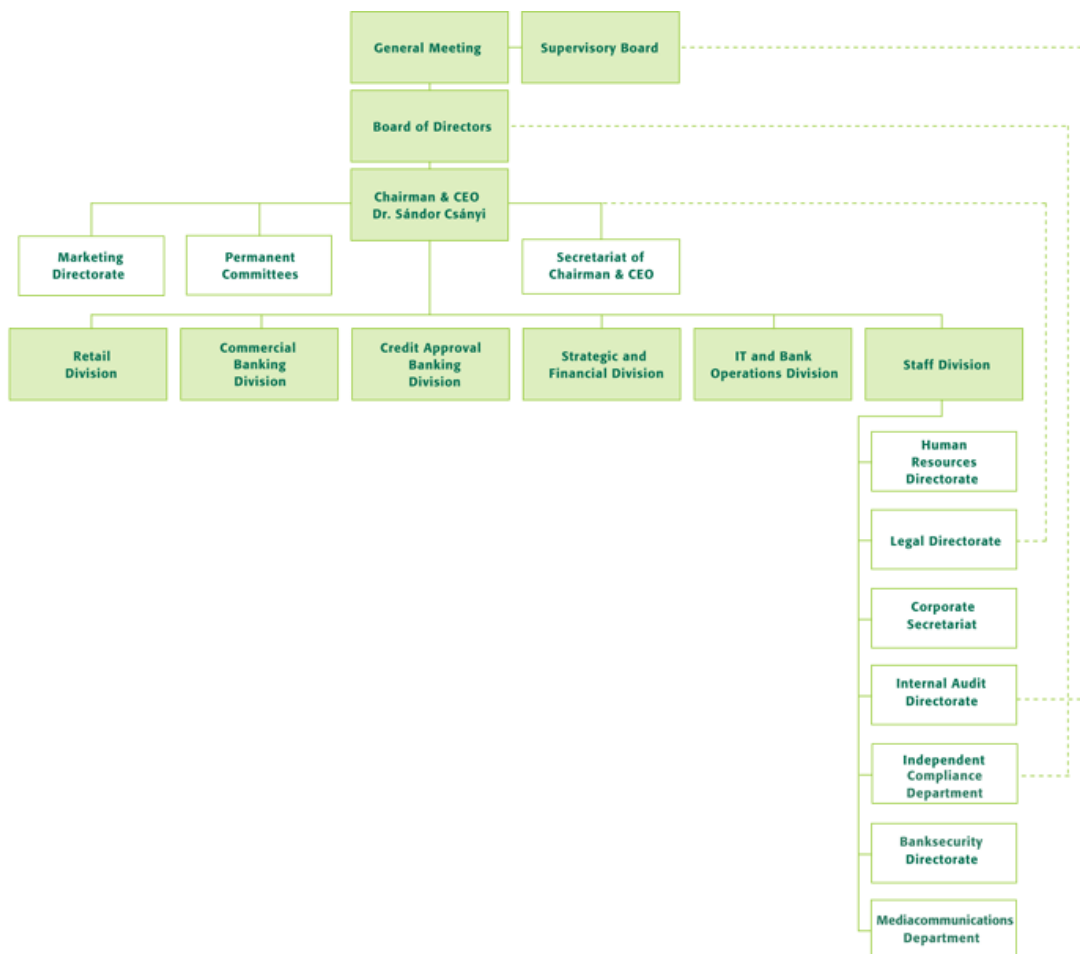
ORGANISATIONAL STRUCTURE AND EMPLOYEES

Organisational Structure

OTP Bank's operations are divided between OTP Bank's headquarters in Budapest and its branches throughout Hungary.

OTP Bank currently consists of two core operational divisions and four functional divisions, each headed by a Deputy Chief Executive Officer. The core operational divisions are the Retail Division and the Commercial Banking Division. The Retail Division is responsible for retail services such as savings and current account services and consumer loans. The Commercial Banking Division is responsible for the corporate, municipal, international, securities, treasury and structured finance businesses.

The principal non-operational divisions of OTP Bank are the Credit Approval Banking Division, the Strategic and Financial Division, the Information Technology and Bank Operations Division and the Staff Division. The chart below sets out OTP Bank's organisational and responsibility structure:



Fully Consolidated Subsidiaries of OTP Bank
As at 31 December 2008

| | Name | Currency (millions) | Registered Capital | Share of ownership direct+indirect (%) | Share of voting rights (%) |
|-----|--|---------------------|--------------------|--|----------------------------|
| 1. | OTP Real Estate Ltd. | HUF | 1,670.00 | 100.00 | 100.00 |
| 2. | Concordia-Info Ltd. | HUF | 975.00 | 100.00 | 100.00 |
| 3. | Merkantil Bank Ltd. | HUF | 2,000.00 | 100.00 | 100.00 |
| 4. | Merkantil Car Ltd. | HUF | 50.00 | 100.00 | 100.00 |
| 5. | Merkantil Lease Ltd. | HUF | 6.00 | 100.00 | 100.00 |
| 6. | OTP Building Society Ltd. | HUF | 2,000.00 | 100.00 | 100.00 |
| 7. | Bank Center No. 1. Ltd. | HUF | 6,787.72 | 100.00 | 100.00 |
| 8. | OTP Factoring Property Management Ltd. | HUF | 61.00 | 100.00 | 100.00 |
| 9. | OTP Factoring Ltd. | HUF | 300.00 | 100.00 | 100.00 |
| 10. | OTP Fund Management Ltd. | HUF | 900.00 | 100.00 | 100.00 |
| 11. | Inga Two Commercial Ltd. | HUF | 5,664.84 | 100.00 | 100.00 |
| 12. | OTP Mortgage Bank Ltd. | HUF | 27,000.00 | 100.00 | 100.00 |
| 13. | OTP Fund Servicing Ltd. | HUF | 2,349.94 | 100.00 | 100.00 |
| 14. | HIF Ltd. | GBP | 0.20 | 100.00 | 100.00 |
| 15. | OTP Banka Slovensko, a. s. | SKK | 2,064.41 | 97.23 | 97.23 |
| 16. | DSK Bank EAD | BGN | 153.98 | 100.00 | 100.00 |
| 17. | DSK Trans security EOOD | BGN | 2.23 | 100.00 | 100.00 |
| 18. | DSK Tours EOOD | BGN | 8.49 | 100.00 | 100.00 |
| 19. | POK DSK-Rodina AD | BGN | 6.01 | 97.00 | 99.75 |
| 20. | NIMO 2002 Ltd. | HUF | 1,156.00 | 100.00 | 100.00 |
| 21. | OTP Card Factory Ltd. | HUF | 450.00 | 100.00 | 100.00 |
| 22. | OTP Bank Romania S. A. | RON | 432.91 | 100.00 | 100.00 |
| 23. | OTP Faktoring Slovensko, a.s. | SKK | 35.38 | 100.00 | 100.00 |
| 24. | OTP banka Hrvatska d.d. | HRK | 822.28 | 100.00 | 100.00 |
| 25. | OTP invest d.o.o. | HRK | 6.91 | 100.00 | 100.00 |
| 26. | OTP nekretnine d.o.o. | HRK | 72.76 | 100.00 | 100.00 |
| 27. | Merkantil Real Estate Leasing Ltd. | HUF | 50.00 | 100.00 | 100.00 |
| 28. | Air-Invest Ltd. | HUF | 200.00 | 100.00 | 100.00 |
| 29. | TradeNova Ltd. | HUF | 50.00 | 100.00 | 100.00 |
| 30. | SPLC-B Ltd. | HUF | 3.00 | 100.00 | 100.00 |
| 31. | SPLC-N Ltd. | HUF | 3.00 | 100.00 | 100.00 |
| 32. | SPLC-P Ltd. | HUF | 3.00 | 100.00 | 100.00 |
| 33. | SPLC-S Ltd. | HUF | 3.00 | 100.00 | 100.00 |
| 34. | SPLC-T1 Ltd. | HUF | 3.00 | 100.00 | 100.00 |
| 35. | SPLC Property Management Ltd. | HUF | 10.00 | 100.00 | 100.00 |
| 36. | OTP Flat Lease Ltd. | HUF | 280.00 | 100.00 | 100.00 |
| 37. | OTP Life Annuity Ltd. | HUF | 505.00 | 100.00 | 100.00 |
| 38. | Projekt 1. Ltd. | HUF | 3.00 | 100.00 | 100.00 |
| 39. | Closed Joint Stock Company OTP Bank (Ukraine) ¹ | UAH | 2,068.19 | 100.00 | 100.00 |
| 40. | OAo OTP Bank (Russia) | RUB | 2,618.01 | 95.51 | 95.51 |
| 41. | OTP banka Srbija a.d. | RSD | 6,600.56 | 91.43 | 91.43 |
| 42. | OTP Leasing d.o.o. Novi Sad | RSD | 100.75 | 100.00 | 100.00 |
| 43. | OTP Investments d.o.o. Novi Sad | RSD | 203.78 | 100.00 | 100.00 |
| 44. | Mlekara Han d.o.o. | RSD | 153.78 | 100.00 | 100.00 |
| 45. | Crnogorska komercijalna banka a.d. | EUR | 46.88 | 100.00 | 100.00 |
| 46. | Opus Securities S.A. | EUR | 0.03 | 0.00 | 51.00 |
| 47. | Kratos nekretnine d.o.o. Zagreb | HRK | 0.02 | 100.00 | 100.00 |
| 48. | OTP Financing Cyprus Ltd. | EUR | 0.00 | 100.00 | 100.00 |

| Name | Currency (millions) | Registered Capital | Share of ownership direct+indirect (%) | Share of voting rights (%) |
|------------------------------------|---------------------|--------------------|--|----------------------------|
| 49. OTP Financing Netherlands B.V. | EUR | 0.02 | 100.00 | 100.00 |
| 50. Donskoy Narodny Bank | RUB | 179.87 | 100.00 | 100.00 |
| 51. OTP Holding Ltd. | EUR | 0.13 | 100.00 | 100.00 |
| 52. OTP Rent | RSD | 0.40 | 100.00 | 100.00 |
| 53. LLC OTP Leasing (Ukraine) | UAH | 2.24 | 100.00 | 100.00 |
| 54. LLC AMC OTP Capitol (Ukraine) | UAH | 4.17 | 100.00 | 100.00 |
| 55. OTP Asset Management SAI S.A. | RON | 5.10 | 100.00 | 100.00 |
| 56. OTP Financing Solution B.V. | EUR | 0.02 | 100.00 | 100.00 |
| 57. Velvin Ventures Ltd. | USD | 0.05 | 100.00 | 100.00 |

¹ Closed Joint Stock Company OTP Bank changed its name to Public Joint-Stock Company OTP Bank, effective from 30 June 2009.
Source: Financial Statements according to Hungarian Accounting Standards for the year ended 31 December 2008

Employees

Changes in the headcount (number of persons) employed by OTP Bank and the subsidiaries

| | 31 December 2007 | 31 December 2008 |
|--------------|------------------|------------------|
| Bank | 8,494 | 8,189 |
| Consolidated | 30,062 | 30,878 |

Source: Summary of the full-year 2008 results to the Budapest Stock Exchange

Ownership structure of OTP Bank

| Description of owner | Total equity | | | | | |
|---|-----------------|----------------|---------------|----------------|----------------|-------------|
| | 1 January, 2009 | | 30 June, 2009 | | | |
| | % ¹ | % ² | Qty | % ¹ | % ² | Qty |
| Domestic institution/company | 5.7% | 6.1% | 15,917,385 | 16.6% | 16.9% | 46,363,724 |
| Foreign institution/company | 75.4% | 81.1% | 211,211,327 | 66.0% | 67.4% | 184,727,152 |
| Domestic individual | 7.9% | 8.5% | 22,232,810 | 11.2% | 11.4% | 31,328,482 |
| Foreign individual | 0.1% | 0.1% | 193,787 | 0.2% | 0.2% | 475,442 |
| Employees, senior officers | 2.1% | 2.3% | 5,881,388 | 2.0% | 2.1% | 5,688,251 |
| Treasury shares | 7.0% | 0.0% | 19,509,673 | 2.1% | 0.0% | 5,871,352 |
| Government held owner ³ | 0.3% | 0.3% | 853,640 | 0.5% | 0.5% | 1,345,607 |
| International Development Institutions ⁴ | 1.5% | 1.6% | 4,200,000 | 1.5% | 1.5% | 4,200,000 |
| Other | 0.0% | 0.0% | 0 | 0.0% | 0.0% | 0 |
| TOTAL | 100.0% | 100.0% | 280,000,010 | 100.0% | 100.0% | 280,000,010 |

¹ Ownership ratio

² Voting rights at OTP Bank's General Meeting

³ e.g.: State Privatisation Holding Co. Ltd., Social Security, Municipality, 100% state-owned companies etc.

⁴ e.g.: EBRD, EIB, etc.

Source: Semi-annual Financial Report regarding the First Half 2009 Results

Shareholders with over/around 5% stake as at 30 June 2009

| Name | Number of shares | Voting rights | Beneficial Ownership |
|--|------------------|---------------|----------------------|
| Artio Global Management LLC ¹ | 26,161,445 | 9.33% | 9.53% |
| Groupama | 22,400,000 | 8.86% | 9.05% |
| MOL | 24,800,000 | 8.57% | 8.76% |
| Megdet, Timur and Ruszlan Rahimkulov | 23,615,619 | 8.43% | 8.61% |

¹ On 15 June 2008 Julius Baer Investment Management LLC were Artio Global Management LLC, respectively.

Source: Semi-annual Financial Report regarding the First Half 2009 Results

Capitalisation and indebtedness of OTP Bank

Based on the consolidated, audited 2007 and 2008 Financial Statements of OTP Group (IFRS):

| | 31 December 2007 in HUF billion | 31 December 2008 in HUF billion |
|--|------------------------------------|------------------------------------|
| Short-term liabilities | 5,639.8 | 6,286.0 |
| Long-term liabilities | 1,926.5 | 2,044.5 |
| Total liabilities | 7,566.3 | 8,330.5 |
| Share Capital | 28.0 | 28.0 |
| Retained Earning and Reserves | 976.2 | 1,160.9 |
| Treasury Shares | (114.0) | (146.7) |
| Minority Interest | 5.4 | 6.8 |
| Total shareholders' equity | 895.6 | 1,049.0 |
| Total Capitalisation and Indebtedness | 8,461.9 | 9,379.4 |

THE OTP GROUP

In general

OTP Group provides universal banking services with a strong retail focus. It has operations in nine countries in the CEE region (Hungary, Bulgaria, Romania, Slovakia, Croatia, Serbia and Montenegro) and in Russia and Ukraine. OTP Group reached its current structure through a five-year period of acquisitions. The most recent group structure contains 199 entities of which 57 are fully consolidated¹. In terms of the Balance Sheet Total, OTP Bank is the biggest² bank in Hungary and provides a full-scale service through its so-called core companies (consisting of OTP Bank plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd. and OTP Faktoring Ltd.) (**OTP Core**) for retail and corporate customers. See section: "*Activities of the Hungarian OTP Group Members.*" Further details on the activity and performance of foreign subsidiaries are set out in the Section entitled "*Operations of the Foreign Subsidiaries.*"

Number of clients, sales network and branches at the OTP Group

As a result of the acquisitions carried out in recent years, as at the date of this Base Prospectus, OTP Group maintains a presence in nine countries across the region. The total number of customers served by the OTP Group as at 31 December 2008 exceeded 11.8 million. At the end of the year, OTP Bank had a clientele numbering almost 4.8 million, of whom 4.6 million were retail banking customers. The total number of customers of the OTP Group's foreign subsidiaries continued to rise, approaching 7.1 million by the end of 2008.

The OTP Group expanded its sales network substantially in 2008: by the end of the year nearly 1,600 branches (compared to 1,500 in 2007), almost 4,000 ATMs and nearly 48,000 POS terminals were in operation. Besides these, the range of channels is also complemented by a call centre, mobile and internet banking services, business customer terminals and a network of sales agents.

Amongst the credit institutions in its regional network, OTP Bank continues to operate the highest number of branches – 403 units – followed by DSK Bank with its network of 379 branches.

Key developments at OTP Group in 2007

In 2007 OTP Group significantly increased its business activity resulting a Balance Sheet total of HUF 8,462 billion which represents a 19.2% increase compared to the 2006 year-end figure. The previous expansion period of the OTP Group to include new members in 2007 presented OTP Bank with great challenges.

| Name of Subsidiary | Country | Year of Acquisition |
|---|------------|---------------------|
| <i>OTP Banka Slovensko, a.s.</i> | Slovakia | 2002 |
| <i>DSK Group</i> | Bulgaria | 2003 |
| <i>OTP Bank Romania S.A.</i> | Romania | 2004 |
| <i>OTP banka Hrvatska d.d.</i> | Croatia | 2005 |
| <i>OAO OTP Bank</i> | Russia | 2006 |
| <i>CJSC OTP Bank</i> | Ukraine | 2006 |
| <i>Crnogorska komerčijalna banka a.d.</i> | Montenegro | 2006 |
| <i>OTP banka Srbija a.d.</i> | Serbia | 2007 |

In December 2007, the equity position of OTP Bank was stable and Moody's confirmed that all credit ratings of OTP Bank had a stable outlook.

¹ OTP Database

² Source: International Training Center for Bankers Ltd. (Hungary), 'Bankadat' database

Key developments at OTP Group in 2008

2008 was the most difficult year in the OTP Group's history. However, the OTP Group still managed to achieve profit growth and maintained a stable capital and liquidity position. This was accompanied by a marked expansion in business activity. In 2008, following the acquisitions of recent years, OTP Bank sold its insurance business to the French Groupama S.A. The sale of the 100% stake in OTP Garancia Insurance Ltd. boosted OTP Group's profit and strengthened its capital position with a one-off revenue item of HUF 117.3 billion. No new acquisitions were made in 2008.

According to the statistics of International Training Center for Bankers Ltd. OTP Bank has the largest market share of all the Hungarian Banks. OTP Bank's credit rating corresponds to Hungary's rating for sovereign debt. At year-end 2008, Moody's rating for OTP Bank was A3, while at S&P, OTP Bank had a BBB rating, in both cases with a negative outlook.

Recent developments at OTP Group in 2009

Operating conditions during the first three months of 2009 were significantly worse than expected. The Hungarian CDS spreads widened significantly, the Forint weakened to a record low level. The measures taken by the new government aimed to stabilise the economic situation and have allowed market conditions to improve. Spreads which reflect the risks of investing in Hungarian Government Bonds have reduced significantly and domestic Government bond yields dropped as demand increased. In the second quarter of 2009 the base interest rate remained unchanged at 9.5 per cent. As a result of the positive developments that occurred in the second quarter of 2009 the National Bank of Hungary (the **NBH**) decided to make a one-off 100 bps rate cut on 27 July 2009.

In the second quarter of 2009 OTP Group's operating environment stabilised, although the official economic forecast in all countries in which OTP Group operates worsened. The majority of the domestic currencies in those countries strengthened against the EUR, CHF and USD and FX volatility decreased. Several of the countries that OTP Group operates in either reached agreements with the IMF or agreed to draw down further tranches within their already existing agreements. The record high CDS-spreads in March dropped significantly in all countries in which OTP Group operates.

In Hungary the necessary fiscal corrections and restrictions have had a significant effect on the income positions of both individuals and companies. The demand for loans among individuals has weakened and lending activity has stagnated at a low level. Loan volumes were very influenced by the significant strengthening of the Forint as well. As a result of the OTP Group's strong and continuous deposit collection the consolidated loan/deposit ratio improved from 139.1 per cent. to 132.1 per cent. in the second quarter of 2009.

The capital position of the OTP Group is stable and the consolidated solvency ratio is high, the IFRS based consolidated capital adequacy ratio (**CAR**) of the Group is 15.9 per cent. and the Tier 1 ratio is 12.1 per cent. The liquidity position of the OTP Group is well balanced since the majority of the debts maturing in 2009 were repaid in the first half of 2009, whereas debts maturing in the second half of 2009 are approximately EUR 350 million.

The consolidated Balance Sheet total was HUF 9,504 billion at the end of the first half of 2009, which represents a 6 per cent. decrease as compared to the first quarter of 2009 and a 7 per cent. increase on a yearly base as compared to the first half of 2008. The consolidated loan portfolio increased by 14 per cent. as compared to the first half of 2008, while in the second quarter of 2009 it declined by 9 per cent. The consolidated deposit portfolio grew by 4 per cent. as compared to the first half of 2008, but decreased by 5 per cent. on a quarterly base. The 132.1 per cent. end of the second quarter loan/deposit ratio shows an almost 7 percentage points improvement as compared to the figures as at the end of March 2009.

In line with the expectations of the management, and as a consequence of the worsening macro-economic environment, the quality of the consolidated loan portfolio worsened significantly: during the second quarter,

the percentage of loans more than 90 days overdue increased from 5.7 per cent. to 7.4 per cent. The coverage ratio declined slightly and is currently 71.1 per cent.

Rating developments

OTP Bank's credit rating corresponds to Hungary's rating for sovereign debt. On 30 June 2009, Moody's rating for OTP Bank's 'foreign currency deposits long term' was Baa1, while at S&P, OTP Bank had a BB+ rating on its "long term local issuer credit", in both cases with a negative outlook.

The table below shows the rating structure of OTP Group as of 30 June 2009.

| OTP Bank | Rating | | Latest amendment | | |
|---------------------|--|------|------------------|------------------|--------------------|
| | | | Date | Movement | Outlook |
| Moody's | Bank financial strength | D+ | 19/05/2009 | Downgrade | Negative |
| | Local currency deposits long term | Baa1 | 19/05/2009 | Downgrade | Negative |
| | Local currency deposits short term | P-2 | 19/05/2009 | Downgrade | Negative |
| | Foreign currency deposits long term | Baa1 | 31/03/2009 | Downgrade | Negative |
| | Foreign currency deposits short term | P-2 | 07/11/2008 | Downgrade | Negative |
| | Senior unsecured MTN (foreign currency) | Baa1 | 19/05/2009 | Downgrade | Negative |
| | Senior unsecured debt (foreign currency) | P-2 | 19/05/2009 | Downgrade | Negative |
| | Subordinated MTN (foreign currency) | Baa2 | 19/05/2009 | Downgrade | Negative |
| Standard & Poor's | Local currency | BB+ | 30/03/2009 | Downgrade | Negative |
| Fitch | Support | 2 | | | |
| | | | | | |
| Subsidiary | Moody's Rating | | Latest amendment | | |
| | | | Date | Movement | Outlook |
| DSK Bank | Bank financial strength | D+ | 26/05/2009 | On watch | Possible Downgrade |
| | Local currency deposits long term | Baa2 | 26/05/2009 | Downgrade | Possible Downgrade |
| | Local currency deposits short term | P-2 | 26/05/2009 | On watch | Possible Downgrade |
| | Foreign currency deposits long term | Baa3 | 30/09/2008 | Outlook revision | Stable |
| | Foreign currency deposits short term | P-3 | 30/09/2008 | Outlook revision | Stable |
| OTP Banka Slovensko | Bank financial strength | D- | 26/05/2009 | On watch | Possible Downgrade |
| | Local currency deposits long term | Baa3 | 26/05/2009 | Downgrade | Possible Downgrade |
| | Local currency deposits short term | P-3 | 26/05/2009 | Downgrade | Possible Downgrade |
| | Foreign currency deposits long term | Baa3 | 26/05/2009 | Downgrade | Possible Downgrade |
| | Foreign currency deposits short term | P-3 | 26/05/2009 | Downgrade | Possible Downgrade |
| CJSC OTP Bank | Bank financial strength | D | 02/04/2009 | On watch | Possible Downgrade |
| | Local currency deposits long term | Ba1 | 20/10/2008 | Downgrade | |
| | Foreign currency deposits long term | B3 | 12/05/2009 | Downgrade | Negative |
| OTP Jelzálogbank | Bank financial strength | D+ | 19/05/2009 | Downgrade | Negative |
| | Local currency deposits long term | Baa1 | 19/05/2009 | Downgrade | Negative |
| | Local currency deposits short term | P-2 | 19/05/2009 | Downgrade | Negative |
| | Foreign currency deposits long term | Baa1 | 31/03/2009 | Downgrade | Negative |
| | Foreign currency deposits short term | P-2 | 07/11/2008 | Downgrade | |
| | Senior secured debt (local currency) | A2 | 20/05/2009 | Downgrade | Possible Downgrade |
| | Senior secured debt (foreign currency) | A2 | 20/05/2009 | Downgrade | Possible Downgrade |
| | | | | | |
| Subsidiary | Fitch Rating | | Latest amendment | | |
| | | | Date | Movement | Outlook |
| OAO OTP Bank | Long Term Issuer Default Rating | BB | 06/03/2009 | Downgrade | Negative |

Agreements with international financial institutions (IMF, EBRD)

As the economic and financial crisis spread throughout the world, supranational financial agencies took an active approach to mitigate the negative consequences of the global economic downturn.

In October 2008, Hungary was one of the first countries to sign a deal with the International Monetary Fund (**IMF**), the European Commission, and the World Bank for the provision of a credit facility of approximately EUR 19.8 billion. Until 31 July 2009, 73% of the credit facility had been drawn down. At 24 July 2009, the conditions of the credit facility (maturity, standby commission fee and interest rate spread ranges) had been favourably changed.³

In November 2008, the IMF and Serbia agreed on a EUR 402.5 million loan; the credit line was extended after Serbia committed itself to spending cuts. On 16 March 2009, the IMF and Serbia agreed on a EUR 3 billion (USD 4.1 billion) loan facility with a duration of two years.

On 25 March 2009, the EU and the IMF agreed on a EUR 20 billion (USD 26.4 billion) rescue loan for Romania. On 4 May 2009, the drawdown of the first USD 6.6 billion tranche became available.

On 8 May 2009, the IMF approved the drawdown of the second tranche of the USD 16.5 billion loan facility made available to Ukraine, as a result Ukraine having received USD 2.8 billion. The first tranche (USD 4.5 billion) had been drawn down in November 2008. The Executive Board of the IMF completed on 28 July 2009 the second review of Ukraine's economic performance under the two-year stand-by arrangement, and approved the immediate release of the third tranche under the arrangement⁴.

In order to further strengthen its current capitalisation and to facilitate the enlargement of the OTP Bank's domestic banking operations as well as its activities in other CEE countries, on 9 July 2009, OTP Bank signed an agreement with the European Bank for Reconstruction and Development (the **EBRD**) pursuant to which EBRD shall provide a subordinated loan of EUR 200 million to OTP Bank and a further EUR 20 million shall be used to acquire OTP Bank treasury shares. The subordinated loan facility has been entered into on commercial terms and will be available for drawdown for a period of six months. Through the share purchase, EBRD will increase its existing 1.5% stake in OTP Bank to around 2%. As part of the agreement the EBRD provided a CHF 500 million CHF/HUF swap-line for OTP Bank.

Other important arrangements entered into to ensure safe operation

- On 26 March 2009 the Hungarian Government rendered a EUR 1.4 billion loan to OTP Bank. The source of the facility was the IMF agreement made between Hungary and the IMF, the EU and the World Bank in October 2008. The loan has been drawn down in two tranches: on 1 April 2009 and on 30 June 2009. The loan facility aims to provide excess liquidity for Hungarian corporates and SMEs.
- On 16 April 2009 OTP Bank and MOL Hungarian Oil and Gas Company Plc. (**MOL**) concluded a share exchange and share swap agreement. According to these agreements OTP Bank has exchanged 24,000,000 OTP Bank ordinary shares for 5,010,501 "A series" MOL shares. As a result of the transaction, the non-consolidated capital adequacy ratio based on Hungarian Accounting Standards (**HAS**) of OTP Bank increased by 125 bps and MOL became a shareholder in OTP Bank with more than 5% of total outstanding stocks.
- To further increase its capital adequacy ratio in the first half of 2009 OTP Bank restructured its capital by the purchase of UT2 capital elements on the secondary market.

³ Source: www1.pm.gov.hu

⁴ Source: <http://www.imf.org/external/np/sec/pr/2009/pr09271.htm>

- CJSC OTP Bank (**OTP Bank Ukraine**) has received a USD 50 million subordinated loan from OTP Bank in the first quarter of 2009. Another USD 100 million capital increase was granted to OTP Bank Ukraine by OTP Bank during April 2009 raising OTP Bank Ukraine's standalone CAR to 12.5% at the end of June 2009. The registration of this capital increase is currently in progress.
- Crnogorska komerčijalna banka a.d. (**CKB**) received a EUR 12 million subordinated loan from OTP Bank in the first quarter of 2009. In addition to the provision of the above-mentioned subordinated loan, the Board of Directors of OTP, in the board resolution dated 4 August 2009, further effected a EUR 15 million capital increase to CKB.

ACTIVITIES OF THE HUNGARIAN OTP GROUP MEMBERS

Basic Retail Services

Account management, banking transactions and channels

On 31 December 2008, OTP Bank had close to 4.6 million retail banking customers, out of which almost 2.9 million held a Forint current account. OTP Bank has succeeded in maintaining its dominant market position⁵ with respect to electronic banking services.

The need to provide technical support to the foreign subsidiary banks is of growing importance. In addition one of the objectives of the OTP Group is to make OTP Direkt (the electronic banking system of the Group) a recognised brand, which would guarantee uniform functionality and quality in all countries where OTP Group has market presence.

Simultaneously with the branch network expansion, the number of OTP Bank's contracted sales partners also rose, to 2,054 by the end of 2008. The majority of products sold through the network of agents were home and mortgage loans. The share of agent sales within the total contracted portfolio exceeded 52%, and resulted in a 36% increase in volume compared to 2007.

Bank card business

As at 31 December 2008 the number of cards issued by OTP Bank stood at 3,968,000. The growing number of foreign currency based cards sold to retail customers, having achieved an increase of nearly 35%, reached 23,500 on 31 December 2008. OTP Bank's retail credit cards continue to be extremely popular. At the end of 2008 the number of these cards had grown by 14.7%, reaching 315,000. On 31 December 2008, the number of business cards in circulation was 145,000.

As at December 2008, OTP Bank was operating a network of 2,003 ATMs. In 2008, 79.3 million transactions were made through OTP Bank's ATM network with a total volume of HUF 2,575 billion. In 2008, the number of POS (Point of Sale) terminals of OTP Bank located in commercial outlets increased by 4,155 compared to the previous year, reaching a total of 26,808.

Savings and investments

OTP Group has the largest retail deposit base in the Hungarian retail banking market⁶. At the end of 2008, OTP Group's market share within the credit institution system, based on the combined balance sheet total of monetary institutions, was 30.4% of household deposits. Within the group, Merkantil Bank Ltd. (**Merkantil Bank**) and the OTP Building Society Ltd. (**OTP Building Society**), in addition to OTP Bank, offer deposit products for households. In addition, OTP Fund Management Ltd. (**OTP Fund Management**), the OTP Funds Servicing and Consulting Ltd. (**OTP Funds**), as well as OTP Bank itself offer a full range of savings products.

Bank savings

By year-end 2008, the retail deposits volume of OTP Core reached HUF 2,168.6 billion. At the same time, the volume of retail deposits placed with OTP Bank reached HUF 2,027.4 billion, which represents an approximate 10% increase on the previous year's figure.

The share of foreign currency (**FX**) deposits within the total portfolio of retail deposits was 20.5% in December 2008. The share of OTP Bank in household FX deposits was 36.0% as of 31 December 2008.

⁵ Source/based on: International Training Center for Bankers Ltd. (Hungary), 'Bankadat' database

⁶ Source/based on: International Training Center for Bankers Ltd. (Hungary), 'Bankadat' database

OTP Building Society offers a wide range of products in the building society savings market. The volume of OTP Building Society's deposits grew by 17.5% to 154 billion in 2008, 92% of which came from retail customers (HUF 141.6 billion).

Investment funds, securities

OTP Bank's market share in the household investment fund market fell from 29.5% in 2007 to 27.0% at the end of 2008. In the securities fund market OTP Fund Management Ltd.'s (**OTP Fund Management**) market share stood at 30.9% at the end of 2008, which represents a 1.5 percentage point change compared to 2007.

The securities portfolio of OTP Bank's customers fell by 43.2% in 2008, to HUF 1,188 billion. In the same year, the combined portfolio of OTP Bank's domestic retail bonds and retail mortgage bonds issued by OTP Mortgage Bank Ltd. (**OTP Mortgage Bank**) increased by HUF 82 billion. The portfolio representing OTP Bank's entire volume of own funds increased from 26.3% at the end of 2007 to 44.7% at the end of 2008 within the securities customer portfolio.

From 1 December 2007, OTP Bank successfully harmonised its internal regulations and procedures with the requirements set out in the Investment Firms Act which implemented the provisions of the Markets in Financial Instruments Directive (**MiFID**). This introduced a unified investor protection regime, which has now become an integral part of OTP Bank's customer management activities.

At the end of 2007, OTP Bank launched its new "Premium Wealth Planning Service" (the **Service**) in 63 branches. The Service was used by more than 34,000 customers nationwide in 2008.

In 2008, OTP Fund Management launched a total of 22 new funds in the market. By 31 December 2008, the market share of OTP Fund Management in the securities fund market was 28.2% (compared to 32.4% at the end of 2007). The OTP Fund Management's assets in the pension funds segment fell by 14.0%, to HUF 549.0 billion.

Pension and health fund services

At the end of 2008, mainly as a consequence of the global financial crisis, the aggregate assets of the OTP Funds fell by 14.2%, to HUF 538.8 billion due to a fall in the market value of the securities in their portfolios.

As at 31 December 2008, the assets of OTP Private Pension Fund fell by 15.4%, to HUF 436.7 billion, while its membership grew from 805,000 to 835,000. In 2008 the assets of the OTP Voluntary Pension Fund fell from HUF 106.2 billion to HUF 95.4 billion, representing a decline of 10.16% compared to the financial year of 2007 while it had close to 250,000 members, 7.9% fewer than in the previous year. The assets of the OTP Health Fund stood at HUF 6.8 billion, with the number of its members exceeding 134,000.

Life and non-life insurance services

In 2008 OTP Bank sold its insurance business, OTP Garancia Insurance Ltd. to the French company, Groupama S.A. (**Groupama**) in a transaction that also involved the conclusion of a long-term cooperation agreement with Groupama regarding the cross-selling of financial and insurance products.

Retail loans

The consolidated retail loan portfolio of OTP Core⁷, which comprises all core operations in Hungary, was HUF 2.179,2 billion at the end of 2008 (+25.6% compared to 2007).

⁷ Consolidated IFRS loan volume of OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Faktoring containing also the retail and micro and small enterprises, less the loans taken over from the foreign subsidiaries

Mortgage loans, residential property leasing

New construction, based on newly submitted building permit applications and the number of completed construction projects⁸, stagnated throughout 2008, and fell by 10% in the last two months of the year.

As a result of the economic crisis, funds became more expensive and less readily available, which led to a fall in the supply of credit, a fact that, from November 2008, began to be reflected in contracted loan volumes. Sales in the last two months of 2008 fell by 37%, compared to the same months in 2007. Increased interest rates, the lack of foreign currency funds as well as the devaluation of the forint led to a foreign currency shortage which resulted in a decrease in the disbursement of FX-based loans from their peak of 93% at the beginning of 2008 to 85% at the end of 2008 within the total housing loans portfolio.

Overall in 2008 OTP Group realised a 20% growth in new mortgage loan contracts, which represents double the rate of growth of the market. Such growth is mainly attributable to the dynamic, 35% growth in multipurpose mortgage loan volumes.

The consolidated mortgage loan portfolio of OTP Core, which, in addition to housing loans, also contains multipurpose mortgage loans, stood at HUF 1,660.7 billion on 31 December 2008, close to half of the portfolio consisted of FX-based loans.

The portfolio market share of mortgage loans at group level⁹ fell by 4%, to 27.8%, by the end of 2008, despite the fact that OTP Group achieved a growth of 3.1% in its share of the multipurpose mortgage loan market; however, this was not sufficient to counterbalance the 4.3% loss in the housing loan portfolio, which fell to 32.3%.

OTP Flat Lease Ltd. increased its closing portfolio by close to 90% in 2008. OTP Flat Lease Ltd. maintained its outstanding market share, and secured close to 60% of new contracts in 2008.

Consumer loans

OTP Core had a consumer loan portfolio¹⁰ of HUF 391.4 billion at the end of 2008, 28.7% higher than at the end of 2007.

OTP Group's market share¹¹ in household consumer and other loans, including home equities, increased by 2 percentage points, and was 26.8% on 31 December 2008.

Private Banking Services

In 2008, OTP Private Banking Division continued to acquire new customers and the number of private banking contracts grew by 8.8% compared to the financial year of 2007. Simultaneously, the ratio of customers on higher incomes continued to increase within the customer base.

OTP Private Banking Division made a significant contribution to strengthening OTP Bank's liquidity position. With respect to profitability, the division's contribution to profits is well based, despite the unfavourable market events, and its interest and non-interest revenues grew by 6.6% in the financial year of 2008 as compared to 2007.

⁸ Source: OTP Bank 2008 Annual Report

⁹ OTP Bank, OTP Mortgage Bank and OTP Building Society combined, based on Supervisory Balance Sheet, according to HAS, and based on credit institution housing loans

¹⁰ Consolidated IFRS loan volume of OTP Bank, OTP Mortgage Bank, OTP Building Society and OTP Faktoring containing also the retail and micro and small enterprises, less the loans taken over from the foreign subsidiaries

¹¹ Based on Supervisory Balance Sheet, according to HAS, including loan volume of Merkantil Bank

Commercial Banking Services

Corporate services

As at 31 December 2008, the volume of OTP Bank's deposits from corporate clients accounted for 12.4% of the national total,¹² and its corporate loan portfolio accounted for 7.0% of the national total.

OTP Core's corporate deposit portfolio¹³ decreased by 7.0%, to HUF 824.0 billion, while the corporate loan portfolio fell by 7.0%, to reach HUF 1,169.7 billion as at 31 December 2008.

In order to meet the challenges of the financial and economic crisis the division's focus in terms of target customers shifted to small and medium-sized enterprises, the borrowing requirements of which pose a more moderate burden in terms of the Bank's own funds. The corporate, syndicated, project and international trade finance activity which provides low returns and is credit intensive and poses concentrated risk was scaled back.

Resource management and pricing became dominant considerations reflecting the change in the money markets and the rise in the cost of funding. Increasing the net interest margin meant scaling back and eliminating low-margin placements while taking greater account of individual customer profitability.

In 2008 OTP Bank enhanced its services and products to micro and small-enterprise (MSE) customers. In the course of 2008 OTP Bank launched several deposit promotion campaigns, which offered competitive interest rates on new forint and foreign-currency deposits.

At the end of 2008, the number of OTP Bank's medium and large corporate customers was around 15,000, and the number of corporate, non-profit, condominium and residential housing-cooperative customers managed by the SME division exceeded 177,000.

OTP Bank succeeded in retaining its leading role in municipality banking in 2008 in terms of the number of bank accounts managed by OTP Bank on behalf of municipalities. By the end of 2008, 67% of the client base, 2,143 municipalities and their institutions, were having their current accounts managed at OTP Bank, which represented a fall in market share of 3% over 2007.

At the end of 2008, the total volume of municipality deposits with OTP Bank was HUF 247.9 billion, which was 2.2% more than at the end of 2007, while the portfolio municipality loans was nearly 16.8% lower, at HUF 194.4 billion. Despite the increasing deposit volume figures, due to intensifying competition in the market, OTP Bank's market share decreased both in terms of deposits and lending (from 53.1% to 41.0%, and from 54.9% to 48.1% respectively).

Leasing

OTP Group offers its corporate leasing services through Merkantil Bank Ltd., Merkantil Car Ltd., Merkantil Lease Ltd. and Merkantil Real Estate Leasing Ltd. The total vehicle and production-equipment leasing portfolio in Merkantil Car Ltd.'s accounts rose from HUF 20.2 billion in 2007 to HUF 27.0 billion.

The OTP Group participates in the real estate leasing market through Merkantil Real Estate Leasing Ltd. (**MIL Ltd.**). At the end of 2008 the balance sheet total of MIL Ltd. stood at HUF 8.1 billion, and its receivables from real estate leasing reached HUF 7.8 billion. Nearly half of the real estate leasing contract portfolio is accounted for in the accounts of project companies, and the aggregate leasing receivables portfolio of MIL Ltd. and the project companies reached HUF 15.6 billion, representing a 2.5% decrease compared to the end of 2007 financial year.

¹² Source: OTP Bank 2008 Annual Report

¹³ Sum of MSE and MLE volumes

Project financing

As at 31 December 2008, the value of the project finance portfolio was HUF 358.6 billion. The combined amount of net interest and commission income reached HUF 7.1 billion, which represents an increase of 57.7% compared with the end of the 2007 financial year.

As a result of the economic crisis, for reasons of liquidity management, there were no opportunities to enter into new transactions in the second half of 2008 and the existing projects were re-priced. Consequently, several large repayments and prepayments were made in respect of several projects.

Loan and capital market operations

On 28 April 2008 OTP Bank drew down a EUR 73 million, 10-year loan from the European Investment Bank (**EIB**) in CHF at a premium of less than 10 basis points over the CHF LIBOR interest rate. Within the framework of its EMTN programme launched to raise funds from foreign capital markets, OTP Bank issued Notes with a 3-year maturity, in an aggregate amount of EUR 500 million with a fixed interest rate of 5.75 per cent. with a value date of 16 May 2008. At the time of issuance the interest rate corresponded to 140 basis points premium over the 3 year midswap rate.

Due to the general international credit crisis and the negative economic trends during the second half of 2008 there were virtually no opportunities for raising funds on the international and domestic capital markets.

Municipal bond issuances continued in 2008, but at a slower pace. OTP Bank was appointed as the arranger and underwriter in a number of municipality bond issuance programmes with a total nominal value of nearly HUF 23 billion.

International syndication and commercial financing

During the second half of 2008 as a result of the global economic crisis, there were no new syndicated transactions in the primary market, and buyers disappeared from the secondary market.

In response to the change in the economy, OTP Bank changed its focus on growth to concentrate on active portfolio management. Within the framework of active portfolio management, OTP Bank successfully sold a considerable portion of its assets, and a portion of the remaining assets were re-priced in keeping with the changed market conditions. Thanks to prudent lending and investment policies, the quality of the portfolio did not deteriorate significantly despite the widening economic crisis, and there were no non-performing or insolvent transactions in the portfolio by the end of the year.

OTP BANK GROUP BUSINESS IN HUNGARY

The financial figures and ratios of Group members as indicated below are based on the internal figures of OTP Bank.

OTP CORE

OTP Core activity is represented in Hungary by the following group members: OTP Bank Plc., OTP Mortgage Bank Ltd., OTP Faktoring Ltd. and OTP Building Society Ltd.:

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|------------|------------|---------|
| Profit after tax | 140,314 | 132,831 | (5.3%) |
| ROAE | 19.7% | 16.9% | (2.8%) |
| Cost/income ratio | 48.8% | 48.5% | (0.3%) |
| Gross loans/deposit ratio | 99.8% | 103.2% | 3.4% |
| Net interest margin | 5.81% | 5.66% | (0.15%) |

OTP FUND MANAGEMENT

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|-------------------|------------|------------|---------|
| Profit after tax | 6,223 | 4,988 | (19.8%) |
| ROAE | 57.0% | 54.9% | (2.1%) |
| Cost/income ratio | 15.0% | 20.1% | 5.1% |

MERKANTIL GROUP¹⁴

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|------------|------------|---------|
| Profit after tax | 7,978 | 3,432 | (57.0%) |
| ROAE | 26.3% | 11.1% | (15.2%) |
| Cost/income ratio | 28.3% | 36.0% | 7.7% |
| Gross loans/deposit ratio | 4051.2% | 3977.1% | (74.1%) |
| Net interest margin | 7.04% | 6.18% | (0.86%) |

OPERATIONS OF FOREIGN SUBSIDIARIES

The DSK Group consists of DSK Bank EAD, POK DSK-Rodina AD, DSK Trans Security EOOD and DSK Tours EOOD (**DSK Group**) (Year of acquisition: 2003; Business profile: Commercial banking services).

DSK Bank EAD (**DSK Bank**) is one of the leading banks in Bulgaria in terms of total assets and is the dominant retail bank.¹⁵ The DSK Group's balance sheet total based on IFRS on 31 December 2008 stood at HUF 1,171.6 billion. The share of retail loans (including SME loans) in the gross loan portfolio was 80%.

At the end of December 2008, DSK Bank's market share based on total assets was 12.7%. Its share of retail deposits was 19.9%. DSK Bank's share of the housing loans market was 28.4%, and its share of retail customer loans was 33.5%.

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|------------|------------|---------|
| Profit after tax | 26,408 | 31,021 | 17.5% |
| ROAE | 24.7% | 21.5% | (3.2%) |
| Cost/income ratio | 35.6% | 36.7% | 1.1% |
| Gross loans/deposit ratio | 119.9% | 140.4% | 20.5% |
| Net interest margin | 4.91% | 4.82% | (0.09%) |

¹⁴ Merkantil Group consists of Merkantil Bank Ltd. and Merkantil Car Ltd.

¹⁵ Statistics of Bulgarian National Bank (www.bnb.bg)

OAOTP Bank (Russia) (Year of acquisition: 2006; Business profile: Commercial banking services)

On 31 December 2008 OAOTP Bank's (**OTP Bank Russia**) balance sheet total was HUF 529 billion, 72.4% of which were gross loans. The market share of OTP Bank Russia is not significant in the Russian market, and is only about 1% with regard to consumer loans.

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|------------|------------|--------|
| Profit after tax | 7,088 | 8,916 | 25.8% |
| ROAE | 17.7% | 17.4% | (0.3%) |
| Cost/income ratio | 62.7% | 59.5% | (3.2%) |
| Gross loans/deposit ratio | 104.6% | 170.9% | 66.3% |
| Net interest margin | 10.68% | 12.92% | 2.24% |

CJSC OTP Bank (Year of acquisition: 2006; Business profile: Commercial banking services)

On 31 December 2008 CJSC OTP Bank was the 9th largest bank in Ukraine based on its balance sheet total¹⁶, with a market share of 3.8% based on total assets. On 31 December 2008 CJSC OTP Bank's balance sheet total according to IFRS was HUF 847.0 billion.

CJSC OTP Bank's share of retail deposits was 1.3%, within which it had a 1.9% share in foreign-currency deposits. CJSC OTP Bank's market share in respect of retail loans was 4.6%.

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|------------|------------|---------|
| Profit after tax | 14,089 | 16,414 | 16.5% |
| ROAE | 25.9% | 22.5% | (3.4%) |
| Cost/income ratio | 45.6% | 35.1% | (10.5%) |
| Gross loans/deposit ratio | 308.1% | 449.6% | 141.5% |
| Net interest margin | 5.57% | 6.67% | 1.11% |

OTP Bank Romania S.A. (Year of acquisition: 2004; Business profile: Commercial banking services)

The balance sheet total of OTP Bank Romania S.A. (**OBR**), including the retail and corporate receivables sold to OTP Bank, exceeded HUF 367.5 billion on 31 December 2008. OBR increased its market share of retail loans from 2.2% at the end of 2007 to 2.8%, while in the area of corporate loans its market share stood at 2.0%. On the housing and mortgage loans market OBR had a 4.1% share, while in terms of retail deposits its share was 0.7% at the end of 2008.

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|------------|------------|----------|
| Profit after tax | (2,990) | 241 | (108.0%) |
| ROAE | (11.9%) | 1.0% | 12.9% |
| Cost/income ratio | 120.7% | 78.5% | (42.2%) |
| Gross loans/deposit ratio | 297.6% | 438.8% | 141.2% |
| Net interest margin | 2.28% | 2.15% | (0.13%) |

OTP banka Hrvatska d.d. (Year of acquisition: 2005; Business profile: Commercial banking services)

On 31 December 2008 the consolidated balance sheet total of OTP banka Hrvatska d.d. (**OBH**) was HUF 463 billion, as a result of which OBH's share of the Croatian market was 3.5%.

OBH increased its market share of retail loans from 4.1% at the end of 2007 to 4.4% as of 31 December 2008, while in respect of corporate loans its market share was 3.1% as of 31 December 2008. In the home loans market OBH had a share of 5.1% at the end of 2008, while its share of the consumer loans segment was 4.0%, of the retail loans market, 5.3%, and of corporate loans, 1.7%.

¹⁶ National Bank of Ukraine/Bank Supervision (www.bank.gov.ua)

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|-------------------|-------------------|---------------|
| Profit after tax | 3,554 | 5,041 | 41.8% |
| ROAE | 10.0% | 10.6% | 0.6% |
| Cost/income ratio | 67.1% | 62.9% | (4.2%) |
| Gross loans/deposit ratio | 80.9% | 98.2% | 17.3% |
| Net interest margin | 2.98% | 3.11% | 0.13% |

OTP Banka Slovensko, a.s. (Year of acquisition: 2002; Business profile: Commercial banking services)

On 1 January 2009 Slovakia joined the euro zone. The balance sheet total of OTP Banka Slovensko, a.s. (**OBS**) was HUF 429.1 billion as at year-end 2008, which secured it a 2.7% share of the banking market in Slovakia.

At the end of 2008, due to an increase of 35.4%, OBS's credit portfolio amounted to HUF 314.4 billion, which enabled it to retain its 4.0% market share. Its deposit portfolio rose by 15.7%, to HUF 262.8 billion, in 2008, and its market share was 2.6% as of 31 December 2008.

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|-------------------|-------------------|---------------|
| Profit after tax | 2,600 | 1,431 | (45.0%) |
| ROAE | 11.8% | 5.7% | (6.1%) |
| Cost/income ratio | 72.5% | 72.3% | (0.2%) |
| Gross loans/deposit ratio | 102.3% | 119.6% | 17.3% |
| Net interest margin | 2.43% | 2.54% | 0.11% |

OTP banka Srbija a.d. (Year of acquisition: 2007; Business profile: Commercial banking services)

At the end of 2008, OTP banka Srbija a.d.'s (**OTP Bank Serbia**) balance sheet total of HUF 143 billion represented a 2.5% market share on the Serbian market.

The loan portfolio amounted to HUF 94.7 billion, representing a 50% increase on a year-to-year basis, which secured OTP Bank Serbia's 2.8% market share. OTP Bank Serbia's HUF 33.9 billion deposit portfolio represented an 11% decrease compared to 2007, securing a market share of 1.4% in deposits at the end of 2008.

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|-------------------|-------------------|---------------|
| Profit after tax | 594 | 1,670 | 181.1% |
| ROAE | 2.4% | 0.7% | (1.7%) |
| Cost/income ratio | 89.1% | 85.4% | (3.7%) |
| Gross loans/deposit ratio | 165.8% | 279.4% | 113.6% |
| Net interest margin | 8.35% | 5.30% | (3.05%) |

Crnogorska komerčijalna banka a.d. (Year of acquisition: 2006; Business profile: Commercial banking services)

As of 31 December 2008, Crnogorska komerčijalna banka a.d.'s (**CKB**) balance sheet total was HUF 308.1 billion.

The breakdown of the gross loan portfolio was as follows: 30.3% retail loans, 32% MSE loans, 34.5% corporate loans, and 3.2% municipal loans. Customer deposits amounted to HUF 205.4 billion, nearly half of which, 45.6%, were retail deposits.

| In HUF million | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|-------------------|-------------------|---------------|
| Profit after tax | 2,247 | 2,949 | 31.2% |
| ROAE | 27.3% | 20.5% | (6.8%) |
| Cost/income ratio | 57.5% | 49.4% | (8.1%) |
| Gross loans/deposit ratio | 86.9% | 124.2% | 37.3% |
| Net interest margin | 2.13% | 2.25% | 0.12% |

FINANCIAL PERFORMANCE OF OTP GROUP

Consolidated Balance Sheet (audited, IFRS)

Source: OTP Bank Consolidated Financial Statements in Accordance with IFRS as adopted by the EU for the year ended 31 December 2008

| | 31/12/2007 in HUF mn | 31/12/2008 in HUF mn | Change in HUF mn | % |
|---|-------------------------|-------------------------|---------------------|--------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary | 353,243 | 348,849 | (4,394) | (1.2%) |
| Placements with other banks, net of allowance for placement losses | 654,788 | 593,542 | (61,246) | (9.4%) |
| Financial assets at fair value through profit or loss | 285,895 | 129,332 | (156,563) | (54.8%) |
| Securities available-for-sale | 473,925 | 481,257 | 7,332 | 1.5% |
| Loans, net of allowance for loan losses | 5,582,437 | 6,730,170 | 1,147,733 | 20.6% |
| Accrued interest | 63,459 | 87,793 | 24,334 | 38.3% |
| Associates and other investments | 9,892 | 10,467 | 575 | 5.8% |
| Securities held-to-maturity | 317,557 | 321,733 | 4,176 | 1.3% |
| Property and equipment | 188,486 | 200,359 | 11,873 | 6.3% |
| Intangible assets | 353,423 | 269,342 | (84,081) | (23.8%) |
| Other assets | 178,769 | 206,592 | 27,823 | 15.6% |
| TOTAL ASSETS | 8,461,874 | 9,379,436 | 917,562 | 10.8% |
| Amounts due to banks and deposits from the National Bank of Hungary and other banks | 798,154 | 842,867 | 44,713 | 5.6% |
| Deposits from customers | 5,038,372 | 5,219,226 | 180,854 | 3.6% |
| Liabilities from issued securities | 985,265 | 1,526,639 | 541,374 | 54.9% |
| Accrued interest payable | 60,153 | 99,141 | 38,988 | 64.8% |
| Fair value of derivative financial instruments designated as held for trading | 12,920 | 125,487 | 112,567 | 871.3% |
| Other liabilities | 370,269 | 200,957 | (169,312) | (45.7%) |
| Subordinated bonds and loans | 301,164 | 316,148 | 14,984 | 5.0% |
| TOTAL LIABILITIES | 7,566,297 | 8,330,465 | 764,168 | 10.1% |
| Share capital | 28,000 | 28,000 | - | - |
| Retained earnings and reserves | 976,225 | 1,160,935 | 184,710 | 18.92% |
| Treasury shares | (114,001) | (146,749) | (32,748) | 28.73% |
| Minority interest | 5,353 | 6,785 | 1,432 | 26.75% |
| Total shareholders' equity | 895,577 | 1,048,971 | 153,394 | 17.1% |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 8,461,874 | 9,379,436 | 917,562 | 10.8% |

Consolidated P&L of OTP Group (audited, IFRS)

Source: OTP Bank Consolidated Financial Statements in Accordance with IFRS as adopted by the EU for the year ended 31 December 2008

| | 2007 HUF mn | 2008 HUF mn | Change HUF mn | % |
|---|----------------|----------------|------------------|---------------|
| Interest Income: | | | | |
| Loans | 586,883 | 720,650 | 133,767 | 22.8% |
| Placements with other banks | 95,793 | 172,586 | 76,793 | 80.2% |
| Amounts due from banks and balances with the National Bank of Hungary | 12,824 | 16,161 | 3,337 | 26.0% |
| Securities held for trading | 7,272 | 7,029 | (243) | (3.3%) |
| Securities available-for-sale | 34,145 | 32,402 | (1,743) | (5.1%) |
| Securities held-to-maturity | 29,938 | 26,624 | (3,314) | (11.1%) |
| <i>Total Interest Income</i> | <i>766,855</i> | <i>975,452</i> | <i>208,597</i> | <i>27.2%</i> |
| Interest Expense: | | | | |
| Amounts due to banks and deposits from the National Bank of Hungary | 76,147 | 226,809 | 150,662 | 197.9% |
| Deposits from customers | 172,506 | 221,607 | 49,101 | 28.5% |
| Liabilities from issued securities | 50,197 | 72,750 | 22,553 | 44.9% |
| Subordinated bonds and loans | 16,438 | 17,009 | 571 | 3.5% |
| <i>Total Interest Expense</i> | <i>315,288</i> | <i>538,175</i> | <i>222,887</i> | <i>70.7%</i> |
| NET INTEREST INCOME | 451,567 | 437,277 | (14,290) | (3.2%) |
| Provision for impairment on loan and placement losses | 58,184 | 111,449 | 53,265 | 91.5% |

| | | | | |
|--|----------------|----------------|-----------------|----------------|
| NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES | 393,383 | 325,828 | (67,555) | (17.2%) |
| <i>Non-Interest Income:</i> | | | | |
| Fees and commissions | 168,913 | 181,765 | 12,852 | 7.6% |
| Foreign exchange gains, net | 8,399 | 130,527 | 122,128 | 1454.1% |
| (Losses)/gains on securities, net | 5,085 | (1,096) | (6,181) | (121.6%) |
| Gains on real estate transactions | 1,371 | 1,807 | 436 | 31.8% |
| Dividend income and gains and losses of associated companies | 993 | 2,466 | 1,473 | 148.3% |
| Insurance premiums | 83,591 | 60,432 | (23,159) | (27.7%) |
| Gain on sale of insurance business line | - | 121,186 | 121,186 | - |
| Other | 40,067 | 27,801 | (12,266) | (30.6%) |
| <i>Total Non-Interest Income</i> | <i>308,419</i> | <i>524,888</i> | <i>216,469</i> | <i>70.2%</i> |
| <i>Non-Interest Expenses:</i> | | | | |
| Fees and commissions | 35,903 | 46,534 | 10,631 | 29.6% |
| Personnel expenses | 147,831 | 167,461 | 19,630 | 13.3% |
| Depreciation and amortization | 35,627 | 132,201 | 96,574 | 271.1% |
| Insurance expenses | 69,204 | 47,178 | (22,026) | (31.8%) |
| Administration expenses | 106,484 | 116,783 | 10,299 | 9.7% |
| Other | 57,801 | 66,192 | 8,391 | 14.5% |
| <i>Total Non-Interest Expense</i> | <i>452,850</i> | <i>576,349</i> | <i>123,499</i> | <i>27.3%</i> |
| PROFIT BEFORE INCOME TAX | 248,952 | 274,367 | 25,415 | 10.2% |
| Income tax | (40,404) | (33,299) | 7,105 | (17.6%) |
| NET PROFIT FOR THE YEAR | 208,548 | 241,068 | 32,520 | 15.6% |
| From this, attributable to: | | | | |
| Minority interest | 340 | 596 | 256 | 75.3% |
| Equity holders | 208,208 | 240,472 | 32,264 | 15.5% |
| Consolidated earnings per share (in HUF) | | | | |
| Basic | 796 | 938 | 142 | 17.8% |
| Diluted | 794 | 935 | 141 | 17.8% |

Unconsolidated and Consolidated IFRS Balance Sheet of OTP Bank

Source: Semi-annual Financial Report regarding the First Half 2009 Results

| in HUF million | OTP Bank | | | Consolidated | | |
|---|------------------|------------------|-----------|------------------|------------------|-----------|
| | 30/06/2009 | 31/12/2008 | change | 30/06/2009 | 31/12/2008 | change |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 166,281 | 157,437 | 6% | 303,291 | 348,849 | (13%) |
| Placements with other banks, net of allowance for placement losses | 855,061 | 920,455 | (7%) | 653,635 | 593,542 | 10% |
| Financial assets at fair value through profit or loss | 200,539 | 151,716 | 32% | 190,958 | 129,332 | 48% |
| Securities held for trading | 94,618 | 54,819 | 73% | 97,054 | 56,673 | 71% |
| Fair value adjustment of derivative financial instruments | 105,921 | 96,897 | 9% | 93,904 | 72,659 | 29% |
| Securities available-for-sale | 614,302 | 549,911 | 12% | 428,209 | 481,257 | (11%) |
| Loans, net of allowance for loan losses | 2,686,310 | 2,715,382 | (1%) | 6,632,334 | 6,730,170 | (1%) |
| Accrued interest | 50,356 | 60,360 | (17%) | 87,962 | 87,793 | 0% |
| Investments in subsidiaries | 617,632 | 596,244 | 4% | 10,377 | 10,467 | (1%) |
| Securities held-to-maturity | 686,014 | 437,535 | 57% | 601,083 | 321,733 | 87% |
| Property, equipment and intangible assets, net | 109,787 | 112,383 | (2%) | 466,261 | 469,701 | (1%) |
| Other assets | 98,248 | 70,892 | 39% | 129,952 | 206,592 | (37%) |
| TOTAL ASSETS | 6,084,530 | 5,772,315 | 5% | 9,504,062 | 9,379,436 | 1% |
| Amounts due to banks and deposits from the National Bank of Hungary and other banks | 877,776 | 705,565 | 24% | 947,598 | 842,867 | 12% |
| Deposits from customers | 3,161,284 | 3,090,762 | 2% | 5,296,596 | 5,219,226 | 1% |
| Liabilities from issued securities | 519,423 | 601,791 | (14%) | 1,351,719 | 1,526,639 | (11%) |
| Accrued interest payable | 57,742 | 36,428 | 59% | 112,965 | 99,141 | 14% |
| Other liabilities | 344,744 | 263,345 | 31% | 384,018 | 326,444 | 18% |

| | | | | | | |
|---|------------------|------------------|-----------|------------------|------------------|-----------|
| Subordinated bonds and loans | 281,421 | 301,951 | (7%) | 285,655 | 316,148 | (10%) |
| TOTAL LIABILITIES | 5,242,390 | 4,999,842 | 5% | 8,378,551 | 8,330,465 | 1% |
| SHARE CAPITAL | 28,000 | 28,000 | - | 28,000 | 28,000 | - |
| RETAINED EARNINGS AND RESERVES | 875,947 | 842,318 | 4% | 1,201,363 | 1,160,935 | 3% |
| Retained earnings and reserves without earnings | 793,386 | 708,363 | 12% | 1,117,301 | 920,463 | 21% |
| Reserves | 782,737 | 703,613 | 11% | 983,726 | 790,826 | 24% |
| Fair value adjustment of securities available-for-sale and of derivative financial instruments recognised directly through equity | (11,933) | (14,431) | (17%) | (5,151) | (14,028) | (63%) |
| Fair value adjustment of share based payments | 22,582 | 19,181 | 18% | 22,582 | 19,181 | 18% |
| Fair value adjustment of cash-flow hedging transactions recognized in profit and loss account | - | - | - | (2,899) | - | - |
| Hedging transactions of net investments | - | - | - | (1,762) | - | - |
| Additional reserve (issued capital element) | - | - | - | 120,805 | 124,484 | (3%) |
| Retained earnings | 82,561 | 133,955 | (38%) | 84,062 | 240,472 | (65%) |
| TREASURY SHARES | (61,807) | (97,845) | (37%) | (110,711) | (146,749) | (25%) |
| MINORITY INTEREST | - | - | - | 6,859 | 6,785 | 1% |
| TOTAL SHAREHOLDERS' EQUITY | 842,140 | 772,473 | 9% | 1,125,511 | 1,048,971 | 7% |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 6,084,530 | 5,772,315 | 5% | 9,504,062 | 9,379,436 | 1% |

Unconsolidated and Consolidated IFRS P&L of OTP Bank

Source: Semi-annual Financial Report regarding the First Half 2009 Results

| in HUF million | OTP Bank | | | Consolidated | | |
|---|----------------|----------------|--------------|----------------|----------------|------------|
| | 1H 2009 | 1H 2008 | change | 1H 2009 | 1H 2008 | change |
| Loans | 133,308 | 110,340 | 21% | 409,028 | 330,714 | 24% |
| Interest income without swap | 126,322 | 106,263 | 19% | 402,042 | 326,637 | 23% |
| Results of swaps | 6,986 | 4,077 | 71% | 6,986 | 4,077 | 71% |
| Placements with other banks | 198,576 | 123,902 | 60% | 192,932 | 111,208 | 73% |
| Interest income without swap | 17,824 | 19,445 | (8%) | 7,182 | 9,841 | (27%) |
| Results of swaps | 180,752 | 104,457 | 73% | 185,750 | 101,367 | 83% |
| Due from banks and balances with the National Bank of Hungary | 3,868 | 6,671 | (42%) | 4,195 | 7,951 | (47%) |
| Securities held for trading | 1,433 | 2,367 | (39%) | 1,431 | 3,982 | (64%) |
| Securities available-for-sale | 22,485 | 9,750 | 131% | 13,882 | 17,112 | (19%) |
| Securities held-to-maturity | 22,225 | 23,207 | (4%) | 17,819 | 12,899 | 38% |
| <i>Total Interest Income</i> | <i>381,895</i> | <i>276,237</i> | <i>38%</i> | <i>639,287</i> | <i>483,866</i> | <i>32%</i> |
| Due to banks and deposits from the National Bank of Hungary and other banks | 151,976 | 52,240 | 191% | 140,522 | 56,281 | 150% |
| Interest expenses without swap | 17,737 | 13,171 | 35% | 22,280 | 18,366 | 21% |
| Losses of swaps | 134,239 | 39,069 | 244% | 118,242 | 37,915 | 212% |
| Deposits from customers | 100,797 | 67,238 | 50% | 145,457 | 101,367 | 43% |
| Interest expenses without swap | 94,280 | 65,103 | 45% | 138,940 | 99,232 | 40% |
| Losses of swaps | 6,517 | 2,135 | 205% | 6,517 | 2,135 | 205% |
| Liabilities from issued securities | 14,745 | 10,609 | 39% | 40,788 | 33,312 | 22% |
| Subordinated bonds and loans | 8,819 | 8,354 | 6% | 8,611 | 8,854 | (3%) |
| Other entrepreneurs | - | - | - | 44 | 37 | 19% |
| <i>Total Interest Expense</i> | <i>276,337</i> | <i>138,441</i> | <i>100%</i> | <i>335,422</i> | <i>199,851</i> | <i>68%</i> |
| NET INTEREST INCOME | 105,558 | 137,796 | (23%) | 303,865 | 284,015 | 7% |
| Provision for loan losses | 33,895 | 7,870 | 331% | 100,097 | 29,654 | 238% |
| Provision for placement losses | 1,077 | 1 | 107,600% | 2,066 | 30 | 6,787% |
| Provision for loan and placement losses | 34,972 | 7,871 | 344% | 102,163 | 29,684 | 244% |

| | | | | | | |
|---|----------------|---------------|-------------|----------------|----------------|--------------|
| NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES | 70,586 | 129,925 | (46%) | 201,702 | 254,331 | (21%) |
| Fees and commissions | 80,090 | 76,114 | 5% | 82,238 | 88,557 | (7%) |
| Foreign exchange gains and losses, net | (19,475) | (30,216) | (36%) | (16,586) | (13,559) | 22% |
| Gains and losses on securities, net | (6,309) | (561) | 1,025% | (167) | (419) | (60%) |
| Gains and losses on real estate transactions, net | - | (2) | - | 495 | 760 | (35%) |
| Dividend income and gains and losses of associated companies | 32,992 | 15,964 | 107% | 881 | 1,061 | (17%) |
| Insurance premiums | - | - | - | - | 43,459 | (100%) |
| Other | 36,770 | 1,307 | 2,713% | 45,540 | 11,428 | 298% |
| <i>Total Non-Interest Income</i> | <i>124,068</i> | <i>62,606</i> | <i>98%</i> | <i>112,401</i> | <i>131,287</i> | <i>(14%)</i> |
| Fees and commissions | 10,752 | 11,746 | (8%) | 16,901 | 19,793 | (15%) |
| Personnel expenses | 38,506 | 36,723 | 5% | 77,719 | 81,189 | (4%) |
| Depreciation and amortization | 10,811 | 11,285 | (4%) | 20,774 | 19,650 | 6% |
| Insurance expenses | - | - | - | - | 31,651 | (100%) |
| Other | 40,317 | 35,203 | 15% | 93,721 | 81,961 | 14% |
| <i>Total Non-Interest Expense</i> | <i>100,386</i> | <i>94,957</i> | <i>6%</i> | <i>209,115</i> | <i>234,244</i> | <i>(11%)</i> |
| INCOME BEFORE INCOME TAXES | 94,268 | 97,574 | (3%) | 104,988 | 151,374 | (31%) |
| Income taxes | 11,707 | 9,287 | 26% | 20,965 | 21,756 | (4%) |
| INCOME AFTER INCOME TAXES | 82,561 | 88,287 | (6%) | 84,023 | 129,618 | (35%) |
| Minority interest | - | - | - | 39 | (417) | (109%) |
| NET INCOME | 82,561 | 88,287 | (6%) | 84,062 | 129,201 | (35%) |

FINANCIAL RISK MANAGEMENT

CREDIT RISK

OTP 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. OTP 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 industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one 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 capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Classification of the consolidated gross loan portfolio

| | 31/12/2007 | | 31/12/2008 | | Change | | |
|-----------------|------------|--------|------------|--------|-----------|-------|--------|
| | HUF mn | share | HUF mn | share | HUF mn | % | share |
| Performing | 4,983,954 | 86.5% | 5,971,837 | 85.3% | 987,883 | 19.8% | (1.2%) |
| Qualified | 777,140 | 13.5% | 1,029,012 | 14.7% | 251,871 | 32.4% | 1.2% |
| To-be-monitored | 533,425 | 9.3% | 649,827 | 9.3% | 116,402 | 21.8% | 0.0% |
| NPLs | 243,715 | 4.2% | 379,184 | 5.4% | 135,469 | 55.6% | 1.2% |
| Below average | 53,765 | 0.9% | 104,504 | 1.5% | 50,739 | 94.4% | 0.6% |
| Doubtful | 70,253 | 1.2% | 99,951 | 1.4% | 29,698 | 42.3% | 0.2% |
| Bad | 119,697 | 2.1% | 174,729 | 2.5% | 55,032 | 46.0% | 0.4% |
| Total | 5,761,094 | 100.0% | 7,000,849 | 100.0% | 1,239,754 | 21.5% | |

Source: OTP Bank 2008 Annual Report

Coverage of the qualified portfolio

| | 31/12/2007 | 31/12/2008 | Change |
|---------------------------|------------|------------|--------|
| Qualified volume (HUF mn) | 777,140 | 1,029,012 | 32.4% |
| Provision (HUF mn) | 165,725 | 257,660 | 55.5% |
| Coverage | 21.3% | 25.0% | 3.7% |
| NPLs (HUF mn) | 243,715 | 379,184 | 55.6% |
| Provisions (HUF mn) | 150,827 | 242,064 | 60.5% |
| Coverage | 61.9% | 63.8% | 1.9% |
| Total loan provision | 178,658 | 270,680 | 51.5% |

Source: OTP Bank 2008 Annual Report

ASSET LIABILITY MANAGEMENT

Asset-liability management of the OTP Group focused on two main areas in 2008:

- **maintaining the liquidity of the OTP Group at a secure level; and**
- **reducing the risks that can be assumed by the various business lines**

Maintaining the liquidity of the OTP Group at a secure level

The primary objective of the OTP Group in terms of asset-liability management has been to ensure that the OTP Group's liquidity is maintained at a secure level. Given that external sources of financing became significantly more expensive in the first half of 2008, while the available options shrank in the second half of the year, the various areas of business needed to adapt in order to ensure that a safe level of liquidity could be maintained. By restricting lending activity in good time the OTP Group managed to prevent the situation of inadequate financing leading to a deficit in liquidity. With external financing becoming limited, the OTP Group shifted to a course where growth in its balance sheet total was significantly slower than previously planned. As a result, it managed, despite the economic crisis, to maintain a level of liquidity that, in its view, provides adequate protection against shocks to the financial system.

Reducing the risks that can be taken on in various areas of business

In the course of 2008, OTP Bank experienced increased volatility in all instruments exposed to the major market risks. OTP Bank, on several occasions, reduced the level of risk that the individual lines of its business would be permitted to bear. Responding to the changed market environment, the Bank also reduced the levels of interest-rate and foreign exchange risk that had been undertaken in furtherance of its strategic objectives in the course of its asset-liability management.

Liquidity and market risk exposure of the OTP Group

Under Government Decree 244/2000, the capital requirement for trading book positions, counterparty risks and forex risk must be consolidated for OTP Mortgage Bank Ltd., OTP Building Society Ltd., Merkantil Bank Ltd., OBS, DSK Bank, OBR, OBH, CJSC OTP Bank, OTP Bank Russia, OTP Bank Serbia and CKB. By the end of 2008, the consolidated capital requirement was HUF 29.5 billion, which was primarily due to the forex position (HUF 24.6 billion).

Exposure of the various OTP Group members' forex positions is restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. Forex exposure at OTP Group level was concentrated at OTP Bank, while the open positions of OTP Group members abroad were negligible measured against either the balance sheet total or regulatory capital. The exposure arising at OTP Bank derived from holdings acquired in foreign subsidiaries, as well as from strategic positions opened as cover for forex-dependent revenues featuring in OTP Bank's profit projection.

In the first half of 2008, the liquidity requirements of the OTP Group followed those of previous years, as OTP Group was able to draw on fresh resources of EUR 1.5 billion from the capital markets. In the second half of 2008, opportunities for securing financing on the capital markets narrowed, and consequently OTP Bank's various business units adapted rapidly to the changed environment, thus ensuring that the OTP Group would close the year with operative liquid funds considerably in excess of liabilities falling due in 2009. OTP Mortgage Bank raises the funds required for mortgage lending through issuing bonds, which are bought by the parent bank, institutional investors and retail clients. In 2008, the volume of issued mortgage bonds grew by HUF 340 billion.

In 2008, OTP Group's interest risk exposure was essentially determined by the positions of OTP Bank, OTP Mortgage Bank Ltd., CJSC OTP Bank and DSK Bank.

Changes in the liquidity position of OTP Bank

The long-term liquidity position was significantly affected by the issuing of mortgage bonds in the value of EUR 1 billion, as well as a further EUR 500 million in senior bonds, carried out during the first half of the year. Credit for purposes other than refinancing raised by OTP Bank on the capital markets totalled EUR 4.3 billion at the end of 2008. OTP Bank is able to generate US dollar and Swiss franc financing in the form of forex swap transactions using surplus forint and euro liquidity.

By the end of 2008, the volume of forex loans had grown by 28.75% compared to the end of 2007. A significant portion of these loans was provided by OTP Bank to its subsidiaries. Coverage for forex loans by forex client deposits was 16.5%, and 49% in the euro-based segment. In 2008, the value of client forex deposits increased by 17%.

OTP Bank proceeds more strictly than is stipulated by the applicable statutory regulations. The statutory regulations define large deposits as those exceeding 15% of regulatory capital, OTP Bank classifies any deposits in excess of 6% of regulatory capital (i.e. greater than HUF 32.0 billion) as large deposits. The ratio of these deposits to the balance sheet total was 2.1% at the end of 2008.

Based on interpretation of the "Dependence on Large Depositors" indicator applied by OTP Bank, the volume of liquid assets is 6.2 times the large depositors' portfolio. However, if funds managed by OTP Fund Management are disregarded, this ratio rises to 14.3 times large depositors' portfolio, which is far higher than the ratio of 2 times large depositors' portfolio stipulated in OTP Bank's regulations.

Interest-rate risk exposure of OTP Bank

By constantly monitoring its exposure to interest risk, OTP Bank aims to minimise potential losses arising from unfavourable shifts in market interest rates, which might become apparent in declining net interest income or a fall in the market value of the portfolio. In all events, management will be informed if any risk limits are exceeded.

Without hedging transactions, OTP Bank has significant interest rate risk exposure in Hungarian forint, given that it has some HUF 600 billion more forint assets reacting to market yield fluctuations than it has liabilities. Due to its portfolio of off-balance-sheet foreign exchange swaps creating foreign currency liquidity from forint liquidity, OTP Bank's portfolio of variable-rate assets exceeds by some HUF 1,400 billion the volume of its variable-rate liabilities. In order to reduce risk, in the course of 2008 OTP Bank carried out interest-rate swaps for hedging purposes and purchased fixed-rate government bonds.

In the case of the EUR and USD portfolios, OTP Bank carried out fixed-rate EUR-USD foreign exchange swaps in order to significantly reduce its exposure to risk at OTP Group level. The EUR exposure was due to the fact that OTP Bank finances a portion of its variable-rate and short-term fixed-rate euro placements with long-term, fixed-rate subordinated or auxiliary loan capital. The open USD position, on the other hand, is due to the floating-rate liabilities backing the fixed-rate mortgage loans extended by the foreign subsidiaries.

Foreign exchange risk exposure of OTP Bank

OTP Bank is an active player on international foreign exchange and derivatives markets. As a consequence of its foreign interests, OTP Bank's average net open position was HUF 168.2 billion in 2008. The dealing room held an average net open position of HUF 3.3 billion.

In 2008, OTP Bank successfully exploited the opportunities offered by market movements, and its profit from foreign exchange trading activity increased.

Capital requirement of OTP Bank's market risk exposure

Since the second quarter of 2001, in line with Government Decree 244/2000, OTP Bank has been reporting to the Hungarian Financial Supervisory Authority on a daily basis on the capital required to cover the risk of

its trading book positions, determined according to the 'standard' method. In addition, in accordance with regulatory changes from the first quarter of 2008, OTP Bank reports on a monthly basis to the Hungarian Financial Supervisory Authority (the **HFSA**) on the capital requirement for its trading position risks, counterparty risks and forex risk, determined according to the Basel II method. Since 28 November 2008, with the approval of OTP Bank's Board of Directors and the HFSA, the foreign exchange risk has been determined according to the standard method. In 2008, the average total capital requirement was HUF 45.6 billion, of which a value equivalent to HUF 11.2 billion was required by the trading position risk, HUF 4.8 billion by the counterparty risk, and HUF 29.6 billion by the foreign exchange risk.

MATERIAL CONTRACTS

OTP Bank is not aware of any material contracts that are not entered into in the ordinary course of its business, which could result in any OTP Group member being under an obligation or entitlement that is material to its ability to meet its obligation to security holders in respect of the securities being issued.

TREND INFORMATION

There are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects during the current financial year.

Main Financial Information
of financial institutions operating in the form of a company limited by shares in the Hungarian
banking system (excluding MFB, EXIMBANK and KELER)

Ownership structure

| Ownership Structure of Financial Institutions in a Share Company Format | 31/12/2007 | 31/12/2008 |
|---|------------|------------|
| Subscribed capital (in HUF billion) | | |
| Direct domestic ownership total | 56.85 | 56.37 |
| Direct public ownership | 0.38 | 0.37 |
| Direct domestic private ownership | 56.48 | 56.00 |
| Direct foreign ownership | 379.63 | 393.22 |
| Preference and repurchased and non-identified shares | 26.63 | 5.31 |
| Total | 463.12 | 454.90 |
| Breakdown (%) | | |
| Direct domestic ownership total | 12.28 | 12.39 |
| Direct public ownership | 0.08 | 0.08 |
| Direct domestic private ownership | 12.19 | 12.31 |
| Direct foreign ownership | 81.97 | 86.44 |
| Preference and repurchased and non-identified shares | 5.75 | 1.17 |
| Total | 100.00 | 100.00 |

Source: Chronological data of the sectors supervised by HFSA (updated as at 30/06/2009)

Main items of the Balance Sheet

| Main Items of the Balance Sheet of Financial Institutions in a Share Company Format | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| in HUF billion | 31/12/2007 | | | 31/12/2008 | | | 2008/2007 |
| | HUF | FX | Total | HUF | FX | Total | Total |
| Total assets | 12,343 | 12,033 | 24,376 | 13,180 | 15,998 | 29,178 | 19.70% |
| o/w | | | | | | | |
| Gross loans | 6,229 | 10,462 | 16,691 | 5,859 | 14,372 | 20,230 | 21.21% |
| Retail loans | 2,232 | 3,218 | 5,450 | 2,163 | 5,088 | 7,252 | 33.06% |
| Housing loans | 1,536 | 1,451 | 2,987 | 1,417 | 2,356 | 3,773 | 26.30% |
| Consumer loans | 338 | 1,651 | 1,989 | 329 | 2,575 | 2,904 | 46.03% |
| Non-financial Corporate loans | 3,093 | 3,474 | 6,566 | 2,897 | 4,274 | 7,170 | 9.20% |
| MSE loans | n.a. | n.a. | 2,352 | n.a. | n.a. | 2,395 | 1.83% |
| MLE loans | n.a. | n.a. | 4,214 | n.a. | n.a. | 4,775 | 13.30% |
| State and Municipal loans | 302 | 126 | 428 | 271 | 93 | 364 | (15.04%) |
| Securities (trading, AFS and hold-to-maturity portfolio) | 3,101 | 289 | 3,390 | 4,210 | 463 | 4,674 | 37.87% |
| Central bank and interbank deposits | 894 | 741 | 1,634 | 938 | 497 | 1,435 | (12.18%) |
| Total liabilities | 14,920 | 9,456 | 24,376 | 16,898 | 12,280 | 29,178 | 19.70% |
| o/w | | | | | | | |
| Customer deposits | 8,161 | 2,585 | 10,746 | 9,163 | 3,051 | 12,214 | 13.66% |
| Retail deposits | 4,248 | 925 | 5,173 | 4,960 | 1,063 | 6,023 | 16.42% |
| Corporate deposits | 2,368 | 1,007 | 3,375 | 2,395 | 1,053 | 3,448 | 2.15% |
| Interbank deposits | 1,372 | 2,652 | 4,025 | 1,206 | 3,620 | 4,826 | 19.91% |
| Borrowings | 811 | 2,325 | 3,136 | 1,022 | 3,195 | 4,217 | 34.47% |
| Securities representing lending operations issued by CIs | 1,394 | 1,047 | 2,441 | 1,499 | 1,526 | 3,024 | 23.87% |
| Provisions | 195 | 6 | 201 | 215 | 19 | 234 | 16.34% |
| Equity | 2,003 | 0 | 2,004 | 2,186 | (1) | 2,185 | 9.06% |

Source: Chronological data of the sectors supervised by HFSA (updated as at 30/06/2009)

Main items of the Profit & Loss Account

| Main Items of P&L of Financial Institutions in a Share Company Format | | | |
|---|------------|------------|-----------|
| in HUF billion | 31/12/2007 | 31/12/2008 | 2008/2007 |
| Interest margin | 717 | 714 | (0.49%) |
| Non-interest type profit | 369 | 339 | (7.97%) |
| Operating costs | 587 | 642 | 9.40% |
| Impairment and change in risk provisions | (106) | (144) | 36.44% |
| Profit on ordinary activities | 393 | 266 | (32.20%) |
| Extraordinary profit | (3) | 15 | (627.14%) |
| Profit before tax | 390 | 281 | (27.94%) |
| After tax profit | 325 | 237 | (27.12%) |

Source: Chronological data of the sectors supervised by HFSA (updated as at 30/06/2009)

Asset qualification

| Break-down of the Balance Sheet Items of Financial Institutions in a Share Company Format for Compulsory Qualification | | | | | | | | | | |
|--|---|------------|------------|----------------|------------|------------|----------------|------------------|------------|----------------|
| in HUF billion | | 31/12/2007 | | | 31/12/2008 | | | Change 2008/2007 | | |
| | | Total | Performing | Non-performing | Total | Performing | Non-performing | Total | Performing | Non-performing |
| 1. | Balance Sheet items for compulsory qualification | 19,879 | 18,317 | 1,563 | 23,967 | 22,351 | 1,616 | 20.6% | 22.0% | 3.4% |
| 2. | Securities for trading purposes | 334 | 333 | 1 | 292 | 280 | 11 | (12.6%) | (15.9%) | 1730.1% |
| 3. | Securities for investment purposes | 782 | 782 | 0 | 1,196 | 1,173 | 23 | 53.0% | 50.0% | -- |
| 4. | Financial sector deposits | 3,868 | 3,843 | 25 | 3,883 | 3,838 | 44 | 0.4% | (0.1%) | 73.7% |
| 5. | Corporate loans | 6,644 | 5,730 | 913 | 7,204 | 6,385 | 819 | 8.4% | 11.4% | (10.3%) |
| 6. | Households' loans | 5,450 | 4,939 | 511 | 7,250 | 6,738 | 512 | 33.0% | 36.4% | 0.1% |
| 7. | Loans for other domestic sectors | 455 | 448 | 8 | 490 | 481 | 9 | 7.5% | 7.5% | 9.2% |
| 8. | Loans for non-domestic debtors | 1,514 | 1,491 | 23 | 2,438 | 2,317 | 120 | 61.0% | 55.4% | 425.2% |
| 9. | Other active settlements and other assets (gross) | 832 | 751 | 81 | 1,214 | 1,136 | 78 | 45.9% | 51.4% | (4.3%) |

Source: Chronological data of the sectors supervised by HFSA (updated as at 30/06/2009)

THE HUNGARIAN BANKING SYSTEM

The history of the Hungarian banking system

The first phase of the modernisation of the banking sector commenced in the early 1980's by loosening the centralised capital allocation regime that had been established in the one-tier banking system. After two years of preparations and a year of simulation experiments, the two-tier banking system was introduced in early 1987, when banks performing their operations on a commercial basis were institutionally separated from the NBH, which was performing the tasks of the central bank. Besides commercial banks and savings co-operatives licensed to perform a wide range of banking operations, financial institutions have appeared. The transformation of the Hungarian banking system was accompanied by an increase in the number of banks. The Act on Financial Institutions (the **Financial Institutions Act**) entered into effect in 1991 and established the foundations for regulation and supervision along with the guidelines for the Bank for International Settlements (**BIS**).

The main functions of the Financial Institutions Act were as follows: creation of a secure and prudent banking system; reinforcement of savings; strengthening of investors' trust; promotion of lending operations in conformity with the demands of economic development; expansion and upgrading of the choice of services offered by banks; regulation of undertaking risk; and expedition of the integration of the Hungarian banking system in international money and capital markets and in the international banking business.

The establishment of certain supplementary institutions promoted the strengthening of the Hungarian financial sector. They included Hitelgarancia Ltd. (Credit Guarantee Plc.), which was founded in 1992 to provide guarantees primarily for loans to medium-sized enterprises for limiting the credit risks involved with this particular segment. Országos Betétbiztosítási Alap (National Deposit Insurance Fund) has been operating since 1993, providing guarantees for both the principal and interest amounts of the bank account deposits. As a result of the implementation of Directive 2009/14/EC by an amendment of the Credit Institutions Act, the guarantee provided by the Országos Betétbiztosítási Alap on bank account deposits has been extended to a total amount of EUR 50,000 per person since 30 June 2009. Since 1993, OTIVA (National Institution Protection Fund of Savings Co-operatives), the joint organisation of savings co-operatives, has been co-ordinating legislation pertaining to savings co-operatives based on the participants' mutual interests. Eximbank and MEHIB Ltd. (Hungarian Export Credit Insurance Company) are also important supplementary institutions promoting the banking system in the areas of export credit insurance and insurance coverage against exchange rate risks.

State consolidation – twice

Owing to the portfolios of bad debts they inherited, the difficulties of the transformation of the economy, a diminishing propensity of households to save, the sizeable deficit of the budget, and the collapse of the former CMEA market, banks experienced a progressive deterioration in their positions starting in 1991. Banks suffered substantial losses as a result of the new and increasingly tough regulations and laws, and ultimately the State decided to assist the banking system. The bank consolidation scheme implemented in 1993 by the State restored the operability of banks; however, it did not improve their profitability. Consequently, this was followed by another set of State interventions. In 1994 the state effected capital increases – providing subordinated loan capital – in the majority of banks. The result was a substantial increase of State ownership in the banking sector.

From mid-1996 the balance sheet positions of banks started to gradually improve, their balance sheet totals grew, decision making improved, consequently, and the quality of their lending portfolios also improved. In 1997, total balance sheet growth substantially increased, primarily owing to an increasingly dynamic growth in the economy of Hungary, which started at about the same time. The privatisation of banks also accelerated in the same year, and the largest Hungarian banks were taken over by foreign owners.

In 1997 the Financial Institutions Act was replaced by the Credit Institutions Act. One of its major purposes was to facilitate the Hungarian banking system's adoption of the unified banking standards of the European Union. Legislation on the Hungarian money and capital markets is aimed at helping Hungarian banks catch up with the leaders in the industry.

The development and evolution of the Hungarian banking market has been following the relevant international trends: the directives aimed at creating a single European market give preference to the universal banking model. Hungary was the first country in the region to pass new laws (regulating certain specialist lending institutions, home savings funds and mortgage loan institutions), which promoted specialisation, and at the same time – in line with the principle of universal banking – enabled lending institutions to provide traditional investment banking services, to trade in securities and to participate in the public issuance of securities as lead managers or co-managers. The provision of investment services is regulated by Act CXXXVIII of 2007 on Investment Firms and Commodity Service Providers and on the rules of their activity (the **Investment Firms Act**). From the three types of credit institutions (banks, specialised credit institutions or co-operative credit institutions), only banks are entitled to provide the full range of banking and investment services. Since 1998, foreign lending institutions have been permitted, in line with the EU standards, to establish branch offices in Hungary pursuant to European procedures. The new regulation on sovereign risks establishing the mandatory level of reserves to be generated was also introduced in 1998.

In the mid-1990s a drastic reduction began in the number of lending institutions. In the first half of 2000, the co-operative sector was primarily affected by this trend. Despite the mergers observed in the domestic banking sector in recent years, the concentration of the banking market diminished somewhat – while in 1989 the asset portfolio of the five largest lending institutions accounted for 80 per cent. of the market, in late 2000 the corresponding figure was only 50 per cent. In the period between 2002 and 2004, in the wake of some of the latest mergers (BACA-Hypobank, KHB-ABN-Amro, Erste-Postabank) concentration has increased again. With its 12 per cent. market share, the new K&H has become the second, and HVB Bank Hungary the fifth, largest bank in Hungary.

Following the phase of intensive development starting in 2000, the increase in the establishment of branch offices has slowed down, but competition between banks for retail customers has been intensifying. Cost cutting and staff reduction have become essential for lending institutions with diminishing profitability. The introduction and rapid spread of electronic banking services has played an important role in this process.

The effects of EU accession

The Republic of Hungary became a member of the European Union on 1 May 2004. Membership of the EU has resulted in Hungary adopting and implementing various EU directives. Changes have therefore been made to Hungarian banking law and accounting rules in order to harmonise them with EU directives. EU accession has greatly enhanced the international integration of the domestic money market and has strengthened the close relationship between credit institutions and their foreign parent banks, the majority of Hungarian banks being owned by foreign credit institutions.

As of 1 January 2006, Hungary has implemented Commission Directive 2003/6/EC on insider dealing and market manipulation (the **Market Abuse Directive**) and Commission Directive 2004/72/EC implementing directive 2003/6/EC as regards accepted market practices, the definition of insider information in relation to derivatives and commodities, the drawing up of lists of insiders, the notification of managers' transactions and the notification of suspicious transactions.

Within the framework of the harmonisation of the financial regulatory system, the Credit Institutions Act was amended by new rules with regard to the Hungarian central credit information system. As a result, the new rules aim to broaden the rights of individuals to receive information from the database on their registered data and to seek legal redress in case of incorrectly or unlawfully registered personal data.

The amendment to the regulation on the Hungarian central credit information system has enlarged the scope of persons that are subject to registration therewith, thereby enhancing the safety of investment credit, securities lending activities and financial stability.

In the framework of the harmonisation of national law with EU law, Hungary has implemented Directive 2004/39/EC on markets in financial instruments (the **MiFID**) and Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the **Transparency Directive**). Hungary has implemented the Transparency Directive by means of implementing Directive 2007/14/EC on detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Hungary has also implemented (i) Directive 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive and (ii) Directive 2007/16/EC implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (**UCITS**) as regards the clarification of certain definitions. As from 14 December 2007, Hungary implemented Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorism financing. As a result of the implementation of the above-mentioned directives, the Hungarian Parliament has passed the Investment Firms Act, which entered into force on 1 December 2007. Further the Credit Institutions Act and the Capital Markets Act were amended in various respects.

Supervision and regulation of the banking system

The legal framework of the present banking system is based on the Credit Institutions Act, the Investment Firm Act and the Act CXX of 2001 on the capital markets (the **Capital Markets Act**) and decrees of the Finance Minister and the Government. Regulation of the Hungarian banking system is generally in line with the relevant EU banking standards.

In the Hungarian banking system both the Hungarian National Bank (the **NBH**) and the Hungarian Financial Supervisory Authority (the "**HFS**A") perform supervisory functions. The two institutions supervise all of the legal entities engaged in banking in Hungary.

National Bank of Hungary

Act LVIII of 2001 on the National Bank of Hungary regulates the NBH and its current position in the system of European Central Banks. The NBH controls the volume of money in circulation and foreign exchange management; it adopts decisions and resolutions on the governance of the money market, interest rates, foreign exchange transactions and the supply of statistics. The NBH requires that all lending institutions create reserve funds amounting to a specified portion of their adjusted liabilities.

The NBH may act as a last resort to assist lending institutions faced with transitional liquidity problems. Any loan that the NBH extends to a commercial bank will become an unguaranteed obligation of the borrowing bank. Furthermore, the NBH may also grant liquidity to credit institutions in accordance with the current monetary policy through repo transactions. In addition, the NBH has ongoing consultations with the banks, and holds on-site audits in its capacity of supervisory organisation.

The NBH reviews reports filed by banks and maintains a publicly available database on the Hungarian Banking System. Furthermore, it continuously evaluates the status and publishes all information regarding the financial position and condition of Hungarian credit institutions and of the Hungarian economy. The NBH also monitors compliance of credit institutions with the provisions of the Credit Institutions Act and the decrees issued by the Governor of the NBH.

The European Central Bank and the National Bank of Hungary

There is no official date indicated by the Hungarian government for Hungary to become a member of the Economic and Monetary Union (EMU). Prior to joining the EMU, the Republic of Hungary will accede to the ERM-II system.

The Republic of Hungary is presently at the second stage of monetary integration, therefore it still retains the discretion to set its own monetary policy. Nevertheless, pursuant to the treaty of Maastricht, it is bound to follow a strategy of convergence. The Governor of the NBH is a member of the Governing Council of the European Central Bank.

Hungarian Financial Supervisory Authority

Since 1 April 2000, supervision of the banking sector has been carried out by the HFSA, which is the successor of the Hungarian Banking and Capital Market Supervisory Authority, the State Insurance Supervisory Authority and the State Pension Fund Supervisory Authority. The HFSA's establishment, status and activity are regulated by Act CXXXV of 2007 on the Hungarian Financial Supervisory Authority (the **HFSA Act**).

The HFSA is an administrative agency of the Government and has national jurisdiction. It is headed by a Council consisting of from three to five members and managed by the Chairman of the Council. The Chairman of the Council is elected by the Hungarian Parliament on the proposal of the Prime Minister. The other members of the Council are appointed by the President of Hungary and proposed to the President of Hungary by the Prime Minister. The Chairman of the Council reports to the Government through the minister supervising the HFSA.

The Office, as administrative body of the HFSA, is responsible for the operative functioning of the HFSA. The Office is headed by the Director and two Deputy Directors. The Director and the two Deputy Directors are appointed by the Prime Minister and on the proposal of the minister supervising the HFSA.

The HFSA holds wide-ranging powers under the Credit Institutions Act, the Investment Firm Act, the HFSA Act and the Capital Markets Act to license and supervise the operation of credit institutions. Supervision of banking activities in the Republic of Hungary has strengthened as the banking system has developed. Bank supervisory responsibilities have largely been transferred to the HFSA, with the National Bank of Hungary retaining a more limited supervisory role (mainly related to the circulation of currency).

As of 1 January 2006, the supervisory role of the HFSA has been harmonised with the relevant EU Directives with regard to insider dealing and market manipulation.

The HFSA is entitled to launch site audits, to take actions in the interest of ensuring compliance with the Credit Institution Act, and to initiate proceedings. From 3 May 2009, the HFSA is obliged to conduct comprehensive inspections once in every 3 years including on-site audits at banks (credit institutions), specialised credit institutions, insurance companies and reinsurers. The HFSA and the NBH co-operate in performing the supervisory tasks. The licensing by the HFSA of certain financial services requires a preliminary opinion or approval from the NBH.

The HFSA can avail itself of a large choice of methods to eliminate deficiencies and irregularities detected at lending institutions: from notification and enforcement of mandatory decisions, restrictions or bans on certain functions of the offending institution, delegation of a superintendent, to the ultimate measure of withdrawing the operation licence of the credit institution. Apart from the above administrative powers, as an exceptional measure, the HFSA may also impose a fine for the infringement of legal regulations and the NBH's orders pertaining to financial services and supplementary financial services; for the failure to comply with the Credit Institutions Act, and the HFSA's decisions; or for late or insufficient compliance with the above.

In accordance with Act XIII of 2009 *on the amendment of certain acts on the supervision of the financial intermediation system* the set of circumstances and conditions which give rise to a mandatory delegation of a superintendent by HFSA have materially broadened. While earlier the HFSA exercised discretion in deciding whether it delegates a superintendent, currently, from 3 May 2009, the HFSA is obliged to delegate the superintendent upon the occurrence of the following events:

- 1) the solvency capital of the credit institution does not reach the mandatory level prescribed by the law; and
 - 1.1 the board of directors does not convene the shareholders meeting when requested by the HFSA; or
 - 1.2 the owner or the third country credit institution is unable to or does not intend to restore the solvency capital or the own equity of the credit institution to the mandatory level prescribed by the law or to the level prescribed by the HFSA; or
 - 1.3 the credit institution does not execute, or only with a significant delay or differences, the restoration plan approved by HFSA; or
- 2) the competent supervisory authority of the parent company of the credit institution notifies the HFSA on the occurrence of a crisis situation which jeopardizes or endangers the financial stability of the parent company.

Nevertheless, there remain events when the HFSA may exercise discretion as to the delegation of a superintendent. Such events are when (i) the credit institution is in a situation where there is a chance that it may be unable to comply with its obligations, (ii) the board of directors cannot perform its tasks and this endangers the interests of the depositors, (iii) the deficiencies revealed in the accounting and internal audit systems of the credit institution are on such a great scale/so extensive that the valuation of the real financial position of the credit institution has become impossible.

Further, the HFSA shall take appropriate measures set forth in detail in the Credit Institutions Act if the solvency capital of a credit institution does not reach 60 per cent. of the mandatory level of solvency capital (the aforementioned threshold was increased from 50 per cent. to 60 per cent. from 3 May 2009).

Banking Regulations

The Features of Regulation

The Credit Institutions Act, the Investment Firms Act and the Capital Markets Act set out the regulatory framework for the Hungarian banking system. Specific rules not regulated in detail under these Acts are set out in Government decrees or decrees issued by the Ministry of Finance. The HFSA does not have the power to issue regulatory decrees, or any other legally binding regulation.

Capital Adequacy

In 2001, the Republic of Hungary harmonised its guidelines on capital adequacy requirements for investment institutions and commercial banks with EU Directive 93/6.

According to the Credit Institutions Act and in line with European regulations, banks must have a registered capital of at least HUF 2 billion (circa EUR 7.45 million). The amount of a credit institution's equity may not be less than the minimum amount of its registered capital. If the amount of a credit institution's equity falls below the registered capital, the HFSA will give the credit institution a maximum of 18 months to bring its equity to the required level.

In order to maintain solvency and its ability to satisfy its liabilities, a credit institution must at all times have own funds equal to the amount of the risk of the financial and investment activities it engages in, and its own funds may not in any event be less than the minimum amount of its registered capital.

Trading Book

In order to ascertain a credit institution's capital requirements, a trading book must be kept to record the investment instruments in the trading portfolio that are exposed to the market risks fundamentally connected with investment and financial services and the risks undertaken in connection with these. Only such assets can be registered to the trading book, which can be subject to hedging transactions or in respect of which there is no restriction on alienation.

As of 1 December 2007, a new regulation entered into force with respect to the Trading Book with the implementation of the MiFID. The new rules on the Trading Book set out in the Investment Firm Act contain further criteria for the credit institutions to elaborate new by-laws on the maintenance of the Trading Book and set out the principles that will have to be followed in the by-laws. Among the new rules, credit institutions are required to have an information, registration and valuation system ensuring the up-to-date assessment of the risks and capital requirements involved in trading. The currently operating credit institutions were permitted to remain compliant with the "old regulations" as before the implementation of the MiFID until 31 December 2008.

General Reserves

A credit institution must create general reserves from its after-tax profits to offset the losses incurred during its activities prior to paying dividends and shares. A credit institution must place 10 per cent. of its annual after-tax profits into the general reserve. (Upon request, a credit institution may be exempted by HFSA from the obligation to create general reserves if the amount of the credit institution's solvency capital is at least equal to 150 per cent. of the minimal amount of solvency capital as set out by paragraph 76 sections (1) and (2) of the Credit Institutions Act and if it has no negative profit reserves.)

Solvency Capital and Risk Provisions

Based on the implementation of Directive 2006/49/EC of the European Parliament and of the Council passed on 14 June 2006 regarding the capital adequacy of investment firms and credit institutions (the **Capital Adequacy Directive**), a bank must have a sufficient amount of solvency capital. Act XV of 2008 on the amendment of certain acts on financial service providers introduced further amendments regarding the calculation of the solvency capital in order to harmonise the Hungarian legislation to be in line with the Directive 2006/48/EC relating to the taking up and pursuit of business of credit institutions and the Capital Adequacy Directive.

The Capital Adequacy Directive is in line with the framework agreement of the Basel Committee on Banking Supervision on the international convergence of capital measurement and capital requirements (the **Basel II**). The minimal amount of the solvency capital of credit institutions is determined by the Credit Institutions Act. The solvency capital must be enough to secure, at all times, the risk of a bank's business activity to provide continuous solvency and to assure that the bank's obligations are fulfilled.

The solvency capital cannot be less than the minimal capital requirement of a bank and it is calculated by means of adding the capital requirements in respect of lending and partner risks, exposures registered in the trading book, market risks deriving from FX and other risks and capital requirements for operational risks.

Pursuant to the amendment of the Credit Institutions Act entered into effect on 1 July 2007, there are two methods to calculate the value of a bank's risk-weighted exposure: the Standardised Method and the Internal Ratings Based Approach. The Standardised Method is based on certain principles laid down in the Credit Institutions Act, and the Internal Ratings Based Approach is based on the previous records of a bank. In some portfolio segments it is possible to apply the two methods simultaneously for the reason that the

Internal Ratings Based Approach (**IRB**) may apply the Standardised Method. Regarding the introduction of IRB approach, the HFSA has already issued its own validation hand-book (*in Hungarian: "PSZÁF Validációs Kézikönyv"*).

Pursuant to the Standardised Method, each exposure must be categorised into an exposure class and each exposure class is linked to a risk category. A bank may only use the IRB Approach provided that it complies with certain conditions set out in the Credit Institutions Act and the HFSA has approved the application of the IRB Approach.

In addition to the rules in the Credit Institutions Act, Act LI of 2007 on the amendment of the Credit Institutions Act sets out further rules in accordance with the Capital Adequacy Directive on (i) the date when the amendments enter into force and (ii) the method how the banks shall implement the calculation methods and rules introduced by the Basel II.

With respect to the IRB Approach, Act LI of 2007 sets out a progressive transition into the new regime. Pursuant to Act LI of 2007, credit institutions may continue to apply the calculation methods applicable before the implementation of the Capital Adequacy Directive during a transitional period in such a way that the minimal amount of solvency capital is continuously decreasing on a year by year basis (95 per cent. of the minimum requirement until 31 December 2007, 90 per cent. until 31 December 2008 and 80 per cent. until 31 December 2009).

Most provisions of Directive 2006/48/EC and Capital Adequacy Directive were successfully implemented into Hungarian law. The implementation measures included various levels of the available statutory instruments (e.g. amending acts adopted by the Hungarian Parliament and decrees adopted by the Ministry of Finance).

Recent laws on consumer protection against abusive unilateral amendment of loan agreements, financial lease agreements

Act XIII of 2009 *on the amendment of certain acts on the supervision of the financial intermediation system* has introduced various restrictions of the rights of financial institutions to effect unilateral amendment in the existing loan agreements, financial lease agreements entered into between the credit institutions and retail clients or micro enterprises. Pursuant to the restrictions, the right of the credit institutions to unilaterally amend the conditions of existing customer agreements to the detriment of clients is limited to the interest rates, costs or fees and such unilateral amendment is also linked to further conditions on the part of the relevant credit institution.

For the avoidance of doubt, such regulations imposing restrictions on the unilateral detrimental amendment rights of credit institutions in respect of their client agreements shall also apply, with respect to all client agreements falling into the above-mentioned client scope, to existing client agreements concluded before the entry into force of provisions of Act XIII of 2009.

Regulation on Transactions

The Credit Institutions Act also contains limits on large exposures and the exposures related to acquisition of ownership, as well as real estate and other sorts of investment restrictions.

Legislative and Financial Measures Intended to Stabilise the Markets as a Response to the Global Financial Crisis

Financial Measures

In response to the global financial crisis, the NBH has accepted the following main measures to enhance the stability of the Hungarian banking and financial system:

Close link exemption

Pursuant to the amendment of the General Terms of Business of the NBH in respect of the HUF and FX markets transactions, the NBH accepts as collateral the mortgage bonds issued by any entity having a close link with the respective counterparty of the NBH in a respective transaction. On that basis, the NBH has harmonised its approach as to the close link rule, with the ECB.

Provision of euro liquidity through O/N FX-swap tenders

On 16 October 2008, the NBH and the European Central Bank (the **ECB**) jointly announced their agreement which aims to support the NBH's instruments of providing euro liquidity. Pursuant to such agreement on repurchase transactions, the ECB provides a credit facility of up to EUR 5 billion to the NBH in order to provide additional support to the NBH's operations.¹⁷

Based on the above-mentioned agreement, the NBH has introduced an overnight FX swap facility providing euro liquidity from 16 October 2008 until withdrawal. Under such overnight FX-swap facility, the counterparties of the NBH may place, on each business day, forint amounts at a pre-determined price with the NBH, in exchange for euro amounts, in the framework of FX swap transactions. The facility is available for those domestic credit institutions falling under the Hungarian National Bank's reserve requirement that are members of VIBER or BKR.¹⁸

Measures adopted to enhance liquidity of the government debt securities market

The NBH and the "Primary Dealers" of government securities have reached an agreement on 16 October 2008 about their respective roles in the market for forint-denominated government securities. In the framework of the agreement, the Primary Dealers undertook to provide continuous market making of the government securities in order to reduce yield volatility and improve market transparency.¹⁹

The introduction of two credit facility tenders by the NBH

In support of the liquidity management of credit institutions, the Monetary Council of the NBH decided to introduce two credit facility tenders to be available from 21 October 2008.

The first type of tender provides a two-week, collateralised credit facility, with a fixed interest rate of 25 basis points above the NBH base rate and is available once a week for all credit institutions meeting the technical requirements set out by the NBH. The second type of tender is a six-month, floating rate collateralised credit facility for counterparty credit institutions. This six month credit facility may also be available once a week.

Enhanced Deposit Insurance

Pursuant to the amendment of the Credit Institutions Act adopted on 13 October 2008 by the Hungarian Parliament, the guarantee provided by the National Deposit Insurance Fund (*in Hungarian: "Országos Betétbiztosítási Alap"*) (the "**Fund**") on the so called "individual" (*in Hungarian: "névre szóló"*) bank account deposits (as defined in the Credit Institutions Act) placed with the domestic credit institutions (being members of the Fund) was extended to an aggregate amount of EUR 50,000 (fifty thousand) per person in accordance with Act XLI of 2009 entered into force on 30 June 2009.

Stand-By Arrangement with the IMF

On 28 October 2008, the European Union (**EU**) and the World Bank announced a joint financing package for Hungary subject to agreement of the International Monetary Fund's (**IMF**) Management and Executive

¹⁷ source: www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=ecb_mnb_repo_press_release_magyarfinal

¹⁸ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

¹⁹ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

Board. The package totalling USD 25.1 billion under a 17 month Stand-By Arrangement is aimed at bolstering Hungary's economy. The package was approved on 6 November 2008 to avert a deepening of financial market pressures. The approval makes SDR 4.2 billion (about EUR 4.9 billion or USD 6.3 billion) immediately available and the remainder will be available in five instalments subject to quarterly reviews. The Stand-By Arrangement entails exceptional access to IMF resources, amounting to 1,015 percent of Hungary's quota, and was approved under the Fund's fast-track Emergency Financing Mechanism procedures.²⁰

From 2 February 2009, the NBH extended the range of counterparties eligible to participate in its six-month, floating rate collateralised credit facility tenders to include identical range of counterparties for this tender as for the O/N collateralised credit facility. Eligible counterparties shall be direct members of VIBER or BKR and shall also have a securities account maintained with KELER ("Central Clearing House and Depository").²¹

NBH Arrangement with the SNB for the Provision of CHF Liquidity

Starting on 2 February 2009, the NBH joined the weekly EUR/CHF foreign exchange swap operations conducted under the umbrella of the Swiss National Bank (SNB). Under this arrangement, the SNB will provide the NBH with Swiss francs against Euro. The EUR/CHF swap operations will be conducted with a term of 7 days at a fixed price.²²

This facility, like the ones existing between the SNB, the European Central Bank and Narodowy Bank Polski, will allow the NBH to provide Swiss franc funding to banks in its jurisdiction in the form of foreign exchange swaps.²³

NBH Measures in Support of the Banking System

As from 5 February 2009, the NBH introduced a new longer-term instrument designed to assist Hungarian banks to access euro liquidity with six-month maturity in an amount up to EUR 5 billion. In addition, as from 20 February 2009, the NBH also accepts as collateral municipality bonds.²⁴

Enhanced Liquidity through EUR/HUF Swap Tenders

From 2 March 2009, the NBH introduced six-month EUR/HUF swap tenders providing euro liquidity. Those domestic credit institutions will be eligible to participate in the weekly FX swap tenders that fulfil the specific participation criteria published by the NHB. One of the conditions precedent set by the NBH is that participating commercial banks shall undertake to maintain their domestic corporate loans portfolio throughout 2009 at least at end-2008 levels.²⁵

A further criteria is that counterparty credit institutions shall undertake (i) to draw in foreign funds (liabilities) in the course of 2009 with a maturity over one year up the amount of the euro credit facility to be obtained by them and/or (ii) decrease the aggregate value of their foreign receivables calculated net of changes in foreign exchange rate.²⁶

Legislative Measures

²⁰ Source: official website of IMF: (<http://www.imf.org/external/np/sec/pr/2008/pr08275.htm>)

²¹ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

²² Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

²³ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

²⁴ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

²⁵ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

²⁶ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>; http://www.mnb.hu/engine.aspx?page=fx-swap_tenderek_gyorstenderek)

Financial Stabilisation Act ²⁷

The European Commission has approved under EC Treaty state aid rules a Hungarian legislative package intended to stabilise the markets as a response to the global financial crisis. The package will provide eligible credit institutions with new capital and guarantees on short and medium term newly issued debt, under strict conditions. The Commission found the measures to be in line with its guidance Communications on state aid to overcome the financial crisis.

The first legislative step in respect of financial stabilisation was the enacting of Act 104 of 2008 on Enhancing the Stability of the Financial Intermediary System (the “**Financial Stabilisation Act**”).

The Financial Stabilisation Act envisages the creation of a special purpose account held with the NBH on which the Hungarian State will credit a sum of HUF 600 billion denominated in foreign currency which would be utilised between 2008-2010 from the credit facility provided by the IMF for Hungary (in the framework of the Stand-By Arrangement concluded between the IMF and the Hungarian State).

Further, the Financial Stabilisation Act introduces the following stabilisation measures which may be applied to credit institutions having their registered seat in Hungary:

Either of the two measures discussed below may only be applied, on a case by case basis, pursuant to the joint recommendation of the chairman of the board of the HFSA and the governor of the NBH.

- a **recapitalisation measure** to inject new capital in the credit institution (i) upon the request or with the approval of the credit institution or (ii) *ex officio*, without the approval of the credit institution. If the recapitalisation is carried out at the request or with the approval of the credit institution, then it shall (i) issue "dividend preference share(s)" and "voting preference share(s) with special veto right" (for details see description below) to the State and (ii) conclude an agreement with the State which must provide for, amongst other things, the nominal value and the issue value of the two classes of preferential shares, the right of the State to delegate board members, limitations on the remuneration of the senior officers of the credit institution until the ownership of the State ceases, the detailed rules on exercising the put option and the call option by the respective parties (as indicated below). The dividend preference share(s): (i) entitle the State to a priority payment of dividend *vis-à-vis* other shareholders and in higher amount, (ii) are non-voting, (iii) the credit institution has a call option on these shares and (iv) the State has a put option towards the credit institution on these shares after 5 years from their issue date. The State cannot otherwise sell these shares. The voting preference share with special veto right may only be issued to the State. It does not entitle the holder to dividend, but it provides for a veto right at the shareholders' meeting with respect to resolutions: (i) on the payment of dividends, (ii) which are subject to the approval of the majority of holders' of the voting preference share class(es) and (iii) which may only be passed with 75 per cent. majority vote. Veto rights may not be exercised against certain types of resolutions detailed in the Financial Stabilisation Act.

According to the Act CLXIX of 2007 *on the fiscal budget of 2008 of the Republic of Hungary* the minister of finance may acquire ownership or any other participation rights in a credit institution, with the prior approval of the Hungarian Government, in the name and on behalf of the Hungarian State. Any payments for such acquisitions may be performed until 31 December 2009 in an amount up to HUF 300 billion.

- a **guarantee measure** to guarantee obligations of the credit institution (i) arising from a debt security or a credit facility agreement between 23 December 2008 and 31 December 2009, (ii) denominated in HUF, EUR or CHF and to be performed in the same currency, (iii) with a maturity between three months and five years. The guarantee may be provided (i) upon the request of the credit institution, (ii) provided that

²⁷Source: Act 104 of 2008 on the Enhancement of the Stability of the Financial Intermediation System

the credit institution's solvency capital complies with the statutory requirements, (iii) further provided that the credit institution would undertake to comply with the terms of the agreement to be entered into between the State and the relevant credit institution and (iv) the credit institution shall issue a "voting preference share with special veto right" to the State (if no recapitalisation has been initiated until the provision of the guarantee). The special rights attached to the voting preference share with special veto right cease to exist by law on the 31st day following the end of the guarantee period if (i) there were no disbursements by the State under the guarantee or the credit institution repaid any such disbursement (including default interest) to the State and (ii) until such date there was no capital injection provided by the State to the credit institution. The agreement to be concluded with the State must provide for, at least, (i) the fee for the guarantee (which shall be in line with the relevant recommendations and communications of the EU Commission), (ii) the nominal value and issue value of the voting preference share with special veto right to be issued, (iii) the rights attached to such special preference shares of the State and (iv) limitations on the remuneration of the senior officers of the credit institution during the term of the guarantee. The Government Decree of 89/2009 lays down the rules of procedure on the state guarantee, the sample form of agreement and the sample application form.

Management Right

The Financial Stabilisation Act also provides for a third measure which may be used by the State in the event that a credit institution would fail to meet certain financial requirements specified by the Financial Stabilisation Act. In such case the government may pass a decree stating that the relevant credit institution has met one or more of the criteria for the application of this special measure (if the criteria are not met any more, then the government must repeal such decree. The credit institution has the right to challenge such decree before the courts). During the effective period of such government decree, the State is solely entitled to pass resolutions regarding matters normally pertaining to the competence of the shareholders' meeting of the credit institution. Further, in such an event an *ex officio* capital injection may be provided to the credit institution as set out above in the subsection "recapitalisation measure". Within 120 days from the effective date of the relevant government decree the shareholders of the credit institution have a put option towards the State on their shares in the credit institution. The Financial Stabilisation Act shall remain in force until 31 December 2009.

Implementation of the Directive 64/2007 (Payment Services Directive)

The implementation of the Directive 64/2007 (**Payment Services Directive**) is forthcoming. Act LXXXV of 2009 on Payment Services implements the Payment Services Directive and it will enter into force on 1 November 2009.

Upon implementation of the Payment Service Directive, it will facilitate the efficiency and security of cross border payments.

On-demand state guarantee on a bridge loan relating to housing loans

According to Act IV of 2009 *on the on-demand state guarantee on housing loans*, the Hungarian State undertook, with effect from 28 July 2009, an on-demand guarantee financed from the central budget of the Hungarian State in respect of either (i) the payment 80 per cent. of the principal and interest payable on a so called "bridge loan" provided by credit institutions to natural persons or (ii) the payment of 70 per cent. of the principal and interest payable on a so called "bridge loan" provided by credit institutions to natural persons.

In both cases, the scope of eligible persons is limited to the fulfillment of many criteria, among others, such persons shall have lost their jobs after 30 September 2008 upon reasons occurred within the field of interest of the employer or alternatively, such persons have not lost their jobs but suffer from such adverse effects which temporarily result their inability to duly repay the housing loans they have obtained. In both events, the eligible persons have to be able to effect certain regular payments and perform certain financial criteria.

Eligible persons may request for the provision of such a bridge loan until 30 June 2010.

TAXATION

Hungarian Taxation

The following is a general discussion of certain Hungarian tax consequences relating to the acquisition and ownership of Notes. It does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. It is based on laws currently in force in Hungary and applicable on the date of this Base Prospectus, but subject to change, possibly with retrospective effect. The acquisition of the Notes by non-Hungarian Holders, or the payment of interest under the Notes may trigger additional tax payments in the country of residence of the Holder, which is not covered by this summary, but where the provisions of the treaties on the avoidance of double taxation should be taken into consideration. Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Hungary and each country of which they are residents.

Withholding tax (foreign resident individual Holders)

The payments of interest on and yield realised upon the redemption or sale of publicly offered and traded Notes (**Interest Income**) is taxed at 20 per cent. Notes listed on a regulated market of an EEA member state are considered publicly offered and traded Notes.

The proceeds paid on privately placed Notes which are not listed on a regulated market of an EEA member state is considered as other income (**Other Income**) which is taxable progressively (the highest tax rate is 36 per cent., which is expected to be reduced to 32 per cent. as of 1 January 2010). The capital gains realised on the sale of such Notes is considered, as a general rule, capital gains income (**Capital Gains Income**). The tax rate applicable to Capital Gains Income is 25 per cent.

Foreign resident individual Holders are subject to tax in Hungary if they realise Interest Income from Hungarian sources or income that is otherwise taxable in Hungary if the international treaty or reciprocity so requires. Interest Income should be treated as having a Hungarian source where:

- (a) the Issuer is resident in Hungary for tax purposes;
- (b) the Issuer has a permanent establishment in Hungary and Interest Income realised on the basis of the Notes is paid by the Hungarian permanent establishment of the Issuer;
- (c) the foreign resident individual Holder has a permanent establishment in Hungary to which the Interest Income is attributable.

The tax on payments of the Interest Income is to be withheld by the "Payor" (*kifizető*) (as defined below).

Pursuant to Act XCII of 2003 on the Rules of Taxation (**ART**) a "Payor" means a Hungarian resident legal person, organization, or private entrepreneur who provides taxable income, irrespective of whether such payment is made directly or through an intermediary (post office, credit institution). In respect of interest, "Payor" shall mean the borrower of a loan or, the issuer of a note, including, the investment service provider or credit institution providing the interest instead of it. In respect of revenues originating from a transaction concluded with the involvement of a licensed stockbroker, "Payor" shall mean such stockbroker. The Hungarian permanent establishment of a foreign resident entity is also considered as a "Payor".

Interest, as defined by Schedule 7 of the ART (which implements the provisions of the Saving Directive), realised on the Notes by citizens of any other Member State of the European Union is not subject to

Hungarian tax where a paying agent based in Hungary is obliged to provide data to the Hungarian state tax authority on the basis of Schedule 7 of the ART.

A foreign resident individual Holder who does not have a permanent establishment in Hungary is not subject to tax in Hungary if he realises Other Income or Capital Gains Income from Hungary since such income is not considered as Hungarian source income.

Please note that the provisions of the applicable double tax convention, if any, should be considered when assessing the Hungarian tax liabilities of a foreign resident individual Holder.

Withholding tax (foreign resident corporate Holders)

Interest on Notes paid to foreign resident corporate Holders, who do not have a permanent establishment in Hungary, by resident legal entities or other persons and any capital gains realised by such foreign resident Holders on the sale of the Notes is not subject to tax in Hungary. As of 1 January 2010, Hungarian corporate income tax will be required to be withheld by the Payor from interest paid to corporate Holders established in a country which has no double tax convention with Hungary (with the exception of any interest paid to any Hungarian permanent establishment of such corporate Holders). The tax rate applicable to such interest will be 30 per cent. As of 26 August 2009 Hungary has a double tax convention in particular with the following countries: Albania, Australia, Austria, Azerbaijan, Belgium, Belarus, Bosnia and Herzegovina (under the former double tax convention with Yugoslavia), Brazil, Bulgaria, Canada, Czech Republic, China, Cyprus, Croatia, Denmark, East Uruguay, Egypt, Estonia, Finland, France, Germany, Greece, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Moldova, Mongolia, Montenegro, Morocco, Norway, Pakistan, Poland, Portugal, Republic of Korea, Republic of Moldova, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, the Netherlands, the Philippines, Tunisia, Turkey, Ukraine, the United Kingdom and Northern Ireland, USA, Uzbekistan and Vietnam (Source: website of the Ministry of Foreign Affairs (www.kulugyminiszterium.hu)). The tax liability of a foreign resident corporate Holder, which has a permanent establishment in Hungary is limited, in general, to the income from business activities realised through its Hungarian permanent establishment.

Taxation of Hungarian resident individual Holders

The Act CXVII of 1995 on Personal Income Tax (the **Personal Income Tax Act**) applies to the tax liability of Hungarian and foreign private individuals. The tax liability of Hungarian resident private individuals covers the worldwide income of such persons.

According to the provisions of the Personal Income Tax Act, in the case of individual Holders, Interest Income is the income paid as interest and the capital gains realised upon the redemption or the sale of publicly offered and publicly traded debt securities. The withholding tax on Interest Income is currently 20 per cent. Notes listed on a regulated market of an EEA member state are considered publicly offered and traded Notes.

The proceeds paid on privately placed Notes which are not listed on a regulated market of an EEA member state is considered as Other Income which is taxable progressively (the highest tax rate is 36 per cent., which is expected to be reduced to 32 per cent. as of 1 January 2010). The capital gains realised on the sale or redemption of such Notes is considered, as a general rule, Capital Gains Income. The tax rate applicable to Capital Gains Income is 25 per cent. Pursuant to Act LXVI of 1998 on Healthcare Contributions (the **Healthcare Contribution Act**), Capital Gains Income realised by Hungarian resident individuals – subject to further conditions – is generally subject to 14 per cent. healthcare contribution.

The rules of the Personal Income Tax Act may in certain circumstances impose a requirement upon the "Payor" (*kifizető*) (as defined below) to withhold tax on the interest payments to individual Holders.

Pursuant to the ART the definition of a "Payor" covers a Hungarian resident legal person, other organisation, or private entrepreneur that (who) provides taxable income, irrespective of whether such payment is made directly or through an intermediary (post office, credit institution). In respect of interest, Payor shall mean the borrower of a loan or the issuer of a note including, the investment service provider or credit institution providing the interest instead of it. In respect of revenues originating from a transaction concluded with the involvement of a licensed stockbroker, Payor shall mean such stockbroker. In respect of income that is earned in a foreign country and taxable in Hungary, Payor shall mean the "paying agent" (*megbízott*) (legal person, organization, or private entrepreneur) having tax residency in Hungary, except in cases where the role of a financial institution is limited to performing the bank transfer or payment.

Taxation of Hungarian resident corporate Holders

Under Act LXXXI of 1996 on Corporate Tax and Dividend Tax (the **Corporation Tax Act**), Hungarian resident taxpayers have a full, all-inclusive tax liability. In general, resident entities are those established under the laws of Hungary (i.e. having a Hungarian registered seat). Foreign persons having their place of management in Hungary are also considered as Hungarian resident taxpayers.

In general, interest and capital gains realised by Hungarian resident corporate Holders on the Notes will be taxable in the same way as the regular income of the Holders. The general corporation tax rate in Hungary is 16 per cent., which is expected to be increased to 19 per cent. as of 1 January 2010. Under certain circumstances a 50 per cent. tax deduction may be obtained in respect of capital gains realised on a regulated market. The aforementioned tax deduction does not apply in particular to insurance companies, financial institutions or investment undertakings and it is expected to be abolished on 1 January 2010.

According to the provisions of Act LIX of 2006 on the Extra Tax and Tax Payable on Interest Subsidies Received from Budgetary Sources Aimed to Enhance the Balance of the State Budget (the **Solidarity Tax Act**), a new tax (**Solidarity Tax**) was introduced from 1 September 2006 of 4 per cent, calculated on the basis of the pre-tax profit. The Solidarity Tax applies in general to corporate entities as determined by the Solidarity Tax Act and is expected to be abolished as of 1 January 2010.

Pursuant to Act C of 1990 on Local Taxes (the **Local Taxes Act**), financial institutions, financial enterprises, insurance companies and investment enterprises may be subject to local business tax and on the basis of Act XC of 2003 on the Research and Technology Innovation Fund innovation contribution on the basis of the proceeds realised on the Notes.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg

and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 20 per cent. and will be levied at a rate of 35 per cent. as of 1 July 2011. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 20 per cent.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

EU Savings Directive

Under EC Council Directive 2003/48 on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the **Programme Agreement**) dated 26 August 2009 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended; the **FIEA**) and each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Instruments referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Each of the Dealers and the Issuer has represented and agreed that:

- (a) Offer to the public in France:

it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* (AMF), on the date of its publication or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of the approval of the base prospectus all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

- (b) Private placement in France:

it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Hungary

In addition to the rules applicable to the European Economic Area as described above, in connection with any private placement in Hungary, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) all written documentation prepared in connection with a private placement in Hungary will clearly indicate that it is a private placement, (ii) it will ensure that all investors receive the same information which is material or necessary to the evaluation of the Issuer's current market, economic, financial and legal situation and its expected development, including that which was discussed in any personal consultation with an investor, and (iii) the following standard wording will be included in all such written communication:

"PURSUANT TO SECTION 18 OF ACT CXX OF 2001 ON THE CAPITAL MARKETS, THIS [NAME OF DOCUMENT] WAS PREPARED IN CONNECTION WITH A PRIVATE PLACEMENT IN HUNGARY."

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

It is anticipated that any issue of the Notes under this Programme will be offered to institutional investors or, as the case may be, other legal entities only and it is not anticipated that private individuals will purchase the Notes whether at issue or subsequently on any regulated or other market or through an over-the-counter transaction or otherwise.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 1 June 2005, No. 71/2005. The update of the Programme was authorised by resolution No. 2009/155/1 of the Asset-Liability Committee of the Issuer, dated 18 August 2009.

Approval, Admission to Trading and Listing of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the consolidated and non-consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2008 and 2007 (with an English translation thereof), together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis;
- (c) the most recently published audited consolidated and non-consolidated annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer (with an English translation thereof), in each case together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated and non-consolidated interim accounts on a quarterly basis;
- (d) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Base Prospectus;
- (f) any future base prospectuses, offering circulars, prospectuses, information memoranda, supplements, and Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (g) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website at www.bourse.lu.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard Du Roi Albert II, 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue J.F. Kennedy, 1855 Luxembourg, Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Group since 31 December 2008 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2008.

Litigation

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditors of the Issuer are Deloitte Auditing and Consulting Ltd. of Dózsa György u. 84/c., 1068, Budapest, Hungary, who have audited the Issuer's consolidated accounts, which have been prepared without qualification, in accordance with International Financial Reporting Standards for each of the two financial years ended on 31 December 2007 and 2008, respectively. The auditors of the Issuer have no material interest in the Issuer. Deloitte Auditing and Consulting Ltd. are members of the Chamber of Hungarian Auditors.

Deloitte Auditing and Consulting Ltd. have also audited the Issuer's unconsolidated accounts in accordance with International Financial Reporting Standards for each of the two financial years ended on 31 December 2007 and 2008, respectively. The opinion covering the audit of those accounts are modified because, and only because, those accounts have been issued separately from the consolidated accounts in accordance with International Financial Reporting Standards for the corresponding periods and as a result did not include consolidated financial information.

The reports of the auditors of the Issuer are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Base Prospectus.

Post-issuance information

The Issuer does not intend to provide any post-issuance information, except if required by any applicable rules and regulations.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

REGISTERED OFFICE OF THE ISSUER

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