

BASE PROSPECTUS



OTP Bank Nyrt.

(incorporated with limited liability in the 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 12 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

HSBC

Dealers

BANCA IMI

BARCLAYS CAPITAL

CRÉDIT AGRICOLE CIB

DZ BANK AG

ING COMMERCIAL BANKING

OTP BANK NYRT.

STANDARD CHARTERED BANK

BOFA MERRILL LYNCH

BNP PARIBAS

DEUTSCHE BANK

ERSTE GROUP

J.P. MORGAN

**RAIFFEISEN ZENTRALBANK
ÖSTERREICH AG**

UNICREDIT BANK

The date of this Base Prospectus is 30 July 2010.

This Base Prospectus replaces the Base Prospectus dated 26 August 2009.

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 of Financial Institutions Operating as Companies Limited by Shares", "Main items of the Balance Sheet", "Main items of the Profit & Loss Account" and "Asset qualification" set out on pages 111 and 112 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 14 June 2010)" 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 on the functioning of the European Union (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 29 July 2010:

the HUF/EUR fixing rate published by the European Central Bank was HUF 283.81 to EUR 1;

the RON/EUR fixing rate published by the European Central Bank was RON 4.2654 to EUR 1;

the HRK/EUR fixing rate published by the European Central Bank was HRK 7.2447 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 39.4514 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.

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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.

Issuer:	OTP Bank Nyrt.
Description:	Euro Medium Term Note Programme
Arranger:	HSBC Bank plc
Dealers:	<p>Banca IMI S.p.A. Barclays Bank PLC BNP Paribas Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Erste Group Bank AG ING Bank N.V. J.P. Morgan Securities Ltd. Merrill Lynch International OTP Bank Nyrt. Raiffeisen Zentralbank Österreich AG Standard Chartered Bank UniCredit Bank AG</p> <p>and any other Dealers appointed in accordance with the Programme Agreement.</p>
Risk Factors:	<p>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.</p>

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 issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see " <i>Subscription and Sale</i> ") 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 " <i>Subscription and Sale</i> ".
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 " <i>Form of the Notes</i> ".
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:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (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. <p>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.</p>
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:	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>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.</p>
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 <i>pari passu</i> 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:	<p>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.</p> <p>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.</p> <p>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.</p>
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".

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 "*Subscription and Sale*".

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.

General

During the life of each Series of Notes, risks specified in each of the below sections may impact such Notes at different points of time and for different lengths of time. Each Series of Notes may have a risk profile that changes over time. Prospective investors should seek advice from professional financial advisers in order to further discuss and understand how the risk profile of a particular Series of Notes may affect their overall investment portfolio.

More than one risk factor may have a simultaneous effect with regard to the Notes such that the impact of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect which may not be foreseeable. No assurance can be given as to the impact that any combination of risk factors may have on the value of the Notes.

Where Notes are linked to one or more Relevant Factors (as defined below) an investment in such Notes should only be made after assessing the direction, timing and magnitude of potential future changes in the value of such Relevant Factor(s), and/or in the composition of, or the method for calculating, such Relevant Factor(s), as the return of any such investment will be dependent, *inter alia*, upon such changes.

Further, an investment in the Notes involves a reliance on the creditworthiness of the Issuer, and therefore also entails the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Notes.

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, liquidity risk and market risk (e.g. risks from 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.

General Economic and Business Conditions

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

General economic conditions, which may in particular influence the financial viability of the Issuer's activities, include the following:

- (i) changes in foreign exchange rates;
- (ii) volatility in interest rates;
- (iii) lack of liquidity in wholesale funding markets in periods of economic or political crisis;
- (iv) illiquidity and downward price pressure in real estate markets;
- (v) recession and employment fluctuations; and
- (vi) borrower perception as to the continuing availability of credit and price competition in the market segments served by the Issuer.

The Issuer and members of the OTP Group are exposed to structural liquidity, interest rate, foreign exchange rate and credit risks

Structural risks arise from the mismatches between the assets and liabilities of the Issuer and the members of the OTP Group (as defined on page 77 below), resulting in structural liquidity, interest-rate and foreign exchange rate risks.

Structural liquidity risk

Structural liquidity risk is the risk that the Issuer or other members of the OTP Group will be unable to meet their obligations as they fall due, or meet their liquidity commitments only at an increased cost.

Structural liquidity risk mainly arises from maturity mismatches in respect of the Issuer's and the OTP Group members' assets and liabilities.

Although structural liquidity risk can be mitigated to a significant extent by converging the maturities of the Issuer's and the OTP Group members' assets and liabilities in order that the Issuer's and the OTP Group members' overall asset-liability structure be balanced, there is no guarantee that maturity adequacy will prevail at all times.

A substantial part of the liquidity and funding requirements of the Issuer and other members of the OTP Group is met through reliance on customer deposits and ongoing access to wholesale lending markets, as well as by means of the issuance of longer-term debt instruments such as bonds. The ability of the Issuer and the members of the OTP Group to access wholesale and retail funding sources on adequate economic terms is dependent on a variety of factors, including numerous factors beyond their control. The volume of these funding sources, in particular long-term funding, may be constrained during periods of liquidity stress. Turbulence in the global financial markets and economy may adversely affect the willingness of certain counterparties to do business with the Issuer and other members of the OTP Group.

Failure to manage structural liquidity risk may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme.

Structural interest rate risk

Structural interest rate risk originates primarily from the differences between the structure and/or levels of interest rates applicable in respect of the Issuer's and other OTP Group members' asset and liability sides respectively. For example, the Issuer may fund its assets with fixed and/or relatively high interest rates, by liabilities obtained at floating and/or lower interest rates, and vice versa.

As with all other banks, the Issuer and certain members of the OTP Group earn interest from loans and other assets, and pay interests to its depositors and other creditors. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material adverse affect on the financial conditions and results of operations of the Issuer and other members of the OTP Group.

Structural foreign exchange risk

Structural foreign exchange rate risk derives primarily from the fact that the assets of the Issuer and the members of the OTP Group may be denominated in a currency different from those of the liabilities funding such assets. For example, lending denominated in foreign currency and funds raised in foreign currency do not necessarily mean that the Issuer's receivables and obligations arise in the same currency.

The credit risk of the Issuer's and other OTP Group members' foreign currency-based transactions is increased by the fact that the typical currency of income from customers may be different from the currency of collateral sales.

Furthermore, the share of mortgage loans originated by the OTP Group in non-HUF currencies represents a significant proportion of the OTP Group's mortgage loan portfolio. Movements in exchange rates could lead to borrowers being unable to meet their repayment obligations on mortgage loans and ultimately to their defaulting under such loans as there is no obligation on borrowers to hedge against fluctuations in exchange rates. Such defaults could have an impact on the financial results of the OTP Group.

Moreover, a significant portion of the Issuer's and the OTP Group's operations, assets and customers are located in Central and Eastern European (CEE) countries that are not part of the Eurozone, and financial transactions in currencies other than euro give rise to foreign exchange risks, which may have an adverse effect on the Issuer's and the OTP Group's business, operations, financial condition or prospects.

In addition, because some of the OTP Group's consolidated risk-weighted assets, against which the OTP Group is required to hold a minimum level of capital, are denominated in local currencies, any significant depreciation of the currency in which such capital charges are denominated as against these local currencies may have a negative impact on the capital adequacy ratio of the Issuer and the OTP Group.

Whilst the Issuer and other members of the OTP Group seek to match the currency of its assets with that of the liabilities funding them, no assurance can be given that the Issuer and the OTP Group will, at all times, be able to successfully mitigate some or all of their foreign-exchange rate exposure.

Credit risk

The credit risk faced by the Issuer and other members of the OTP Group arises primarily from the risks of non-payment and default on the part of the Issuer's and other OTP Group members' borrowers and other counterparties. Any deterioration or adverse change in the creditworthiness of the Issuer's and the OTP Group members' borrowers and other counterparties, or a fall in collateral values, are likely to affect the recoverability and value of the Issuer's and other OTP Group members' assets, and require an increase in provisions appropriated either in respect of individual OTP Group members or at Group level, which in turn could have a negative impact on the financial performance of the Issuer and the OTP Group.

Credit risk is present and inherent in both on-balance sheet transactions and off-balance sheet commitments.

Credit risk tends to be aggravated during periods of economic downturn or stagnation, which are typically characterised by higher rates of insolvencies and defaults. In addition, the credit risk faced by the Issuer and other OTP Group members is increased by the fact that a substantial part of the OTP Group's business is conducted in markets with generally higher risk.

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 Issuer and the OTP Group permanently monitor credit quality and operate a comprehensive risk management system. However, there is no guarantee that such monitoring and risk management will suffice at all times.

For example, the risks arising from borrower defaults on mortgage-backed loans can be counterbalanced, *inter alia*, by enforcement actions taken in order to realise the encumbered real property serving as collateral to the mortgage-backed loans. The market value at which such real properties can be sold, and thus the proceeds of realisation through such enforcement actions, depends heavily on the then existing real estate market prices and legal environment. No assurance can be given that the values of the relevant pledged properties will not decline or, since origination, have not declined.

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, thereby reducing the Issuer's ability to service payments under the Notes and potentially adversely affecting the trading price of the Notes.

Settlement risk

Settlement risk means the possibility that the Issuer or other members of the OTP Group have already paid a counterparty (for example, a bank in a foreign exchange transaction) but the corresponding return payment does not settle at the agreed time as a consequence of default or a failure in the relevant settlement system.

The Issuer's and the OTP Group's business may be adversely affected by systemic risk

The Issuer and other members of the OTP Group may additionally be exposed to systemic risk. Systemic risk refers to the possibility of the failure of one institution having a knock-on effect on the banking system as a whole, leading to liquidity problems or losses or defaults on the part of other institutions. Concerns about, or a default by, one institution may lead to significant liquidity problems or losses or defaults by other institutions as the soundness of many financial institutions may be closely related as a result of credit, trading, clearing, or other relationships between them.

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

The acquisitions by the Issuer in the CEE markets, and the expansion and integration of the acquired businesses may have an impact upon the consolidated financial results of the OTP Group. The ongoing integration also requires the Issuer to monitor the risk of these operations and incur continued capital expenditure that may carry execution risk in respect of the implementation. There is no assurance as to the future profitability of the Issuer's CEE acquisitions and their continued strategic viability as part of the OTP Group.

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

Fluctuations in 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.

Counterparty credit risk

The Issuer and the OTP Group routinely execute transactions with counterparties in the financial services industry, including commercial banks, investment banks, funds, brokers and dealers, as well as other institutional and corporate clients. Many of these transactions expose the Issuer and the OTP Group to the risk of the counterparty defaulting on its obligations prior to maturity when the Issuer or a member of the OTP Group has an outstanding claim against that counterparty. This counterparty credit risk may also be exacerbated where the collateral held by the Issuer or a member of the OTP Group cannot be realised or is liquidated at prices not sufficient to recover the full amount of the counterparty exposure. Any of the aforementioned events may have a material adverse effect on the Issuer's and the OTP Group's business, financial condition and results of operations.

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 authorisation to operate as a bank is dependent upon the maintenance of adequate capital resources;
- (ii) improve its credit rating. In addition to capital resources, the Issuer's rating is supported by a diverse portfolio of activities, prudent risk management and focus on value creation. A weaker credit rating would increase the Issuer's cost of funds; or
- (iii) support its business expansion and strategic options.

Such capital risks may, if they should evolve, have a material adverse effect on the Issuer or the OTP Group.

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 changes, 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 currency or credit and, therefore, to satisfy their obligations towards the Issuer or other members of the OTP Group. These risks could have an adverse effect on the OTP Group's operations.

Litigation Risk

The Issuer and the OTP Group, like all other commercial entities, may from time to time be subject to litigation, whether of a substantive or vexatious nature. Such litigation, if not dismissed at an early stage or if decided contrary to the Issuer's or the OTP Group's best commercial interests, may have an adverse impact on the operations of the Issuer or the OTP Group.

Effect of government policy and regulation

- (i) The Issuer's and the OTP Group's businesses and earnings may be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the countries in which the Issuer and 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 in markets where the OTP Group operates;
 - (b) general changes in government or regulatory policy that may significantly influence investor decisions, in particular markets in which the OTP Group 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) the costs, effects and outcomes of other regulatory reviews, actions or litigation, including any additional compliance requirements;
 - (e) changes in the bankruptcy legislation in the principal markets in which the OTP Group operates and the consequences thereof;
 - (f) initiatives by local, state and national regulatory authorities or legislative bodies to revise practices, pricing or responsibilities of financial institutions serving the interests of their consumers;
 - (g) changes in rules on competition and the pricing environment;
 - (h) further developments in the financial reporting environment;
 - (i) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership;
 - (j) any change in a relevant jurisdiction's legislation, including but not limited to, taxation, banking regulations, foreign exchange control and customer protection rules;
 - (k) any failure or malfunction of any relevant judicial system, including but not limited to, the failure of, or substantial delay to, court proceedings and/or in respect of enforcement procedures;
 - (l) any circumstance resulting in judgments becoming unenforceable or any substantial delay to the enforcement of judgments rendered by any relevant court, including any courts of arbitration; and
 - (m) 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 evolution of such risks may have an adverse impact on the Issuer or the Group.

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

Operational risk is the risk of losses arising from the inefficiency or failure of procedures, people and internal systems, or from external risks which include legal and environmental risks as well as risks associated with the security of information systems.

Operational risk is inherent in all activities of the OTP Group and cannot be eliminated. In particular, as with all other banks, the Issuer's and the OTP Group's 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.

Legal risks relate to, *inter alia*, the validity and effectiveness of transactions entered into by the Issuer or other OTP Group members and the collaterals employed in respect of them.

Like other credit institutions, the Issuer and the OTP Group have implemented comprehensive risk management strategies aimed at adequately identifying and measuring the risks they face, such as the incidence of loan losses or delinquency, and at mitigating those risks. Although the Issuer and the OTP Group invest substantial time and effort in its risk management strategies and techniques, such procedures may nonetheless fail under some circumstances, particularly when confronted with risks that are not identified or anticipated.

Failure to manage such risks may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme.

Competition is intense in the markets where the Issuer and the OTP Group operate and may increase significantly in the future

International banks such as the Issuer are subject to intense competition which is expected to increase further in the future with the implementation of the European single market in the financial services sector. 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 can be no assurance that the Issuer and the OTP Group can maintain their competitive position. If the OTP Group is unable to provide competitive products and/or services, it may fail to attract new customers and/or retain existing customers, experience decreases in its interest, fee and other income and/or lose market share, the occurrence of which may have a material adverse effect on the Issuer's and the OTP Group's business, financial condition and results of operations.

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 the Hungarian sovereign rating may have an adverse effect on the market value and trading price of the Notes. Such an 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 may also 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 terms and conditions of the Notes contain provisions on convening meetings of Noteholders to deliberate on any proposals and consider any matters affecting their common interests *en masse*. 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

Under EC Council Directive 2003/48/EC *on the taxation of savings income* (the **Savings Directive**), Member States, including Hungary, are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a paying agent (as defined in the Savings Directive and in the implementing laws of the relevant jurisdiction) within its jurisdiction to a beneficial owner (as defined in the Savings Directive and in the implementing laws of the relevant jurisdiction), which in practice means a private individual person resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead 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 Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The amended version of this proposal was approved by the European Parliament on 24 April 2009. Should any of those proposed changes be implemented in relation to the Savings 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 will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

Change of law

The terms and 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 when his holding becomes an integral multiple of the minimum denomination.

Reliance on the procedures of Euroclear and/or Clearstream, Luxembourg for transfers, payments and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes may be deposited with a common depositary for, or, as applicable, as common safekeeper, with Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Notes, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. Whilst the Notes are represented by one or more Global Notes, deposited with Euroclear and/or Clearstream, Luxembourg, investors will be able to trade their beneficial interests only through these settlement systems.

Other risks

The past performance of the Notes issued under the Programme may not prove to be a reliable guide to their future performance.

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 counterparty 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.

Counterparty 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)

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 Notes issued under the Programme to trading on 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. A credit rating agency may from time to time alter the methodology employed by it for rating the Notes, and such modification may affect ratings attributed to the Notes issued under the Programme.

Inflationary risk

Inflation risk describes the possibility that the value of assets such as the Notes or income thereon will decrease as inflation shrinks the purchasing value 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.

Form of New Global Note

The form of New Global Note was established to enable Notes to be issued and held in a manner which is recognised as eligible collateral in accordance with Eurosystem's monetary policy and intra-day credit operations either upon issue or while still outstanding. However, such recognition will depend upon the satisfaction of Eurosystem's eligibility criteria, as applied from time to time by the Eurosystem.

Risks deriving from the global financial crisis

Hungary's economy may 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.

The global financial system has been experiencing difficulties since August 2007, when the sub-prime mortgage financial crisis began in the United States. The financial markets have deteriorated dramatically since the bankruptcy filing by Lehman Brothers in September 2008, culminating in a global financial crisis by the second half of 2008 with unprecedented levels of illiquidity. This 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. The "credit crisis" saw the availability of funding in the wholesale markets to which the Issuer and the OTP Group had access become severely disrupted, with, in certain markets, no funding being available for extended periods of time.

The crisis has been accompanied by declines in stock markets worldwide and a loss in investment value. A change in international investor sentiment, resulting from these events, has also been widely recognised as adversely affecting the availability of capital and funding. In response to market instability and illiquidity, a number of governments have intervened in order to inject liquidity and capital into, and to stabilise, financial markets, and, in some cases, to prevent the failure of these financial institutions. Despite such measures, the volatility and disruption of the capital and credit markets continued at unprecedented levels. In addition, recessionary conditions are still present in certain markets, where the Issuer and the OTP Group operate.

Although financial markets have shown some degree of stabilisation, the recovery, however, has been fragile and the Issuer's and the OTP Group's businesses, earnings and financial condition may still be affected by the deterioration in, and uncertainty of, the global economic outlook deriving from the "credit crisis".

The IMF and the European Commission regularly conduct reviews of the credit facility granted by them and the World Bank to Hungary in October 2008 – see the section entitled “*Description of the Issuer – The OTP Group - Agreements with international financial institutions- the International Monetary Fund – Hungary*”. A possible negative outcome of these reviews or the delay in finalising any respective review or any governmental decision affecting the existing credit facility may have an adverse effect on the Hungarian economy and/or the overall assessment of Hungary and its economy.

The precise nature of all the risks and uncertainties the Issuer and the OTP Group face as a result of the above events cannot be predicted and are outside the Issuer's control.

Government actions intended to alleviate the effects of the financial crisis may affect the Issuer and the OTP Group

In response to the severe market conditions, central banks and governments throughout the world have adopted several measures aimed at increasing liquidity in, and promote the stability of, the financial markets. In particular, numerous governments in the European Union have provided additional capital and funding facilities to financial institutions and are implementing other measures including increased regulatory oversight as well as additional capital requirements.

Should further measures be adopted, this could lead to increased government ownership and control over financial institutions, disparate competitive positions and further consolidation in the markets where the Issuer and the OTP Group operate, which in turn could have a negative impact on the Issuer's and the OTP Group's business, financial condition and results of operation.

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 Consolidated Financial Statements in accordance with International Financial Reporting Standards for the year ended 31 December 2009 containing the audited consolidated annual financial statements for the financial year ended 31 December 2009 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 year ended 31 December 2009	Pages 2 to 93
– Independent Auditors' Report	Pages I-II
– Financial Statements:	
– Statement of Financial Position	Page 2
– Statement of Recognised Income	Page 3
– Statement of Comprehensive Income	Page 4
– Statement of Cash Flows	Pages 5 to 6
– Statement of changes in Shareholders' Equity	Page 7
– Notes to the Consolidated IFRS Financial Statements for the year ended 31 December 2009	Pages 8 to 93

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

- (b) the Unconsolidated Financial Statements in accordance with International Financial Reporting Standards for the year ended 31 December 2009 containing the audited non-consolidated annual financial statements for the financial year ended 31 December 2009 and the audit report thereon including the information set out at the following pages in particular:

Document	Section incorporated
Unconsolidated IFRS Financial Statements for the year ended 31 December 2009	Pages 2 to 83

–	Independent Auditors' Report	Pages I-II
–	Financial Statements:	
–	Statement of Financial Position	Page 2
–	Statement of Recognised Income	Page 3
–	Statement of Comprehensive Income	Page 4
–	Statement of Cash Flows	Pages 5 to 6
–	Statement of changes in Shareholders' Equity	Page 7
–	Notes to the Consolidated IFRS Financial Statements for the year ended 31 December 2009	Pages 8 to 83

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

- (c) the Annual Report for 2008 containing the audited consolidated and unconsolidated 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 year ended 31 December 2008	Pages 58 to 108
– Independent Auditors' Report	Pages 58 to 59
– Financial Statements:	
– Balance Sheet	Page 60
– Statements of Operations	Page 61
– Statement of Cash Flows	Page 62
– Statement of changes in Shareholders' Equity	Page 63
– Notes to the Consolidated IFRS Financial Statements for the year ended 31 December 2008	Pages 64 to 108
Unconsolidated IFRS Financial Statements for the year ended 31 December 2008	Pages 109 to 155

–	Independent Auditors' Report	Pages 109 to 110
–	Financial Statements:	
–	Balance Sheet	Page 111
–	Statements of Operations	Page 112
–	Statement of Cash Flows	Page 113
–	Statement of changes in Shareholders' Equity	Page 114
–	Notes to the unconsolidated IFRS Financial Statements for the year ended 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;

- (d) the Interim Management Report regarding the First Quarter 2010 Results containing the non-audited unconsolidated and consolidated financial statements for the first quarter ended 31 March 2010 dated 19 May 2010 and set out at the following pages in particular:

Document	Section incorporated
Consolidated and unconsolidated IFRS Financial Statements for the first quarter ended 31 March 2010	Pages 36 to 39
– Financial Statements:	
– Statement of Financial Position	Page 36
– Statement of Recognised Income	Page 37
– Statement of Cash Flows	Page 38
– Ownership Structure of the Issuer	Page 39

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

- (e) 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 30 July 2010 which[, together with the supplement dated ●,] constitute[s] 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 30 July 2010 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 30 July 2010 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: []

(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 [need to include a description of market disruption or settlement disruption events and adjustment provisions]

impracticable:

- (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 [give or annex details]
calculating Rate of Exchange:
- (b) Calculation Agent, if any, responsible []
for calculating the interest payable:
- (c) Provisions applicable where [need to include a description of market disruption
calculation by reference to Rate of or settlement disruption events and adjustment
Exchange impossible or provisions]
impracticable:
- (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 [] per Calculation Amount
each Note and method, if any, of
calculation of such amount(s):
- (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 [] per Calculation Amount
each Note and method, if any, of
calculation of such amount(s):
- (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]]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

(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 [Not Applicable/give name(s) and number(s)]

Clearstream Banking, société
anonyme and the relevant
identification 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 [Yes] [No]
which would allow Eurosystem
eligibility:

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]*

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;
- (a) any Global Note; and
- (b) 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 depositary 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 140 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 on the functioning of the European Union, 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 depositary 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 commercial 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 for an indefinite period of time 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. 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 activities (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 services in relation to bank accounts, savings accounts and loans. Its activities and the scope of its authorisation have gradually widened. It was initially authorised to enter into real estate transactions. Thereafter, its role was extended to provide domestic foreign currency account and foreign exchange services as well as banking services for Hungarian municipalities. In 1989, the National Savings Bank started operating as a multifunctional commercial bank. In addition to continuing its previous retail and municipal activities, the National Savings Bank became authorised to offer services in respect of 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 accompanied by the admission of OTP Bank's shares to trading 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 dispersed with its shares mostly held by private and institutional (financial) investors.

After the completion of its privatisation, OTP Bank started its international expansion, with target countries in the Central and Eastern European region (CEE), which were considered to offer economic growth potential similar to that of its domestic market.

OTP Bank has completed several acquisitions in recent years, thereby becoming one of the key players in the region. Besides Hungary, the 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 (OTP Bank JSC), Montenegro (Crnogorska komercijalna 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 12.2 million customers through 1,514 branches, agent networks and electronic channels.

Activities of OTP Group

OTP Group provides universal banking 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 activities in the CEE region through its foreign subsidiaries.

STRATEGY

The main objective of the 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, and to achieve outstanding financial performance in terms of profitability and efficiency.

OTP Group will continue to make efforts to constantly improve the quality of its services, strengthen innovation and adapt its offerings to the changing needs of customers. The OTP Group seeks to support its customers' endeavours in alleviating the aftermath of the financial and economic crisis.

OTP Group will strive to preserve its capacity for growth and to exploit selectively the market opportunities arising in certain market segments where it operates in the period following the financial crisis. In addition, the OTP Group will maintain a capital adequacy ratio that guarantees its stable operation, while ensuring a safe level of liquidity reserves appropriate for the changed economic environment.

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 realised by harmonising developments and integrating activities within the Hungarian and international group.

Highly qualified human resources are indispensable in order to implement the strategy 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, as is the development of personalised careers in order to retain talented professionals.

The OTP Group intends to meet the following strategic objectives:

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

MANAGEMENT

Under Hungarian law, the Board of Directors of OTP Bank (the **Board of Directors**) is responsible for day-to-day management. 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 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 meetings. In the event of a tied vote, the vote of the Chairman is decisive.

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 Chairman & CEO

Dr. Sándor Csányi, aged 57, graduated from the College of Finance and Accounting in 1974 obtaining a bachelor's degree in business administration and from the University of Economics of Budapest in 1980 receiving a degree in economics. He specialises in finance and is also qualified as a pricing specialist and as a certified auditor. After his graduation he worked at the Revenue Directorate and then at the Secretariat of the Ministry of Finance. Following that, he held the position of Head of Department at the Ministry of Agriculture and Food Industry between 1983 and 1986. Between 1986 and 1989 he was the Head of Department at Magyar Hitel Bank Rt. He held the position of Deputy CEO at K&H Bank from 1989-92. Since 1992, he has been the Chairman & CEO at OTP Bank Plc. and is responsible for the Bank's strategy and overall operation. He is a member of the Board of Directors for Europe of MasterCard which is one of the largest international card companies and is also a Board Member and Co-Chairman of MOL Hungarian Oil and Gas Company (MOL), Co-Chairman of the National Association of Entrepreneurs and Employers (VOSZ), and a member of the Board of Directors of the Hungarian Banking Association.

As at 31 December 2009, he held 200,000 ordinary shares in OTP Bank (while the total number of OTP Bank shares held by him directly and indirectly was 2,700,000).

Dr. Antal Pongrácz Deputy Chairman, Deputy CEO Staff Division

Dr. Antal Pongrácz, aged 64, graduated from the University of Economics of Budapest and received his PhD in 1971. From 1969, he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various management positions at the Ministry of Finance. From 1986 to 1987 he was the first Deputy Chairman of the State Office for Youth and Sports. Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he held the position of CEO, and then Chairman & CEO, at the European Commercial Bank Rt. Between 1994 and 1998 he was the Chairman & CEO of Szerencsejáték Rt., then in 1998-99 he served as CEO of Hungarian Flagship Carrier, MALEV. Since 2001 he has been appointed as the managing director of OTP Bank's Staff Division and more recently as Deputy CEO. He has been a member of OTP Bank Plc's Board of Directors since 2002.

As at 31 December 2009, he held 200,000 ordinary shares in OTP Bank.

Dr. László Utassy Advisor to the Chairman, Executive Director

Dr. László Utassy, aged 58, graduated from the Faculty of Law of ELTE in 1978, and obtained a further degree in economics, with specialisation in insurance, at the University of Economics of Budapest in 1995. He held various positions at the State Insurance Company and then at ÁB-AEGON Rt. between 1978 and 1995. From 1996 to 2008, he was the CEO, and later Chairman & CEO, of OTP Garancia Insurance. He has been a member of OTP Bank's Board of Directors since 2001. He has been an advisor to the Chairman of OTP Bank and executive director at OTP Bank since 2008.

As at 31 December 2009, he held 250,000 ordinary shares in OTP Bank.

Non-executive members:

Mihály Baumstark

Chairman & CEO

Csányi Vinery Ltd.

Mihály Baumstark, aged 61, holds degrees in agricultural engineering and agricultural economics. He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. Prior to leaving the Ministry, he worked as Deputy head of the Accounting Department. Thereafter, he joined Hubertus Rt. as Managing Director, and in 1999, he was appointed as Deputy CEO, and then Chairman & CEO at 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, he has been a non-executive member of OTP Bank's Board of Directors.

As at 31 December 2009, he held no ordinary shares in OTP Bank.

Dr. Tibor Bíró

Head of Department

Budapest College of Business

Dr. Tibor Bíró, aged 58, graduated from the University of Economics of Budapest, obtaining a degree in business administration. He was the Head of the Financial Department of the City Council of Tatabánya from 1978 until 1982. He began teaching at the College of Finance and Accounting in 1982, where he has held the position of Head of Department since 1992. He is a chartered public accountant and a registered auditor, and 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 2009, he held 40,681 ordinary shares in OTP Bank.

Péter Braun

Electrical Engineer

Former Deputy CEO

OTP Bank

Péter Braun, aged 74, graduated from the University of Technology of Budapest, obtaining a degree in electrical engineering. Between 1954 and 1989 he worked for the Research Institute for Electrical Energy, with his last position there being Head of Department. Following that, he held the position of Managing Director at K&H Bank Rt., supervising its Computer and Information Centre. He is a member of GIRO Rt.'s Board of Directors, and was Deputy CEO of OTP Bank Plc. from 1993 until his retirement in 2001. Since the second half of 2009, he has been Chairman of the Hungarian Chief Information Officers' Association. He has been a member of OTP Bank's Board of Directors since 1997.

As at 31 December 2009, he held 527,905 ordinary shares in OTP Bank.

Dr. István Kocsis

CEO

Budapest Public Transport Company

Dr. István Kocsis, aged 58, graduated from the University of Technology of Budapest as a mechanical engineer, where he also received his PhD in 1985. From 1976 until the present, Mr. Kocsis held the following positions: 1976-1978 University of Technology of Budapest, Faculty of Mechanical Engineering, Mechanical Components Department, Assistant Lecturer; 1978-1979 VEGYTERV, Chief Planner; 1979-1991 University of Technology of Budapest, Faculty of Mechanical Engineering, Department of Structural Mechanics, Assistant Professor, 1985-1991 Faculty of Mechanical Engineering, Kármán Tódor Campus, Director (part-time); 1991 FÉG Machine Factory, Chief Engineer; 1991-1993 Ministry of Trade and Industry, Head of Department, and later Under Secretary of State; 1993-1997 State Holding Company/State Privatisation and Holding Co. (ÁV Rt/ÁPV Rt.), Deputy CEO, CEO; 1998-2000 RWE Energie, Head of Department (Germany); 2000-2001 ÉMÁSZ Rt., General Director; 2001-2002 RWE-EnBW Magyarország

Kft., Director; 2002-2005 Paks Nuclear Power Plant, CEO; 2005-2008 Hungarian Power Companies Ltd., CEO; from 1 September 2008 CEO of the Budapest Public Transport Company (BKV Zrt.).

Dr. István Kocsis is also Chairman of the Ányos Jedlik Society, Chairman of the Scientific Society For Measurement, Automation and Informatics, a member of the national Presidium of the Hungarian Chamber of Commerce and Industry, Deputy Chairman of the Economic Council at the University of Technology of Budapest and a member of the Hungarian Space Research Council.

He has been a non-executive member of OTP Bank's Board of Directors since 1997.

As at 31 December 2009, he held 81,600 ordinary shares in OTP Bank.

Dr. György Szapáry

Professor

Central European University

Department of Economic Science

Dr. György Szapáry, aged 71, is an economist who graduated from the Louvain Catholic University (Belgium) in 1961 where he also received his PhD in economic sciences in 1966.

Between 1965 and 1966, he worked at the European Commission. From 1966 to 1990 he was an analyst, Chief Analyst and finally Deputy-CEO at the International Monetary Fund (IMF) in Washington. Thereafter, until 1993, he was the IMF's representative in Hungary. Between 1993 and 2007, except for a brief interval when he acted as advisor to the Chairman of the National Bank of Hungary, he held the position of Deputy Chairman of the National Bank of Hungary, and a member of the Monetary Council. He is currently a visiting professor in the Department of Economic Science at the Central European University. He has published a book, and numerous essays in economic journals.

Since 25 April 2008, he has been a member of OTP Bank's Board of Directors.

As at 31 December 2009, he held no ordinary shares in OTP Bank.

Dr. József Vörös

Professor,

Chairman of the Economic Council of the University of Pécs

Dr. József Vörös, aged 59, graduated from the University of Economics of Budapest in 1974. In 1984, he obtained a masters degree and a PhD in economics in 1993 from the Hungarian Academy of Sciences. Between 1990 and 1993, he was the Dean of the Faculty of Business and Economics at Janus Pannonius University (JPTE). In 1993, he attended a course in management for senior executives at Harvard University. From 1994 he was a professor at JPTE, and, from 2003 until 2007, he held the position of General Deputy Rector at the University of Science of Pécs. He has been a non-executive member of OTP Bank's Board of Directors since 1992.

As at 31 December 2009, he held 117,200 ordinary shares in OTP Bank.

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**) monitors 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 (three persons) to the total number of Supervisory Board members (five persons) is 60%.

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 accordance with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises the right of prior approval in respect of the appointment, redundancy and remuneration of the managers and employees of the internal audit organisation.

Members of OTP Bank's Supervisory Board:

Tibor Tolnay

Chairman of the Supervisory Board

Chairman & CEO

Magyar Építők Zrt.

Tibor Tolnay, aged 59, graduated from the University of Technology of Budapest with a degree in architecture and from the University of Economics of Budapest. In 1992, he was appointed as CEO at Magyar Építők Rt. He has been Chairman of OTP Bank's Supervisory Board since 1992 and a member of the Audit Committee since 27 April 2007.

As at 31 December 2009, he held no ordinary shares in OTP Bank.

Dr. Gábor Horváth

Lawyer

Dr. Gábor Horváth, aged 54, graduated from the Faculty of Law of ELTE, Budapest, with a degree in law. From 1983, he worked for the Hungarian State Development Bank. He has been a qualified lawyer since 1986, and has run his own law firm since 1990 which specialises in corporate financing and corporate governance. He has been a member of the Board of Directors of MOL Nyrt. since 1999, and a member of the Supervisory Board since 1995. Since 27 April 2007, he has been Deputy Chairman of the Supervisory Board and Chairman of the Audit Committee.

As at 31 December 2009, he held 10,000 ordinary shares in OTP Bank.

Jean-Francois Lemoux

Head of International Branch

Groupama SA

Jean-Francois Lemoux, aged 62, after graduating from the Hautes Études Commerciales' College, began his career in 1971 at the Via Assurances Group, first as Marketing Director, later as Management Controller, and finally as Director of Sales and Life Insurance. In 1988, he joined the Athena Group, where he first worked as CEO of the group's life insurance subsidiary, and then from 1990 to 1998, held the position of CEO at Préservatrice Foncière Assurances Vie], and became a member of the Athena Group's governing committee. In 1998, when Groupama acquired Groupe des Assurances Nationales SA (GAN), he was appointed to the Management Board of GAN, with the responsibility of co-ordinating life and non-life insurance operations performed through agents and brokers.

In September 2000, in line with Groupama-Gan's new corporate structure, he also took control of the non-life insurance divisions and the sales networks.

Since his appointment in 2003 Mr. Lemoux has worked as CEO at Groupama International.

Since 25 April 2008 he has been a member of OTP Bank's Supervisory Board.

As at 31 December 2009, he held no ordinary shares in OTP Bank.

Kovács Antal

Member of the Supervisory Board, Deputy CEO

Retail Division

Antal Kovács, aged 57, graduated from the University of Economics of Budapest with a degree in economics in 1985. He started his professional career in 1990 at the Nagyatád Branch of K&H Bank where he held the position of Branch Manager between 1993 and 1995. He joined OTP Bank Plc. in 1995, and worked first as a County Director and from 1998 as the Managing Director of OTP Bank's South Transdanubian Region. He has received additional training at the International Bankers' School and the World Trade Institute. He has been a member of OTP Bank's Supervisory Board since 2004.

As at 31 December 2009, he held 23,000 ordinary shares in OTP Bank.

András Michnai

Director

Independent Compliance Department

OTP Bank

András Michnai, aged 55, who represents the employees of OTP Bank on the Supervisory Board, graduated from the College of Finance and Accounting. He has been an employee of the Bank since 1974 and, until 1981, held various positions in OTP Bank's branch network. From 1981, he worked as an instructor in the Central Network Coordination Department, before being appointed as District Deputy Director, and later Director in the branch network. From 1994, he participated in the central coordination of the branch network as Deputy Management Director. Since 2005, he has headed the Bank's independent Compliance Department. He has further expanded his professional skills, obtaining a masters degree at the College of Finance and Accounting, and is a registered tax advisor. He has been a member of OTP Bank's Supervisory Board since 25 April 2008.

As at 31 December 2009, he held 15,600 ordinary shares in OTP Bank.

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 the Senior Management of OTP Bank and their duties to OTP Bank.

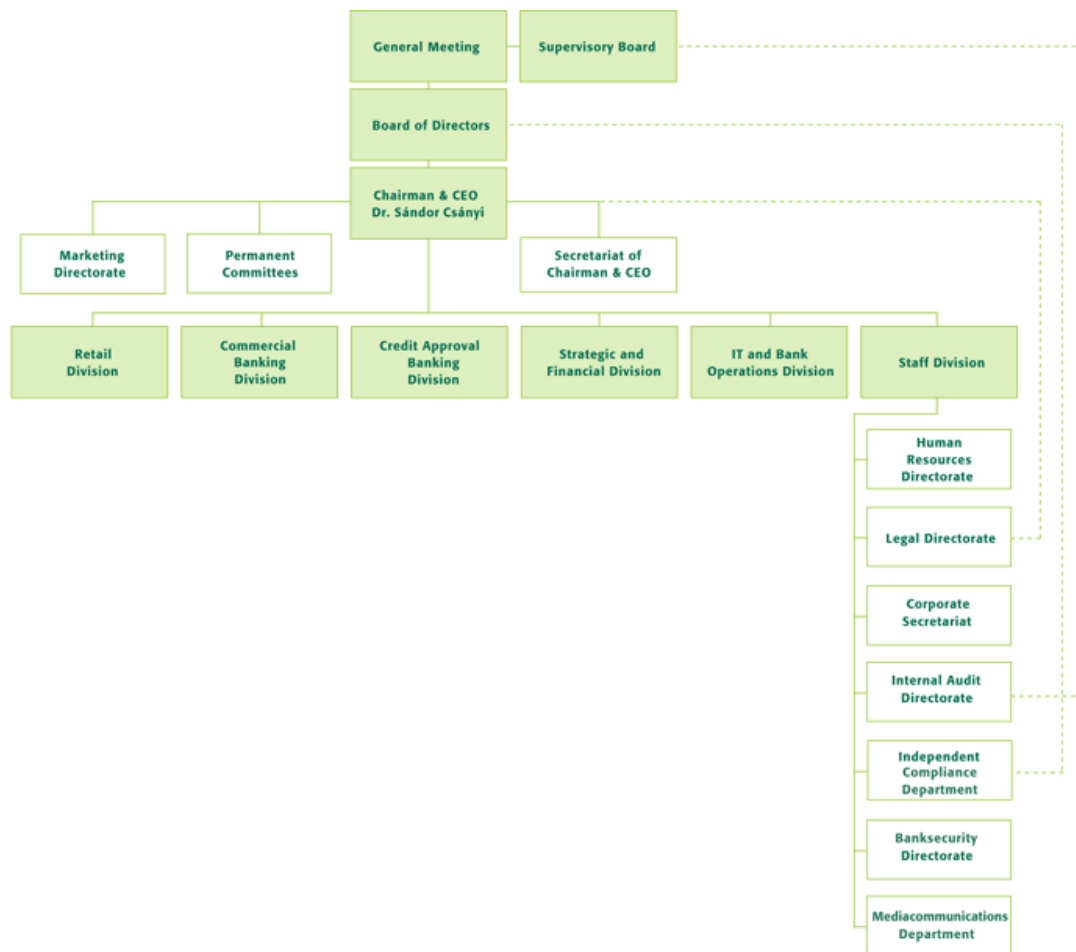
ORGANISATIONAL STRUCTURE AND EMPLOYEES

Organisational Structure

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

OTP Bank is currently composed 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 business lines.

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:



Major Subsidiaries

Equity investments in companies in which OTP Bank has a controlling interest are detailed below.

Name	Ownership (Direct and Indirect)		Activity
	2009	2008	
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia)	95.55%	95.51%	commercial banking services
CJSC Donskoy Narodny Bank (Russia)	100.00%	100.00%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	91.43%	91.43%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	97.24%	97.23%	commercial banking services
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	holding activity
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Two Commercial Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd.	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services

Source: OTP Bank Plc. Consolidated Financial Statements in Accordance with IFRS as adopted by the European Union for the year ended 31 December 2009

Ownership structure of OTP Bank as at 31 March 2010

Description of owner	Total equity					
	01/01/2010		31/03/2010			
	% ¹	% ²	Qty	% ¹	% ²	Qty
Domestic institution/company	15.3%	15.5%	42,830,149	15.0%	15.2%	42,028,963
Foreign institution/company	70.2%	71.3%	196,510,128	71.9%	73.0%	201,253,776
Domestic individual	7.3%	7.4%	20,345,597	6.0%	6.1%	16,828,524
Foreign individual	1.3%	1.3%	3,526,188	1.3%	1.3%	3,500,102
Employees, senior officers	1.9%	2.0%	5,381,732	1.8%	1.8%	5,002,675
Treasury shares	1.5%	0.0%	4,284,020	1.5%	0.0%	4,283,564
Government held owner ³	0.5%	0.5%	1,336,637	0.5%	0.5%	1,316,847
International Development Institutions ⁴	2.1%	2.1%	5,785,559	2.1%	2.1%	5,785,559
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: OTP Bank Plc. Interim Management Report First quarter 2010 result

Shareholders with over/around 5% stake as at 31 March 2010

Name	Number of shares	Voting rights	Beneficial Ownership
Groupama Group	24,677,160	8.81%	8.95%

Megdet, Timur and Ruszlan Rahimkulov	24,459,744	8.74%	8.87%
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.70%

Source: OTP Bank Plc. Interim Management Report First quarter 2010 result

Capitalisation and indebtedness of OTP Bank

	31/12/2009 in HUF mn	31/12/2008 in HUF mn
Total Liabilities	8,563,526	8,318,753
Share Capital	28,000	28,000
Retained Earning and Reserves	1,210,132	1,160,935
Treasury Shares	(52,678)	(146,749)
Non-controlling Interest	6,152	6,785
Total Shareholders' Equity	1,191,606	1,048,971
Total Liabilities and Shareholder's Equity	9,755,132	9,367,724

Source: OTP Bank Plc. Consolidated Financial Statements in Accordance with IFRS as adopted by the European Union for the year ended 31 December 2009

Employees

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

	31/12/2009	31/12/2008
OTP Bank	7,820	8,297
Consolidated	31,337	30,884

Source: The 2009 Business Report of the Board of Directors

THE OTP GROUP

Overview

The OTP Group provides universal banking services with a strong retail focus. It has operations in seven countries in the CEE region (Hungary, Bulgaria, Romania, Slovakia, Croatia, Serbia and Montenegro) and also in Russia and Ukraine. The OTP Group has reached its current geographic organisational structure through acquisitions conducted since 2002. The Group now contains 63 fully-consolidated entities¹. In 2008, the OTP Group completed a major divestment, selling its insurance business to Groupama SA. In terms of balance sheet totals, OTP Bank is the largest bank in Hungary² 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.) for retail and corporate customers (see "OTP Bank Group Members' Business in Hungary" below). Further details on the activity and performance of foreign subsidiaries are set out in the section entitled "Operations of the Foreign Subsidiaries" below.

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

As a result of acquisitions carried out in previous years, the OTP Group has a presence in nine countries across the region as at the date of this Base Prospectus. The total number of customers served by the OTP Group exceeded 12.2 million as at 31 December 2009. At the end of that year, OTP Bank Hungary had a clientele of around 4.6 million, while the total number of customers of the OTP Group's foreign subsidiaries reached 7.6 million.

As a reaction to the global recession and weakening business activities, the OTP Group rationalised its sales network in 2009. As at 31 December 2009 1,514 branches (compared with nearly 1,600 branches as at 31 December 2008), 4,083 ATMs and 51,506 POS terminals were in operation. Furthermore, the range of sales channels has been complemented by a call centre, mobile and internet banking services, business customer terminals and a network of sales agents.

¹ Source: OTP Bank Database

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

Amongst the credit institutions in its regional network, OTP Bank and DSK Bank operate a roughly equal number of branches: 382 and 386, respectively.

Key developments at the OTP Group in 2008

2008 was the most difficult year in the OTP Group's history. Despite the difficulties faced in 2008, the OTP Group still achieved 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 entity, Groupama S.A. The sale of its 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.

Key developments at the OTP Group in 2009

In 2009, due to the global financial crisis and the consequences thereof (such as increasing levels of unemployment, devaluation of local currencies and restrictive fiscal measures), households' disposable income in the CEE region dropped significantly and the business environment considerably weakened. As a consequence, the quality of the loan portfolio has deteriorated significantly compared to previous years. At Group level, the consolidated loan book comprising of loans due over 90 days, increased by 9.8% from 31 December 2008 to 31 December 2009, as compared with 4.5% from 31 December 2007 to 31 December 2008. This resulted in a significant increase in provisioning; at Group level, provision for impairment on loan and placement losses amounted to HUF 249 billion as at 31 December 2009 accounting for a 124% year-on-year increase. As at 31 December 2008, provision for impairment on loan and placement losses amounted to HUF 111 billion, well over pre-crisis levels (HUF 58 billion as at 31 December 2007 and HUF 28.5 billion as at 31 December 2006 respectively).

The coverage of loans due over 90 days was 74% as at 31 December 2009. Similar to the debtor protection programme in Ukraine, the Group has launched such schemes in Hungary, Bulgaria and Romania offering aid to clients who face temporary difficulties in repayment, generally through temporary instalment reductions, the extension of loans, or a combination of both these measures.

Further enhancement of its stable capital adequacy ratio was a priority for the Group in 2009. Due to profitable operations, the capital adequacy ratio of the Group has risen to 17.3%.

As a result of an increase in deposit collection and a more cautious lending practice, the loan-to-deposit ratio dropped considerably by 13 percentage points in 2009 to 121%. In line with its conservative business policy, the Group accumulated a substantial liquidity buffer (amounting to EUR 6 billion as at 31 December 2009), that safely covers all liabilities denominated in foreign currencies (arising from senior debts and mortgage bonds) and was established to mitigate any unanticipated liquidity and foreign exchange rate shocks.

The possibility of raising funds from the capital markets has shrunk significantly in the first part of 2009. In 2009, OTP Bank did not conduct issues in the international bond markets. However, in December 2009 it successfully arranged for a EUR 220 million syndicated loan facility to be provided to the Bank.

Recent developments at the OTP Group in 2010

Recent developments concerning the market environment

General business conditions have been unsettled in 2010. On the one hand, positive trends that emerged in the fourth quarter of 2009 have gained further momentum but almost all countries in which the OTP Group operates have bottomed out. Industrial production and GDP has grown slowly, local currencies have stabilised and even strengthened and sovereign credit spreads have tightened significantly, thereby improving access to debt capital markets. At the same time, demand for loans has remained moderate both in the retail and corporate sectors.

In Hungary, the central bank has been continuing to relax its monetary policy. By the end of April 2010, the base rate dropped to 5.25% and a 100-130 basis points decline was experienced in the first three months of 2010 across the whole yield curve. In March 2010, unemployment hit a 17-year record high of 11.7%, which contributed to cautious household borrowing. Although unemployment dropped to 11.4%, such favourable market trends changed in May 2010, following which a strong correction was experienced in the second quarter of 2010. The difficulties in the Eurozone have resulted in a significant depreciation of HUF both against CHF and USD and yields have also come back to the levels seen at the beginning of 2010.

As for the rest of the markets in which the OTP Group operates, positive trends have gained momentum in Russia, where the sovereign has successfully returned onto the international bond markets after a 12-year period. Lending activity has increased, contributing to the improvement of OTP Bank Russia's results. In Ukraine the outcome of the presidential elections had a strong stabilising effect on the political landscape as well as on the general macroeconomic environment.

In Bulgaria, the government has revised the original 2009 deficit figures upward, leading to negative market sentiment. The government has also postponed its ERM II application temporarily.

In Romania, the government has managed to renegotiate the original deficit targets with the IMF, but only in exchange for assuming the obligations to implement structural adjustments and a rigorous fiscal policy.

Among the smaller markets, Slovakia has enjoyed faster growth this year and a slow recovery appears to have started in Serbia. Due to the high performance of the tourism sector, Croatia and Montenegro were hit only moderately by the global recession in 2009. 2010 has brought numerous uncertainties, particularly in the case of Montenegro, which may face substantial economic curtailments.

Deposit collection at the Group level has increased with lower intensity compared with previous quarters, with loan volumes showing a trend of stagnation. As a result, the consolidated loan-to-deposit (**LTD**) ratio has dropped to 120% (a fall of 19 percentage-points year-on-year), the net loan-divided-by-deposit + retail bond ratio has also decreased to 106% (a fall of 24 percentage-points year-on-year). Due to their favourable liquidity positions, several foreign subsidiaries have managed to repay their interbank liabilities owed to OTP Bank, which has increased reserves and will have a positive effect on those banks' interest expenditures.

In the first quarter of 2010, the Group realised HUF 42.4 billion in profit after tax, having more than doubled that achieved in the fourth quarter of 2009, exhibiting growth as compared with the figure for the first quarter of 2009.

While the ratio of non-performing loans has been still growing, although at a slower pace, the proportion of new over-90-day-past-due loans (**DPD90+ Loans**) has shown a declining trend since the second quarter of 2009.

OTP Group's IFRS capital adequacy ratio (**CAR**) improved by 2.3 percentage-points year-on-year, reaching 17.5% by the end of March 2010. Its Tier 1 ratio increased to 13.8% (an increase of 3.6 percentage-points year-on-year) as at 31 March 2010.

The OTP Group conducted two bond issuances in the first quarter of 2010: OTP Bank issued CHF 100 million senior unsecured notes and OTP Mortgage Bank Ltd. (**OTP Mortgage Bank**) issued EUR 300 million mortgage bonds. In July 2010, OTP Bank signed a EUR 250 million Syndicated Term Loan Facility with a two year tenor. This facility will be used for general funding purposes.

Recent developments concerning litigation

(1) Litigation initiated by Nitrogénművek Vegyipari Zrt.

Nitrogénművek Vegyipari Zrt. as plaintiff (the **Plaintiff**) initiated a procedure before the Capital Court of Budapest (the **Court**) against OTP Bank as defendant in 2009, seeking to enforce a HUF 25,247,527,000 claim for damages (the **Claim**). OTP Bank, based on documents, requested the Court to reject the Claim on the basis of the Claim being groundless. The Court, having tried the Claim in the first instance, rejected the Claim. As of the date of this Base Prospectus, OTP Bank does not have any information as to whether or not any appeal has been made by the Plaintiff against the judgement of the Court. The result of the above litigation is not likely to have a significant effect on the financial position or profitability of the Issuer or the Group.

(2) Litigation initiated by the Holocaust Victims of Bank Theft in 2010

The plaintiffs in this litigation are seeking to enforce a claim against OTP Bank, the National Bank of Hungary, Erste Bank Group, MKB Bayerische Landesbank, Credit Anstalt Bank and certain other banks to be determined by the plaintiffs at a later stage as defendants on the ground of the defendants having allegedly participated in, and gave aid to, the genocide in 1944 through assisting in confiscation, and having received unjust enrichment. The value of the claim sought to be enforced by the plaintiffs is USD 2 billion as at 1994. OTP Bank, which was established in 1949 without any predecessors, intends to submit a plea to the United States District Court Northern District of Illinois (the **USDC Illinois**), which hears the litigation, within the deadline set out in the relevant laws governing the court proceedings, and request USDC Illinois to cease the proceeding against OTP Bank primarily on the ground of lack of jurisdiction and competence and secondarily, in case of the primary defence is rejected, on the basis of pleading statutory limitation. The result of this litigation, which cannot be predicted at this stage of the proceeding, is not likely to have a significant effect on the financial position or profitability of the Issuer or the Group.

Issuance of an irrevocable payment undertaking by OTP Bank in favour of OTP Mortgage Bank

In August 2009, Moody's Investors Service Ltd. (**Moody's**) published a brochure on its new approach to rating financial institutions specialising in the issuance of covered bonds (the **Specialised Covered Bond Issuers**) on behalf of an owner bank or a group of banks (the **Parent Bank**). The new approach, *inter alia*, envisages increased parental support by the Parent Bank in order to ensure the same ratings may be assigned by Moody's to the Specialised Covered Bond Issuers as that of the Parent Bank.

On 7 July 2010, an agreement was concluded between OTP Bank and its subsidiary, OTP Mortgage Bank, whereby OTP Bank issued an unconditional and irrevocable payment undertaking with respect to all outstanding and future unsubordinated debt instruments. Pursuant to the undertaking, OTP Bank has undertaken a joint and several guarantee in respect of any amount which is due but remains unpaid by OTP Mortgage Bank on the due date.

A copy of the Irrevocable Payment Undertaking is available on the website of OTP Bank at www.otpbank.hu.

Recent regulatory developments

Recently, the Hungarian Government announced a package of measures aimed at enhancing financial stability. As part of the package, a proposal for an act of Parliament *on enacting and amending certain Acts with economic and financial subject matter* (No T/581) was approved by Parliament (the **Act of Parliament**) and is currently waiting to be promulgated.

In order to alleviate the widespread borrower default on residential mortgage loans, which has resulted from significantly heavier and excessive debt servicing burdens arising from the extreme volatility of HUF as against other currencies in recent periods, the Act of Parliament envisages certain restrictions in relation to mortgage loans granted to retail borrowers.

The Act of Parliament, *inter alia*, seeks to impose a prohibition on creditors (including credit institutions and financial enterprises) taking security interests in the form of a mortgage over real estate owned by natural persons with respect to loans denominated in, or based on, a currency other than HUF, in so far as the respective borrower is a retail customer (except for individual entrepreneurs).

In addition, the Act of Parliament foresees a special "bank tax" levied on certain financial institutions, including credit institutions, in 2010. In the case of credit institutions, it is proposed that the tax basis will be the adjusted balance sheet total, as at 31 December 2009 (the **Tax Basis**). The special bank tax is proposed to be levied at 0.15% of the Tax Basis up to HUF 50 billion, whilst a 0.5 % tax rate will apply to that part of the Tax Basis which exceeds HUF 50 billion.

Rating developments

In March 2009, both Moody's and S&P downgraded Hungary's debt rating. The rating of OTP Bank changed similarly to the sovereign rating by Moody's (from A3 to Baa1), whilst S&P downgraded OTP Bank's rating by two notches (from BBB to BB+), which led to a split rating occurring. In October 2009, S&P affirmed the sovereign rating of Hungary and changed its outlook from negative to stable. In March 2010, S&P changed the rating outlook of OTP Bank from negative to stable, confirming its credit rating at the same level.

According to the latest developments on 23 July 2010 S&P changed the rating outlook of the Hungarian sovereign from stable to negative, while Moody's Investors Service has placed on review for possible downgrade the Baa1 government bond rating of Hungary. Following the announcement on the sovereign rating Moody's has placed on review for possible downgrade the debt and deposit ratings of OTP Bank and other six Hungarian banks as well. The Baa2 foreign currency subordinated debt rating of OTP Bank was also placed on review.

The table below shows the rating development of the OTP Group as at 27 July 2010.

OTP Bank	Rating		Latest amendment		
			Date	Movement	Outlook
Moody's	Bank Financial Strength Rating	D+	19/05/2009	Downgrade	Negative
	Long Term Foreign Currency Deposit	Baa1	23/07/2010	On watch	Possible downgrade
	Long Term Local Currency Deposit	Baa1	23/07/2010	On watch	Possible downgrade
	Short Term Foreign Currency Deposit	P-2	23/07/2010	On watch	Possible downgrade
	Short Term Local Currency Deposit	P-2	23/07/2010	On watch	Possible downgrade
	Long Term Foreign Currency Debt	Baa1	23/07/2010	On watch	Possible downgrade
	Short Term Foreign Currency Debt	P-2	23/07/2010	On watch	Possible downgrade
	MTN Foreign Currency Subordinated Debt	Baa2	23/07/2010	On watch	Possible downgrade
	UT2 Foreign Currency Subordinated Debt	Ba1	29/01/2010	Downgrade	Negative
Standard & Poor's	Local Currency	BB+	19/03/2010	Outlook revision	Stable
Fitch	Support	2	26/04/2010	Affirmed	Negative

Subsidiary	Moody's Rating		Latest amendment		
			Date	Movement	Outlook
DSK Bank	Bank Financial Strength Rating	D+	27/11/2009	Outlook revision	Negative
	Long Term Foreign Currency Deposit	Baa3	27/11/2009	Outlook revision	Negative
	Long Term BGN Deposit	Baa3	27/11/2009	Downgrade	Negative
	Short Term Foreign Currency Deposit	P-3	27/11/2009	Outlook revision	Negative
	Short Term BGN Deposit	P-3	27/11/2009	Downgrade	Negative

OTP Banka Slovensko	Bank Financial Strength Rating	D-	30/07/2009	Confirmed	Negative
	Long Term Foreign Currency Deposit	Baa3	30/07/2009	Confirmed	Negative
	Long Term EUR Deposit	Baa3	30/07/2009	Confirmed	Negative
	Short Term Foreign Currency Deposit	P-3	30/07/2009	Confirmed	Negative
	Short Term EUR Deposit	P-3	30/07/2009	Confirmed	Negative
OJSC OTP Bank (Russia)	Bank Financial Strength Rating	E+	17/12/2009	Assigned	Stable
	Long Term Foreign Currency Deposit	Ba1	17/12/2009	Assigned	Negative
	Long Term RUB Deposit	Ba1	17/12/2009	Assigned	Negative
	Short Term Foreign Currency Deposit	NP	17/12/2009	Assigned	
	Short Term RUB Deposit	NP	17/12/2009	Assigned	
JSC OTP Bank (Ukraine)	Bank Financial Strength Rating	D-	08/09/2009	Downgrade	Negative
	Long Term Foreign Currency Deposit	B3	12/05/2009	Downgrade	Negative
	Long Term UAH Deposit	Ba1	20/10/2008	Downgrade	Stable
OTP Jelzálogbank	Bank Financial Strength Rating	D+	19/05/2009	Downgrade	Negative
	Long Term Foreign Currency Deposit	Baa1	23/07/2010	On watch	Possible downgrade
	Long Term HUF Deposit	Baa1	23/07/2010	On watch	Possible downgrade
	Short Term Foreign Currency Deposit	P-2	23/07/2010	On watch	Possible downgrade
	Short Term HUF Deposit	P-2	23/07/2010	On watch	Possible downgrade
	Covered Bonds (EUR)	A2	27/07/2010	On watch	Possible downgrade
	Covered Bonds (HUF)	A2	27/07/2010	On watch	Possible downgrade

Subsidiary	Fitch Rating		Latest amendment		
			Date	Movement	Outlook
OJSC OTP Bank (Russia)	Long Term Issuer Default Rating	BB	26/04/2010	Affirmed	Negative

Agreements with international financial institutions

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.

International Monetary Fund

Hungary

In October 2008, Hungary was one of the first countries to sign an agreement with the IMF, the European Commission, and the World Bank on the provision of a credit facility of approximately EUR 19.8 billion. As at 31 July 2009, 73% of the credit facility was drawn down. On 24 July 2009, the conditions of the credit facility (maturity, standby commission fee and interest rate spread ranges) were modified in a favourable way.³

Between 6 and 17 July 2010 an IMF mission, in cooperation with a parallel mission from the European Commission, held discussions with the Hungarian authorities in relation to the above stand-by arrangement and found that the Hungarian authorities had made good progress in helping their economy recover through prudent macroeconomic policies and strengthened financial sector policies, including improved banking supervision. In its findings, the IMF acknowledged that Hungary's adherence to the quantitative and structural targets set out in the stand-by arrangement had been broadly satisfactory through June 2010. At the same time, the missions of the IMF and the European Commission conducted intensive discussions with the Hungarian authorities covering issues such as the additional measures that would need to be taken to ensure Hungary's adherence to its previously announced 2010 and 2011 fiscal deficit targets. On 17 July 2010, the IMF and the European Commission elected to postpone these discussions and the conclusion of their review missions for an indefinite period and return to Hungary for the purposes of resolving remaining differences at a later date.

Serbia

In November 2008, the IMF and Serbia agreed on a EUR 402.5 million loan and the loan's 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 28 June 2010, the Executive Board of the IMF completed the fourth review of Serbia's economic performance, allowing for the disbursement of approximately EUR 383 million (USD 473 million). The drawdown of the full amount would bring total disbursements under the facility to about EUR 1.8 billion (USD 2.2 billion).

Romania

On 25 March 2009, the IMF, the EU and the World Bank arrived at an agreement on the provision of a EUR 20 billion (USD 26.4 billion) rescue loan to Romania. The drawdown of the first USD 6.6 billion tranche became available on 4 May 2009. Due to the weaker economic performance and fiscal slippage, further drawdowns under the facility were temporarily suspended. However, the fourth review of Romania's economic performance by the IMF on 2 July 2010 enabled the immediate disbursement of approximately EUR 913.2 million (USD 1.1 billion). So far, the total drawdowns from the stand-by facility of Romania have amounted to almost EUR 10.7 billion.

Ukraine

On 5 November 2008, Ukraine concluded a USD 16.5 billion two-year stand-by loan facility with the IMF. So far, the total amount of the drawdowns has reached USD 10.4 billion. The presidential elections, having

³ Source: www1.pm.gov.hu

taken place earlier this year, have had a stabilising effect on public finances and opened routes to renegotiate the facility. On 3 July 2010, the IMF mission has reached a staff-level agreement with the authorities of Ukraine on an economic policy programme that can be supported by a 2.5 year stand-by arrangement up to the amount of SDR 10 billion, equivalent to USD 14.9 billion.

European Bank for Reconstruction and Development

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 provided a subordinated loan facility of EUR 200 million to OTP Bank. The subordinated loan facility was available for drawdown for a period of six months and was prolonged in December 2009 for another six-month period. Without any drawdowns from the facility, OTP Bank terminated the subordinated loan agreement with the EBRD on 29 April 2010.

As part of the agreement, a further EUR 20 million was used by the EBRD to acquire OTP Bank treasury shares. Through the purchase of 1.6 million shares the EBRD has increased its existing 1.5% holding in OTP Bank to around 2%.

Further, the EBRD provided a CHF 500 million CHF/HUF swap-line to OTP Bank. In 2009, several transactions were concluded with the EBRD, resulting in the swap facility being almost completely utilised.

Other important arrangements entered into to ensure safe operation

On 26 March 2009, the Hungarian government granted a EUR 1.4 billion loan to OTP Bank with the aim of facilitating liquidity for Hungarian corporates and SMEs. The source of the loan was the stand-by credit facility provided to Hungary under the agreement made between Hungary and the IMF, the EU and the World Bank in October 2008. The loan was drawn down in two tranches, on 1 April 2009 and on 30 June 2009, respectively. However, due to maturity constraints, as well as the pricing of the facility, OTP Bank could only satisfy the demand of a handful number of entrepreneurs, thus the EUR 1.4 billion total loan amount was prepaid in two equal instalments in November 2009 and in March 2010, respectively.

On 16 April 2009, OTP Bank and MOL concluded a 3-year share swap transaction, under which 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 as calculated in accordance with Hungarian Accounting Standards of OTP Bank improved by 125 bps and MOL became a shareholder in OTP Bank with a 8.57% holding of ordinary shares. Both parties were granted an American style call and put option to initiate the gross physical settlement of shares back to the respective issuer until 11 July 2012. There is no compulsory settlement of shares at the maturity of the swap agreement.

Taking advantage of the temporary underperformance of its outstanding debt and capital instruments in 2009, OTP Bank repurchased a significant portion of its UT2 capital issue realising a considerable one-off revenue on the transaction.

JSC OTP Bank (**OTP Bank Ukraine**) received a USD 50 million subordinated loan from OTP Bank in the first quarter of 2009. In addition, OTP Bank effected a USD 100 million capital increase in OTP Bank Ukraine during April 2009, together with granting a further USD 30 million in subordinated debt capital in the third quarter of 2009. As a result, the capital adequacy ratio of OTP Bank Ukraine has increased to 17.8% as at 31 December 2009 (the mandatory minimum level is 10%).

Crnogorska komerčijalna banka a.d. (**CKB**) received a EUR 15 million subordinated loan from OTP Bank in the first quarter of 2009. In addition, a further EUR 15 million capital increase was effected in CKB in the second half of 2009. As a result, by the end of 2009 the capital adequacy ratio of CKB reached 13.4%.

In December 2009, OTP Bank effected a RON 30 million capital increase in its Romanian subsidiary, OTP Bank Romania S.A. (**OBR**). The capital increase was registered by the Court of Registration on 21 January 2010. As at 31 December 2009 the capital adequacy ratio of OBR stood at 14.3%.

OTP GROUP BUSINESS IN HUNGARY

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

Core activities

Core activity is performed in Hungary by the following group members: OTP Bank Plc., OTP Mortgage Bank, OTP Faktoring Ltd. and OTP Building Society Ltd. (the **OTP Core**). Through these Group members, the OTP Group provides retail and corporate lending, account management, payment card, savings and investment services. Within its retail lending business line, the OTP Bank Group offers residential and mortgage loans as well as consumer loans.

Lending operation

During 2009, the economic crisis and the austerity fiscal measures in Hungary resulted in significant changes in respect of the OTP Core's business. Since the beginning of 2009, loan-to-deposit ratio has been on a downward track (as at 31 December 2009, the figure stood at 97%, accounting for a 6 percentage points year-on-year decline), net loan-divided-by-(deposit + retail bond) ratio, showed an even more considerable adjustment (as at 31 December 2009, the figure stood at 86%, representing a 12 percentage points year-on-year decrease).

Due to materially lower demand for loans, the FX-adjusted customer loan portfolio stagnated in 2009. Within the FX-adjusted retail loans, the portfolio of consumer and SME loans demonstrated a slight increase, whilst the mortgage loan portfolio decreased during the year (3% year-on-year). On the other hand, corporate loans increased by 3% on a yearly basis.

Disbursement of retail loans dropped significantly in 2009, partly due to the tightening of lending conditions from mid-November 2008, and partly as a result of the adverse effects of the financial crisis on loan demand. Disbursements of mortgage loans decreased by 82% year-on-year to HUF 64 billion, while the origination of personal loans, representing the largest proportion within consumer loans, dropped by 54%.

In line with the management strategy, the ratio of HUF denominated credits grew remarkably in 2009 in respect of the disbursements of both mortgage loans and personal loans. Simultaneously, amongst FX denominated disbursements, EUR became dominant.

Funding sources

As at 31 December 2009, the OTP Core's deposit base had grown by 8% year-on-year and taking into account the aggregate amount of retail bonds, the year-on-year increase amounted to 9%. Since the fourth quarter of 2008, the retail bond portfolio has been growing steadily and as at 31 December 2009, the portfolio amounted to HUF 237 billion.

Deposit growth was also significantly driven by the increase in the deposits placed by medium and large corporate. Municipal deposits produced a 7% increase year-on-year.

The total value of the OTP Core's bond portfolio (amounting to HUF 1.306 billion as at 31 December 2009, with a 8% decrease year-on-year) significantly decreased during 2009 on account of the maturity and repayment of senior notes in February 2009 with an aggregate nominal value of EUR 750 million, with the total value of the outstanding mortgage bonds decreasing by approximately HUF 120 billion. New international transactions were conducted only after closing the balance sheet. In February 2010, OTP Bank completed its first ever CHF denominated bond issuance, in the course of which it issued a senior unsecured bond series in an aggregate nominal value of CHF 100 million, with 2 years tenor. Furthermore, OTP

Mortgage Bank conducted a mortgage bond issuance in March 2010, with a total nominal value of EUR 300 million under its European Medium Term Note Programme.

The following table shows the figures for the main financial indicators of OTP Group as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	178,289	132,831	34.2%
ROAE	19.6%	16.9%	2.7%
Cost/income ratio	40.3%	48.5%	(8.2%)
Gross loans/deposit ratio	97.1%	103.2%	(6.1%)
Net interest margin	5.95%	5.66%	0.3%

OTP Fund Management

In 2009, OTP Fund Management realised HUF 5.1 billion profit after tax (an increase of 3% year-on year). The aggregate value of the portfolio of securities funds managed by OTP Fund Management increased by 35% year-on-year, reaching HUF 863 billion, while the growth of total assets under management was somewhat lower (an increase of 32% year-on-year).

As at 31 December 2009, the net asset value of pension funds reached HUF 758 billion accounting for a significant increase (an increase of 38% year-on-year), with the net asset value of other institutional funds having risen by approximately 7% on a yearly basis.

The client base of OTP Fund Management also increased significantly in 2009, mainly due to the popularity of open-ended funds.

The following table presents the main financial indicators of OTP Fund Management as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	5,124	4,988	2.7%
ROAE	59.6%	54.9%	4.7%
Cost/income ratio	18.8%	20.1%	(1.3%)

Merkantil Group⁴

In 2009, the aggregated after-tax result of Merkantil Bank Ltd. and Merkantil Car Ltd., primarily as a result of the significant increase in their risk costs, totalled a loss of HUF 1.8 billion compared to the HUF 3.8 billion profit after tax realised in 2008. Portfolio quality deteriorated significantly year-on-year, the ratio of DPD90+ Loans increased from 7.7% to 12.3%. As a result of higher provisioning, the coverage ratio for DPD90+ Loans reached 89.4%.

The car financing loan book decreased by 3% year-on-year and new disbursements reached only 25% of the 2008 volumes.

The following table sets out the main financial indicators of Merkantil Group as at 31 December 2009 and 2008 respectively:

⁴ Merkantil Group consists of Merkantil Bank Ltd. and Merkantil Car Ltd.

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	(1,818)	3,432	(152.9%)
ROAE	(5.5%)	11.2%	(16.7%)
Cost/income ratio	30.1%	36.0%	(5.9%)
Gross loans/deposit ratio	5719.6%	3977.1%	1742.5%
Net interest margin	5.92%	6.18%	(0.26%)

OPERATIONS OF FOREIGN SUBSIDIARIES

DSK Group

The **DSK Group** consists of DSK Bank EAD, POK DSK-Rodina AD, DSK Trans Security EOOD and DSK Tours EOOD.

DSK Bank EAD (**DSK Bank**) is one of the leading banks in Bulgaria in terms of total asset value and the dominant provider in the retail banking sector.⁵ The DSK Group's balance sheet total, as calculated in accordance with IFRS, stood at HUF 1,207.3 billion and represented a 12.5% share of consolidated total assets as at 31 December 2009.

As at 31 December 2009, DSK Bank's market share for retail loans was 29.3% and for retail deposits, it was 19.7%. In respect of housing and retail consumer loans DSK Bank's market share was 27.1% and 31.2%, respectively.

As at 31 December 2009, DSK Bank had 870 ATMs, 4,545 POS terminals and 386 branches in operation with the number of payment cards in circulation, which have been issued by DSK Bank, totalling 1,204,000. The number of employees at DSK Bank as at 31 December 2009 was 4,337.

The following table sets out the main financial indicators of DSK Bank as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	24,797	31,021	(20.1%)
ROAE	13.8%	21.5%	(7.7%)
Cost/income ratio	36.1%	36.7%	(0.7%)
Gross loans/deposit ratio	128.3%	140.4%	(12.1%)
Net interest margin	5.68%	4.82%	0.86%

OAO OTP Bank (Russia)

As at 31 December 2009, OAO OTP Bank's (**OTP Bank Russia**) balance sheet total accounted for HUF 579.9 billion, 63.8% of which represents the gross value of loans. The market share of OTP Bank Russia is moderate in the Russian market, and only about 1% with regard to consumer loans.

In the case of point-of-sale lending business, market share increased continuously over 2009 and OTP Bank Russia became a significant market participant.

As at 31 December 2009, OTP Bank Russia operated 162 branches, 251 ATMs and 2,257 POS terminals with the number of payment cards in circulation, which have been issued by OTP Bank Russia, totalling 3,466,000. The closing staff number was 10,295 (employees together with selling agents) as at 31 December 2009.

⁵ Statistics of Bulgarian National Bank (www.bnb.bg)

The following table shows the main financial indicators of OTP Bank Russia as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	3,086	8,916	(65.4%)
ROAE	4.7%	17.4%	(12.8%)
Cost/income ratio	61.7%	59.5%	2.2%
Gross loans/deposit ratio	120.6%	170.9%	(50.3%)
Net interest margin	10.88%	12.93%	(2.06%)

JSC OTP Bank

As at 31 December 2009, JSC OTP Bank's (**OTP Bank Ukraine**) balance sheet total, as calculated according to IFRS, was HUF 711.1 billion. With this result, OTP Bank Ukraine maintained its position on the Ukrainian market as the 9th largest bank as measured on the basis of balance sheet totals⁶, with a share of 3.31% in terms of total assets.

OTP Bank Ukraine's market share in the market for retail loans was 6.42%, while its corporate loan market share reached 2.7%. OTP Bank Ukraine's share in the market for retail deposits was 1.8%, within which it had a 2.82% market share of foreign-currency deposits.

As at 31 December 2009, OTP Bank Ukraine had 206 branches, 215 ATMs and 403 POS terminals in operation with the number of payment cards in circulation, which have been issued by OTP Bank Ukraine, totalling 86,000. As at 31 December 2009, it employed 3,833 people.

The following table presents the main financial indicators of OTP Bank Ukraine as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	(43,650)	16,414	(365.9%)
ROAE	(51.1%)	22.5%	(73.6%)
Cost/income ratio	31.9%	35.1%	(3.2%)
Gross loans/deposit ratio	404.6%	449.6%	(45%)
Net interest margin	8.06%	6.67%	1.39%

OTP Bank Romania S.A.

The balance sheet total of OTP Bank Romania S.A. (**OBR**), reached HUF 365.7 billion as at 31 December 2009. OBR retained its 2.8% market share in the market for retail loans as at 31 December 2009, while in respect of corporate lending its market share stood at 1.8%. On the housing and mortgage loans market, OBR had a 3.6% market share, while both in the market for retail deposits and in that for corporate deposits its market share was 0.9% respectively as at 31 December 2009.

As at 31 December 2009, OBR operated 106 branches, 136 ATMs and 1,076 POS terminals with the number of payment cards in circulation, which have been issued by OBR, totalling to 147,000. As at 31 December 2009, employee numbers were 1,094.

The following table demonstrates the main financial indicators of OBR as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	1,136	241	371.9%
ROAE	4.7%	1.0%	3.7%
Cost/income ratio	65.7%	78.5%	(12.8%)

⁶ National Bank of Ukraine/Bank Supervision (www.bank.gov.ua)

Gross loans/deposit ratio	304.2%	438.8%	(134.6%)
Net interest margin	4.33%	2.15%	2.18%

OTP banka Hrvatska d.d.

As at 31 December 2009, the consolidated balance sheet total of OTP banka Hrvatska d.d. (**OBH**) was HUF 469 billion, as a result of which OBH's share in the Croatian market remained 3.5% as measured on the basis of balance sheet totals.

OBH maintained its market share in retail loans at 4.4% as at 31 December 2009, while in respect of corporate loans its market share declined to 2.8% as compared with the 3.1% figure as at 31 December 2008. In the housing loans market, OBH had a 5% market share as at 31 December 2009, while its market share in the consumer loans segment was 4.0%.

As at 31 December 2009, OBH's market share reached 5.3% in the market for retail deposits.

As at 31 December 2009, 105 branches, 200 ATMs and 1,181 POS terminals were operated by OBH with the number of payment cards in circulation, which have been issued by OBH, totalling 370,000. As at 31 December 2009, OBH had 1,014 employees.

The following table exhibits the main financial indicators of OBH as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	3,245	5,041	(35.6%)
ROAE	5.6%	10.6%	(5.0%)
Cost/income ratio	68.9%	62.9%	6.0%
Gross loans/deposit ratio	94.2%	98.2%	(4.0%)
Net interest margin	2.84%	3.11%	(0.27%)

OTP Banka Slovensko a.s.

On 1 January 2009, Slovakia joined the Eurozone. The balance sheet total of OTP Banka Slovensko a.s. (**OBS**) was HUF 375 billion as at 31 December 2009, which secured its 2.62% share in the banking market in Slovakia as measured on the basis of balance sheet totals.

As at 31 December 2009, due to the 13% decrease in its gross customer loan portfolio to HUF 273.3 billion, OBS's market share was 3.2% in this market. Its deposit portfolio declined year-on-year by 4% to HUF 253.5 billion as at 31 December 2009, however, its market share increased to 2.65% in the market for deposits as compared to 2.53% as at 31 December 2008.

As at 31 December 2009, OBS operated 77 branches, 116 ATMs and 644 POS terminals with the number of payment cards in circulation, which have been issued by OBS, totalling 119,000 payment cards. As at 31 December 2009, OBS had 607 employees.

The following table sets out the main financial indicators of OBS as at 31 December 2009 and 2008 respectively.

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	(6,673)	1,431	(566.4%)
ROAE	(23.2%)	5.7%	(28.9%)
Cost/income ratio	76.0%	72.3%	3.7%
Gross loans/deposit ratio	107.8%	119.6%	(11.8%)
Net interest margin	2.61%	2.54%	0.07%

OTP banka Srbija a.d.

As at 31 December 2009, OTP banka Srbija a.d.'s (**OTP Bank Serbia**) balance sheet total of HUF 127 billion represented a 2.1% share on the Serbian market as measured on the basis of balance sheet totals.

The aggregate loan portfolio amounted to HUF 90 billion, representing a 5% decrease on a year-on-year basis. As at 31 December 2009, OTP Bank Serbia's market share accounted for 2.4% in the respective market. OTP Bank Serbia's aggregate customer deposit portfolio decreased to HUF 32.4 billion, representing a 4% reduction year-on year. The HUF 23.5 million aggregate amount of retail deposits secured a market share of 1.1% in the market for retail deposits as at 31 December 2009.

As at 31 December 2009, OTP Bank Serbia had 50 branches, 105 ATMs and 3,595 POS terminals in operation with the number of payment cards in circulation, which have been issued by OTB Bank Serbia, totalling 154,000. OTP Bank Serbia employed 784 people as at 31 December 2009.

The following table shows the main financial indicators of OTP Bank Serbia as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	(8,990)	1,670	(638.4%)
ROAE	(27.3%)	0.7%	(28.0%)
Cost/income ratio	128.4%	85.4%	43.0%
Gross loans/deposit ratio	277.4%	279.4%	(2%)
Net interest margin	3.00%	5.30%	(2.30%)

Crnogorska komerčijalna banka a.d.

As at 31 December 2009, Crnogorska komerčijalna banka a.d.'s (**CKB**) balance sheet total was HUF 234.8 billion.

The breakdown of the gross loan portfolio was as follows: 62.2% retail loans and 37.8% corporate loans. Customer deposits amounted to HUF 164.3 billion, more than half of which were retail deposits.

As at 31 December 2009, CKB had 40 branches and operated 105 ATMs and 3,535 POS terminals with the number of payment cards in circulation, which have been issued by CKB, totalling 179,000. As at 31 December 2009, employees numbered 507.

The following table presents the main financial indicators of CKB as at 31 December 2009 and 2008 respectively:

In HUF million	31/12/2009	31/12/2008	Change
Profit after tax	428	2,949	(85.5%)
ROAE	2.1%	20.5%	(18.4%)
Cost/income ratio	46.1%	49.4%	(3.3%)
Gross loans/deposit ratio	110.2%	124.2%	(14%)
Net interest margin	3.73%	2.25%	1.48%

FINANCIAL PERFORMANCE OF OTP GROUP

OTP Bank Plc. Consolidated Statement of Financial Position as at 31 December 2009 and 31 December 2008, respectively
(audited, IFRS, in HUF mn)

	<i>31 December 2009</i>	<i>31 December 2008</i>
Cash, amounts due from banks and balances with the National Banks	505,649	530,007
Placements with other banks, net of allowance for placement losses	440,851	415,656
Financial assets at fair value through profit or loss	256,100	131,288
Securities available-for-sale	1,354,285	486,878
Loans, net of allowance for loan losses	6,412,716	6,778,701
Associates and other investments	18,834	10,467
Securities held-to-maturity	188,853	330,158
Property and equipment	208,730	200,359
Intangible assets	267,628	269,342
Other assets	101,486	214,868
TOTAL ASSETS	<u>9,755,132</u>	<u>9,367,724</u>
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	802,749	848,730
Deposits from customers	5,688,887	5,258,167
Liabilities from issued securities	1,410,348	1,565,947
Financial liabilities at fair value through profit or loss	118,468	125,487
Other liabilities	262,240	200,372
Subordinated bonds and loans	<u>280,834</u>	<u>320,050</u>
TOTAL LIABILITIES	<u>8,563,526</u>	<u>8,318,753</u>
Share capital	28,000	28,000
Retained earnings and reserves	1,210,132	1,160,935
Treasury shares	(52,678)	(146,749)
Non-controlling interest	6,152	6,785
TOTAL SHAREHOLDER'S EQUITY	<u>1,191,606</u>	<u>1,048,971</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>9,755,132</u>	<u>9,367,724</u>

Source: OTP Bank Plc. Consolidated Financial Statements in Accordance with IFRS as adopted by the European Union for the year ended 31 December 2009

OTP Bank Plc. Consolidated Statement of Recognized Income for the Year Ended 31 December 2009 and 31 December 2008, respectively
(audited, IFRS, in HUF mn)

	<i>31 December 2009</i>	<i>31 December 2008</i>
Interest Income:		
Loans	780,161	720,650
Placements with other banks	350,742	172,586
Securities available-for-sale	31,373	32,402
Securities held-to-maturity	45,804	26,624
Amounts due from banks and balances with the National Banks	7,514	16,161
Securities held for trading	<u>5,556</u>	<u>7,029</u>
<i>Total Interest Income</i>	<u>1,221,150</u>	<u>975,452</u>
Interest Expense:		
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	244,744	226,809
Deposits from customers	290,516	221,607
Liabilities from issued securities	79,770	72,750
Subordinated bonds and loans	<u>16,340</u>	<u>17,009</u>
<i>Total Interest Expense</i>	<u>631,370</u>	<u>538,175</u>
NET INTEREST INCOME	<u>589,780</u>	<u>437,277</u>
Provision for impairment on loan and placement losses	<u>249,278</u>	<u>111,449</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES	<u>340,502</u>	<u>325,828</u>
Incomes from fees and commissions	170,335	181,765

	31 December 2009	31 December 2008
Expenses from fees and commissions	37,422	46,534
NET PROFIT FROM FEES AND COMMISSIONS	132,913	135,231
Foreign exchange (losses) and gains, net	(8,308)	130,527
Gains and (losses) on securities, net	7,458	(1,096)
Gains on real estate transactions	931	1,807
Dividend income	894	2,466
Insurance premiums, net	-	13,254
Gain on sale of insurance business line	-	121,186
Other operating income	66,308	27,801
Other operating expenses	(29,075)	(36,237)
NET OPERATING INCOME	38,208	259,708
Personnel expenses	155,517	167,461
Depreciation and amortization	45,141	132,201
Other administrative expenses	140,483	146,738
OTHER ADMINISTRATIVE EXPENSES	341,141	446,400
PROFIT BEFORE INCOME TAX	170,482	274,367
Income tax	(20,276)	(33,299)
NET PROFIT FOR THE PERIOD	150,206	241,068
From this, attributable to:		
Non-controlling interest	(839)	596
Equity holders	151,045	240,472
Consolidated earnings per share (in HUF)		
Basic	577	938
Diluted	572	935

Source: OTP Bank Plc. Consolidated Financial Statements in Accordance with IFRS as adopted by the European Union for the year ended 31 December 2009

Unconsolidated and Consolidated IFRS Statements of Financial Position as at 31 December 2009 and 31 March 2010 respectively

In HUF million	OTP Bank			Consolidated		
	31/03/2010	31/12/2009	Change	31/03/2010	31/12/2009	Change
Cash, due from banks and balances with the National Bank of Hungary	244,285	178,217	37%	535,194	505,649	6%
Placements with other banks, net of allowance for placement losses	833,145	962,063	(13%)	430,325	440,851	(2%)
Financial assets at fair value through profit or loss	278,287	273,652	2%	262,586	256,100	3%
Securities available-for-sale	1,656,601	1,652,747	0%	1,124,714	1,354,285	(17%)
Loans, net of allowance for loan losses	2,589,507	2,622,895	(1%)	6,362,944	6,412,716	(1%)
Associates and other investments	648,690	643,907	1%	17,605	18,834	(7%)
Securities held-to-maturity	173,913	216,563	(20%)	180,927	188,853	(4%)
Premises, equipment and intangible assets, net	106,116	108,563	(2%)	480,522	476,358	1%
Other assets	82,619	92,085	(10%)	131,889	101,486	30%
TOTAL ASSETS	6,613,163	6,750,692	(2%)	9,526,706	9,755,132	(2%)
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	722,407	1,152,131	(37%)	600,475	802,749	(25%)
Deposits from customers	3,415,909	3,368,752	1%	5,744,609	5,688,887	1%
Liabilities from issued securities	666,482	618,303	8%	1,184,848	1,410,348	(16%)
Financial liabilities at fair value through profit or loss	159,375	119,353	34%		118,468	
Other liabilities	297,526	252,988	18%	462,831	262,240	24%
Subordinated bonds and loans	285,019	287,321	(1%)	278,419	280,834	(1%)
TOTAL LIABILITIES	5,546,718	5,798,848	(4%)	8,271,182	8,563,526	(3%)
Share capital	28,000	28,000	0%	28,000	28,000	0%
Retained earnings and reserves	1,042,224	927,618	12%	1,273,937	1,210,132	5%
Treasury shares	(3,779)	(3,774)	0%	(52,684)	(52,678)	0%
Non-controlling interest	-	-	-	6,271	6,152	2%
TOTAL SHAREHOLDERS' EQUITY	1,066,445	951,844	12%	1,255,524	1,191,606	5%

In HUF million	OTP Bank			Consolidated		
	31/03/2010	31/12/2009	Change	31/03/2010	31/12/2009	Change
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,613,163	6,750,692	(2%)	9,526,706	9,755,132	(2%)

Source: (i) OTP Bank Plc. Interim Management Report First Quarter 2010 result;

(ii) OTP Bank Plc. Consolidated Financial Statements in Accordance with IFRS as adopted by the European Union for the year ended 31 December 2009

Unconsolidated and Consolidated IFRS Statement of Recognised Income as at 31 March 2010 and 31 March 2009, respectively

in HUF million	OTP Bank			Consolidated		
	1Q 2010	1Q 2009	Change	1Q 2010	1Q 2009	Change
Loans	57,074	72,769	(22%)	186,196	215,591	(14%)
Interest income without swap	54,541	66,480	(18%)	183,735	209,301	(12%)
Results of swaps	2,533	6,289	(60%)	2,461	6,290	(61%)
Placements with other banks	94,892	96,020	(1%)	92,340	93,588	(1%)
Interest income without swap	6,217	10,773	(42%)	1,572	4,852	(68%)
Results of swaps	88,675	85,247	4%	90,768	88,736	2%
Amounts due from banks and balances with the National Banks	1,306	1,840	(29%)	1,396	2,060	(32%)
Securities held for trading	972	912	7%	776	973	(20%)
Securities available-for-sale	25,645	11,026	133%	18,297	7,301	151%
Securities held-to-maturity	4,052	8,709	(53%)	3,013	5,976	(50%)
<i>Total Interest Income</i>	183,941	191,276	(4%)	302,018	325,489	(7%)
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	81,961	70,353	16%	77,820	71,591	9%
Interest expenses without swap	6,306	9,307	(32%)	7,747	12,767	(39%)
Losses of swaps	75,655	61,046	24%	70,073	58,824	19%
Deposits from customers	35,942	49,746	(28%)	61,272	72,302	(15%)
Interest expenses without swap	32,471	46,712	(30%)	58,025	69,268	(16%)
Losses of swaps	3,471	3,034	14%	3,247	3,034	7%
Liabilities from issued securities	8,953	7,350	22%	17,020	20,405	(17%)
Subordinated bonds and loans	4,014	4,523	(11%)	3,225	4,768	(32%)
Other entrepreneurs	-	-	-	48	37	30%
<i>Total Interest Expense</i>	130,870	131,972	(1%)	159,385	169,103	(6%)
NET INTEREST INCOME	53,071	59,304	(11%)	142,633	156,386	(9%)
Provision for impairment on loan losses	18,722	16,787	12%	56,324	44,120	28%
Provision for placement losses	(404)	872	(146%)	(1,502)	1,928	(178%)
Provision for impairment on loan and placement losses	18,318	17,659	4%	54,822	46,048	19%
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES	34,753	41,645	(17%)	87,811	110,338	(20%)
Incomes from fees and commissions	38,359	37,987	1%	39,826	40,136	(1%)
Foreign exchange gains and (losses), net	3,866	(13,191)	(129%)	4,448	(11,806)	(138%)
Gains and (losses) on securities, net	1,005	(12,083)	(108%)	310	(4,723)	(107%)
Gains on real estate transactions, net	-	-	-	198	269	(26%)
Dividend income	48,089	31,791	51%	30	405	(93%)
Other operating income	257	25,810	(99%)	5,203	30,273	(83%)
<i>Total Non-Interest Income</i>	91,576	70,314	30%	50,015	54,554	(8%)
Expenses form fees and commissions	4,462	5,103	(13%)	8,687	8,257	5%
Personnel expenses	17,874	19,219	(7%)	38,306	39,473	(3%)
Depreciation and amortization	5,758	5,452	6%	11,421	10,291	11%
Other operating expenses	8,048	12,854	(37%)	25,234	45,384	(44%)
<i>Total Non-Interest Expense</i>	36,142	42,628	(15%)	83,648	103,405	(19%)
PROFIT BEFORE INCOME TAX	90,187	69,331	30%	54,178	61,487	(12%)
Income tax	8,429	14,165	(40%)	11,820	19,677	(40%)
NET PROFIT FOR THE PERIOD	81,758	55,166	48%	42,358	41,810	1%
From this, attributable to:						
Non-controlling interest	-	-	-	5	(4)	(225%)
Equity Holders	81,758	55,166	48%	42,363	41,806	1%

Source: OTP Bank Plc. Interim Management Report First Quarter 2010 result

FINANCIAL RISK MANAGEMENT

CREDIT RISK

OTP Group is exposed to credit risk which is the risk that a counterparty will be unable, or unwilling, to pay amounts owed in full when due. OTP Group structures the level of credit risk it faces and applies limits on the amount of exposure assumed in relation to each borrower, or banks of borrowers, and to geographical segments and business lines. Such risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to each borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and by daily delivery risk limits in relation to trading items, such as forward foreign exchange contracts. Actual exposures are monitored daily according to such limits. Exposure to credit risk is managed through the regular analysis of the ability of borrowers and potential borrowers to meet their interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by taking collateral, as well as through corporate and personal guarantees.

Classification of the consolidated loan portfolio as at 31 December 2009 and 31 December 2008 respectively

	31/12/2009		31/12/2008		Change	
	HUF mn	share	HUF mn	share	HUF mn	%
Performing	5,825,364	79.93%	6,377,857	86.02%	(552,493)	(8.66%)
To-be-monitored	727,563	9.98%	657,174	8.86%	70,389	10.71%
Below average	186,261	2.56%	104,505	1.41%	81,756	78.23%
Doubtful	202,062	2.77%	99,951	1.35%	102,111	102.16%
Bad	346,839	4.76%	174,729	2.36%	172,110	98.50%
Total	7,288,089	100.00%	7,414,216	100.00%	(126,127)	(1.70%)
Allowance	(497,892)		(271,050)		(226,842)	83.69%
Total Exposure	6,790,197		7,143,166		(352,969)	(4.94%)

Source: OTP Bank Plc. Consolidated Financial Statements in Accordance with IFRS as adopted by the European Union for the year ended 31 December 2009

Classification of the allowances for loan losses as at 31 December 2009 and 31 December 2008 respectively

	31/12/2009		31/12/2008		Change	
	HUF mn	share	HUF mn	share	HUF mn	%
Performing	(17,135)	3.44%	(13,020)	4.80%	(4,115)	31.61%
To-be-monitored	(66,827)	13.42%	(15,966)	5.89%	(50,861)	318.56%
Below average	(30,775)	6.18%	(30,338)	11.19%	(437)	1.44%
Doubtful	(99,621)	20.01%	(57,224)	21.11%	(42,397)	74.09%
Bad	(283,534)	56.95%	(154,502)	57.00%	(129,032)	83.51%
Total	(497,892)	100.00%	(271,050)	100.00%	(226,842)	83.69%

Source: OTP Bank Plc. Consolidated Financial Statements in Accordance with IFRS as adopted by the European Union for the year ended 31 December 2009

ASSET LIABILITY MANAGEMENT

Asset-liability management of the OTP Group has focused on two main areas in the last two years: maintaining the prudential liquidity reserves of the OTP Group and keeping interest-rate risk exposures low.

Management of liquidity risk

Changes in the liquidity position of OTP Bank in 2008

In the first half of 2008, the liquidity requirements of the OTP Group followed the pattern of previous years. The long-term liquidity position of the OTP Group was significantly affected by the issuance of senior bonds with an aggregate nominal value of EUR 500 million by OTP Bank, and by the issuance of mortgage bonds with a total nominal value of EUR 1 billion by OTP Mortgage Bank. In the second half of 2008, opportunities to obtain financing on the capital markets narrowed and, as a result of OTP Group's various business lines having rapidly adapted to the changing environment, the OTP Group closed the year with operative liquid funds well in excess of liabilities falling due in 2009. Credits obtained by OTP Bank on the capital markets for purposes other than refinancing totalled EUR 4.3 billion at the end of 2008. By using surplus HUF and EUR liquidity, OTP Bank generated USD and CHF financing through foreign-exchange swap transactions.

As at 31 December 2008, the volume of foreign-currency denominated loans granted by OTP Bank had grown by 28.75% as compared to the figure as at 31 December 2007. A significant proportion of these loans was provided by OTP Bank to its subsidiaries. Coverage for foreign-currency denominated loans by foreign currency client deposits was 16.5%, with a figure of 49% in respect of the euro-based loans segment. In 2008, the amount of client foreign currency deposits increased by 17%.

For the assessment of large deposits OTP Bank applies stringent standards in order to enhance prudent operation. OTP Bank classifies any deposits in excess of 6% of its regulatory capital (i.e. greater than HUF 32 billion) as large deposits. The ratio of these deposits to the balance sheet total was 2.1% as at 31 December 2008.

In 2008, the volume of liquid assets was 6.2 times the total value of the portfolio of large deposits as calculated by the "Dependence on Large Depositors" indicator applied by OTP Bank. Excluding funds managed by OTP Fund Management, this ratio rose to 14.3 times the total value of the portfolio of large deposits, which was far higher than the ratio of 2 times the total value of the portfolio of large deposits as stipulated in OTP Bank's internal regulations.

Changes in the liquidity position of OTP Bank in 2009

In 2009, the liquidity requirement of OTP Group exhibited a different development as compared with the trends of the previous years. The business lines generated liquidity of approximately HUF 900 billion at the OTP Group level, ensuring the repayment of liabilities expiring in 2009, as well as contributing to the accumulation of liquidity reserves, exceeding EUR 6 billion at the end of the year. Besides the surplus liquidity generated by its business lines, the fact that the Group significantly reduced its net financing to its foreign subsidiaries, and the additional funds of EUR 1.4 billion received from the Hungarian State (from which EUR 700 million was still on the Bank's balance sheet at the end of 2009) further contributed to the accumulation of liquidity reserves.

The OTP Group's liquidity reserves, as at 31 December 2009, were sufficient to provide coverage not only for the capital market liabilities expiring in 2010, but also for any liquidity shocks that may occur in respect of its business lines or as a result of unfavourable foreign-exchange rate movements.

As part of its liquidity management, OTP Bank purchases mortgage bonds issued by its subsidiary, OTP Mortgage Bank, as one of the funding sources of OTP Mortgage Bank's mortgage lending activity. The expiry of OTP Mortgage Bank's liabilities under the mortgage bonds does not reduce considerably the

liquidity reserves of the OTP Group, given that such mortgage bonds are considered as eligible collateral in refinancing transactions either with the National Bank of Hungary (the **NBH**) or the European Central Bank (the **ECB**) depending on the respective place of their creation.

Management of interest-rate risk

Interest-rate risk exposure of OTP Bank

Both in 2008 and 2009, the interest-rate risk exposure of the OTP Group was essentially determined by the positions of OTP Bank, OTP Mortgage Bank, OTP Bank Ukraine and DSK Bank.

By constantly monitoring its exposure to interest-rate risk, OTP Bank aims to minimise potential losses arising from unfavourable interest-rate movements, which might result in declining net interest income or a fall in the market value of the portfolio. At all events, OTP Bank's management shall be informed if any of the designated risk limits is exceeded.

In 2008, without hedging transactions, OTP Bank had significant interest rate risk exposure in HUF, given that it had some HUF 600 billion more HUF assets reacting to market yield fluctuations than 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 exceeded the volume of its variable-rate liabilities by some HUF 1,400 billion. In 2008, the OTP Group's EUR exposure was primarily due to the fact that OTP Bank financed a portion of its variable-rate and short-term fixed-rate EUR placements with long-term, fixed-rate subordinated (LT2) or Upper Tier2 capital. The exposure from open USD positions, on the other hand, was mainly due to the fact that fixed-rate mortgage loans granted by the OTP Group's foreign subsidiaries were financed by floating-rate liabilities.

In order to significantly reduce the exposure at Group level to risks arising from its EUR and USD portfolios, the OTP Group carried out fixed-rate EUR-USD foreign-exchange swaps.

Keeping interest-rate risk exposure low

HUF liabilities on the OTP Group's balance sheet respond to yield changes only to a moderate extent, whilst the asset side is rather affected by such changes, which results in the OTP Group facing interest-rate risk exposure. OTP Bank treats the reduction and hedging of this exposure as a strategic matter.

In the course of 2008, OTP Bank experienced increased volatility in respect of all of its instruments exposed to the major market risks. On several occasions, OTP Bank reduced its exposures in the light of the risk bearing capacity of each of its business lines. Responding to the changing market environment, OTP Bank also reduced its levels of interest-rate and foreign exchange risk.

In order to reduce interest-rate risk in the course of 2008, OTP Bank conducted interest-rate swap transactions for hedging purposes and purchased fixed-rate government bonds.

Taking advantage of the significantly higher HUF-yield levels in the first half of 2009, the OTP Group reduced its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of falling yields on net interest income.

Management of foreign-exchange risk

Foreign-exchange risk exposure of OTP Bank

OTP Bank is an active player in the international foreign exchange and derivatives markets. Due to the operation of its foreign subsidiaries, the average value of OTP Bank's aggregate net open position was HUF 168.2 billion in 2008. The dealing room held an average net open position of HUF 3.3 billion as at 31 December 2008.

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

In the course of 2009, the exposure that arose from the foreign-exchange positions taken by various members of the OTP Group was restricted to individual and global net open position limits (overnight and intraday) and to stop-loss limits. Foreign-exchange exposure at the OTP Group level was concentrated at OTP Bank, while the open positions of the foreign members of the OTP Group were negligible as measured against either the balance sheet total or the regulatory capital of the respective subsidiaries. The exposure, arising at OTP Bank, derived from holdings acquired in foreign subsidiaries as well as from strategic positions opened to hedge the foreign-exchange risk associated with certain revenue elements of OTP Bank which are present in OTP Bank's profit projection.

In 2009, under IFRS standards, the foreign-exchange risk exposure arising at OTP Bank derived from the strategic open foreign-exchange positions entered into for the purposes of hedging the currency risk of net earnings of four foreign subsidiaries. The total value of the strategic open short EUR positions amounted to EUR 310 million, equalling to 2 years' expected net profits of the respective subsidiaries. As compared with the above strategic short positions, the average aggregate net open position held by the dealing room of the central Treasury Department was negligible with a total amount of HUF 0.3 billion.

Capital requirement of OTP Bank's market risk exposure

Under No. 244/2000 (XII. 14.) order of the government, the capital requirement for trading book positions, counterparty risks and foreign exchange risk must be calculated on a consolidated basis in respect of OTP Mortgage Bank, OTP Building Society Ltd., Merkantil Bank Ltd., OBS, DSK Bank, OBR, OBH, OTP Bank JSC, OTP Bank Russia, OTP Bank Serbia and CKB. In accordance with regulatory changes from the first quarter of 2008, OTP Bank reported on a monthly basis to the Hungarian Financial Supervisory Authority (the **HFSA**) on the capital requirement for its trading position risks, counterparty risks and foreign-exchange 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.

As at 31 December 2008, the consolidated capital requirement was HUF 29.5 billion, from which the consolidated capital charge for foreign-exchange positions accounted for HUF 24.6 billion. As at 31 December 2009, the consolidated capital requirement was HUF 29.5 billion, from which the consolidated capital charge for foreign-exchange positions was HUF 27.9 billion.

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

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 of Financial Institutions Operating as Companies Limited by Shares

in HUF billion	31/12/2009 Preliminary	31/12/2008 Audited
Registered capital		
Direct domestic ownership total	64.35	56.4
Direct public ownership	0.4	0.4
Direct domestic private ownership	63.9	56.0
Direct foreign ownership	439.9	393.2
Preference and repurchased and non-identified shares	7.3	5.3
Total	511.52	454.9
Break-down (%)		
Direct domestic ownership total	14%	11%
Direct public ownership	0%	0%
Direct domestic private ownership	14%	11%
Direct foreign ownership	97%	77%
Preference and repurchased and non-identified shares	2%	1%
Total	112%	89%

Source: Chronological data of the sectors supervised by HFSA (updated as at 14/06/2010)

Main items of the Profit and Loss Account

in HUF billion	31/12/2009 Preliminary	31/12/2008 Audited	2009/2008
Interest margin	753	714	5.50%
Non-interest type profit	540	339	59.20%
Operating costs	588	642	(8.47%)
Impairment and change in risk provisions	(428)	(144)	196.32%
Profit on ordinary activities	278	266	4.15%
Extraordinary profit	(22)	15	(248.27%)
Profit before tax	256	281	(9.10%)
After tax profit	218	237	(8.06%)

Source: Chronological data of the sectors supervised by HFSA (updated as at 14/06/2010)

Main items of the Balance Sheet

in HUF billion	31/12/2009 Preliminary			31/12/2008 Audited			2009/2008 Total
	HUF	FX	Total	HUF	FX	Total	
Total assets	13,180	15,998	29,178	13,549	15,486	29,035	(0.49%)
o/w							
Gross loans	5,859	14,372	20,230	5,580	13,291	18,871	(6.72%)
Retail loans	2,163	5,088	7,252	2,124	4,836	6,960	(4.02%)
Housing loans	1,417	2,356	3,773	1,351	2,366	3,717	(1.47%)
Consumer loans	329	2,575	2,904	342	2,322	2,664	(8.27%)
Corporate loans	2,897	4,274	7,170	2,643	3,998	6,641	(7.38%)
MSE loans	n.a.	n.a.	2,512	n.a.	n.a.	1,770	(29.55%)
MLE loans	n.a.	n.a.	4,658	n.a.	n.a.	4,871	4.57%
Municipal loans	271	93	364	291	99	389	6.95%
Securities (trading, AFS and hold-to-maturity portfolio)	4,210	463	4,674	5,705	869	6,574	40.67%

in HUF billion	31/12/2009 Preliminary			31/12/2008 Audited			2009/2008 Total
	HUF	FX	Total	HUF	FX	Total	
Central bank and interbank deposits	938	497	1,435	724	925	1,649	14.92%
Total liabilities	16,898	12,280	29,178	16,534	12,501	29,035	(0.49%)
o/w							
Customer deposits	9,163	3,051	12,214	8,855	3,081	11,936	(2.27%)
Retail deposits	4,960	1,063	6,023	5,063	1,189	6,252	3.81%
Corporate deposits	2,395	1,053	3,448	2,182	1,071	3,253	(5.63%)
Interbank deposits	1,206	3,620	4,826	1,470	3,727	5,197	7.69%
Borrowings	1,022	3,195	4,217	847	3,391	4,238	0.51%
Securities representing lending operations issued by CIs	1,499	1,526	3,024	1,650	1,468	3,118	3.10%
Provisions	215	19	234	166	47	213	(9.00%)
Equity	2,186	(1)	2,185	2,465	0	2,465	12.81%

Source: Chronological data of the sectors supervised by HFSA (updated as at 14/06/2010)

Asset qualification

in HUF billion	31/12/2009 Preliminary			31/12/2008 Audited			Change		
	Total	Performing	Non-performing	Total	Performing	Non-performing	Total	Performing	Non-performing
Balance Sheet items for compulsory qualification	23,608	19,620	3,989	23,967	22,351	1,616	(1.5%)	(12.2%)	146.8%
Securities for trading purposes	616	601	15	292	280	11	111.3%	114.4%	33.5%
Securities for investment purposes	1,454	1,430	25	1,196	1,173	23	21.5%	21.8%	--
Financial sector deposits	3,857	3,789	68	3,883	3,838	44	(0.7%)	(1.3%)	53.3%
Corporate loans	6,716	4,560	2,156	7,204	6,385	819	(6.8%)	(28.6%)	163.2%
Households' loans	6,960	5,939	1,021	7,250	6,738	512	(4.0%)	(11.9%)	99.4%
Loans for other domestic sectors	489	436	53	490	481	9	(0.2%)	(9.5%)	516.1%
Loans for non-domestic debtors	2,311	1,756	555	2,438	2,317	120	(5.2%)	(24.2%)	360.8%
Other active settlements and other assets (gross)	1,206	1,110	97	1,214	1,136	78	(0.7%)	(2.3%)	24.0%

Source: Chronological data of the sectors supervised by HFSA (updated as at 14/06/2010)

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 characterised the one-tier banking system. After two years of preparations and a year of impact assessment, the two-tier banking system was introduced in early 1987, when banks performing their operations on a commercial basis were institutionally separated from the National Bank of Hungary (the **NBH**), which only retained its central bank activities. The restructuring process also saw diversification of the entities on the supply side, with the emergence of financial institutions as a new type of service provider in addition to commercial banks and savings co-operatives. The transformation of the Hungarian banking system was accompanied by the establishment of a new legal framework for the financial sector through the adoption of Act LXIX of 1991 *on financial institutions* (the **Financial Institutions Act**), which laid down the foundations for regulation and supervision in line with the guidelines of the Bank for International Settlements (**BIS**).

State consolidation

Banks experienced a progressive deterioration in their positions in the early 1990s due to the problematic debt portfolios they inherited, the difficulties that arose from the transformation of the economy, the diminishing disposable income of households and the resulting decline in their saving ability, the sizeable deficit of the budget and the collapse of the former CMEA market. Banks also suffered substantial losses as a result of the new and increasingly tough regulations and laws, and ultimately the Hungarian State decided to bail out the banking system. The bank consolidation scheme, implemented in 1993 by the Hungarian 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 Hungarian State implemented capital increases, through the provision of subordinated loan capital, in the majority of banks. The result was a substantial increase in state ownership in the banking sector.

From mid-1996 the balance sheet positions of banks started to improve gradually, their balance sheet totals rose, decision making became more efficient and, consequently, the quality of their lending portfolios also improved. In 1997, total balance sheet growth intensified substantially, primarily owing to an increasingly dynamic growth in the Hungarian economy, which started in the same period. 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 Act CXII of 1996 *on credit institutions and financial enterprises* (the **Credit Institutions Act**). One of its major objectives was to facilitate the adaption of the Hungarian banking system to the unified banking standards of the EU.

The development and evolution of the Hungarian banking sector has followed international trends, namely, the universal banking model, preferred by the EU directives which aim to create a single European market in financial services. Hungary was the first country in the region to pass new laws (regulating certain specialist lending institutions, home saving funds and mortgage credit institutions), which promoted specialisation, and at the same time, in line with the principle of universal banking, enabled credit institutions to provide traditional investment banking services, to trade in securities and to participate in public issuances 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**). Out of 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 branches in Hungary pursuant to European procedures. The new regulation on sovereign risks, establishing the mandatory level of reserves to be appropriated was also introduced in 1998.

In the mid-1990s, the number of lending institutions reduced dramatically. In the first half of 2000, primarily the co-operative sector was affected by this trend. Despite the merger activity observed in the domestic banking sector, the overall concentration level in the banking industry decreased moderately, while in 1989

the asset portfolio of the five largest lending institutions accounted for 80 per cent. of the overall market portfolio, in late 2000, the corresponding figure was only 50 per cent. In the period between 2002 and 2004, as a result of some of the latest mergers (BACA-Hypobank, KHB-ABN-Amro, Erste-Postabank) concentration 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 a phase of intensive development which started in 2000, the increase in branch establishment slowed down. However, competition between banks for retail customers intensified. Cost cutting and staff reduction became essential for credit institutions with declining profitability. The introduction and rapid spread of electronic banking services played an important role in this process.

The effects of EU accession

The Republic of Hungary became a member of the European Union (the **EU**) 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 the relevant EU directives. EU accession has greatly enhanced the international integration of the domestic money market and as the majority of Hungarian banks are owned by foreign credit institutions, it has strengthened the close relationship between credit institutions and their foreign parent banks.

As of 1 January 2006, Hungary 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 which aim to broaden the rights of individuals to receive information from the database on their registered data and to seek legal remedy where personal data has been registered incorrectly or unlawfully.

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

In the course of harmonising the national law with EU law, Hungary has also 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**) together with Directive 2007/14/EC *on detailed rules for the implementation of certain provisions of the Transparency Directive*.

Further, Hungary has 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 has implemented Directive 2005/60/EC *on the prevention of the use of the financial system for the purpose of money laundering and terrorism financing*. In order to implement the above-mentioned Directives, the Hungarian Parliament passed the Investment Firms Act, which came into force on 1 December 2007 and was accompanied by various amendments to the Credit Institutions Act and to Act CXX of 2001 *on capital markets* (the **Capital Markets Act**).

In light of the financial crisis, having exposed important failures in financial supervision, legislative proposals have been made by the European Commission on the adoption of the so-called "**Omnibus Directive**" which aim at:

- (i) establishing a European System of Financial Supervisors (**ESFS**) that consists of a network of national financial supervisors working in tandem with new European Supervisory Authorities (**ESAs**) to be created by transforming the existing European supervisory committees into a European Banking Authority (**EBA**), a European Insurance and Occupational Pensions Authority (**EIOPA**), and a European Securities and Markets Authority (**ESMA**), thereby combining the advantages of an overarching European framework for financial supervision with the expertise of local micro-prudential supervisory bodies that are closest to the institutions operating in their jurisdictions; and
- (ii) establishing a European Systemic Risk Board (**ESRB**) to monitor and assess potential threats to financial stability that arise from macro-economic developments and from developments within the financial system as a whole. To this end, the ESRB would provide an early warning of system-wide risks that may be building up and, where necessary, issue recommendations for action to deal with these risks.

Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 *on the exercise of certain rights of shareholders in listed companies* has also been implemented into Hungarian law by Act CXXI of 2009 *on the amendment of Act IV of 2006 on business companies and Act V of 2006 on the publicity of company information, on the company register and winding-up proceedings*. The Directive was adopted with a view to enhancing shareholders' rights in respect of companies listed on a stock exchange, in particular through the extension of the rules on transparency, and ensuring that cross-border voting rights can be exercised.

For further developments in respect of the continuing implementation of the respective EU legislation please see the relevant subsections below.

Supervision and regulation of the banking system

The legal framework of the present banking system is based on the Credit Institutions Act, the Investment Firms Act and the Capital Markets Act and orders of the Government and the Finance Minister issued in relation to the respective fields. Regulation of the Hungarian banking system is generally in line with the relevant EU banking standards.

In the Hungarian banking system both the NBH and the Hungarian Financial Supervisory Authority (the **HFS**) perform supervisory functions. The two institutions oversee all legal entities engaged in providing banking services in Hungary.

National Bank of Hungary

Act LVIII of 2001 on the National Bank of Hungary regulates the NBH and its current status in the system of European Central Banks. The NBH controls the volume of money in circulation and foreign exchange management and 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 all lending institutions to create reserve funds amounting to a specified portion of their adjusted liabilities.

The NBH may, at its discretion, act as a lender of last resort to assist credit institutions facing transitional liquidity problems, where such difficulties endanger the stability and smooth operation of the financial system, particularly in respect of payment functions. Any loan granted by the NBH to a commercial bank in its lender-of-last-resort capacity constitutes an unguaranteed obligation on the part of that bank. Furthermore, the NBH may also provide liquidity to credit institutions in accordance with the current monetary policy through repo transactions. In addition, the NBH has ongoing consultations with banks, and holds on-site audits in its capacity of a supervisory organisation.

Further, the NBH has been designated as an "agency" for the purposes of the functions as set out in Section 1 of Article V of the Agreement of the International Monetary Fund (the **IMF Agreement**).

Act CXLVIII of 2009 *on the amendment to certain acts for the enhancement of the supervision of the financial intermediation system* (the **Enhancement Act**), has conferred a new power on the NBH in relation to the secure operation of the financial system. In accordance with Act LVIII of 2001, as amended by the Enhancement Act, the NBH, in cooperation with the relevant authorities, supports the adoption and maintenance of an efficient policy on the stability of the financial system and the prudential supervision of credit institutions, in particular through the identification of economic risks which endanger the stability of the financial system as a whole.

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 as well as with regard to the Hungarian economy. The NBH also monitors the compliance of credit institutions with the provisions of the Credit Institutions Act and the orders issued by the Governor of the NBH (the **NBH Orders**).

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 needs to accede to the ERM-II system.

The Republic of Hungary is presently at the second stage of the 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 regulation of the status and organisation of the HFSA is set out in Act CXXXV of 2007 on the Hungarian Financial Supervisory Authority (the **HFSA Act**) as amended by the Enhancement Act.

The HFSA an independent state agency, accountable to Parliament, with national jurisdiction and exercises the statutory powers given to it by the HFSA Act. The HFSA is a member of the Committee of European Banking Supervisors (**CEBS**), the Committee of European Insurance and Occupational Pensions Supervisors (**CEIOPS**) and the Committee of European Securities Regulators (**CESR**), also known as the "Lamfalussy level 3 Committees".

Pursuant to the amended provisions of the HFSA Act, the HFSA is headed by the President with the assistance of two Vice Presidents. The President of the HFSA is appointed by the President of the Republic of Hungary on the nomination of the Prime Minister, whilst the Vice Presidents are appointed by the Prime Minister on the proposal of the President of the HFSA. The amendment has also established the Financial Stability Council (**FSC**) in order to support the efficient operation of the HFSA. The FSC consists of the President of the NBH, the President of the HFSA and the minister responsible for the regulation of the financial markets. The presidency of the FSC is held by its members on the basis of annual rotation.

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. The responsibilities of supervising banks and other credit institutions have largely been transferred to the HFSA, with the NBH retaining a more limited supervisory role (mainly related to the circulation of the national 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 Institutions Act, and to initiate proceedings where deviation has been detected. From 3 May 2009, the HFSA is obliged to conduct comprehensive inspections once every 3 years including on-site audits at banks, specialised credit institutions, insurance companies and reinsurers. The HFSA and the NBH co-operate in performing financial supervision. Accordingly, licensing by the HFSA of certain financial services requires a preliminary opinion or approval from the NBH.

The HFSA can implement a variety of measures 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 any of the following: infringement of legal regulations or NBH Orders pertaining to financial services and supplementary financial services; for the failure to comply with the Credit Institutions Act, HFSA decisions, internal rules and regulations of the supervised institutions, or for the late or insufficient compliance with the above. The Enhancement Act has significantly increased the maximum limit for such fines to the higher of either 2 billion HUF, or 200 per cent. of the annual supervision fee determined for the institution concerned.

Act XIII of 2009 *on the amendment of certain acts on the supervision of the financial intermediation system* and the Enhancement Act have materially modified the set of circumstances and conditions which give rise to the delegation of superintendents by the HFSA. While earlier the HFSA was provided with discretion in deciding whether to delegate a superintendent, from 1 January 2010, it is obliged to employ such an exceptional measure upon the occurrence of the following events:

1. the solvency capital of the credit institution does not reach the mandatory level prescribed by 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, or not willing, to restore the solvency capital or the own equity of the credit institution to the mandatory level prescribed by law or to the level imposed by the HFSA; or
 - 1.3. the credit institution fails to execute the restoration plan approved by the HFSA, or does so with significant delay or deviation; or
2. the solvency capital of the credit institution falls below 50 per cent. of the mandatory capital level, regardless of whether the above conditions are met; or
3. the competent authority, supervising the parent company of the credit institution, notifies the HFSA of the occurrence of a crisis situation which jeopardises 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 at the credit institution 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 so extensive that the assessment of the real financial position of the credit institution has become impossible.

Further, pursuant to the HFSA Act, as amended by the Enhancement Act (effective from 1 January 2010), the HFSA is empowered to impose a ban or restriction on, or conditions for, the provision of financial services or the conclusion of such transactions by the credit institution involved for a maximum 90-day

period, where significant risks arise that the continued performance of the activities concerned would endanger the stability of the financial system, and where such concerns may not be eliminated through other measures.

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 elaborated in Government orders, NBH Orders, or orders issued by the minister responsible for the regulation of the financial markets. The HFSA does not have the power to issue orders, or any other legally binding regulation.

Capital Adequacy

Basel III

At its meeting held on 8-9 December 2009, the Basel Committee on Banking Supervision (the **BCBS**) approved a reform package (commonly referred to as **Basel III**) consisting of two proposals regarding capital (**Capital Proposal**) and liquidity (**Liquidity Proposal**).

The Capital Proposal comprises new standards on minimum tier-1 capital, the composition of the capital base, rules on counterparty risk, a leverage ratio and concepts for countercyclical capital buffers. A new "predominant form of tier-1 capital" consisting of common shares and retained earnings is to be established which will need to amount to a certain percentage (to be defined after an impact study) of the overall tier-1 capital.

The Liquidity Proposal introduces two new ratios for liquidity requirements: a short-term liquidity funding ratio and a long-term net stable funding ratio. The short-term liquidity funding ratio shall ensure sufficient resources to survive an acute stress scenario (to be determined by regulators based on the actual events of recent crisis) lasting for one month. Furthermore, the proposal foresees that the stock of high quality liquid assets must be greater than the net cash outflows over the 30 day period.

EU legislation

As regards the European Union, the current EU framework for regulatory capital is primarily set out in the Capital Requirement Directive (the **CRD**), comprising two (amended) Directives, the recast 2006/49/EC Directive of the European Parliament and the Council of 14 June 2006 *on the capital adequacy of investment firms and credit institutions* (the **CAD**), and the recast 2006/48/EC Directive of 14 June 2006 *on the taking up and pursuit of the business of credit institutions*. The CRD aims to ensure the soundness and stability of credit institutions and certain investment firms, on the basis of the three-pillar structure of the Basel II (Revised) Capital Framework.

Since its coming into force, various packages of changes have been adopted and further amendments are being proposed to the CRD by the European Commission.

As part of the ongoing process of revision that was already underway, and also as a response to the credit crisis, the "CRD2" proposal package was adopted in 2008 by the European Commission.

CRD2 aimed, amongst other things, at improving the:

- (i) quality of banks' capital by establishing clear EU-wide criteria for assessing the eligibility of 'hybrid' capital to be counted as part of a bank's overall capital;

- (ii) management of large exposures by restricting a bank's lending beyond a certain limit to any one party;
- (iii) risk management of securitisation, including a requirement to ensure that a bank does not invest in a securitisation unless the originator retains an economic interest; and
- (iv) supervision of cross-border banking groups.

Proposals were also made within the CRD2 package for improving liquidity risk management.

CRD2 began the legislative process, resulting in the adoption of Directive 2009/111/EC of the European Parliament and of the Council (amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC) and Commission Directive 2009/83/EC (amending certain Annexes to Directive 2006/48/EC). The necessary national laws, regulations and administrative provisions required for compliance must be established by 31 October 2010, to be applied from 31 December 2010.

In 2009, further alterations were proposed to the CRD by the European Commission (**CRD3**) to complement the CRD2 package in addressing the lessons of the financial crisis. The modifications, reflecting international developments and building on the agreements reached by the BCBS, include: (i) higher capital requirements for re-securitisations to ensure that banks take proper account of the risks of investing in such complex financial products; (ii) upgrading disclosure standards for securitisation exposures; and (iii) strengthening capital requirements for the trading book. As a consequence of the Basel I capital floors having been extended by BCBS beyond 2009, CRD3 also proposes to amend the CRD, so as to prolong its transitional floors until the end of 2011.

It is envisaged that in the second half of 2010 the European Commission will publish a legislative proposal on additional amendments to the CRD (the **CRD4**). The possible changes foreseen by CRD4 are closely aligned with the amendments to the Basel II framework and the introduction of a global liquidity standard drawn up by the BCBS.

Further, CRD4 strives to (i) strengthen, harmonise and simplify the definition of capital; (ii) specify explicit minimum capital limits; and (iii) enhance disclosure requirements in respect of capital.

In addition, the latest proposal package suggests the introduction of certain countercyclical measures, consisting of through-the-cycle provisioning for expected credit losses and application of appropriate capital buffers with the cyclicity of minimum requirements.

Implementation of the relevant EU legislation by Hungary

The CRD, as effective at the relevant time, has been implemented by Act LI of 2007 *on the amendment to the Act on credit institutions and financial undertakings and to Acts on certain specialised credit institutions* and the orders issued by the Government and the minister responsible for the regulation of the financial markets.

According to the amended Credit Institutions Act, reflecting the requirements set out in the CRD, banks must maintain a registered capital of at least HUF 2 billion (approximately EUR [6.67] million). The amount of a credit institution's equity may not be less than the statutory minimum amount of its registered capital. In the event of the amount of a credit institution's equity falling below the registered capital, the HFSA may afford the credit institution a maximum of 18-month deadline to bring its equity to the required level.

In order to maintain its solvency and ability to satisfy its liabilities, a credit institution must at all times maintain solvency capital adequate to cover the risk of the financial and investment activities it engages in. The solvency capital must be at all times equal to, or above, the sum of:

- (i) 8 per cent. of its total risk weighted exposure, calculated in accordance with the relevant provisions of the Credit Institution Act, for its credit risk;

- (ii) the capital requirement for its dilution risk;
- (iii) the capital requirement for counterparty credit risk in relation to items booked in, and out of, its trading book;
- (iv) the capital charge for position risk and large exposures in its trading book;
- (v) the capital charge for foreign exchange and commodities risk throughout all of its business activities; and
- (vi) the capital requirement for operational risk inherent in all of its business lines,

which may not in any event be less than the minimum amount of its registered capital.

The amended Credit Institutions Act provides for two broad methodologies to quantify a bank's risk-weighted exposure: the Standardised Method and the Internal Ratings Based Approach. The Standardised Method enables the credit institution to measure its risks in a standardised manner on the basis of the principles laid down in the Credit Institutions Act. Pursuant to this method, each exposure must be categorised into an exposure class, linked to the respective risk category. Alternatively, the Internal Ratings Based Approach, subject to the explicit approval of HFSA, allows banks to use their internal rating systems. In relation to the IRB approach, the HFSA has already issued its own validation hand-book (*in Hungarian: "PSZÁF Validációs Kézikönyv"*).

With Hungary fulfilling its harmonisation obligation in respect of the changes, brought about by the CRD2 package, the new, more stringent framework will apply to every credit institution, including the Issuer, authorised in its jurisdiction.

Should CRD3 and CRD4 lead to the adoption of the respective EU legislation, further tightening can be expected with regard to the capital adequacy regime.

Trading Book

A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Positions held with trading intent are those held intentionally for short-term resale and/or with the intention of benefiting from actual or expected short-term price movements or to lock in arbitrage profits, including proprietary positions, positions arising from client servicing and market making. To be eligible for trading book capital treatment, financial instruments must either be free of any restrictive covenants on their tradability or be able to be hedged completely. In addition, positions should be frequently and accurately valued, and the portfolio should be actively managed.

In order to ascertain a credit institution's capital requirements in respect of positions booked in the trading book, there must be clearly defined policies and procedures in place in order to determine which exposures to include in, and to exclude from, the trading book. Systems and control mechanisms must be sufficient to provide prudent and reliable valuation estimates.

The regulation of credit institutions' trading activities and the trading book are set out in the Investment Firms Act and the relating government orders (implementing MiFID and the relevant provisions of CRD).

General Reserves

A credit institution must create general reserves against the possibility of losses not yet identified by setting aside 10 per cent. of its Profit After Tax prior to paying dividends or shares. The funds so set aside may be used only to offset the losses incurred by the credit institution from its business activities. (Upon request, a credit institution may be exempted by the HFSA from the obligation to create general reserves provided that 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 in Paragraphs (1)-(2) of Section 76 of the Credit Institutions Act and if it has no negative profit reserves.)

Regulation on Transactions

In addition to the provisions on capital adequacy, the Credit Institutions Act imposes other requirements and restrictions on credit institutions, including reporting obligations and liquidity requirements, and contains limitations on large exposures and exposures related to the acquisition of ownership in companies and real estate, as well as other forms of investment restrictions. The Credit Institutions Act also sets out requirements as to the fitness, probity and competence of the credit institutions' personnel.

Implementation of the Payment Services Directive

Directive 2007/64/EC of 13 November 2007 *on payment services in the internal market* (the **PSD**) provides for the legal framework for payments in the European Economic Area and a single market for Euro payments, known as the Single Euro Payment Area (**SEPA**). SEPA aims at creating an integrated market for payment services in EUR, with a common set of business rules and technical standards for non-cash payments, where all EUR payments are treated equally, and the differentiation between domestic and cross-border transactions disappears. PSD also seeks to improve competition by opening up payment markets to new entrants, thus fostering greater efficiency and cost reduction.

Further, Regulation (EC) No 924/2009 *on cross-border payments in the Community*, (the **Payment Regulation**), directly applicable in Hungary, eliminates the differences between charges for cross-border payments within the EU and those for payments in the same currency within a Member State. It applies to payments in all EU Member States. The Payment Regulation applies to all electronically processed payments in euro, up to the value of EUR 50 000, including credit transfers, direct debits, cash withdrawals at cash dispensers (ATMs), payments by means of debit and credit cards, and money remittance. Some conditions may apply depending on the type of a payment transaction. For example, for credit transfers and direct debits, the use of IBAN and BIC, when ordering the payment, is obligatory. All non-euro area Member States have the possibility to extend the application of this Regulation and to apply the same charges for payments in euro as for payments in their national currency.

The PSD was implemented into Hungarian law as from 1 November 2009, when Act LXXXV of 2009 *on the provision of payment services* (the **Payment Services Act**) and Act LXXXVI of 2009 *amending the Credit Institutions Act* (the **Amendment to the Credit Institutions Act**) came into force.

The Payment Services Act lays down the requirements set out in the PSD in order for the Hungarian payment system to be compatible with SEPA. The Payment Services Act has established a comprehensive set of rules applicable to payment services provided within the territory of Hungary in relation to both domestic and cross-border payments within the EEA, with enhanced transparency as regards the conditions of payment services. The Payment Services Act imposes various disclosure obligations on payment service providers, which may not be derogated from by contract where the customer is regarded as a consumer or a micro-enterprise (within the meaning defined therein). Effective from 1 November 2009, NBH has adopted further rules in connection with the regime of payment services established by the Payment Services Act and the Amendment to the Credit Institutions Act in its No 18/2009 (VIII. 6.) order on the execution of payments.

The Amendment to the Credit Institutions Act has introduced a new category of payment service provider, the "*payment institutions*" (in Hungarian: "*pénzforgalmi intézmény*").

Consumer protection legislation in the financial sector

EU legislation on consumer protection in respect of financial services

In the spirit of further integrating the markets and providing a higher level of consumer protection, a new EU directive was adopted in respect of consumer credits. Directive 2008/48/EC of the European Parliament and the Council of 23 April 2008 *on credit agreements for consumers and repealing Council Directive 87/102/EEC* (the **Consumer Credit Directive**) sets out additional obligations on any natural or legal person who grants credits to consumers (as defined in the directive) in the course of his trade, business or

profession, including credit institutions. Certain types of credit agreements, such as loans secured by a mortgage on real estate, are excluded from the scope of the Consumer Credit Directive. By focusing on transparency and consumer rights, the Consumer Credit Directive ensures that comprehensive information is given to consumers in good time and before the contract is concluded and also as part of the credit agreement.

In order to enhance the comparability of different offers and to make the information better understandable, the pre-contractual information needs to be supplied in a standardised form (Standard European Consumer Credit Information), which must be used by every creditor (as defined in the Consumer Credit Directive) when marketing consumer credits in any Member State. Further, the Consumer Credit Directive imposes significantly more stringent obligations on creditors in respect of both the disclosure and calculation of the Annual Percentage Rate of Charge (as harmonised at the EU level, hereinafter referred to as **APR**), representing the total costs of the credit.

Moreover, the Consumer Credit Directive tightens the requirements for assessing the creditworthiness of consumer borrowers. In addition, the Consumer Credit Directive foresees two essential rights for consumers: (i) they are allowed to withdraw from the credit agreement without giving any reason within a period of 14 days after the conclusion of the contract; and (ii) they are entitled for early repayment at any time, with limitations on creditors' rights to compensation for the losses incurred because of the prepayment by the consumer. The Consumer Credit Directive must be transposed by the member states into their national laws no later than 12 June 2010.

Recent laws on consumer protection in Hungary

The recent Hungarian legislation, aimed at enhancing the protection of consumers in financial markets, partly relates to the implementation of the Consumer Credit Directive, partly to further narrow the scope for unilateral amendments by credit institutions in respect of consumer credit agreements, and partly to other restrictions with a view to protecting the weaker party.

The Consumer Credit Directive has been implemented into Hungarian law by Act CLXII of 2009 on consumer credit (the **Consumer Credit Act**) and No. 361/2009 (XII. 30.) order of the government on the requirements of prudent residential lending and on the assessment of creditworthiness (the **Consumer Credit Order**).

It is necessary to highlight however that the Consumer Credit Act goes beyond the EU requirements, as a number of its strict provisions also apply to mortgage-backed loans and financial lease agreements, which are excluded from the scope of the Consumer Credit Directive.

The most important implications arise in respect of prepayments and the assessment of creditworthiness.

As regards prepayments, the Consumer Credit Act imposes significant limitations on, and conditions for, a credit institution recovering its losses, stemming from the consumer borrower repaying the loan, in whole or in part, earlier than its scheduled maturity.

New requirements on credit rating in respect of residential loans

The provisions set out in the Consumer Credit Order apply to credits (as defined in the Credit Institution Act) and financial lease agreements granted to, and/or entered into with, natural persons in the territory of the Republic of Hungary by financial, or payment institutions (as also defined in the Credit Institution Act respectively) in the course of their lending activity.

Some types of credit agreements are excluded from the scope of the Consumer Credit Order, such as:

- amendments to, or the rescheduling of, existing credit agreements, stemming from the default or solvency problems on the part of natural-person borrowers, provided that the total

amount of the borrower's existing debts does not increase as a result of such alterations and the modified credit is (i) denominated in HUF or EUR, or made as a EUR-based loan, where the credit was originally disbursed as a EUR-denominated or EUR-based loan, or a loan denominated in a currency other than HUF or EUR; or (ii) denominated in HUF if the credit was initially denominated in HUF;

- certain refinancing credits, granted by the same creditor (as defined above) as that having made the original loan on which the borrower is in default, provided that the refinancing transaction does not lead to such further indebtedness of the borrower, which exceeds the amount reasonable to restore their solvency; and
- certain other credit agreements with specific purposes or collaterals as determined therein.

The provisions of the Consumer Credit Order do not apply to those credits provided to refinance a natural-person borrower's debts, existing at the time of the Consumer Credit Order coming into force, by a creditor other than that having made the original loan being refinanced, insofar as such a transaction does not lead to an increase in the total amount of the borrower's indebtedness, existing at the time of the refinancing credit under the original loans, and the new credit is (i) denominated in HUF or EUR, or made as a EUR-based loan, where the credit was originally disbursed as a EUR-denominated or EUR-based loan, or a loan denominated in a currency other than HUF or EUR; or (ii) denominated in HUF if the credit was initially denominated in HUF. Limitations set out in the Consumer Credit Order on the amount of repayment instalments under foreign currency denominated loans and the requirements on the internal credit rating policies of creditors, however, will be applicable also to such transactions.

The new regime imposes caps on the extent of exposure which can be assumed by creditors (as measured at the time of the approval of the application for the respective credit) in respect of loans secured by a mortgage on real estate or financial lease agreements, with the maximum amount depending on the currency in which the loan and/or the financial lease is denominated. In the case of loans backed by a mortgage on real estate, the following limits apply, calculated on the basis of the market value of the property subject to that mortgage at the time of the approval of the application for the respective loan agreement or on completion of the construction in respect of properties under development: (i) 75 per cent. with regard to HUF denominated loans, (ii) 60 per cent. in respect of EUR denominated or EUR based loans, and (iii) 45 per cent. as to loans denominated in currencies other than EUR (including CHF credits). The maximum amounts regarding financial lease agreements are 80, 65 and 50 per cent., respectively.

The stringent requirements, described previously, are not applicable to those loans, granted to finance residential property, which are guaranteed by the state.

New provisions on internal credit rating procedures

The Consumer Credit Order sets out tightened requirements on the internal credit rating procedures of creditors. The new provisions inter alia prevent creditors from providing any credit to natural persons solely on the basis of the collateral, offered as security for the loan, and impose an obligation on them to assess the creditworthiness of the natural-person borrowers in each and every case.

Creditors falling into the scope of the Consumer Credit Order are obliged to adopt internal rules and regulations on credit rating, especially in relation to determining procedures and methods for the establishment of credit limits for natural-person borrowers, representing the maximum amount (calculated in HUF) of the repayment obligations that they are expected to be able to fulfil on a monthly basis in the light of their credit rating.

The calculation of such limits have to be grounded on the income of the natural-person borrowers and their households, and must also take into account all known debts of such borrowers, including those existing against the creditor concerned and those owed to other financial or payment institutions. The instalments to be paid monthly may not exceed a certain proportion of the so established credit limits (as at the time of the approval of the application for the respective credit), which is (i) 100 per cent. in the case of HUF

denominated, (ii) 80 per cent. with regard to EUR denominated or EUR based credits, and (iii) 60 per cent. in respect of loans denominated in currencies other than EUR. It is worth remarking that the aforementioned ratios in respect of loans with foreign-currency denomination ((ii)-(iii)) will not apply where the natural-person borrower has a regular income in the same currency as that of the loan for which they have applied, insofar as such income reaches the total amount of all of this borrower's monthly repayment obligations denominated in any currencies.

Further, creditors must provide natural person borrowers, before the assessment of their creditworthiness, with the guidance published on the websites of the NBH and HFSA on the risks associated with excessive indebtedness.

Tightened regime for the calculation and disclosure of the APR

As regards the calculation and disclosure of the APR, No 83/2010 (III. 25.) order of the government on the determination, calculation and disclosure of the annual percentage rate of charge (the **APR Order**), implementing the relevant provisions of the Credit Consumer Directive, also takes Hungary beyond the content of EU standards. As opposed to the Consumer Credit Directive, the scope of the more stringent APR regime (effective from 11 June 2010) also covers loans secured by a mortgage on property, which are to be granted to consumer borrowers (as defined in the Consumer Credit Act) on the territory of the Republic of Hungary. The APR Order *inter alia* significantly broadens the scope of those expenses which must be included in the total cost of credit also in respect of such loans. These expenses include, but not limited to:

- fees and commissions payable to credit intermediaries (if employed);
- charges for ancillary services, especially fees of account maintenance and transfers, known by the creditor and the costs of those services tied to the consumer credit by contract (where applicable); and
- costs of proceedings before the land registry office (where applicable).

Restrictions on unilateral amendments effected by credit institutions

In addition to the above, Act XIII of 2009 *on the amendment of certain acts on the supervision of the financial intermediation system has introduced various restrictions (refined by Act CL of 2009 on the amendment of certain acts relating to financial markets)* on the rights of financial institutions to effect unilateral amendments to existing loan agreements and financial lease agreements entered into between credit institutions and retail customers. Pursuant to the restrictions, the right of 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 amendments are also linked to further conditions on the part of the relevant credit institution. Where the borrower is not regarded as a retail customer, unilateral amendments to the detriment of the client by credit institutions are made conditional upon the respective agreement providing for such a possibility.

Such regulations imposing restrictions on the unilateral detrimental amendment rights of credit institutions in respect of their client agreements also apply with respect to all client agreements falling into the above-mentioned client scope and to existing client agreements concluded before the entry into force of the provisions of Act XIII of 2009 (except for those loan agreements financed by mortgage securities).

Other restrictions

The Credit Institutions Act imposes certain restrictions on the provision of small-amount credits with significantly high APRs, as well as on the way of taking security interests in relation to agreements concluded with consumers.

As regards the former limitation, financial institutions may grant to the same customer in the same calendar year only one credit with a principal amount not exceeding HUF 250,000 and with an APR which is higher than 65 per cent.

With respect to the latter restriction, agreements concluded with consumers which provide the financial institution with a purchase option for security purposes in respect of residential property are rendered null and void in so far as the consumer obligor habitually lives in the so pledged property.

Recent amendments in relation to intermediaries engaged by financial institutions

Act CL of 2009 *on the amendments to certain acts with financial subject matter*, having amended the Credit Institution Act, has introduced a new regime for the employment of intermediaries by financial institutions (including credit institutions) with enhanced transparency requirements and more stringent licensing or, depending on the type of the intermediary engaged, notification obligations on the part of financial institutions providing services through intermediaries (as redefined in the Credit Institution Act).

Enhanced effectiveness of close-out netting agreements entered into by credit institutions

In order to maintain the effectiveness of close-out netting agreements and the relating collaterals in insolvency proceedings, Act IL of 1991 *on bankruptcy and liquidation proceedings* (the **Insolvency Act**) has also been amended. The modified Insolvency Act provides that the moratorium, automatically granted to the insolvent company by virtue of law in bankruptcy proceedings, does not affect the enforceability of close-out netting agreements and pledges provided before the commencement of the relevant proceeding, where the other party to such close-out netting arrangements or the pledgee respectively, is an entity specified therein (including credit institutions and investment firms).

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 adopted 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 provided a credit facility of up to EUR 5 billion to the NBH in order to provide additional support to the NBH's operations.⁷

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

⁷ source: www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=ecb_mnb_repo_press_release_magyarfinal

for those domestic credit institutions falling under the Hungarian National Bank's reserve requirement that are members of VIBER or BKR.⁸

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.⁹

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

In response to the financial crisis, the guarantee provided by the National Deposit Insurance Fund (*in Hungarian: "Országos Betétbiztosítási Alap"*) (the "**Fund**") on the so called "registered" (*in Hungarian: "névre szóló"*) bank account deposits (as defined in the Credit Institutions Act) placed with 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 which came into force on 30 June 2009.

Stand-By Arrangement with the IMF

On 28 October 2008, the European Union and the World Bank announced a joint financing package for Hungary subject to agreement of the IMF Management and Executive 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 per cent. of Hungary's quota, and was approved under the IMF's fast-track Emergency Financing Mechanism procedures.¹⁰

Extension of the eligible counterparties

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**").¹¹

⁸ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

⁹ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

¹⁰ Source: official website of IMF: (<http://www.imf.org/external/np/sec/pr/2008/pr08275.htm>)

¹¹ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

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.¹²

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 NBH. 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 year end-2008 levels.¹³

A further criterion 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.¹⁴

Legislative Measures

Financial Stabilisation Act¹⁵

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 enactment of Act CIV of 2008 on Enhancing the Stability of the Financial Intermediary System (the "**Financial Stabilisation Act**").

The Financial Stabilisation Act provides for the creation of a special purpose account held with the NBH in which the Hungarian State will deposit the foreign currency equivalent of a maximum of HUF 300 billion from the drawdowns effected between 2008-2010 under the credit facility provided by the IMF to Hungary (in the framework of the Stand-By Arrangement concluded between the IMF and the Hungarian State).

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

The main measure under the Financial Stabilisation Act is recapitalisation, which may be employed on the joint recommendation of the president of the HFSA and the governor of the NBH 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

¹² Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

¹³ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>)

¹⁴ Source: official website of the Hungarian National Bank (<http://www.mnb.hu>; http://www.mnb.hu/engine.aspx?page=fx-swap_tenderek_gyorstenderek)

¹⁵ Source: Act 104 of 2008 on the Enhancement of the Stability of the Financial Intermediation System

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.

Management Right

The Financial Stabilisation Act also provides for another 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 Hungarian State may adopt any of the measures under the Financial Stabilisation Act, except for any decisions of the Minister, responsible for public finances on the exercise of the put option with respect to the dividend preference shares referred to above, until 30 December 2010.

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

To mitigate the effects of the economic crisis, the government introduced certain measures in 2009 to ease loan repayment.

According to Act IV of 2009 *on the on-demand state guarantee on housing loans*, (the **Guarantee Act**) (as amended by Act CXIV of 2009) the Hungarian State undertook with effect from 28 July 2009, an on-demand guarantee (the **Guarantee**) financed by the central budget of the Hungarian State in respect of certain so-called "bridge loans" (the **Eligible Loans**) provided by credit institutions to those natural persons (the **Eligible Persons**), who, among other things,

- (i) have become unemployed after 30 September 2008 (the **Unemployed Eligible Persons**); or
- (ii) alternatively, have not become unemployed, but have certified that the altered financial position of their households temporarily does not enable them to duly repay the housing loans they have obtained (the **Other Eligible Persons**);

and in both cases are able to effect certain limited regular payments at a later date, and fulfil other specific eligibility criteria set out in the Guarantee Act.

The Guarantee covers the payments of principal and interest payable on the Eligible Loans up to (a) 80 per cent. in the case of the Unemployed Eligible Persons; or (b) 70 per cent. with respect to the Other Eligible Persons.

Eligible Persons may apply for an Eligible Loan until 31 December 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 32 per cent.). 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 Savings 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 provides 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 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 listed on a recognised stock exchange of the EEA or the OECD and 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.

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 32 per cent.). 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 19 per cent.

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 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/EC 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, Luxembourg and Austria are instead 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. The European Parliament approved an amended version of this proposal on 24 April 2009. 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 30 July 2010 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. 2010/116/1 of the Asset-Liability Committee of the Issuer, dated 21 June 2010.

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 unconsolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2009 and 2008 (with an English translation thereof), together with the independent auditors' 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 unconsolidated financial statements of the Issuer, together with any audit reports prepared in connection therewith, and the most recently published unaudited interim financial statements of the Issuer (with an English translation thereof). The Issuer currently prepares unaudited consolidated and unconsolidated 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 March 2010 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2009.

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 2009 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 2009 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

OTP Bank Nyrt.

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Hungary

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To the Issuer as to Hungarian law

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To the Dealers as to Hungarian law

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