OTP BANK PLC.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

OTP BANK PLC.
CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONTENTS

OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2012
(in HUF mn)

	Note	*30 June 2012*	*31 December 2011*	*30 June 2011*
Cash, amounts due from banks and balances with the National Banks	*4.*	560,263	595,986	441,575
Placements with other banks, net of allowance for placement losses	*5.*	429,375	422,777	527,955
Financial assets at fair value through profit or loss	*6.*	213,113	241,282	273,078
Securities available-for-sale	*7.*	1,502,010	1,125,855	1,387,995
Loans, net of allowance for loan losses	*8.*	6,476,948	7,047,179	6,332,757
Associates and other investments	*9.*	7,712	10,342	8,529
Securities held-to-maturity	*10.*	132,007	124,887	147,621
Property and equipment	*11.*	236,758	241,797	245,725
Intangible assets	*11.*	237,776	249,869	215,141
Other assets	*12.*	141,193	140,553	131,963
TOTAL ASSETS		**9,937,155**	**10,200,527**	**9,712,339**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	*13.*	711,119	646,968	698,421
Deposits from customers	*14.*	6,170,700	6,398,853	5,898,200
Liabilities from issued securities	*15.*	742,688	812,863	934,346
Financial liabilities at fair value through profit or loss	*16.*	129,613	230,149	141,593
Other liabilities	*17.*	466,921	376,937	419,326
Subordinated bonds and loans	*18.*	296,078	316,447	281,736
TOTAL LIABILITIES		**8,517,119**	**8,782,217**	**8,373,622**
Share capital	*19.*	28,000	28,000	28,000
Retained earnings and reserves		1,440,849	1,439,095	1,357,016
Treasury shares	*21.*	(54,029)	(54,386)	(52,525)
Non-controlling interest	*22.*	5,216	5,601	6,226
TOTAL SHAREHOLDERS' EQUITY		**1,420,036**	**1,418,310**	**1,338,717**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**9,937,155**	**10,200,527**	**9,712,339**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(in HUF mn)

	Note	*Six month period ended 30 June 2012*	*Six month period ended 30 June 2011*	*Year ended 31 December 2011*
Interest Income:				
Loans		399,851	362,119	758,679
Placements with other banks		177,135	145,562	266,870
Securities available-for-sale		41,612	38,161	73,941
Securities held-to-maturity		3,527	4,377	7,719
Amounts due from banks and balances with the National Banks		3,753	3,415	6,504
Securities held for trading		879	705	1,725
Total Interest Income		***626,757***	***554,339***	***1,115,438***
Interest Expense:				
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		153,352	112,758	209,289
Deposits from customers		119,565	105,899	212,439
Liabilities from issued securities		28,396	28,852	50,936
Subordinated bonds and loans		6,302	5,819	11,958
Total Interest Expense		***307,615***	***253,328***	***484,622***
NET INTEREST INCOME		**319,142**	**301,011**	**630,816**
Provision for impairment on loan and placement losses	*5.,8.,23.*	**108,825**	**105,029**	**249,364**
(Gain) / loss on loans related to early repayment	*23.*	**(2,490)**	**-**	**67,309**
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**212,807**	**195,982**	**314,143**
Income from fees and commissions		96,347	88,058	184,089
Expense from fees and commissions		22,984	18,262	37,567
Net profit from fees and commissions	*24.*	**73,363**	**69,796**	**146,522**
Foreign exchange (losses) / gains, net		(4,089)	5,427	50,031
Net (losses) / gains on securities		(3,844)	2,830	13,290
Gains on real estate transactions		366	606	1,002
Dividend income		2,706	464	947
Release of provision (provision for impairment) on securities available-for-sale and securities held-to-maturity	.	563	22	(945)
Other operating income	*25.*	13,704	10,183	27,252
Other operating expense	*25.*	(10,400)	(6,805)	(26,571)
Net operating income		**(994)**	**12,727**	**65,006**
Personnel expenses		93,519	77,968	169,098
Depreciation and amortization	*11.*	22,973	23,905	73,432
Other administrative expenses		109,159	85,519	160,145
Other administrative expenses	*25.*	**225,651**	**187,392**	**402,675**
PROFIT BEFORE INCOME TAX		**59,525**	**91,113**	**122,996**
Income tax	*26.*	(5,623)	(16,638)	(39,196)
NET PROFIT FOR THE YEAR		**53,902**	**74,475**	**83,800**
From this, attributable to:				
Non-controlling interest		**451**	**461**	**653**
Owners of the company		**53,451**	**74,014**	**83,147**
Consolidated earnings per share (in HUF)				
Basic	*37.*	**201**	**278**	**312**
Diluted	*37.*	**201**	**278**	**312**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(in HUF mn)

	Six month period ended 30 June 2012	*Six month period ended 30 June 2011*	*Year ended 31 December 2011*
NET PROFIT FOR THE YEAR (OWNERS OF THE COMPANY)	**53,451**	**74,014**	**83,147**
Fair value adjustment of securities available-for-sale	28,387	13,277	(22,732)
Derivative financial instruments designated as Cash-flow hedge	264	237	378
Net investment hedge in foreign operations	5,720	3,316	(7,993)
Foreign currency translation difference	(59,801)	(44,670)	78,968
NET COMPREHENSIVE INCOME	**28,021**	**46,174**	**131,768**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(in HUF mn)

OPERATING ACTIVITIES	*Note*	*Six month period ended 30 June 2012*	*Six month period ended 30 June 2011*	*Year ended 31 December 2011*
Profit before income tax		**59,525**	**91,113**	**122,996**
Goodwill impairment	*11.*	-	-	23,979
Depreciation and amortization	*11.*	22,973	23,905	49,453
(Release of provision) / Provision for impairment on securities	*7.,10.*	(563)	(22)	945
Provision for impairment on loan and placement losses	*5.,8.*	106,335	105,029	316,673
Provision for impairment on permanent diminution in value of investments	*9.*	1,445	293	3,304
Provision for impairment on other assets	*12.*	1,754	1,738	3,221
Provision for impairment / (Release of provision) on off-balance sheet commitments and contingent liabilities	*17.*	171	(3,001)	(1,863)
Share-based payment	*2.,29.*	2,540	4,666	6,188
Unrealized (losses) / gains on fair value adjustment of securities held for trading		(1,784)	1,534	1,655
Unrealized gains / (losses) on fair value adjustment of derivative financial instruments		8,234	4,438	(105,272)
Net changes in assets and liabilities in operating activities				
Changes in financial assets at fair value through profit or loss		20,657	(9,865)	19,018
Net decrease / (increase) in loans, net of allowance for loan losses		366,714	161,714	(593,565)
Decrease / (increase) in other assets before provisions for impairment		1,669	(33,242)	(33,401)
Net (decrease) / increase in deposits from customers		(228,153)	76,710	577,364
Increase in other liabilities		94,929	16,023	121,493
Net decrease /(increase) in compulsory reserves at the National Banks		15,640	35,230	(22,816)
Dividend income		(2,706)	(464)	(947)
Income tax paid		(12,488)	(14,824)	(37,368)
Net Cash Provided by Operating Activities		**456,892**	**460,975**	**451,057**
INVESTING ACTIVITIES				
Net (increase) / decrease in placement with other banks before allowance for placements losses		(6,954)	(16,174)	89,063
Net increase in securities available-for-sale		(346,584)	(358,410)	(147,517)
Net decrease / (increase) in investments in subsidiaries, before provision for impairment		1,185	2,732	(2,092)
Dividend income		2,706	464	947
Net (increase) / decrease in securities held-to-maturity		(7,106)	24,655	46,783
Additions to property, equipment and intangible assets		(13,604)	1,208	(110,417)
Disposals of property, equipment and intangible assets		7,777	(4,967)	26,346
Net decrease / (increase) in advances for investments included in other assets		1,446	28	(1,464)
Net Cash Used in Investing Activities		**(361,134)**	**(350,464)**	**(98,351)**

The accompanying notes to consolidated financial statements (unaudited) on pages 8 to 94 form an integral part of these consolidated financial statements.

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(in HUF mn)
[continued]

FINANCING ACTIVITIES	***Note***	***Six month period ended 30 June 2012***	***Six month period ended 30 June 2011***	***Year ended 31 December 2011***
Net increase / (decrease) in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		64,151	16,472	(34,980)
Cash used for redemption of issued securities		(70,175)	(88,129)	(335,556)
(Decrease) / increase in subordinated bonds and loans		(20,369)	(8,894)	25,817
(Decrease) / increase in non-controlling interest		(385)	338	(287)
Foreign currency translation		(59,803)	(44,670)	78,969
Payments to ICES holders		(1,380)	(1,761)	(4,518)
Net change in Treasury shares		249	56	(1,815)
Dividend paid		(28,129)	(20,156)	(20,204)
Net Cash Used in Financing Activities		**(115,841)**	**(146,744)**	**(292,574)**
Net (decrease) / increase in cash and cash equivalents		**(20,083)**	**(36,233)**	**60,132**
Cash and cash equivalents at the beginning of the period		**315,177**	**255,045**	**255,045**
Cash and cash equivalents at the end of the period		**295,094**	**218,812**	**315,177**

Analysis of cash and cash equivalents

Cash, amounts due from banks and balances with the National Banks		595,986	513,038	513,038
Compulsory reserve established by the National Banks		(280,809)	(257,993)	(257,993)
Cash and cash equivalents at the beginning of the period		**315,177**	**255,045**	**255,045**
Cash, amounts due from banks and balances with the National Banks	*4.*	560,263	441,575	595,986
Compulsory reserve established by the National Banks	*4.*	(265,169)	(222,763)	(280,809)
Cash and cash equivalents at the end of the period		**295,094**	**218,812**	**315,177**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2011		**28,000**	**52**	**28**	**1,383,026**	**(55,468)**	**(52,597)**	**5,888**	**1,308,929**
Net profit for the year		-	-	-	74,014	-	-	-	74,014
Other comprehensive income		-	-	-	(27,840)	-	-	-	(27,840)
Share-based payment	*29.*	-	-	4,666	-	-	-	-	4,666
Dividend for the year 2010		-	-	-	(20,160)	-	-	-	(20,160)
Sale of Treasury shares		-	-	-	-	-	2,651	-	2,651
Treasury shares									
– loss on sale		-	-	-	(16)	-	-	-	(16)
– acquisition		-	-	-	-	-	(2,579)	-	(2,579)
Payments to ICES holders	*20.*	-	-	-	(1,286)	-	-	-	(1,286)
Non-controlling interest		-	-	-	-	-	-	338	338
Balance as at 30 June 2011		**28,000**	**52**	**4,694**	**1,407,738**	**(55,468)**	**(52,525)**	**6,226**	**1,338,717**
Balance as at 1 January 2012		**28,000**	**52**	**6,216**	**1,488,296**	**(55,468)**	**(54,387)**	**5,601**	**1,418,310**
Net profit for the year		-	-	-	53,451	-	-	-	53,451
Other comprehensive income		-	-	-	(25,430)	-	-	-	(25,430)
Share-based payment	*29.*	-	-	2,540	-	-	-	-	2,540
Dividend for the year 2011		-	-	-	(28,000)	-	-	-	(28,000)
Sale of Treasury shares		-	-	-	-	-	1,835	-	1,835
Treasury shares									
– loss on sale		-	-	-	(108)	-	-	-	(108)
– acquisition		-	-	-	-	-	(1,478)	-	(1,478)
Payments to ICES holders	*20.*	-	-	-	(699)	-	-	-	(699)
Non-controlling interest		-	-	-	-	-	-	(385)	(385)
Balance as at 30 June 2012		**28,000**	**52**	**8,756**	**1,487,510**	**(55,468)**	**(54,030)**	**5,216**	**1,420,036**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

OTP Bank Plc. (the "Bank" or "OTP") was established on 31 December 1990, when the previously State-owned company was transformed into a public liability company. The Bank's registered office address is 16, Nador Street, Budapest 1051.

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

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

	30 June 2012	*31 December 2011*
Domestic and foreign private and institutional investors	96%	96%
Employees	2%	2%
Treasury shares	2%	2%
Total	**100%**	**100%**

The Bank and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,415 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

The number of employees at the Group:

	30 June 2012	*31 December 2011*
The number of employees at the Group	34,088	33,826
The average number of employees at the Group	32,875	32,180

1.2. Basis of Accounting

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

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

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

Certain adjustments have been made to the entities' statutory accounts in order to present the Consolidated Financial Position and Statement of Recognized and Comprehensive Income of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB"), which are referred to as IFRS.

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

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

1.2. Accounting [continued]

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2011

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

- IAS 24 (Amendment) "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IAS 32 (Amendment) "Financial Instruments: Presentation" – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- IFRS 1 (Amendment) "First-time Adoption of IFRS"- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- Various standards and interpretations (Amendment) "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation),
- IFRIC 14 (Amendment) "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The adoption of the above presented Amendments and new Standards and Interpretations had no significant impact on the Consolidated Financial Statements of the Group.

1.2.2. Amendments to IFRSs effective on or after 1 January 2012, which are not yet endorsed by EU, not yet adopted

At the balance sheet date of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015),
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 1 (Amendment) "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),

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

1.2.2. Amendments to IFRSs effective on or after 1 January 2012, which are not yet endorsed by EU, not yet adopted [continued]

- IFRS 7 (Amendment) "Financial Instruments: Disclosures"- Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- IAS 1 (Amendment) "Presentation of financial statements" -Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- IAS 12 (Amendment) "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- IAS 19 (Amendment) "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the Consolidated Financial Statements of the Group.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

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

2.2. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF, which is the functional currency of the Bank, at exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP as at the date of the Consolidated Financial Statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the Consolidated Statement of Recognized Income.

Net differences resulting from translating foreign currency financial statements of consolidated subsidiaries are presented as an element of Other Comprehensive Income.

Goodwill arising on acquisition is expressed in the functional currency of the foreign operation and translated at the closing rate in the Consolidated Statement of Financial Position. The resulting the foreign currency translation difference is presented as an element of the Other Comprehensive Income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank exercises control. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 31. However, certain subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.10.).
As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

2.4. Accounting for acquisitions

Subsidiaries are accounted for using purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.

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

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

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

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

The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the probable economic decline and their possible influence on the financial sector as well as the limited external refinancing funds, the lower possibility of the expansion and the prospective effects of all these above mentioned factors.

Negative goodwill, when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Recognized Income as other income.

2.5. Securities held-to-maturity

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment losses recognized to reflect irrecoverable amounts.

The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognized in each period represents a constant yield on the investment.

Such securities comprise mainly securities issued by the Hungarian and foreign Government, discounted Treasury bills, mortgage bonds and foreign bonds.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

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

2.6.2. Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are initially measured at fair value and at subsequent reporting dates also at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the Consolidated Statement of Recognized Income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Recognized Income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.

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

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

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

2.7. Securities available-for-sale

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Securities available-for-sale [continued]

Such securities consist of Hungarian and foreign government bonds, bonds issued by NBH, corporate bonds, discounted and interest bearing Treasury bills and other securities. Other securities include shares in investment funds and shares in non-financing companies. The impairment is calculated based on discounted cash flow methodology, using the expected future cash flow and original effective interest rate.

Securities available-for-sale are remeasured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of future cash flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

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

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

Loans and placements with other banks are stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amount outstanding.

When a borrower is unable to meet payments as they fall due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired.

The amount of allowance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

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

The allowances for loan and placement losses are maintained to cover losses that have been specifically identified and for potential losses which may be present based on portfolio performance.

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

The Group classifies the previously performing loans that have been renegotiated automatically to the to-be-monitored risk class for a certain period and records at least 1 per cent provision for impairment on them.

2.9. Sale and repurchase agreements, security lending

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on Statement of Financial Position and the consideration received is recorded in Other liabilities or Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognized in the Statement of Financial Position and the consideration paid is recorded either in Placements with other banks or Deposits from customers. Interest is accrued evenly over the life of the repurchase agreement.
In the case of security lending transactions the Group doesn't recognize or derecognize the securities because believes that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Associates and other investments

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

Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IAS 39, when appropriate.

Gains and losses on the sale of investments are determined on the basis of the specific identification of the cost of each investment.

2.11. Property and equipment, Intangible assets

Property and equipment and Intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.
Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	3.33-50%
Property rights	10-50%
Property	1-50%
Office equipments and vehicles	2.5-50%

Depreciation and amortization on Property and equipment and Intangible assets commence on the day such assets are placed into service.

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

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

2.12. Financial liabilities

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Leases

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

The Group as a lessor

Amounts due from lessees under finance leases are recorded as other receivables at the amount of the net investment in the lease of the Group. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the net investment outstanding of the Group in respect of the leases. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as a lessee

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The principal element of each future lease obligation is recorded as a liability, while the interest elements are charged to the Consolidated Statement of Recognized Income over the period of the leases to produce a constant rate of charge on the balance of principal payments outstanding.
Payments made under operating leases are charged to the Consolidated Statement of Recognized and Comprehensive Income on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.14. Treasury shares

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

2.15. Interest income and interest expense

The interest income and expense are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on the IAS 18 Revenue Standard, referring to provision of IAS 39. The Group recognizes interest income when assumes that the interest associated with the transaction will flow to the Group and the amount of the revenue can reasonably be measured. All interest income and expense recognized are arising from loans, placements with other banks, securities held for trading, securities available-for-sale, securities held-to-maturity and amounts due to banks, deposits from customers, liabilities from issued securities, subordinated bond and loans are presented under these lines.

2.16. Fees and Commissions

Fees and commissions are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on IAS 18 Revenue Standard. Fees and Commissions are recognized using the effective interest method referring to provisions of IAS 39.

2.17. Dividend income

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Income tax

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

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

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

2.19. Off-balance sheet commitments and contingent liabilities

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

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

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

2.20. Share-based payment

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

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

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.21. Consolidated Statement of Cash Flows

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.22. Segment reporting

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Based on the above, the segments identified by the Group are the business and geographical segments.
The Group's reportable segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.23. Comparative figures

The presentation of certain amounts in the Consolidated Financial Statements for the year ended 31 December 2011 have been restructured to conform with the current year presentation. These restructurings were not material.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of financial statements in conformity with IFRS requires the management of the Group to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgement include:

3.1. Impairment on loans and placements

The Group regularly assesses its loan portfolio for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Provisioning involves many uncertainties about the outcome of those risks and requires the management of the Group to make many subjective judgements in estimating the loss amounts.

3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. correlations, volatilities, etc.). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.3. Provisions

Provisions are recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 17)

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

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

3.4. Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 “Impairment of assets”.
The Group calculates the value in use a discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

NOTE 4: CASH, AMOUNTS DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANKS (in HUF mn)

	30 June 2012	*31 December 2011*
Cash on hand		
In HUF	71,116	53,713
In foreign currency	108,351	124,737
	179,467	**178,450**
Amounts due from banks and balances with the National Banks		
Within one year:		
In HUF	132,652	138,915
In foreign currency	246,910	277,315
	379,562	**416,230**
Over one year:		
In HUF	-	-
In foreign currency	709	796
	709	**796**
Accrued interest	525	510
	380,796	**417,536**
Total	**560,263**	**595,986**
Compulsory reserve set by the National Banks	**265,169**	**280,809**

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

	30 June 2012	*31 December 2011*
Within one year		
In HUF	21,527	16,442
In foreign currency	405,150	403,346
	426,677	**419,788**
Over one year		
In HUF	-	-
In foreign currency	3,583	3,633
	3,583	**3,633**
Accrued interest	429	521
Provision for impairment on placement losses	(1,314)	(1,165)
Total	**429,375**	**422,777**

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

	30 June 2012	*31 December 2011*
Balance as at 1 January	**1,165**	**1,981**
Provision for the period	430	166
Release of provision for the period	(235)	(1,091)
Foreign currency translation difference	(46)	109
Closing balance	**1,314**	**1,165**

Interest conditions of placements with other banks:

	30 June 2012	*31 December 2011*
In HUF	2.3% - 11.7%	1.6% - 15.2%
In foreign currency	0.01% - 22.5%	0.01% - 18.5%

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

	30 June 2012	*31 December 2011*
Securities held for trading		
Corporate shares	82,680	88,138
Government bonds	18,080	33,068
Hungarian government discounted treasury bills	11,702	4,146
Securities issued by the NBH	658	1,715
Other securities	520	3,388
Other non-interest bearing securities	6,606	7,938
	120,246	**138,393**
Accrued interest	739	937
Total	**120,985**	**139,330**

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

	30 June 2012	*31 December 2011*
Interest rate swaps designated as held for trading	39,648	39,370
Foreign exchange swaps designated as held for trading	28,479	18,596
CCIRS[1] and mark-to-market CCIRS designated as held for trading	16,920	27,448
Other transactions designated as held for trading	7,081	16,538
	92,128	**101,952**
Total	**213,113**	**241,282**

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

	30 June 2012	*31 December 2011*
Denominated in HUF (%)	85.4%	81.8%
Denominated in foreign currency (%)	14.6%	18.2%
Total	**100.0%**	**100.0%**

[1] CCIRS: Cross Currency Interest Rate Swaps

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

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

	30 June 2012	*31 December 2011*
Denominated in HUF (%)	41.7%	58.3%
Denominated in foreign currency (%)	58.3%	41.7%
Total	**100.0%**	**100.0%**
Interest rates on securities held for trading	1.2% - 12.0%	1.2% - 12.0%

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

	30 June 2012	*31 December 2011*
Within five years		
With variable interest	1,215	1,042
With fixed interest	27,667	26,090
	28,882	**27,132**
Over five years		
With variable interest	829	919
With fixed interest	1,249	14,266
	2,078	**15,185**
Non-interest bearing securities	89,286	96,076
Total	**120,246**	**138,393**

NOTE 7: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

	30 June 2012	*31 December 2011*
Securities available-for-sale		
Bonds issued by NBH	773,489	509,667
Government bonds	561,758	477,917
Discounted treasury bills	37,349	35,388
Corporate bonds	34,043	33,828
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*29,582*	*26,643*
	29,582	*26,643*
Non-listed securities:		
In HUF	-	-
In foreign currency	*4,461*	*7,185*
	4,461	*7,185*
Other non-interest bearing securities	33,297	34,223
From this:		
Listed securities:		
In HUF	*279*	*273*
In foreign currency	*6,720*	*7,225*
	6,999	*7,498*
Non-listed securities:		
In HUF	*23,874*	*23,322*
In foreign currency	*2,424*	*3,403*
	26,298	*26,725*
Interest bearing treasury bills	22,936	-
Mortgage bonds	152	163
Other securities	22,117	17,902
	1,485,141	**1,109,088**
Accrued interest	18,035	18,697
Provision for impairment on securities available-for-sale	(1,166)	(1,930)
Total	**1,502,010**	**1,125,855**

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

An analysis of securities available-for sale by currency (%):

	30 June 2012	*31 December 2011*
Denominated in HUF (%)	86.5%	81.7%
Denominated in foreign currency (%)	13.5%	18.3%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency (%):

	30 June 2012	*31 December 2011*
Denominated in HUF (%)	79.4%	75.8%
Denominated in foreign currency (%)	20.6%	24.2%
Total	**100.0%**	**100.0%**

	30 June 2012	*31 December 2011*
Interest rates on securities available-for-sale denominated in HUF (%)	5.3% - 8.0%	5.3% - 8.0%
Interest rates on securities available-for-sale denominated in foreign currency (%)	0.5% - 20.0%	0.4% - 20.0%

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

	30 June 2012	*31 December 2011*
Within five years		
With variable interest	5,963	1,890
With fixed interest	1,259,246	909,946
	1,265,209	**911,836**
Over five years		
With variable interest	3,585	1,897
With fixed interest	183,050	161,132
	186,635	**163,029**
Non-interest bearing securities	33,297	34,223
Total	**1,485,141**	**1,109,088**

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

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

	30 June 2012	*31 December 2011*
Balance as at 1 January	**1,930**	**1,689**
Provision for the period	3	332
Release of provision	(552)	(19)
Use of provision	(82)	(291)
Foreign currency translation difference	(133)	219
Closing balance	**1,166**	**1,930**

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

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

	30 June 2012	*31 December 2011*
Short-term loans and promissory notes (within one year)	2,273,943	2,394,200
Long-term loans and promissory notes (over one year)	5,210,636	5,653,270
	7,484,579	**8,047,470**
Accrued interest	69,641	61,161
Provision for impairment on loan losses	(1,077,272)	(1,061,452)
Total	**6,476,948**	**7,047,179**

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

	30 June 2012	*31 December 2011*
In HUF	26%	24%
In foreign currency	74%	76%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	30 June 2012	*31 December 2011*
Short-term loans denominated in HUF	5% - 43%	5% - 38.1%
Long-term loans denominated in HUF	3% - 43%	3% - 38.1%
Short-term loans denominated in foreign currency	0.9% - 59.9%	1% - 66%
Long-term loans denominated in foreign currency	0.6% - 71.9%	0.4% - 57.8%

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

	30 June 2012	*31 December 2011*
Gross loan portfolio on which interest to customers is not being accrued	17.4%	15.2%

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

	30 June 2012		*31 December 2011*	
Retail loans	2,524,414	34%	2,677,482	33%
Corporate loans	2,343,819	31%	2,547,123	32%
Housing loans	2,281,192	31%	2,471,184	31%
Municipality loans	335,154	4%	351,681	4%
Total	**7,484,579**	**100%**	**8,047,470**	**100%**

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

	30 June 2012	*31 December 2011*
Balance as at 1 January	**1,061,452**	**761,272**
Provision for the period	339,482	596,734
Release of provision	(287,373)	(357,824)
Use of provision	4,736	2,793
Foreign currency translation difference	(41,025)	58,477
Closing balance	**1,077,272**	**1,061,452**

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

	30 June 2012	*31 December 2011*
Provision / (Release of provision) for impairment on placement losses (see Note 5)	356	(596)
Provision for impairment on loan losses	105,979	317,269
Total	**106,335**	**316,673**

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

	30 June 2012	*31 December 2011*
Investments		
Unconsolidated subsidiaries	7,035	8,278
Associated companies (non-listed)	384	383
Other investments (non-listed)	3,368	3,335
	10,787	**11,996**
Provision for impairment on investments	(3,075)	(1,654)
Total	**7,712**	**10,342**

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

	30 June 2012	*31 December 2011*
Balance as at 1 January	**1,654**	**1,320**
Provision for the period	1,445	3,304
Use of provision	(24)	(2,969)
Foreign currency translation difference	-	(1)
Closing balance	**3,075**	**1,654**

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

	30 June 2012	*31 December 2011*
Government bonds	125,270	117,242
Mortgage bonds	2,125	2,300
Foreign bonds	1,740	1,754
Discounted Treasury bills	498	1,611
	129,633	**122,907**
Accrued interest	3,168	2,869
Provision for impairment on securities held-to-maturity	(794)	(889)
Total	**132,007**	**124,887**

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

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

	30 June 2012	*31 December 2011*
Within five years		
With variable interest	33,733	46,900
With fixed interest	86,002	66,212
	119,735	**113,112**
Over five years		
With variable interest	1,986	372
With fixed interest	7,912	9,423
	9,898	**9,795**
Total	**129,633**	**122,907**

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

	30 June 2012	*31 December 2011*
Denominated in HUF (%)	52.5%	46.7%
Denominated in foreign currency (%)	47.5%	53.3%
Total	**100%**	**100%**

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

	30 June 2012	*31 December 2011*
Interest rates of securities held-to-maturity with fixed interest	2% - 30%	1.6% - 30%
Interest rates of securities held-to-maturity with variable interest	0.1% - 8%	0.2% - 5.9%

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

	30 June 2012	*31 December 2011*
Balance as at 1 January	**889**	**154**
Provision for the period	1	689
Release of provision	(15)	(57)
Use of provision	-	-
Foreign currency translation difference	(81)	103
Closing balance	**794**	**889**

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

For the six month period ended 30 June 2012

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**381,658**	**199,654**	**187,460**	**16,343**	**785,115**
Additions	13,983	6,566	10,682	7,101	38,332
Foreign currency translation differences	(13,057)	(8,598)	(7,346)	(618)	(29,619)
Disposals	(29,538)	(1,309)	(8,633)	(9,286)	(48,766)
Change in consolidation scope	-	6,674	1	-	6,675
Balance as at 30 June	**353,046**	**202,987**	**182,164**	**13,540**	**751,737**
Depreciation and Amortization					
Balance as at 1 January	**131,789**	**40,102**	**121,558**	**-**	**293,449**
Charge for the period (except for Goodwill impairment)	10,787	3,013	9,173	-	22,973
Foreign currency translation differences	(1,940)	(1,761)	(4,521)	-	(8,222)
Disposals	(25,366)	(566)	(5,771)	-	(31,703)
Change in consolidation scope	-	706	-	-	706
Balance as at 30 June	**115,270**	**41,494**	**120,439**	**-**	**277,203**
Net book value					
Balance as at 1 January	**249,869**	**159,552**	**65,902**	**16,343**	**491,666**
Balance as at 30 June	**237,776**	**161,493**	**61,725**	**13,540**	**474,534**

An analysis of the changes in the goodwill for the six month period ended 30 June 2012 is as follows:

Cost	Goodwill
Balance as at 1 January	**198,896**
Additions	-
Foreign currency translation difference	(9,940)
Current year impairment	-
Balance as at 30 June	**188,956**
Net book value	
Balance as at 1 January	**198,896**
Balance as at 30 June	**188,956**

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

For the six month period ended 30 June 2012 [continued]

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

List of units	**HUF mn**
OTP Bank JSC	66,379
OAO OTP Bank	65,406
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	16,732
OTP Bank Romania S.A.	5,727
Other[1]	6,171
Total	**188,956**

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

The Bank applied a cash-flow model with an explicit period between 2012-2016 where for 2012 the actual, accepted annual financial plans are included and the actual financial strategic plans were used as forecasts for the period between 2013 and 2016.

Present value calculation with the DCF method
The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. For calculating the discount factor it was considered the base rates of the national banks in the actual macro forecasts as risk free rates and we calculated risk premiums by modifying the country risk premiums that are published on damodaran.com with the CDS of the different countries spread as of 31 December 2011.
The values of the subsidiaries in the DCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

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

Summary of the 2012 half year end impairment test
Based on the valuations of the subsidiaries there wasn't recorded any consolidated IFRS goodwill impairment.

[1] Other category includes: Monicomp Ltd., OTP Flat Lease Ltd., Nimo 2002 Ltd., OTP Banka Slovensko a.s., POK DSK-Rodina AD.

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

For the year ended 31 December 2011

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**373,120**	**172,003**	**172,422**	**11,798**	**729,343**
Additions	33,528	17,218	22,087	24,934	97,767
Foreign currency translation differences	19,225	10,458	9,141	695	39,519
Disposals	(44,239)	(9,133)	(16,246)	(21,084)	(90,702)
Change in consolidation scope	24	9,108	56	-	9,188
Balance as at 31 December	**381,658**	**199,654**	**187,460**	**16,343**	**785,115**
Depreciation and Amortization					
Balance as at 1 January	**109,907**	**29,809**	**108,799**	**-**	**248,515**
Charge for the year (except for Goodwill impairment)	25,000	5,931	18,522	-	49,453
Goodwill impairment	23,979	-	-	-	23,979
Foreign currency translation differences	3,483	2,503	5,534	-	11,520
Disposals	(30,580)	(1,363)	(11,329)	-	(43,272)
Change in consolidation scope	-	3,222	32	-	3,254
Balance as at 31 December	**131,789**	**40,102**	**121,558**	**-**	**293,449**
Net book value					
Balance as at 1 January	**263,213**	**142,194**	**63,623**	**11,798**	**480,828**
Balance as at 31 December	**249,869**	**159,552**	**65,902**	**16,343**	**491,666**

An analysis of the changes in the goodwill for the year ended 31 December 2011 is as follows:

Cost	Goodwill
Balance as at 1 January	**209,320**
Additions	-
Foreign currency translation difference	13,555
Current year impairment	(23,979)
Balance as at 31 December	**198,896**
Net book value	
Balance as at 1 January	**209,320**
Balance as at 31 December	**198,896**

Summary of the 2011 year end impairment test

Based on the valuations of the subsidiaries HUF 21,642 million and HUF 2,337 million consolidated IFRS goodwill impairment was recorded for OTP banka Hrvatska d.d. (Croatian subsidiary) and for Crnogorska komerčijalna banka a.d. (Montenegrin subsidiary).

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

List of units	HUF mn
OAO OTP Bank	70,205
OTP Bank JSC	69,725
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	18,062
OTP Bank Romania S.A.	6,182
Other[1]	6,181
Total	**198,896**

[1] Other category includes: Monicomp Ltd., OTP Flat Lease Ltd., Nimo 2002 Ltd., OTP Banka Slovensko a.s., POK DSK-Rodina a.d., OTP Leasing d.d.

NOTE 12: OTHER ASSETS (in HUF mn)

	30 June 2012	*31 December 2011*
Inventories	47,443	42,788
Fair value of derivative financial instrument designated as fair value hedge	19,788	13,137
Trade receivables	15,018	13,300
Prepayments and accrued income	14,345	9,609
Current income tax receivable	12,902	38,409
Receivables from investment services	7,053	1,539
Other receivables from Hungarian Government	5,111	2,362
Other advances	4,932	4,187
Deferred tax receivables	1,277	2,419
Receivables from leasing activities	1,124	959
Receivables due from pension funds and investment funds	827	1,310
Advances for securities and investments	623	2,069
Other	27,991	25,023
	158,434	**157,111**
Provision for impairment on other assets[1]	(17,241)	(16,558)
Total	**141,193**	**140,553**

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

	30 June 2012	*31 December 2011*
CCIRS and mark-to-market CCIRS designated as fair value hedge	17,700	10,486
Interest rate swaps designated as fair value hedge	1,604	2,329
Forward security agreements designated as fair value hedge	465	126
Foreign exchange swaps designated as fair value hedge	-	53
Foreign exchange forward contracts designated as fair value hedge	-	50
Other transactions designated as fair value hedge	19	93
Total	**19,788**	**13,137**

[1] Provision for impairment on other assets mainly consists of provision for impairment on trade receivables and inventories.

NOTE 12: OTHER ASSETS (in HUF mn) [continued]

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

	30 June 2012	*31 December 2011*
Balance as at 1 January	**16,558**	**13,111**
Provision for the period	1,754	3,221
Use of provision	(166)	(814)
Foreign currency translation difference	(905)	1,040
Closing balance	**17,241**	**16,558**

NOTE 13: AMOUNTS DUE TO BANKS, THE HUNGARIAN GOVERNMENT, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn)

	30 June 2012	*31 December 2011*
Within one year		
In HUF	68,105	47,682
In foreign currency	373,721	255,537
	441,826	**303,219**
Over one year		
In HUF	118,456	124,882
In foreign currency	148,051	216,271
	266,507	**341,153**
Accrued interest	2,786	2,596
Total	**711,119**	**646,968**

The Group has used mortgage bonds as collateral in relation to collateralized borrowing (EUR 350 million) as at 30 June 2012.

NOTE 13: AMOUNTS DUE TO BANKS, THE HUNGARIAN GOVERNMENT, DEPOSITS FROM THE NATIONAL BANKS AND OTHER BANKS (in HUF mn) [continued]

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

	30 June 2012	*31 December 2011*
Within one year		
In HUF	1.7% - 8.2%	2.5% - 7.1%
In foreign currency	0.1% - 21%	0.1% - 9.9%
Over one year		
In HUF	0.5% - 8.8%	2.5% - 7.6%
In foreign currency	0.1% - 8.2%	0.5% - 9.5%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2012	*31 December 2011*
Within one year		
In HUF	2,661,016	2,781,780
In foreign currency	3,110,478	3,253,215
	5,771,494	**6,034,995**
Over one year		
In HUF	210,794	214,366
In foreign currency	138,921	115,089
	349,715	**329,455**
Accrued interest	49,491	34,403
Total	**6,170,700**	**6,398,853**

Interest rates on deposits from customers are as follows:

	30 June 2012	*31 December 2011*
Within one year		
In HUF	0.1% - 11%	0.1% - 11%
In foreign currency	0.01% - 25%	0.01% - 24%
Over one year		
In HUF	0.2% - 9%	0.2% - 9%
In foreign currency	0.01% - 13.3%	0.01% - 19.0%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]

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

	30 June 2012		*31 December 2011*	
Retail deposits	4,149,552	68%	4,343,496	68%
Municipality deposits	1,311,296	21%	221,222	4%
Corporate deposits	660,361	11%	1,799,732	28%
Total	**6,121,209**	**100%**	**6,364,450**	**100%**

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

	30 June 2012	*31 December 2011*
With original maturity		
Within one year		
In HUF	276,089	374,200
In foreign currency	59,376	77,218
	335,465	**451,418**
Over one year		
In HUF	198,561	169,918
In foreign currency	185,468	168,662
	384,029	**338,580**
Accrued interest	23,194	22,865
Total	**742,688**	**812,863**

Interest rates on liabilities from issued securities are as follows:

	30 June 2012	*31 December 2011*
Issued securities denominated in HUF	0.25% - 10.5%	0.25% - 10.5%
Issued securities denominated in foreign currency	1.6% - 10.9%	1.5% - 10.9%

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

Issued securities denominated in HUF as at 30 June 2012 (in HUF mn):

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP 2012/XIV	15/07/2011-22/07/2011	14/07/2012	8,637	5	fixed	
2	OTP 2012/XV	29/07/2011-05/08/2011	28/07/2012	9,490	5	fixed	
3	OTP 2012/XVI	12/08/2011-19/08/2011	11/08/2012	13,805	5	fixed	
4	OTP 2012/XVII	26/08/2011-02/09/2011	25/08/2012	6,369	5	fixed	
5	OTP 2012/XVIII	09/09/2011-16/09/2011	08/09/2012	13,132	5	fixed	
6	OTP 2012/XIX	23/09/2011-30/09/2011	22/09/2012	9,353	5	fixed	
7	OTP 2012/XX	07/10/2011-14/10/2011	06/10/2012	7,316	5	fixed	
8	OTP 2012/XXI	21/10/2011-28/10/2011	20/10/2012	7,993	5.5	fixed	
9	OTP 2012/XXII	07/11/2011-11/11/2011	06/11/2012	18,308	5.5	fixed	
10	OTP 2012/XXIII	18/11/2011-25/11/2011	17/11/2012	14,255	5.5	fixed	
11	OTP 2012/XXIV	02/12/2011-09/12/2011	01/12/2012	8,814	5.5	fixed	
12	OTP 2012/XXV	16/12/2011-29/12/2011	15/12/2012	18,727	5.5	fixed	
13	OTP 2013/I	06/01/2012-13/01/2012	05/01/2013	8,884	6.5	fixed	
14	OTP 2013/II	20/01/2012-27/01/2012	19/01/2013	21,789	7	fixed	
15	OTP 2013/III	03/02/2012-10/02/2012	02/02/2013	12,778	7	fixed	
16	OTP 2013/IV	17/02/2012-24/02/2012	16/02/2013	17,335	7	fixed	
17	OTP 2013/V	02/03/2012-09/03/2012	02/03/2013	9,179	7	fixed	
18	OTP 2013/VI	23/03/2012-30/03/2012	23/03/2013	8,349	7	fixed	
19	OTP 2013/VII	06/04/2012-13/04/2012	06/04/2013	10,297	7	fixed	
20	OTP 2013/VIII	21/04/2012-27/04/2012	21/04/2013	10,786	7	fixed	
21	OTP 2013/IX	11/05/2012-18/05/2012	11/05/2013	10,846	7	fixed	
22	OTP 2013/X	25/05/2012-01/06/2012	11/05/2013	5,058	7	fixed	
23	OTP 2013/XI	08/06/2012-15/06/2012	08/06/2013	5,635	7	fixed	
24	OTP 2013/XII	22/06/2012-29/06/2012	22/06/2013	4,542	7	fixed	
25	OTP TBSZ 2013/I	26/02/2010-28/12/2010	30/12/2013	6,091	5.5	fixed	
26	OTP TBSZ 2014/I	14/01/2011-05/08/2011	15/12/2014	1,963	5.5	fixed	
27	OTP TBSZ 2014/II	26/08/2011-29/12/2011	15/12/2014	744	5.5	fixed	
28	OTP TBSZ 2015/I	26/02/2010-17/12/2010	30/12/2015	5,657	5.5	fixed	
29	OTP TBSZ 2016/I	14/01/2011-05/08/2011	15/12/2016	1,226	5.5	fixed	
30	OTP TBSZ 2016/II	26/08/2011-29/12/2011	15/12/2016	655	5.5	fixed	
31	OTP TBSZ 4 2015/I	13/01/2012-22/06/2012	15/12/2015	484	6.5	fixed	
32	OTP TBSZ 6 2017/I	13/01/2012-22/06/2012	15/12/2017	242	6.5	fixed	
33	OTP 2012/Ax	11/09/2009-25/09/2009	11/09/2012	1,663	indexed	floating	hedged
34	OTP 2013/Ax	28/06/2010	08/07/2013	428	indexed	floating	hedged
35	OTP 2013/Bx	26/11/2010	06/11/2013	805	indexed	floating	hedged
36	OTP 2013/Cx	16/12/2010	19/12/2013	440	indexed	floating	hedged
37	OTP 2014/Ax	25/06/2009	30/06/2014	2,861	indexed	floating	hedged
38	OTP 2014/Bx	05/10/2010	13/10/2014	3,771	indexed	floating	hedged
39	OTP 2014/Cx	14/12/2009	19/12/2014	3,780	indexed	floating	hedged
40	OTP 2014/Dx	01/04/2011	03/04/2014	527	indexed	floating	hedged
41	OTP 2014/Ex	17/06/2011	20/06/2014	1,203	indexed	floating	hedged
42	OTP 2014/Fx	20/10/2011	21/10/2014	391	indexed	floating	hedged
43	OTP 2014/Gx	21/12/2011	30/12/2014	320	indexed	floating	hedged
44	OTP 2015/Ax	25/03/2010	30/03/2015	5,074	indexed	floating	hedged
45	OTP 2015/Bx	28/06/2010	09/07/2015	4,560	indexed	floating	hedged
46	OTP 2015/Dx	19/03/2012	23/03/2015	520	indexed	floating	hedged
47	OTP 2016/Ax	11/11/2010	03/11/2016	4,251	indexed	floating	hedged
48	OTP 2016/Bx	16/12/2010	19/12/2016	3,183	indexed	floating	hedged
49	OTP 2017/Ax	01/04/2011	31/03/2017	5,005	indexed	floating	hedged
50	OTP 2017/Bx	17/06/2011	20/06/2017	4,730	indexed	floating	hedged
51	OTP 2017/Cx	19/09/2011	25/09/2017	3,750	indexed	floating	hedged
52	OTP 2017/Dx	21/10/2011	19/10/2017	540	indexed	floating	hedged
53	OTP 2017/Ex	21/12/2011	28/12/2017	4,000	indexed	floating	hedged
54	OTP 2018/Ax	03/01/2012	09/01/2018	1,200	indexed	floating	hedged
55	OTP 2018/Bx	22/03/2012	22/03/2018	4,680	indexed	floating	hedged
56	OTP 2019/Ax	25/06/2009	01/07/2019	299	indexed	floating	hedged
57	OTP 2019/Bx	05/10/2009-05/02/2010	14/10/2019	442	indexed	floating	hedged
58	OTP 2019/Cx	14/12/2009	20/12/2019	394	indexed	floating	hedged
	Subtotal			**337,556**			

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

Issued securities denominated in HUF as at 30 June 2012 (in HUF mn) [continued]:

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
59	OTP 2020/Ax	25/03/2010	30/03/2020	395	indexed	floating	hedged
60	OTP 2020/Bx	28/06/2010	09/07/2020	450	indexed	floating	hedged
61	OTP 2020/Cx	11/11/2010	05/11/2020	259	indexed	floating	hedged
62	OTP 2020/Dx	16/12/2010	18/12/2020	245	indexed	floating	hedged
63	OTP 2021/Ax	01/04/2011	01/04/2021	335	indexed	floating	hedged
64	OTP 2021/Bx	17/06/2011	21/06/2021	690	indexed	floating	hedged
65	OTP 2021/Dx	21/12/2011	27/12/2021	425	indexed	floating	hedged
66	OTP 2022/Ax	22/03/2012	23/03/2022	310	indexed	floating	hedged
67	OTP 2013/RA/Bx	26/11/2010	03/12/2013	3,194	indexed	floating	hedged
68	OTP 2014/RA/Bx	16/09/2011-23/09/2011	15/09/2014	1,121	indexed	floating	hedged
69	OTP RA 2014A	25/03/2011	24/03/2014	951	indexed	floating	hedged
70	OTP 2020/RF/A	12/07/2010	20/07/2020	843	indexed	floating	hedged
71	OTP 2020/RF/B	12/07/2010	20/07/2020	832	indexed	floating	hedged
72	OTP 2020/RF/C	11/11/2010	05/11/2020	867	indexed	floating	hedged
73	OTP 2021/RF/A	05/07/2011	13/07/2021	190	indexed	floating	hedged
74	OTP 2021/RF/B	20/10/2011	25/10/2021	204	indexed	floating	hedged
75	OTP 2021/RF/C	21/12/2011	30/12/2021	15	indexed	floating	hedged
76	OTP 2021/RF/D	21/12/2011	30/12/2021	18	indexed	floating	hedged
77	OTP 2021/RF/E	21/12/2011	30/12/2021	15	indexed	floating	hedged
78	OTP 2022/RF/A	22/03/2012	23/03/2022	45	indexed	floating	hedged
79	OTP 2022/RF/B	22/03/2012	23/03/2022	15	indexed	floating	hedged
80	OTP 2022/RF/C	28/06/2012	28/06/2022	68	indexed	floating	hedged
81	OTP 2022/RF/D	28/06/2012	28/06/2022	86	indexed	floating	hedged
82	OTP 3Y EURHUF	25/06/2010	25/06/2013	2,087	indexed	floating	hedged
83	OTP DNT HUF 2012B	27/04/2012	31/10/2012	5,486	5	fixed	
84	OTP OVK 2013/I	26/08/2011-28/12/2011	26/08/2013	1,284	5.75	fixed	
85	OTP OVK 2014/I	31/01/2012-24/04/2012	27/01/2014	215	6.75	fixed	
86	OTP OJK 2016/I	26/08/2011-21/12/2011	26/08/2016	260	5.75	fixed	
87	OTP OJK 2017/I	27/01/2012-22/06/2012	27/01/2017	43	7	fixed	
88	OJB2012_III	19/11/2004	15/08/2012	14,353	10.5	fixed	
89	OJB2013_II	20/12/2002	31/08/2013	13,433	8.25	fixed	
90	OJB2014_I	14/11/2003	12/02/2014	13,476	8	fixed	
91	OJB2014_J	17/09/2004	17/09/2014	293	8.68	fixed	
92	OJB2015_I	10/06/2005	10/06/2015	3,231	7.7	fixed	
93	OJB2015_J	28/01/2005	28/01/2015	170	8.69	fixed	
94	OJB2016_I	03/02/2006	03/02/2016	1,262	7.5	fixed	
95	OJB2016_II	31/08/2006	31/08/2016	4,683	10	fixed	
96	OJB2016_J	18/04/2006	28/09/2016	253	7.59	fixed	
97	OJB2019_I	17/03/2004	18/03/2019	31,503	9.48	fixed	
98	OJB2019_II	25/05/2011	18/03/2019	1,059	9.48	fixed	
99	OJB2020_I	19/11/2004	12/11/2020	5,503	9	fixed	
100	OJB2020_II	25/05/2011	12/11/2020	1,487	9	fixed	
101	Other[1]			29,566			
	Subtotal issued securities in HUF			**141,220**			
	Unamortized premium			**863**			
	Fair value adjustment			**(4,989)**			
	Total issued securities in HUF			**474,650**			

[1] From the total amount HUF 29,330 million is mobil deposits of Merkantil Bank.

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

Issued securities denominated in foreign currency as at 30 June 2012 (in HUF mn):

	Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged
					(FX mn)	(HUF mn)			
1	OTP DC EUR 120801 5%	27/04/2012	01/08/2012	EUR	15.89	4,581	5	fixed	
2	OTP DC USD 120801 5%	27/04/2012	01/08/2012	USD	9.9	2,276	5	fixed	
3	OTP EUR 2012/I	05/08/2011	04/08/2012	EUR	2.99	861	2.75	fixed	
4	OTP EUR 2012/II	12/08/2011	11/08/2012	EUR	4.45	1,281	2.75	fixed	
5	OTP EUR 2012/III	26/08/2011	25/08/2012	EUR	7.44	2,145	2.75	fixed	
6	OTP EUR 2012/IV	09/09/2011	08/09/2012	EUR	11.5	3,317	2.75	fixed	
7	OTP EUR 2012/V	23/09/2011	22/09/2012	EUR	3.74	1,078	2.75	fixed	
8	OTP EUR 2012/VI	07/10/2011	06/10/2012	EUR	7.87	2,267	2.75	fixed	
9	OTP EUR 2012/VII	21/10/2011	20/10/2012	EUR	5.73	1,652	2.75	fixed	
10	OTP EUR 2012/VIII	07/11/2011	06/11/2012	EUR	3.67	1,056	2.75	fixed	
11	OTP EUR 2012 /IX	18/11/2011	17/11/2012	EUR	8.1	2,334	2.75	fixed	
12	OTP EUR 2012/X	25/11/2011	24/11/2012	EUR	4.14	1,192	2.75	fixed	
13	OTP EUR 2012/XI	02/12/2011	01/12/2012	EUR	3.89	1,121	3	fixed	
14	OTP EUR 2012/XII	16/12/2011	15/12/2012	EUR	2.86	824	3	fixed	
15	OTP EUR 2012/XIII	29/12/2011	28/12/2012	EUR	1.0	290	3.25	fixed	
16	OTP EUR 2013/I	05/08/2011	05/08/2013	EUR	0.45	130	3	fixed	
17	OTP EUR 2013/II	12/08/2011	12/08/2013	EUR	0.44	126	3	fixed	
18	OTP EUR 2013/III	26/08/2011	26/08/2013	EUR	0.92	264	3	fixed	
19	OTP EUR 2013/IV	09/09/2011	09/09/2013	EUR	0.77	221	3	fixed	
20	OTP EUR 2013/V	23/09/2011	23/09/2013	EUR	0.5	143	3	fixed	
21	OTP EUR 2013/VI	07/10/2011	07/10/2013	EUR	0.55	159	3	fixed	
22	OTP EUR 2013/VII	21/10/2011	21/10/2013	EUR	0.59	169	3	fixed	
23	OTP EUR 2013/VIII	07/11/2011	07/11/2013	EUR	0.27	78	3	fixed	
24	OTP EUR 2013/IX	18/11/2011	18/11/2013	EUR	0.42	121	3	fixed	
25	OTP EUR 2013/X	25/11/2011	25/11/2013	EUR	0.14	41	3	fixed	
26	OTP EUR 2013/XI	02/12/2011	02/12/2013	EUR	0.18	53	3.5	fixed	
27	OTP EUR 2013/XII	16/12/2011	16/12/2013	EUR	0.10	30	3.5	fixed	
28	OTP EUR 2013/XIII	29/12/2011	29/12/2013	EUR	0.15	43	4	fixed	
29	OTP EUR 1 2013/I	13/01/2012	12/01/2013	EUR	1.11	320	3.5	fixed	
30	OTP EUR 1 2013/II	27/01/2012	26/01/2013	EUR	1.86	536	3.75	fixed	
31	OTP EUR 1 2013/III	10/02/2012	09/02/2013	EUR	1.02	294	3.75	fixed	
32	OTP EUR 1 2013/IV	24/02/2012	23/02/2013	EUR	1.08	313	3.75	fixed	
33	OTP EUR 1 2013/V	09/03/2012	09/03/2013	EUR	0.84	241	3.75	fixed	
34	OTP EUR 1 2013/VI	23/03/2012	23/03/2013	EUR	0.76	218	3.75	fixed	
35	OTP EUR 1 2013/VII	06/04/2012	06/04/2013	EUR	1.17	337	3.75	fixed	
36	OTP EUR 1 2013/VIII	20/04/2012	20/04/2013	EUR	2.36	679	4	fixed	
37	OTP EUR 1 2013/IX	04/05/2012	04/05/2013	EUR	2.95	850	3.75	fixed	
38	OTP EUR 1 2013/X	11/05/2012	11/05/2013	EUR	0.52	151	3.5	fixed	
39	OTP EUR 1 2013/XI	25/05/2012	25/05/2013	EUR	0.87	252	3.5	fixed	
40	OTP EUR 1 2013/XII	08/06/2012	08/06/2013	EUR	1.12	322	3.5	fixed	
41	OTP EUR 1 2013/XIII	22/06/2012	22/06/2013	EUR	2.34	674	3.5	fixed	
42	OTP EUR 2 2014/I	13/01/2012	13/01/2014	EUR	0.06	17	4	fixed	
43	OTP EUR 2 2014/II	27/01/2012	27/01/2014	EUR	0.19	56	4	fixed	
44	OTP EUR 2 2014/III	10/02/2012	10/02/2014	EUR	0.24	70	4	fixed	
45	OTP EUR 2 2014/IV	24/02/2012	24/02/2014	EUR	0.45	128	4	fixed	
46	OTP EUR 2 2014/V	09/03/2012	09/03/2014	EUR	0.10	27	4	fixed	
47	OTP EUR 2 2014/VI	23/03/2012	23/03/2014	EUR	0.10	30	4	fixed	
48	OTP EUR 2 2014/VII	06/04/2012	06/04/2014	EUR	0.15	43	4	fixed	
49	OTP EUR 2 2014/VIII	20/04/2012	20/04/2014	EUR	0.27	77	4	fixed	
50	OTP EUR 2 2014/IX	04/05/2012	04/05/2014	EUR	0.34	98	4	fixed	
51	OTP EUR 2 2014/X	11/05/2012	11/05/2014	EUR	0.05	15	3.75	fixed	
52	OTP EUR 2 2014/XI	25/05/2012	25/05/2014	EUR	0.10	29	3.75	fixed	
53	OTP EUR 2 2014/XII	08/06/2012	08/06/2014	EUR	0.13	38	3.75	fixed	
54	OTP EUR 2 2014/XIII	22/06/2012	22/06/2014	EUR	0.20	58	3.75	fixed	
	Subtotal					**33,726**			

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

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
55	OTP 2015/Cx	22/12/2010	29/12/2015	EUR	0.97	280	indexed	floating	hedged
56	OTP 2016/Cx	22/04/2011	22/04/2016	EUR	1.56	449	indexed	floating	hedged
57	OTP 2016/Dx	22/12/2011	29/12/2016	EUR	1.25	359	indexed	floating	hedged
58	OTP 2017/Fx	14/06/2012	16/06/2017	EUR	0.78	224	indexed	floating	hedged
59	OMB2013_I	11/11/2011	18/11/2013	EUR	3.5	1,009	5.97	floating	hedged
60	OMB2014_I	15/12/2004	15/12/2014	EUR	198.05	57,083	4	fixed	
61	OMB2014_II	15/12/2004	15/12/2014	EUR	14.5	4,179	3.72	floating	hedged
62	Mortgage bonds OTP	15/10/2003	15/10/2012	EUR	16.6	4,784	4.7	fixed	
63	Mortgage bonds OTP VII	21/12/2005	21/12/2015	EUR	22.47	6,477	0.8	variable	
64	Mortgage bonds OTP XIX	02/11/2009	02/11/2012	EUR	9.76	2,814	4.1	fixed	
65	Mortgage bonds OTP XXI	20/05/2010	20/05/2013	EUR	9.86	2,841	3.5	fixed	
66	Mortgage bonds OTP XXIV	23/11/2010	23/11/2013	EUR	7.88	2,270	3.3	fixed	
67	OTPRU 14/03	29/03/2011	25/03/2014	RUR	2,500	17,400	8.55	fixed	
68	OTPRU 14/07	02/08/2011	29/07/2014	RUR	5,000	34,800	8.21	fixed	
69	OTPRU 14/10	03/11/2011	30/10/2014	RUR	2,505	17,435	10.88	fixed	
70	OTPRU 15/03	06/03/2012	03/03/2015	RUR	5,907	41,109	10.84	fixed	
71	Other[1]					20,279			
	Subtotal issued securities in FX					**213,792**			
	Unamortized premium					**(2,018)**			
	Fair value adjustment					**(656)**			
	Total issued securities in FX					**244,844**			
	Total accrued interest					**23,194**			
	Total issued securities					**742,688**			

Term Note Program in the value of HUF 500 billion for the year of 2011/2012
During 2011, Hungarian Financial Supervisory Authority approved the six additions of the prospectus of Term Note Program in a total nominal value of HUF 500 billion. On 27 January, 24 March, 11 and 25 May and 13 June 2012, the Authority approved the 7th, 8th, 9th, 10th and 11th addition of the prospectus of the program. The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange.

Term Note Program in the value of HUF 500 billion for the year of 2012/2013
On 5 July 2012 the Bank initiated term note program in the value of HUF 500 billion with the intention of issuing registered dematerialized bonds in public. The Hungarian Financial Supervisory Authority approved the prospectus of Term Note Program and the disclosure on 1 August 2012. The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange.

Certain structured bonds are hedged by interest rate swaps which may transfer to a transferee a fixed rate and enter into an interest rate swap with the transferee to receive a fixed interest rate and pay a variable interest rate based on a notional amount which is equal to the notional amount of the hedged bond. The hedge is highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are within a range of 80-125 per cent.
The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the HUF/EUR foreign exchange rate and the risk of change in the quoted interest rates of EUR. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

[1] Other category includes promissory notes issued by OTP banka Slovensko a.s. in the amount of HUF 6,656 million and.by OAO OTP Bank in the amount of HUF 13,623 million.

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

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

	30 June 2012	*31 December 2011*
CCIRS and mark-to-market CCIRS designated as held for trading	57,983	125,014
Interest rate swaps designated as held for trading	51,391	40,542
Foreign exchange swaps designated as held for trading	11,564	50,204
Forward rate agreements designated as held for trading (FRA)	3,585	8,366
Foreign exchange forward contracts designated as held for trading	3,426	3,585
Option contracts designated as held for trading	1,321	2,401
Forward security agreements designated as held for trading	330	-
Other transactions designated as held for trading	13	37
Total	**129,613**	**230,149**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	30 June 2012	*31 December 2011*
Fair value of derivative financial instruments designated as fair value hedge	106,209	98,415
Financial liabilities from OTP-MOL share swap transaction[1]	82,271	82,347
Current income tax payable	33,136	13,626
Salaries and social security payable	33,131	28,131
Cafeteria benefits	28,639	2,268
Giro clearing accounts	27,287	31,048
Liabilities from investment services	22,452	12,065
Accrued expenses	19,613	17,601
Provision for impairment on off-balance sheet commitments and contingent liabilities	17,778	18,434
Deferred tax liabilities	8,871	4,559
Clearing, settlement and pending accounts	7,776	10,635
Accounts payable	7,076	14,948

[1] On 16 April 2009 OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the lost of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 30 June 2012 HUF 82,271 and as at 31 December 2011 HUF 82,347 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

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

	30 June 2012	*31 December 2011*
Loans from government	3,354	4,152
Liabilities from specific repo deals	1,671	321
Liabilities connected to loans for collection	1,141	1,117
Liabilities connected to leasing activities	1,027	1,013
Advances received from customers	700	2,277
Liabilities related to housing loans	156	470
Dividend payable	60	280
Other	63,709	32,302
	466,057	376,009
Accrued interest	864	928
Total	**466,921**	**376,937**

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

	30 June 2012	*31 December 2011*
Provision for losses on other off-balance sheet commitments and contingent liabilities related to lending	10,343	11,443
Provision for litigation	3,635	3,697
Provision for other liabilities	2,622	2,022
Provision for expected pension commitments	1,178	1,272
Total	**17,778**	**18,434**

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

	30 June 2012	*31 December 2011*
Balance as at 1 January	**18,434**	**19,650**
Provision / (Release) for the period	171	(1,863)
Use of provision	(96)	(251)
Foreign currency translation differences	(731)	898
Closing balance	**17,778**	**18,434**

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

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

	30 June 2012	*31 December 2011*
CCIRS and mark-to-market CCIRS designated as fair value hedge	96,945	85,845
Interest rate swaps designated as fair value hedge	8,959	12,563
Forward security agreements designated as fair value hedge	244	-
Foreign exchange swaps designated as fair value hedge	60	-
Other transactions designated as fair value hedge	1	7
Total	**106,209**	**98,415**

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

	30 June 2012	*31 December 2011*
Within one year:		
In HUF	-	-
In foreign currency	54	325
	54	**325**
Over one year:		
In HUF	5,000	5,000
In foreign currency	281,463	307,617
	286,463	**312,617**
Accrued interest	9,561	3,505
Total	**296,078**	**316,447**

Interest rates on subordinated bonds and loans are as follows:

	30 June 2012	*31 December 2011*
Denominated in HUF	3.7%	3.0%
Denominated in foreign currency	1.2% - 8.0%	1.99% - 8.0%

Partial cancellation of EUR 125 million subordinated notes

On 27 January 2012 the Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 04/03/2015, in the total notional amount of EUR 12 million following partial cancellations during 2011 in a total amount of HUF 5 million. On 1 February 2012 the Bank purchased additional EUR 2.05 million from the same Note series. After the cancellation of these bonds the outstanding amount of the notes decreased to EUR 105,950,000.

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

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 30 June 2012
Subordinated bond	HUF 5 billion	20/12/1993	20/12/2013	100%	Frequency of payment is based on the condition of interest of 2013/C credit consolidation government bonds	3.8%
Subordinated bond	EUR 105.95 million	04/03/2005	04/03/2015	100%	Three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 475.6 million	07/11/2006	Perpetual, but callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	-
Subordinated bond (under EMTN[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond	USD 65 million	21/04/2008	13/10/2015	100%	Variable, six-month LIBOR + 1.4%	2.13%
Subordinated bond	RUB 26.86 million	15/06/2001	21/06/2015	100%	Variable, based on the Russian National Bank's interest rate	8.00%
Subordinated bond	EUR 5.113 million	23/12/1997	15/11/2014	100%	Variable, six-month EURIBOR + 1.3%	2.28%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	30 June 2012	*31 December 2011*
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

On 21 April 2007, the law on abolishment of "Aranyrészvény" (special share assigning voting rights to the Hungarian State) came into force (Act XXVI of 2007). Consequently, this special voting share was transformed into 10 ordinary shares with a face value of HUF 100. Therefore the registered capital of the Bank consists of 280,000,010 ordinary shares with a face value of HUF 100.

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

The reserves of the Bank under Hungarian Accounting Standards are as follows:

	30 June 2012	*31 December 2011*
Capital reserve	52	52
General reserve	139,492	134,460
Retained earnings	848,881	760,785
Tied-up reserve	7,661	8,018
Total	**996,086**	**903,315**

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

According to the decision of the Bank made at the Annual General Meeting on 27 April 2012, the management decided about the payment of HUF 28,000 million dividend from the result of year 2011, which meant 100 HUF payable dividend by share to the shareholders as at 31 December 2011. In 2011 the Bank paid dividend of HUF 20,160 million from the profit of the year 2010, this meant 72 HUF payable dividend by share to the shareholders.

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

Due to the conditions described above, ICES was accounted as an equity instrument and therefore any payment was accounted as equity distribution paid to ICES holders.

NOTE 21: TREASURY SHARES (in HUF mn)

	30 June 2012	*31 December 2011*
Nominal value (Ordinary shares)	1,899	1,921
Carrying value at acquisition cost	54,029	54,386

The changes in the carrying value of Treasury shares are due to repurchase and sale transactions on market authorised by the General Assembly.

Change in number of shares:

	30 June 2012	*31 December 2011*
Number of shares as at 1 January	**19,218,344**	**18,731,231**
Additions	402,975	1,085,521
Disposals	(633,444)	(598,408)
Closing number of shares	**18,987,875**	**19,218,344**

Change in carrying value:

	30 June 2012	*31 December 2011*
Balance as at 1 January	**54,386**	**52,597**
Additions	1,478	4,753
Disposals	(1,835)	(2,964)
Closing balance	**54,029**	**54,386**

NOTE 22: NON-CONTROLLING INTEREST (in HUF mn)

	30 June 2012	*31 December 2011*
Balance as at 1 January	**5,601**	**5,888**
Non-controlling interest included in net profit for the period	451	653
Foreign currency translation difference	(198)	1,147
Changes due to ownership structure	(638)	(2,087)
Closing balance	**5,216**	**5,601**

NOTE 23: PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES (in HUF mn)

	30 June 2012	*31 December 2011*
Provision for impairment on loan losses		
Provision for the period	339,482	596,734
-from this: provision for impairment on loan losses related to early repayment	-	*35,264*
Release of provision	(287,373)	(357,824)
Provision for impairment on loan losses	53,870	78,359
-from this: provision on loan losses related to early repayment	*32,774*	*32,045*
	105,979	**317,269**
Provision for impairment on placement losses		
Provision for the period	430	166
Release of provision	(235)	(1,091)
Provision for impairment on placement losses	161	329
	356	**(596)**
Provision for impairment on loan and placement losses	**106,335**	**316,673**
Loss on loans related to early repayment	32,774	67,309
Release of provision related to early repayment	(35,264)	-
Losses from early repayment recognizing in interest income from loans	127	107
Total (gains) / losses related to early repayment	**(2,363)**	**67,416**

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

Income from fees and commissions	*30 June 2012*	*30 June 2011*
Deposit and account maintenance fees and commissions	37,605	34,754
Fees and commissions related to the issued bank cards	20,527	17,384
Fees related to cash withdrawal	12,151	11,624
Fees and commissions related to lending	9,014	7,142
Fees and commissions related to fund management	4,365	5,909
Fees and commissions related to security trading	3,168	2,660
Other	9,517	8,585
Total	**96,347**	**88,058**

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

Expense from fees and commissions	*30 June 2012*	*30 June 2011*
Fees and commissions paid on loans	5,519	1,772
Interchange fees	4,344	4,039
Fees and commissions related to issued bank cards	3,393	3,226
Fees and commissions related to lending	2,776	763
Fees and commissions related to deposits	1,286	1,139
Cash withdrawal transaction fees	1,256	1,053
Insurance fees	774	1,060
Money market transaction fees and commissions	506	670
Postal fees	402	399
Fees and commissions related to security trading	396	454
Other	2,332	3,687
Total	**22,984**	**18,262**
Net profit from fees and commissions	**73,363**	**69,796**

NOTE 25: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	*30 June 2012*	*30 June 2011*
Other income from non-financial activities	13,704	10,183
Total	**13,704**	**10,183**

Other operating expenses	*30 June 2012*	*30 June 2011*
Provision for impairment on other assets	1,754	1,738
Provision for impairment on investments[1]	1,445	293
Provision / (Release of provision) for off-balance sheet commitments and contingent liabilities	171	(3,001)
Other expense from non-financial activities	3,931	4,879
Other operating costs	3,099	2,896
Total	**10,400**	**6,805**

Other administrative expenses	*30 June 2012*	*30 June 2011*
Personnel expenses		
Wages	69,097	57,318
Taxes related to personnel expenses	18,434	15,378
Other personnel expenses	5,988	5,272
Subtotal	**93,519**	**77,968**

[1] See details in Note 9.

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

Other administrative expenses	*30 June 2012*	*30 June 2011*
Depreciation and amortization	**22,973**	**23,905**
Other administrative expenses		
Taxes, other than income tax[1]	53,127	32,469
Administration expenses, including rental fees	24,131	22,236
Services	17,206	17,375
Professional fees	9,591	8,260
Advertising	5,104	5,179
Subtotal	**109,159**	**85,519**
Total	**225,651**	**187,392**

NOTE 26: INCOME TAX (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 24% of taxable income.
Deferred tax is calculated at the income tax rate of 9% in Montenegro, 10% in Bulgaria, Serbia and Cyprus, 16% in Romania, 19% in Hungary and Slovakia, 20% in Croatia and Russia, 21% in Ukraine and 24% in the United Kingdom.

The breakdown of the income tax expense is:

	30 June 2012	*30 June 2011*
Current tax expense	7,787	18,671
Deferred tax benefit	(2,164)	(2,033)
Total	**5,623**	**16,638**

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

	30 June 2012	*30 June 2011*
Balance as at 1 January	**(2,140)**	**3,217**
Deferred tax benefit	2,164	2,033
Deferred tax related to items recognized directly in equity and in Other Comprehensive Income	(7,895)	(735)
Foreign currency translation difference	277	(346)
Closing balance	**(7,594)**	**4,169**

[1] Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by the Group. The total tax amount for the six month period ended 30 June 2012 HUF 37 billion, for the year 2011 HUF 14.6 billion and for the half year ended 30 June 2011 HUF 17.7 billion was recognized as an expense thus decreased the corporate tax base. Based on the approved regulations, financial institutions are obliged to pay this special tax until the end of 2012. . The IFRS Interpretation Committee ('IFRIC') published a draft on the accounting method of the special tax on financial institutions on 12 March. Accordingly, in Hungary the full year banking tax should be booked on 1 January. Thus in case of the Hungarian members of the Group the previous accounting method according to IFRS, which booked the yearly burden on a quarterly base, has changed. As a result the whole amount of the banking tax for 2012 has been recognised in the financial statements for the three month period ended 31 March 2012. Accordingly, no further amount will be recognised for the rest of the year. Under Hungarian Accounting Standards the special tax of financial institutions is continued to recognise on a quarterly basis.

NOTE 26: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax expense is as follows:

	30 June 2012	*30 June 2011*
Profit before income tax	59,525	91,113
Income tax at statutory tax rates	13,320	21,880
Income tax adjustments due to permanent differences are as follows:		
Differences in carrying value of subsidiaries	1,492	1,900
OTP-MOL share swap transaction	871	-
Share-based payment	483	887
Reversal of statutory general provision	443	565
Difference of accounting of equity instrument (ICES)	391	584
Tax effect of amortization of statutory goodwill	-	416
Effect of change of income tax rate	-	(606)
Treasury share transactions	(25)	-
Reclassification of direct charges to reserves (self-revision)	(143)	(1,648)
Revaluation of investments denominated in foreign currency to historical cost	(5,104)	(3,924)
Other	(6,105)	(3,416)
Income tax expense	**5,623**	**16,638**
Effective tax rate	**9.5%**	**18.3%**

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

	30 June 2012	*30 June 2011*
Repurchase agreement and security lending	4,212	2,659
Fair value adjustment of securities held for trading and securities available-for-sale	4,010	5,580
Tax loss carry forward	3,761	4,441
Provision for impairment on investments	2,189	6,611
Difference in accounting for leases	450	411
Adjustment from effective interest rate method	292	753
Fair value adjustment of derivative financial instruments	277	-
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	70	94
Difference in depreciation and amortization	16	202
Premium and discount amortization on bonds	-	20
Other	8,797	8,478
Deferred tax asset	**24,074**	**29,249**

NOTE 26: **INCOME TAXES (in HUF mn) [continued]**

	30 June 2012	*30 June 2011*
Fair value adjustment of derivative financial instruments	(6,730)	(2,727)
Difference in depreciation and amortization	(4,858)	(3,584)
Net effect of treasury share transactions	(4,109)	(2,293)
Accounting of equity instrument (ICES)	(3,295)	(1,707)
Fair value adjustment of securities held for trading and securities available-for-sale	(3,198)	(4,560)
Adjustment from effective interest rate method	(1,749)	(1,507)
Temporary differences arising on consolidation	(1,283)	(1,561)
Premium and discount amortization on bonds	(217)	(105)
Difference in accounting for leases	(75)	(28)
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(18)	-
Other	(6,136)	(7,008)
Deferred tax liabilities	**(31,668)**	**(25,080)**
Net deferred tax (liability) / asset	**(7,594)**	**4,169**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1. Credit risk

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

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

Analysis by loan types and risk classes

An analysis of the gross loan portfolio by loan types and financial risk classes is as follows:

As at 30 June 2012

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount
Retail loans	2,813,145	991,484	173,506	274,107	553,364	**4,805,606**
Corporate loans	1,094,053	508,092	165,122	189,898	386,654	**2,343,819**
Placement with other banks	407,987	19,869	1,418	113	873	**430,260**
Municipal loans	241,435	72,403	9,911	10,096	1,309	**335,154**
Total gross portfolio	**4,556,620**	**1,591,848**	**349,957**	**474,214**	**942,200**	**7,914,839**
Allowance for loans	(21,739)	(62,892)	(85,379)	(240,460)	(666,802)	**(1,077,272)**
Allowance for placements	-	(19)	(345)	(71)	(879)	**(1,314)**
Total allowance	**(21,739)**	**(62,911)**	**(85,724)**	**(240,531)**	**(667,681)**	**(1,078,586)**
Total net portfolio	**4,534,881**	**1,528,937**	**264,233**	**233,683**	**274,519**	**6,836,253**
Accrued interest						
for loans						**69,641**
for placements						**429**
Total accrued interest						**70,070**
Total net loans						**6,476,948**
Total net placements						**429,375**
Total net exposures						**6,906,323**

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

27.1. Credit risk [continued]

Analysis by loan types and risk classes [continued]

As at 31 December 2011

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount
Retail loans	3,072,883	1,194,682	155,854	242,301	482,946	**5,148,666**
Corporate loans	1,206,613	560,963	187,089	227,745	364,713	**2,547,123**
Placement with other banks	415,242	7,034	12	262	871	**423,421**
Municipal loans	265,294	64,348	8,927	11,919	1,193	**351,681**
Total gross portfolio	**4,960,032**	**1,827,027**	**351,882**	**482,227**	**849,723**	**8,470,891**
Allowance for loans	(30,127)	(93,985)	(74,005)	(245,661)	(617,674)	**(1,061,452)**
Allowance for placements	(2)	(172)	(2)	(113)	(876)	**(1,165)**
Total allowance	**(30,129)**	**(94,157)**	**(74,007)**	**(245,774)**	**(618,550)**	**(1,062,617)**
Total net portfolio	**4,929,903**	**1,732,870**	**277,875**	**236,453**	**231,173**	**7,408,274**
Accrued interest						
for loans						**61,161**
for placements						**521**
Total accrued interest						**61,682**
Total net loans						**7,047,179**
Total net placements						**422,777**
Total net exposures						**7,469,956**

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

Qualification categories	*30 June 2012*	*31 December 2011*
Performing	1,318,747	1,039,188
To-be monitored	42,087	47,996
Below average	8,799	194,370
Doubtful	3,542	4,774
Bad	1,244	1,513
Total	**1,374,419**	**1,287,841**

The Group's loan portfolio increased by 6.6% in the first half year of 2012. Analysing the contribution of loan types to the loan portfolio, the share of the corporate and retail loan type slightly decreased while the share of other loan types either slightly increased. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio increased from 15.7% to 17.9%. Among the qualified loan portfolio, the loans classified to the risk class of "bad" expanded at the fastest level.

The Group has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the indicator was 64.1% and 64.9% as at 30 June 2012 and 31 December 2011 respectively.

The off-balance sheet liabilities connected to the lending activity increased by 6.7% and 16.9% as at 30 June 2012 and 31 December 2011 respectively.
The qualified loan portfolio decreased by 4.3% in the six month period ended 30 June 2012.

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

27.1. Credit risk [continued]

Classification into risk classes

Exposures with small amounts (retail sector) are subject to collective valuation method, which is a simplified assessment. The exposures subject to collective valuation method are classified to five risk classes (performing, to-be monitored, below average, doubtful, bad). Depending on the days of delay, a specific percentage is assigned to each risk class, and the provision for impairment is calculated on all exposures based on previously determined rates.

When applying the individual assessment method, the incurred loss of each item is determined based on the consideration of all of the following criteria:

- the credit rating of the customer or the partner: the financial position, stability and income-generating capacity affected by the financial or investment service and issuer of the security, and any changes thereto;
- compliance with the rules of repayment (delay): delays in the repayment of the loan principal and its interests;
- the country risk relating to the customer (both political and transfer risks) and any changes thereto;
- the value of collaterals, their liquidity and accessibility, and any changes therein;
- the transferability and liquidity of the exposures (the market conditions of supply and demand, the available market prices and participation in the shareholders` equity of the issuer in proportion to the investment);
- the future payment obligation recognized as a loss arising from the exposure.

Loan portfolio by countries

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

	30 June 2012		*31 December 2011*	
Country	**Carrying amount of the qualified gross loan portfolio**	**Allowance**	**Carrying amount of the qualified gross loan portfolio**	**Allowance**
Hungary	1,460,639	433,298	1,652,321	421,616
Ukraine	719,008	199,596	771,398	196,537
Bulgaria	317,626	150,467	318,961	148,292
Romania	282,002	31,501	160,413	44,162
Russia	227,857	94,056	204,577	68,904
Montenegro	134,064	68,250	143,986	70,640
Cyprus	57,838	12,800	65,331	13,931
Serbia	50,911	24,251	69,811	26,082
Croatia	50,684	22,984	53,119	22,004
Slovakia	49,998	17,685	59,008	17,626
Seychelles	4,868	733	5,268	806
The United Kingdom	1,247	663	2,275	1,125
Egypt	624	313	640	327
Netherlands	238	35	-	-
Germany	194	66	15	4
Ireland	81	48	81	72
Kazakhstan	79	24	2,209	150
Latvia	36	24	37	31
Macedonia	22	4	116	76
The United States	11	6	1,097	6
Other[1]	191	43	196	97
Total	**3,358,218**	**1,056,847**	**3,510,859**	**1,032,488**

[1] Other category in the first half year of 2012 includes e.g.: Island, Greece, Sweden, Moldova, United Arab Emirate, Switzerland, Austria, Spain, Georgia, South Korea, Turkey, Israel, Luxemburg, China, Canada, Libya, Poland, Denmark, France, Australia.

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

27.1. Credit risk [continued]

Loan portfolio by countries [continued]

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

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

	30 June 2012		*31 December 2011*	
Country	**Carrying amount of the non-qualified gross loan portfolio**	**Allowance**	**Carrying amount of the non-qualified gross loan portfolio**	**Allowance**
Hungary	1,836,264	-	1,930,312	2,711
Bulgaria	864,371	10,834	979,000	12,742
Russia	642,123	3,274	589,273	4,121
Croatia	350,896	3,495	360,747	3,817
Slovakia	236,690	594	246,160	736
Romania	158,973	284	308,304	307
Montenegro	132,135	3,111	149,789	5,629
The United Kingdom	95,732	27	96,790	28
Serbia	52,284	120	43,807	32
France	43,616	-	60,355	-
Germany	37,799	-	61,913	1
Ukraine	37,226	-	49,382	-
The United States	17,386	-	14,536	2
Belgium	10,743	-	16,547	-
Switzerland	5,819	-	8,867	-
Norway	3,860	-	6,617	-
Netherlands	3,769	-	13,972	-
Austria	2,996	-	3,982	-
Ireland	1,698	-	261	-
Turkey	1,175	-	403	-
Poland	1,164	-	2,813	-
Cyprus	1,136	-	9,048	-
Italy	970	-	3,235	1
Czech Republic	825	-	540	-
Sweden	420	-	1,747	-
Canada	251	-	273	-
Denmark	242	-	133	-
Japan	186	-	128	-
Kazakhstan	165	-	271	-
Spain	15	-	19	-
Azerbaijan	-	-	602	-
Other[1]	15,691	-	206	2
Total	**4,556,620**	**21,739**	**4,960,032**	**30,129**

[1] Other category in 2011 includes e.g.: Luxemburg, Australia, Hong-Kong, Island, United Arab Emirate, Greece, Slovenia, Brasilia, Latvia, Finland, Bosnia and Hercegovina, Estonia, Cameroon, Egypt, Chile.

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

27.1. Credit risk [continued]

Loan portfolio by countries [continued]

The non-qualified loan portfolio decreased mostly in Cyprus, Netherlands, Romania and Serbia. In some countries the stock of provision increased due to local regulations on the base of which it is compulsory to account fix rate of provision on the non-qualified portfolio.

Collaterals

The values of collaterals held by the Group by types are as follows: (**total collaterals**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	*30 June 2012*	*31 December 2011*
Mortgages	7,106,596	6,957,343
Assignments (revenue or other receivables)	239,194	209,013
Guarantees and warranties	198,400	297,856
Cash deposits	162,617	158,457
Guarantees of state or organizations owned by state	152,894	162,516
Securities	93,134	105,950
Other	928,408	970,760
Total	**8,881,243**	**8,861,895**

The values of collaterals held by the Group by types are as follows: (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	*30 June 2012*	*31 December 2011*
Mortgages	3,248,297	3,625,631
Assignments (revenue or other receivables)	306,972	325,310
Guarantees and warranties	174,426	273,286
Cash deposits	116,366	103,771
Guarantees of state or organizations owned by state	104,901	135,969
Securities	26,891	31,848
Other	522,871	598,993
Total	**4,500,724**	**5,094,808**

The coverage level of the loan portfolio (total collaterals) increased by 4.8%, as well as the coverage level to the extent of the exposures decreased by 3.8% as at 30 June 2012.

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

27.1. Credit risk [continued]

Loans, neither past due, nor impaired

The loan portfolio analysis of the gross values of the loans that are neither past due nor impaired is as follows:

Loan type	*30 June 2012*	*31 December 2011*
Retail loans	1,879,578	2,224,077
Corporate loans	895,835	997,115
Placement with other banks	411,711	396,298
Municipal loans	170,108	175,452
Total	**3,357,232**	**3,792,942**

Qualification categories	*30 June 2012*	*31 December 2011*
Performing	3,154,634	3,723,990
To-be monitored	160,998	40,569
Below average	20,657	13,538
Doubtful	7,675	3,187
Bad	13,268	11,658
Total	**3,357,232**	**3,792,942**

Loans neither past due, nor impaired cover only balance sheet items.
The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 44.8% to 42.4% as at 30 June 2012 compared to the end of the prior year. The ratio of the corporate, municipal loans and interbank placements compared to the portfolio of loans neither past due nor impaired increased during the six month period ended 30 June 2012 while the ratio of the retail loans decreased.

Renegotiated loans

An analysis of the gross value of the loans that would otherwise be past due or impaired and whose terms have been renegotiated as at 30 June 2012 and 31 December 2011 is as follows:

Loan type	*30 June 2012*	*31 December 2011*
Retail loans	272,595	421,898
Corporate loans	202,256	404,796
Municipal loans	17,661	11,197
Placement with other banks	-	-
Total	**492,512**	**837,891**

The gross amount of renegotiated loans decreased considerably by 30 June 2012, which is connected mainly to the retail and corporate loans but the municipal loans increased. There were no renegotiated loans neither in the first half of 2012 nor in 2011 among the Placements with other banks.

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

27.1. Credit risk [continued]

Past due, but not impaired loans

The aging of gross loans that are past due but not impaired as at 30 June 2012 and 31 December 2011 is as follows:

As at 30 June 2012

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	236,252	16,270	18,330	41,094	**311,946**
Corporate loans	87,187	3,212	10,467	9,645	**110,511**
Municipality loans	160,002	4,633	6,866	5,684	**177,185**
Total	**483,441**	**24,115**	**35,663**	**56,423**	**599,642**

As at 31 December 2011

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	289,802	15,738	13,047	29,678	**348,265**
Corporate loans	71,503	8,610	1,997	7,846	**89,956**
Municipality loans	82,422	-	-	-	**82,422**
Total	**443,727**	**24,348**	**15,044**	**37,524**	**520,643**

The loans that are past due but not impaired are concentrated mainly in the retail loan type but in this first half year a slightly increase is observable in the municipality loans. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Group.

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

An analysis of the fair value of collaterals related to past due, but not impaired loans, total collaterals and to the extent of the exposures as at 30 June 2012 and 31 December 2011 is as follows:

Fair value of the collaterals (total collaterals)	*30 June 2012*	*31 December 2011*
Retail loans	598,279	530,063
Corporate loans	338,666	284,137
Municipality loans	6,015	6,491
Total	**942,960**	**820,691**

Fair value of the collaterals (to the extent of the exposures)	*30 June 2012*	*31 December 2011*
Retail loans	199,637	256,388
Corporate loans	62,726	51,059
Municipality loans	455	807
Total	**262,818**	**308,254**

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

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

27.1. Credit risk [continued]

Loans individually assessed for provision

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 30 June 2012 and 31 December 2011 is as follows. The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

As at 30 June 2012

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	224,346	123,735	139,373	91	7
Regularity of payment	3,663	1,455	1,069	-	-
Renegotiation	33,577	2,905	20,372	365	58
Legal proceedings	96,198	63,222	38,879	81	80
Decrease of client classification	170,781	48,182	39,550	3,366	213
Loan characteristics	39,197	2,753	-	-	-
Business lines risks	9,045	4,569	205	2,592	726
Cross default	32,891	11,418	4,818	6,423	155
Other	22,985	3,174	3,265	8,046	827
Corporate total	**632,683**	**261,413**	**247,531**	**20,964**	**2,066**
Delay of payment	5,979	319	7,275	-	-
Renegotiation	8,203	476	-	103	50
Legal proceedings	274	274	-	-	-
Decrease of client classification	19,627	1,691	-	540	78
Cross default	91	61	-	10	-
Other	24,984	2,741	-	4,268	269
Municipal total	**59,158**	**5,562**	**7,275**	**4,921**	**397**
Placements with other banks	**4,828**	**1,202**	**-**	**-**	**-**
Total	**696,669**	**268,177**	**254,806**	**25,885**	**2,463**

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

27.1. Credit risk [continued]

Loans individually assessed for provision [continued]

As at 31 December 2011

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	230,955	118,157	154,959	284	1
Regularity of payment	1,711	158	739	-	-
Renegotiation	49,024	4,607	9,563	2,183	19
Legal proceedings	84,327	56,452	36,275	81	76
Decrease of client classification	177,735	50,137	79,574	7,533	1,294
Loan characteristics	41,895	2,993	-	-	-
Business lines risks	25,294	7,923	1,127	4,608	437
Cross default	30,644	19,277	427	392	120
Other	20,101	2,818	1,622	6,631	793
Corporate total	**661,686**	**262,522**	**284,286**	**21,712**	**2,740**
Delay of payment	1,253	433	3,502	-	-
Renegotiation	7,324	540	-	113	53
Legal proceedings	327	287	40	-	-
Decrease of client classification	20,216	1,911	-	260	91
Cross default	552	201	2	109	35
Other	26,383	2,496	19	6,473	404
Municipal total	**56,055**	**5,868**	**3,563**	**6,955**	**583**
Placements with other banks	**4,878**	**1,246**	**-**	**-**	**-**
Total	**722,619**	**269,636**	**287,849**	**28,667**	**3,323**

By 30 June 2012 the volume of the individually rated portfolio significantly decreased in the corporate loan type. Among the rating factors of the corporate loan type, the decrease is mostly based on the business line risks, renegotiation and the loan characteristics.

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

Business lines risks:
Transactions are classified by using this category name, if the client works in the branch which had been grievously accused by the financial crisis (vehicle industry, building industry, real estate services, metal processing, financial services).

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

27.2. Market risk

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

27.2.1. Market Risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	**Average**	
	30 June 2012	*30 June 2011*
Foreign exchange	405	354
Interest rate	284	518
Equity instruments	9	18
Diversification	(210)	(248)
Total VaR exposure	**488**	**642**

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

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

27.2. Market risk [continued]

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.
The strategic open position related to the foreign operations was EUR (310) million as at 30 June 2012 and EUR (310) million as at 31 December 2011. High portion of strategic positions is considered as effective hedge of investment of foreign subsidiaries, so FX risk affects the Group capital and not its earnings.

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

Probability	Effects to the Consolidated Statement of Recognized Income in 3 months period	
	30 June 2012	*30 June 2011*
	In HUF billion	In HUF billion
1%	(12.7)	(9.7)
5%	(8.8)	(6.5)
25%	(3.6)	(2.4)
50%	(0.3)	0.3
25%	2.9	2.8
5%	7.2	6.4
1%	10.2	8.8

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) The EUR/HUF volatility increased slightly but the FX rate was stronger than the theoretic middle-rate, so the probability of losses was increased and the probability of further gains was decreased in the first half year of 2012.
(3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2012.

27.2.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date will be outstanding for the whole year. The analysis was prepared by assuming only adverse interest rate changes. The main assumptions were as follows:

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Assets and liabilities with an interest rate lower than 0.3% were assumed to be unchanged for the whole period.

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

27.2 Market risk [continued]

27.2.3. Interest rate sensitivity analysis [continued]

The simulations were prepared by assuming two scenarios:
(1) 0.50% - 0.75% decrease in average HUF yields (probable scenario)
(2) 1% - 1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period after 30 June 2012 would be decreased by HUF 2,014 million (probable scenario) and HUF 9,187 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,512 million (probable scenario) and HUF 7,132 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2011.
This effect is counterbalanced by capital gains (HUF 5,676 million for probable scenario, HUF 8,929 million for alternative scenario) as at 30 June 2012 and (HUF 7,710 million for probable scenario, HUF 10,303 million for alternative scenario) as at 31 December 2011 on the government bond portfolio held for hedging.

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

	30 June 2012		*30 June 2011*	
Description	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of AFS government bonds)**	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of AFS government bonds)**
HUF (0.1%) parallel shift	(614)	1,256	(585)	1,295
EUR (0.1%) parallel shift	(435)	-	(277)	-
USD 0.1% parallel shift	(3)	-	77	-
Total	**(1,052)**	**1,256**	**(785)**	**1,295**

27.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	*30 June 2012*	*30 June 2011*
VaR (99%, one day, HUF million)	9	18
Stress test (HUF million)	(23)	(5)

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

27.2. Market risk [continued]

27.2.5. Capital management

Capital management

The primary objective of the capital management of the Group is to ensure the prudent operation, the entire compliance with the prescriptions of the regulator for a persistent business operation and maximising the shareholder value, accompanied by an optimal financing structure.
The capital management of the Group members includes the management and evaluation of the shareholders` equity available for hedging risks, other types of funds to be recorded in the equity and all material risks to be covered by the capital.
The basis of the capital management of the Group members in the short run is the continuous monitoring of their capital position, in the long run the strategic and the business planning, which includes the monitoring and forecast of the capital position.
The Group members maintain the capital adequacy required by the regulatory bodies and the planned risk taking mainly by means of ensuring and developing their profitability. In case the planned risk level of a Group member exceeded its Core and the previously raised Supplementary capital, it ensures the prudent operation by occasional measures. A further tool in the capital management of the Bank is the dividend policy, and the transactions performed with the treasury shares.

Capital adequacy

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

The Group has entirely complied with the regulatory capital requirements.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the alternative standard method in case of the operational risk. The consolidated Capital adequacy ratio of the Group was 18.1% and 17.9% as at 30 June 2012 and 31 December 2011 respectively. The Regulatory capital was HUF 1,445,905 million and HUF 1,486,717 million, the Total eligible regulatory capital was HUF 638,931 million and HUF 666,748 million as at 30 June 2012 and 31 December 2011 respectively.

Calculation on HAS basis

	30 June 2012	*31 December 2011*
Core capital	1,180,129	1,192,803
Supplementary capital	266,148	294,291
Deductions	(372)	(377)
due to investments	*(372)*	*(377)*
Regulatory capital	**1,445,905**	**1,486,717**
Credit risk capital requirement	487,593	514,696
Market risk capital requirement	36,148	43,934
Operational risk capital requirement	115,190	108,118
Total requirement regulatory capital	**638,931**	**666,748**
Surplus capital	**806,974**	**819,969**
Tier 1 ratio	14.8%	14.3%
Capital adequacy ratio	**18.1%**	**17.9%**

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

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

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

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

Subsidiary bank	**Country**	**Minimum prescribed CAR**	*30 June 2012*	*31 December 2011*
OAO OTP Bank	Russia	11%	18.2%	16.7%
OTP Bank JSC	Ukraine	10%	19.1%	21.3%
DSK Bank EAD	Bulgaria	12%	19.1%	20.6%
OTP Bank Romania S.A.	Romania	10%	15.1%	13.4%
OTP banka Srbija a.d.	Serbia	12%	23.1%	18.2%
OTP banka Hrvatska d.d.	Croatia	12%	15.1%	13.6%
OTP Banka Slovensko a. s.	Slovakia	8%	12.8%	13.1%
Crnogorska komerčijalna banka a.d.	Montenegro	10%	12.7%	14.6%

For international comparison purposes, the Group calculates the Regulatory capital in accordance with the Basel II directive based on IFRS data, and the consolidated Capital adequacy ratio based on this. The Capital adequacy ratio of the Group was 17.9% as at 30 June 2012 and 17.2 % as at 31 December 2011. The Regulatory capital was HUF 1,427,745 million and HUF 1,433,100 million, the Total regulatory capital requirement was HUF 638,931 million and HUF 666,748 million as at 30 June 2012 and 31 December 2011 respectively.

Calculation on IFRS basis

	30 June 2012	*31 December 2011*
Core capital (Tier 1)	***1,153,638***	***1,106,006***
Positive components	*1,445,339*	*1,410,131*
Issued capital	28,000	28,000
Reserves	1,311,914	1,273,838
Other issued capital components	105,425	108,293
Negative components	*(291,701)*	*(304,125)*
Treasury shares	(54,029)	(54,386)
Goodwill and other intangible assets	(237,672)	(249,739)
Supplementary capital (Tier 2)	***274,479***	***327,471***
Fair value corrections	(6,166)	(35,190)
Subordinated bonds and loans	280,645	362,661
Deductions	***(372)***	***(377)***
Regulatory capital	**1,427,745**	**1,433,100**
Credit risk capital requirement	487,593	514,696
Market risk capital requirement	36,148	43,934
Operational risk capital requirement	115,190	108,118
Total requirement regulatory capital	**638,931**	**666,748**
Surplus capital	**788,814**	**766,352**
Tier 1 ratio	14.4%	13.3%
Capital adequacy ratio	**17.9%**	**17.2%**

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

27.2 Market risk [continued]

27.2.5. Capital management [continued]

Capital adequacy [continued]

The positive components of the Core capital are the following: Issued capital, Profit reserve, Other reserves, Changes in the equity of subsidiaries, Profit for the year, Changes due to consolidation, Other issued capital components.
The negative components of the Core capital are the following: Treasury shares, Goodwill and other intangible assets, dividend.
The components of the Supplementary capital are the following: Revaluation reserve, Fair value adjustments, Share-based payment, Cash-flow hedge, Hedges of net investments in foreign operations, Other issued capital (in the Supplementary capital), Subordinated loan capital, Supplementary loan capital.
The components of the Deductions: deductions due to investments.

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

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated Statement of Financial Position and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities

	30 June 2012	*31 December 2011*
Legal disputes (disputed value)	10,514,123	11,067,643
Commitments to extend credit	1,076,265	1,000,043
Guarantees arising from banking activities	297,922	287,513
Confirmed letters of credit	13,228	5,483
Other	60,925	139,500
Total	**11,962,463**	**12,500,182**

Legal disputes

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

The Victims of Hungarian Holocaust initiated a class action against, amongst others, OTP before the United States District Court Northern District of Illinois. The Bank emphasises that "Országos Takarékpénztár Nemzeti Vállalat" was established on 1 March 1949 with no predecessor. The Bank considers the claim against it entirely unfounded. The value of legal disputes has increased considerably because of changes in FX rates.

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 3,635 million and HUF 3,697 million as at 30 June 2012 and 31 December 2011, respectively. (See Note 17.)
On 23 August the Bank announced that the United States Court of Appeals granted the petition for writs of mandamus submitted by OTP and ordered the district court to dismiss the plaintiffs' claims against the Bank for lack of personal jurisdiction in the class action. OTP maintains that plaintiffs' claim against it has been unfounded in its entirety.

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

Commitments to extend credit, guarantees and letters of credit

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

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

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

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

Guarantees, payment undertakings arising from banking activities

Payment undertaking is a promise by the Group to assume responsibility for the debt obligation of a borrower if that borrower defaults until a determined amount, until a determined date, in case of fulfilling conditions, without checking the undermined transactions. The guarantee’s liability is joint and primary with the principal, in case of payment undertaking, while the Group assumes the obligation derived from guarantee independently by the conditions established by the Group.
A guarantee is most typically required when the ability of the primary obligor or principal to perform its obligations under a contract is in question, or when there is some public or private interest which requires protection from the consequences of the principal's default or delinquency. A contract of guarantee is subject to the statute of frauds (or its equivalent local laws) and is only enforceable if recorded in writing and signed by the surety and the principal.
If the surety is required to pay or perform due to the principal's failure to do so, the law will usually give the surety a right of subrogation, allowing the surety to use the surety's contractual rights to recover the cost of making payment or performing on the principal's behalf, even in the absence of an express agreement to that effect between the surety and the principal.

Derivatives

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

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

Foreign currency contracts

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

Foreign currency contracts are used by the Group for risk management and trading purposes. The risk management foreign currency contracts of the Group were used to hedge the exchange rate fluctuations of loans and deposits to credit institutions denominated in foreign currency.

Foreign exchange swaps and interest rate swaps

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

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

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

Cross-currency interest rate swaps

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

Forward rate agreements (FRA)

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

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

NOTE 29: SHARE-BASED PAYMENT

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted on 2011 Annual General Meeting regarding to the amendment of CRD III. directives and Act on Credit Institutions and Financial Enterprises.
Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.
The Bank ensures the share-based payment part for the management personnel of the Group members.
The value of the discounted share-based payment at the performance assessment is determined by the Bank's Directorate based on the average of the three previous trade day's middle rate of the Bank's equity shares fixed on the Budapest Stock Exchange.
Discounted share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is determined by the Bank's Directorate, maximum HUF 4,000.

The Bank Directorate determined the parameters for the share-based payment relating to the year 2010 as follows:

Year	exercise price per share	maximum earnings per share
2011	3,946	2,500
2012	3,946	3,000
2013	4,446	3,500
2014	4,946	3,500

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

Based on parameters accepted by Directorate cancellation, risk evaluation and personal changes effective pieces are follows as at 30 June 2012:

2012	735,722[1]
2013	421,734
2014	512,095

The Bank Directorate determined the parameters for the share-based payment relating to the year 2011 as follows:

Year	**Exercise price per share**	**Maximum earnings per share**
2012	1,370	3,000
2013	1,870	3,000
2014	1,870	4,000
2015	1,870	4,000

Based on cancellation, effective performance assessment and exercise during the year effective pieces (presently) are the following as at 30 June 2012:

2012	297,637[2]
2013	1,284,731
2014	654,064
2015	724,886

In connection with programs accounted as equity-settled share based transactions, HUF 2,540 million was recognized as an expense during the six month period ended 30 June 2012.

[1] There was no exercise until 30 June 2012, maturity of exercise period was settled in 31 December 2013 by the Bank's Directorate.
[2] The approved pieces of shares are 471,240 from which 173,603 have been exercised until 30 June 2012.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Compensations	*30 June 2012*	*31 December 2011*
Short-term employee benefits	4,071	8,484
Share-based payment	1,584	2,343
Other long-term employee benefits	595	886
Termination benefits	109	37
Redundancy payments	10	-
Total	**6,369**	**11,750**

	30 June 2012	*31 December 2011*
Loans provided to companies owned by the management (normal course of business)	35,193	42,806
Commitments to extend credit and guarantees	364	6
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	112	117

	30 June 2012	*31 December 2011*
Loans provided to unconsolidated subsidiaries	10,807	17,523

NOTE 31: MAJOR SUBSIDIARIES AND ASSOCIATES

Investments in companies in which the Bank has a significant interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Bank considers the subsidiaries as cash generating units.

Major subsidiaries

Name	Ownership (Direct and Indirect) *30 June 2012*	*31 December 2011*	Activity
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia)	97.76%	97.75%	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)	94.90%	92.60%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	98.94%	98.94%	commercial banking services
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Crnogorska komerčijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)/ OTP Financing Cyprus	100.00%	100,00%	refinancing activities
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Two 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
OTP Factoring Ukraine LLC	100.00%	100.00%	work-out

Major associates

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

As at 30 June 2012

	Moneta Ltd.	*Company for Cash Services Ltd.*	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Agóra-Kapos Ltd.*	*Total*
Total assets	377	1,955	617	74	3,023
Total liabilities	276	162	1	55	494
Shareholders' equity	101	1,793	616	19	2,529
Reserves	(45)	-	552	18	525
Total revenues	55	412	23	-	490
Profit before income tax	(4)	10	13	-	19
Profit after income tax	(4)	10	13	-	19

NOTE 31: MAJOR SUBSIDIARIES AND ASSOCIATES [continued]

Major associates

As at 31 December 2011

	Moneta Ltd.	*Company for Cash Services Ltd.*	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Agóra-Kapos Ltd.*	*Total*
Total assets	436	2,132	611	157	3,336
Total liabilities	336	204	9	108	657
Shareholders' equity	100	1,928	602	49	2,679
Reserves	(58)	-	544	17	503
Total revenues	304	892	44	934	2,174
Profit before income tax	59	27	16	36	138
Profit after income tax	59	27	14	32	132

NOTE 32: TRUST ACTIVITIES (in HUF mn)

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Group, they have been excluded from the accompanying Consolidated Statement of Financial Position.

	30 June 2012	*31 December 2011*
The amount of loans managed by the Group as a trustee	42,953	43,196

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

	30 June 2012	*31 December 2011*
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	15.3%	11.2%

There were no other significant concentrations of the assets or liabilities of the Group as at 30 June 2012 or as at 31 December 2011.

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

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

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

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations prescribed by the NBH. The following tables provide an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the period end to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

As at 30 June 2012	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	546,602	12,952	350	359	-	560,263
Placements with other banks, net of allowance for placements losses	402,287	23,506	3,384	198	-	429,375
Financial assets at fair value through profit or loss	21,890	48,043	41,114	95,485	6,581	213,113
Securities available-for-sale	846,449	126,357	308,842	211,349	9,013	1,502,010
Loans, net of allowance for loan losses	682,944	1,181,676	2,575,336	2,036,992	-	6,476,948
Associates and other investments	-	-	-	-	7,712	7,712
Securities held-to-maturity	19,339	93,723	8,951	9,994	-	132,007
Property and equipment, Intangible assets	-	-	-	-	474,534	474,534
Other assets	68,226	47,466	25,177	324	-	141,193
TOTAL ASSETS	**2,587,737**	**1,533,723**	**2,963,154**	**2,354,701**	**497,840**	**9,937,155**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	346,020	80,220	160,919	105,960	-	711,119
Deposits from customers	4,382,172	1,434,369	327,949	26,210	-	6,170,700
Liabilities from issued securities	117,498	241,456	316,178	67,556	-	742,688
Financial liabilities at fair value through profit or loss	27,653	49,544	42,137	10,279	-	129,613
Other liabilities	339,496	55,702	60,453	11,270	-	466,921
Subordinated bonds and loans	9,487	59	166,756	36	119,740	296,078
TOTAL LIABILITIES	**5,240,326**	**1,861,350**	**1,074,392**	**221,311**	**119,740**	**8,517,119**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,440,849	1,440,849
Treasury shares	-	-	-	-	(54,029)	(54,029)
Non-controlling interest	-	-	-	-	5,216	5,216
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,420,036**	**1,420,036**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,240,326**	**1,861,350**	**1,074,392**	**221,311**	**1,539,776**	**9,937,155**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,652,589)**	**(327,627)**	**1,888,762**	**2,133,390**	**(1,041,936)**	**-**

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

As at 31 December 2011	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Banks	576,135	19,058	392	401	-	595,986
Placements with other banks, net of allowance for placements losses	405,347	13,843	3,379	208	-	422,777
Financial assets at fair value through profit or loss	30,593	43,480	56,315	14,818	96,076	241,282
Securities available-for-sale	570,434	106,279	253,140	190,307	5,695	1,125,855
Loans, net of allowance for loan losses	815,385	1,293,540	2,543,488	2,390,972	3,794	7,047,179
Associates and other investments	-	-	-	-	10,342	10,342
Securities held-to-maturity	7,174	15,350	92,298	9,761	304	124,887
Property and equipment, Intangible assets	-	-	-	-	491,666	491,666
Other assets	46,023	71,595	19,551	1,684	1,700	140,553
TOTAL ASSETS	**2,451,091**	**1,563,145**	**2,968,563**	**2,608,151**	**609,577**	**10,200,527**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	180,859	124,850	172,273	168,986	-	646,968
Deposits from customers	4,563,198	1,501,196	311,084	23,375	-	6,398,853
Liabilities from issued securities	169,619	304,329	239,298	99,617	-	812,863
Financial liabilities at fair value through profit or loss	31,753	77,407	112,633	8,356	-	230,149
Other liabilities	246,660	31,024	86,234	12,584	435	376,937
Subordinated bonds and loans	3,412	419	184,539	-	128,077	316,447
TOTAL LIABILITIES	**5,195,501**	**2,039,225**	**1,106,061**	**312,918**	**128,512**	**8,782,217**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,439,095	1,439,095
Treasury shares	-	-	-	-	(54,386)	(54,386)
Non-controlling interest	-	-	-	-	5,601	5,601
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,418,310**	**1,418,310**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,195,501**	**2,039,225**	**1,106,061**	**312,918**	**1,546,822**	**10,200,527**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,744,410)**	**(476,080)**	**1,862,502**	**2,295,233**	**(937,245)**	**-**

NOTE 35: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 30 June 2012

	USD	EUR	CHF	Others	Total
Assets	573,057	1,901,249	947,477	2,818,768	6,240,551
Liabilities	(364,502)	(1,801,378)	(197,266)	(1,924,769)	(4,287,915)
Off-balance sheet assets and liabilities, net	(37,867)	102,247	(1,123,196)	24,561	(1,034,255)
Net position	**170,688**	**202,118**	**(372,985)**	**918,560**	**918,381**

As at 31 December 2011

	USD	EUR	CHF	Others	Total
Assets	627,984	2,368,051	1,400,243	2,527,272	6,923,550
Liabilities	(333,291)	(2,482,507)	(134,814)	(1,880,933)	(4,831,545)
Off-balance sheet assets and liabilities, net	(255,664)	189,971	(1,327,578)	(193,256)	(1,586,527)
Net position	**39,029**	**75,515**	**(62,149)**	**453,083**	**505,478**

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

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

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

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

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

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

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

As at 30 June 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**108 390**	**64 770**	**10 150**	**997**	**14 342**	**275**	**-**	**7**	**-**	**-**	**71 405**	**289 927**	**204 287**	**355 976**	**560 263**
fixed rate	*108 224*	*29 842*	*10 150*	*808*	*14 342*	*275*	*-*	*7*	*-*	*-*	*-*	*-*	*132 716*	*30 932*	*163 648*
variable rate	*166*	*34 928*	*-*	*189*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*166*	*35 117*	*35 283*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*71 405*	*289 927*	*71 405*	*289 927*	*361 332*
Placements with other banks, net of allowance for placements losses	**21 357**	**355 279**	**1 467**	**13 066**	**303**	**6 117**	*2 657*	**6 469**	*6 027*	**4 816**	**195**	**11 621**	**32 006**	**397 368**	**429 374**
fixed rate	*21 354*	*352 668*	*1 467*	*7 333*	*303*	*2 827*	*2 657*	*6 469*	*6 027*	*3 776*	*-*	*-*	*31 808*	*373 073*	*404 881*
variable rate	*3*	*2 611*	*-*	*5 733*	*-*	*3 290*	*-*	*-*	*-*	*1 040*	*-*	*-*	*3*	*12 674*	*12 677*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*195*	*11 621*	*195*	*11 621*	*11 816*
Securities held for trading	**682**	**1 873**	**3 625**	**55**	**9 686**	**435**	**1 764**	**1 041**	**4 599**	**7 193**	**82 940**	**7 091**	**103 296**	**17 688**	**120 984**
fixed rate	*682*	*1 044*	*3 625*	*54*	*8 471*	*435*	*1 764*	*1 041*	*4 599*	*7 193*	*-*	*-*	*19 141*	*9 767*	*28 908*
variable rate	*-*	*829*	*-*	*1*	*1 215*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1 215*	*830*	*2 045*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*82 940*	*7 091*	*82 940*	*7 091*	*90 031*
Securities available-for-sale	**797 923**	**4 808**	**5 577**	**5 233**	**74 070**	**59 220**	**72 511**	**35 297**	**323 984**	**70 959**	**36 038**	**16 390**	**1 310 103**	**191 907**	**1 502 010**
fixed rate	*797 923*	*2 452*	*5 577*	*3 493*	*74 070*	*58 630*	*72 511*	*35 297*	*323 984*	*70 959*	*-*	*-*	*1 274 065*	*170 831*	*1 444 896*
variable rate	*-*	*2 356*	*-*	*1 740*	*-*	*590*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*4 686*	*4 686*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*36 038*	*16 390*	*36 038*	*16 390*	*52 428*
Loans, net of allowance for loan losses	**1 033 707**	**2 702 872**	**193 906**	**809 545**	**135 915**	**487 099**	**116 728**	**238 178**	**148 181**	**375 089**	**40 641**	**195 085**	**1 669 078**	**4 807 868**	**6 476 946**
fixed rate	*14 763*	*94 764*	*10 727*	*118 622*	*39 474*	*394 844*	*3 374*	*188 252*	*14 453*	*241 793*	*-*	*-*	*82 791*	*1 038 275*	*1 121 066*
variable rate	*1 018 944*	*2 608 108*	*183 179*	*690 923*	*96 441*	*92 255*	*113 354*	*49 926*	*133 728*	*133 296*	*-*	*-*	*1 545 646*	*3 574 508*	*5 120 154*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*40 641*	*195 085*	*40 641*	*195 085*	*235 726*
Securities held-to-maturity	**-**	**584**	**23 735**	**15 359**	**23 338**	**15 279**	**-**	**5 045**	**19 263**	**26 238**	**1 231**	**1 936**	**67 567**	**64 441**	**132 008**
fixed rate	*-*	*308*	*7*	*14 881*	*12 480*	*15 237*	*-*	*5 045*	*19 263*	*26 238*	*-*	*-*	*31 750*	*61 709*	*93 459*
variable rate	*-*	*276*	*23 728*	*478*	*10 858*	*42*	*-*	*-*	*-*	*-*	*-*	*-*	*34 586*	*796*	*35 382*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1 231*	*1 936*	*1 231*	*1 936*	*3 167*
Derivative financial instruments	**129 075**	**952 647**	**138 362**	**97 907**	**647 747**	**205 073**	**378 947**	**749 187**	**484 580**	**420 214**	**-**	**-**	**1 778 711**	**2 425 028**	**4 203 739**
fixed rate	*129 075*	*952 733*	*138 362*	*97 907*	*622 087*	*205 055*	*358 382*	*748 795*	*484 580*	*420 081*	*-*	*-*	*1 732 486*	*2 424 571*	*4 157 057*
variable rate	*-*	*(86)*	*-*	*-*	*25 660*	*18*	*20 565*	*392*	*-*	*133*	*-*	*-*	*46 225*	*457*	*46 682*

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

As at 30 June 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**50 773**	**280 919**	**10 071**	**14 394**	**126 750**	**15 030**	**1 833**	**12 571**	**6 825**	**188 729**	**1 090**	**2 135**	**197 342**	**513 778**	**711 120**
fixed rate	*49 880*	*220 062*	*2 845*	*6 487*	*154*	*7 200*	*210*	*11 403*	*6 825*	*188 724*	-	-	*59 914*	*433 876*	*493 790*
variable rate	*893*	*60 857*	*7 226*	*7 907*	*126 596*	*7 830*	*1 623*	*1 168*	-	*5*	-	-	*136 338*	*77 767*	*214 105*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*1 090*	*2 135*	*1 090*	*2 135*	*3 225*
Deposits from customers	**1 251 805**	**1 479 927**	**569 858**	**495 999**	**349 807**	**908 238**	**82 993**	**89 249**	**615 551**	**147 332**	**22 782**	**157 160**	**2 892 796**	**3 277 905**	**6 170 701**
fixed rate	*883 642*	*700 527*	*564 423*	*436 806*	*349 807*	*582 941*	*82 993*	*85 388*	*14 616*	*24 164*	-	-	*1 895 481*	*1 829 826*	*3 725 307*
variable rate	*368 163*	*779 400*	*5 435*	*59 193*	-	*325 297*	-	*3 861*	*600 935*	*123 168*	-	-	*974 533*	*1 290 919*	*2 265 452*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*22 782*	*157 160*	*22 782*	*157 160*	*179 942*
Liabilities from issued securities	**29 736**	**4 618**	**68 404**	**27 879**	**207 533**	**36 703**	**51 379**	**80 887**	**117 054**	**94 369**	**18 150**	**5 975**	**492 256**	**250 431**	**742 687**
fixed rate	*18 047*	*4 618*	*50 032*	*4 820*	*207 533*	*36 703*	*51 379*	*80 887*	*117 054*	*94 369*	-	-	*444 045*	*221 397*	*665 442*
variable rate	*11 689*	-	*18 372*	*23 059*	-	-	-	-	-	-	-	-	*30 061*	*23 059*	*53 120*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*18 150*	*5 975*	*18 150*	*5 975*	*24 125*
Derivative financial instruments	**68 296**	**34 224**	**24 042**	**22 264**	**623 903**	**1 121 942**	**72 928**	**749 633**	**36 057**	**1 574 311**	-	-	**825 226**	**3 502 374**	**4 327 600**
fixed rate	*68 296*	*34 012*	*24 042*	*22 264*	*602 025*	*1 121 829*	*46 311*	*749 245*	*36 057*	*1 574 311*	-	-	*776 731*	*3 501 661*	*4 278 392*
variable rate	-	*212*	-	-	*21 878*	*113*	*26 617*	*388*	-	-	-	-	*48 495*	*713*	*49 208*
Subordinated bonds and loans	-	-	**5 000**	**30 067**	-	**16 265**	-	-	-	**235 271**	**7**	**9 468**	**5 007**	**291 071**	**296 078**
fixed rate	-	-	-	-	-	-	-	-	-	*235 132*	-	-	-	*235 132*	*235 132*
variable rate	-	-	*5 000*	*30 067*	-	*16 265*	-	-	-	*139*	-	-	*5 000*	*46 471*	*51 471*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*7*	*9 468*	*7*	*9 468*	*9 475*
Net position	**690 524**	**2 283 145**	**-300 553**	**351 559**	**-402 592**	**-1 324 680**	**363 474**	**102 884**	**211 147**	**-1 335 503**	**190 421**	**347 312**	**752 421**	**424 717**	**1 177 138**

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

As at 31 December 2011

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**138,940**	**89,472**	**25**	**2,049**	**-**	**385**	**-**	**-**	**-**	**1**	**54,065**	**311,049**	**193,030**	**402,956**	**595,986**
fixed rate	*137,789*	*31,302*	*20*	*215*	*-*	*385*	*-*	*-*	*-*	*1*	*-*	*-*	*137,809*	*31,903*	*169,712*
variable rate	*1,151*	*58,170*	*5*	*1,834*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,156*	*60,004*	*61,160*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*54,065*	*311,049*	*54,065*	*311,049*	*365,114*
Placements with other banks, net of allowance for placements losses	**14,979**	**343,423**	**-**	**25,956**	**1,463**	**6,973**	**-**	**14,322**	**-**	**3,023**	**28**	**12,610**	**16,470**	**406,307**	**422,777**
fixed rate	*14,914*	*332,645*	*-*	*24,778*	*1,463*	*583*	*-*	*14,322*	*-*	*3,023*	*-*	*-*	*16,377*	*375,351*	*391,728*
variable rate	*65*	*10,778*	*-*	*1,178*	*-*	*6,390*	*-*	*-*	*-*	*-*	*-*	*-*	*65*	*18,346*	*18,411*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*28*	*12,610*	*28*	*12,610*	*12,638*
Securities held for trading	**1,872**	**997**	**439**	**485**	**4,670**	**2,797**	**2,842**	**426**	**15,444**	**12,274**	**88,511**	**8,573**	**113,778**	**25,552**	**139,330**
fixed rate	*1,872*	*78*	*430*	*-*	*4,123*	*2,797*	*2,842*	*426*	*15,444*	*12,274*	*-*	*-*	*24,711*	*15,575*	*40,286*
variable rate	*-*	*919*	*9*	*485*	*547*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*556*	*1,404*	*1,960*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*88,511*	*8,573*	*88,511*	*8,573*	*97,084*
Securities available-for-sale	**515,203**	**8,575**	**2,956**	**26,676**	**46,531**	**58,499**	**73,063**	**24,412**	**244,993**	**73,128**	**35,432**	**16,387**	**918,178**	**207,677**	**1,125,855**
fixed rate	*515,203*	*6,678*	*2,956*	*26,676*	*46,531*	*58,499*	*71,323*	*24,412*	*244,993*	*72,024*	*-*	*-*	*881,006*	*188,289*	*1,069,295*
variable rate	*-*	*1,897*	*-*	*-*	*-*	*-*	*1,740*	*-*	*-*	*1,104*	*-*	*-*	*1,740*	*3,001*	*4,741*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*35,432*	*16,387*	*35,432*	*16,387*	*51,819*
Loans, net of allowance for loan losses	**958,820**	**2,957,397**	**56,874**	**524,697**	**200,464**	**1,239,811**	**180,771**	**216,696**	**189,240**	**346,566**	**1,409**	**174,434**	**1,587,578**	**5,459,601**	**7,047,179**
fixed rate	*11,519*	*92,683*	*9,980*	*100,065*	*39,131*	*449,515*	*2,862*	*197,256*	*14,312*	*327,846*	*-*	*-*	*77,804*	*1,167,365*	*1,245,169*
variable rate	*947,301*	*2,864,714*	*46,894*	*424,632*	*161,333*	*790,296*	*177,909*	*19,440*	*174,928*	*18,720*	*-*	*-*	*1,508,365*	*4,117,802*	*5,626,167*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,409*	*174,434*	*1,409*	*174,434*	*175,843*
Securities held-to-maturity	**-**	**1,707**	**17,765**	**2,828**	**18,075**	**13,291**	**1,949**	**16,274**	**19,221**	**30,911**	**1,220**	**1,646**	**58,230**	**66,657**	**124,887**
fixed rate	*-*	*1,380*	*346*	*2,164*	*-*	*13,240*	*1,949*	*16,274*	*19,221*	*30,911*	*-*	*-*	*21,516*	*63,969*	*85,485*
variable rate	*-*	*327*	*17,419*	*664*	*18,075*	*51*	*-*	*-*	*-*	*-*	*-*	*-*	*35,494*	*1,042*	*36,536*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,220*	*1,646*	*1,220*	*1,646*	*2,866*
Derivative financial instruments	**568,770**	**717,566**	**971,534**	**1,546,567**	**442,972**	**146,951**	**44,653**	**9,762**	**20,735**	**6,860**	**-**	**-**	**2,048,664**	**2,427,706**	**4,476,370**
fixed rate	*165,811*	*571,464*	*165,240*	*247,387*	*365,126*	*96,381*	*22,655*	*7,676*	*20,735*	*5,298*	*-*	*-*	*739,567*	*928,206*	*1,667,773*
variable rate	*402,959*	*146,102*	*806,294*	*1,299,180*	*77,846*	*50,570*	*21,998*	*2,086*	*-*	*1,562*	*-*	*-*	*1,309,097*	*1,499,500*	*2,808,597*

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

As at 31 December 2011

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposit from the National Bank of Hungary and other banks	**33,799**	**238,092**	**5,824**	**144,385**	**134,168**	**47,060**	**711**	**11,019**	**877**	**30,073**	**410**	**550**	**175,789**	**471,179**	**646,968**
fixed rate	*32,740*	*180,619*	*3,033*	*13,606*	*3*	*17,206*	*711*	*5,911*	*263*	*29,486*	-	-	*36,750*	*246,828*	*283,578*
variable rate	*1,059*	*57,473*	*2,791*	*130,779*	*134,165*	*29,854*	-	*5,108*	*614*	*587*	-	-	*138,629*	*223,801*	*362,430*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*410*	*550*	*410*	*550*	*960*
Deposits from customers	**1,191,900**	**1,608,710**	**452,772**	**472,915**	**602,281**	**940,467**	**87,339**	**68,568**	**660,254**	**140,932**	**14,739**	**157,976**	**3,009,285**	**3,389,568**	**6,398,853**
fixed rate	*755,534*	*780,249*	*444,261*	*391,674*	*602,281*	*591,082*	*87,339*	*64,741*	*14,312*	*28,385*	-	-	*1,903,727*	*1,856,131*	*3,759,858*
variable rate	*436,366*	*828,461*	*8,511*	*81,241*	-	*349,385*	-	*3,827*	*645,942*	*112,547*	-	-	*1,090,819*	*1,375,461*	*2,466,280*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*14,739*	*157,976*	*14,739*	*157,976*	*172,715*
Liabilities from issued securities	**29,589**	**8,727**	**92,830**	**46,521**	**246,245**	**53,073**	**27,002**	**7,228**	**150,083**	**128,089**	**20,331**	**3,145**	**566,080**	**246,783**	**812,863**
fixed rate	*21,455*	*8,727*	*75,268*	*23,219*	*246,245*	*53,073*	*27,002*	*7,228*	*150,083*	*128,089*	-	-	*520,053*	*220,336*	*740,389*
variable rate	*8,134*	-	*17,562*	*23,302*	-	-	-	-	-	-	-	-	*25,696*	*23,302*	*48,998*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*20,331*	*3,145*	*20,331*	*3,145*	*23,476*
Derivative financial instruments	**335,972**	**999,677**	**78,128**	**2,548,062**	**141,246**	**492,635**	**51,593**	**8,953**	**14,138**	**19,441**	-	-	**621,077**	**4,068,768**	**4,689,845**
fixed rate	*330,662*	*464,667*	*63,663*	*359,821*	*59,854*	*417,951*	*20,740*	*6,943*	*14,138*	*18,309*	-	-	*489,057*	*1,267,691*	*1,756,748*
variable rate	*5,310*	*535,010*	*14,465*	*2,188,241*	*81,392*	*74,684*	*30,853*	*2,010*	-	*1,132*	-	-	*132,020*	*2,801,077*	*2,933,097*
Subordinated bonds and loans	-	-	**5,000**	**29,518**	-	**17,135**	-	**76**	-	**261,323**	-	**3,395**	**5,000**	**311,447**	**316,447**
fixed rate	-	-	-	-	-	-	-	-	-	*261,198*	-	-	-	*261,198*	*261,198*
variable rate	-	-	*5,000*	*29,518*	-	*17,135*	-	*76*	-	*125*	-	-	*5,000*	*46,854*	*51,854*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*3,395*	-	*3,395*	*3,395*
Net position	**607,324**	**1,263,931**	**415,039**	**(1,112,143)**	**(409,765)**	**(81,663)**	**136,633**	**186,048**	**(335,719)**	**(107,095)**	**145,185**	**359,633**	**558,697**	**508,711**	**1,067,408**

NOTE 37: CONSOLIDATED EARNINGS PER SHARE

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

	30 June 2012	*31 December 2011*
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	53,451	83,147
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	266,055,497	266,373,139
Basic Earnings per share (in HUF)	**201**	**312**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	53,451	83,147
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	266,086,873	266,438,959
Diluted Earnings per share (in HUF)	**201**	**312**

	30 June 2012	*31 December 2011*
	Number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	13,944,513	13,626,871
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	266,055,497	266,373,139
Dilutive effects of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares	31,376	65,820
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	266,086,873	266,438,959

NOTE 38: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 30 June 2012

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Banks	3,753	-	-	-
Placements with other banks, net of allowance for placements losses	5,146	-	(357)	-
Securities held for trading	879	(4,583)	-	-
Securities available-for-sale	41,612	498	549	35,046
Loans, net of allowance for loan losses	395,443	3,495	(105,979)	-
From this: Consumer loans	*182,887*			
Housing loans	*91,022*			
Corporate loans	*77,527*			
Mortgage backed loans	*34,389*			
Municipality loans	*9,618*			
Securities held-to-maturity	3,527	(87)	14	-
Derivative financial instruments	30,254	(4,883)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(11,253)	-	-	-
Deposits from customers	(115,521)	60,005	-	-
Liabilities from issued securities	(28,396)	-	-	-
Subordinated bonds and loans	(6,302)	-	-	-
	319,142	**54,445**	**(105,773)**	**35,046**

As at 31 December 2011

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Banks	6,504	-	-	-
Placements with other banks, net of allowance for placements losses	9,570	-	594	-
Securities held for trading	1,725	5,224	-	-
Securities available-for-sale	73,941	574	(313)	(28,064)
Loans, net of allowance for loan losses	741,605	11,832	(317,270)	-
From this: Consumer loans	*307,524*			
Housing loans	*191,684*			
Corporate loans	*154,235*			
Mortgage backed loans	*68,812*			
Municipality loans	*19,350*			
Securities held-to-maturity	7,719	67	(632)	-
Derivative financial instruments	71,475	10,016	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(18,112)	-	-	-
Deposits from customers	(200,717)	113,032	-	-
Liabilities from issued securities	(50,936)	-	-	-
Subordinated bonds and loans	(11,958)	-	-	-
	630,816	**140,745**	**(317,621)**	**(28,064)**

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

In determining the fair value of a financial asset or liability the Group in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 39. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.

The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,
- the contractual cash-flows are considered for the performing loans and for the non-performing loans, the amortized cost less impairment is considered as fair value,
- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

a) Fair value of financial assets and liabilities

	30 June 2012		*31 December 2011*	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Banks	560,263	560,263	595,986	595,986
Placements with other banks, net of allowance for placements losses	429,375	437,198	422,777	427,427
Financial assets at fair value through profit or loss	213,113	213,113	241,282	241,282
Securities held for trading	*120,985*	*120,985*	*139,330*	*139,330*
FVA of derivative financial instruments designated as held for trading	*92,128*	*92,128*	*101,952*	*101,952*
Securities available-for-sale	1,502,010	1,502,010	1,125,855	1,125,855
Loans, net of allowance for loan losses	6,476,948	6,743,882	7,047,179	8,250,983
Securities held-to-maturity	132,007	148,053	124,887	151,604
FVA of derivative financial instruments designated as fair value hedge	19,788	19,788	13,137	13,137
Financial assets total	**9,333,504**	**9,624,307**	**9,571,103**	**10,806,274**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	711,119	638,523	646,968	758,719
Deposits from customers	6,170,700	6,150,642	6,398,853	6,510,444
Liabilities from issued securities	742,688	728,446	812,863	664,422
FVA of derivative financial instruments designated as fair value hedge	106,209	106,209	98,415	98,415
FVA of derivative financial instruments designated as held for trading	129,613	129,613	230,149	230,149
Subordinated bonds and loans	296,078	213,951	316,447	225,511
Financial liabilities total	**8,156,407**	**7,967,384**	**8,503,695**	**8,487,660**

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

b) Fair value of derivative instruments

	Fair value		**Notional value, net**	
	30 June 2012	*31 December 2011*	*30 June 2012*	*31 December 2011*
Interest rate swaps designated as held for trading				
Positive fair value of interest rate swaps designated as held for trading	39,648	39,370	31,787	33,995
Negative fair value of interest rate swaps designated as held for trading	(51,391)	(40,542)	(48,444)	(37,495)
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	28,479	18,596	31,664	22,832
Negative fair value of foreign exchange swaps designated as held for trading	(11,564)	(50,204)	(11,803)	(45,725)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated as fair value hedge	1,604	2,329	(1,227)	3,526
Negative fair value of interest rate swaps designated as fair value hedge	(8,959)	(12,563)	(6,422)	(10,980)
CCIRS designated as held for trading				
Positive fair value of CCIRS designated as held for trading	9,277	25,149	9,081	23,641
Negative fair value of CCIRS designated as held for trading	(57,627)	(119,933)	(59,952)	(129,254)
Mark-to-market CCIRS designated as held for trading				
Positive fair value of mark-to-market CCIRS designated as held for trading	7,643	2,299	3,578	(1,187)
Negative fair value of mark-to-market CCIRS designated as held for trading	(357)	(5,081)	(78)	(9,531)
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated as fair value hedge	2,329	2,816	1,237	2,496
Negative fair value of CCIRS designated as fair value hedge	(96,834)	(85,349)	(109,136)	(104,207)
Mark-to-market CCIRS designated as fair value hedge				
Positive fair value of mark-to-market CCIRS designated as fair value hedge	15,371	7,670	4,625	(6,738)
Negative fair value of mark-to-market CCIRS designated as fair value hedge	(111)	(496)	(410)	(1,419)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated as fair value hedge	484	322	3,190	3,062
Negative fair value of other derivative contracts designated as fair value hedge	(305)	(7)	(987)	(7)

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

b) Fair value of derivative instruments [continued]

	Fair value		**Notional value, net**	
	30 June 2012	*31 December 2011*	*30 June 2012*	*31 December 2011*
Other derivative contracts designated as held for trading				
Positive fair value of other derivative contracts designated as held for trading	7,081	16,538	4,790	14,694
Negative fair value of other derivative contracts designated as held for trading	(8,674)	(14,389)	(9,254)	(14,027)
Derivative financial assets total	**111,916**	**115,089**	**88,725**	**96,321**
Derivative financial liabilities total	**(235,822)**	**(328,564)**	**(246,486)**	**(352,645)**
Derivative financial instruments total	**(123,906)**	**(213,475)**	**(157,761)**	**(256,324)**

c) Hedge accounting

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

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

As at 30 June 2012

Types of the hedges	**Description of the hedging instrument**	**Fair value of the hedging instrument**	**The nature of the risk being hedged**
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF (6,348) million	Interest rate
	CCIRS	HUF (2,211) million	Foreign exchange and interest rate
3) Net investment hedge in foreign operations	CCIRS	HUF 7,042 million	Foreign exchange

As at 31 December 2011

Types of the hedges	**Description of the hedging instrument**	**Fair value of the hedging instrument**	**The nature of the risk being hedged**
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS	HUF (10,234) million	Interest rate
	CCIRS	HUF 22,826 million	Foreign exchange and interest rate
3) Net investment hedge in foreign operations	CCIRS	HUF (6,362) million	Foreign exchange

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

d) Fair value hedges

1. Deposits from customers

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

	30 June 2012	*31 December 2011*
Fair value of the hedging instruments	393	70

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates.
In order to hedge the interest rate risk of the cash-flows the Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 12 month EURIBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	30 June 2012	*31 December 2011*
Fair value of the hedging instruments	(1,212)	(715)

3. Loans to customers

The Group has fixed interest rate loans denominated in various currencies. These fixed interest rate loans are exposed to fair value risk of changes of risk-free interest rates. In order to hedge the interest rate risk of the cash-flows the Group entered into pay-fixed, receive-floater interest rate swap transactions, where the risk of the payments from the loans are swapped to payments linked to 3 month EURIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.

	30 June 2012	*31 December 2011*
Fair value of the hedging instruments	(554)	(21)

4. Issued securities

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

	30 June 2012	*31 December 2011*
Fair value of the hedging instruments	(4,975)	(9,568)

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

d) Fair value hedges [continued]

As at 30 June 2012

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 19,455 million	HUF (1,212) million	HUF 497 million	HUF (497) million
Loans to customers	IRS	HUF 16,121 million	HUF (554) million	HUF 533 million	HUF (533) million
Deposits from customers	IRS	HUF 18,476 million	HUF 393 million	HUF (323) million	HUF 323 million
Liabilities from issued securities	IRS	HUF 78,548 million	HUF (4,975) million	HUF (4,593) million	HUF 4,593 million
EUR mortgage bonds	CCIRS	HUF 72,055 million	HUF 7,099 million	HUF 2,992 million	HUF (2,992) million
EUR mortgage bonds	CCIRS	HUF 216,165 million	HUF (8,037) million	HUF (622) million	HUF 622 million
HUF mortgage bonds	CCIRS	HUF 85,380 million	HUF (1,273) million	HUF 606 million	HUF (606) million

As at 31 December 2011

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 17,694 million	HUF (715) million	HUF 587 million	HUF (587) million
Loans to customers	IRS	HUF 23,495 million	HUF (21) million	HUF (1,217) million	HUF 1,217 million
Deposits from customers	IRS	HUF 26,935 million	HUF 70 million	HUF (131) million	HUF 131 million
Liabilities from issued securities	IRS	HUF 130,429 million	HUF (9,568) million	HUF 12,329 million	HUF (12,329) million

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

e) Fair value classes

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 30 June 2012

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	212,374	114,950	97,424	-
from this: securities held for trading	120,246	112,491	7,755	-
from this: positive FVA of derivative financial instruments designated as held for trading	92,128	2,459	89,669	-
Securities available-for-sale	1,483,975	1,398,977	80,897	4,101
Positive FVA of derivative financial instruments designated as fair value hedge	19,788	472	19,316	-
Financial assets measured at fair value total	**1,716,137**	**1,514,399**	**197,637**	**4,101**
Negative FVA of derivative financial instruments designated as held for trading	129,613	2,008	127,605	-
Negative FVA of derivative financial instruments designated as fair value hedge	106,209	246	105,963	-
Financial liabilities measured at fair value total	**235,822**	**2,254**	**233,568**	**-**

As at 31 December 2011

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	240,345	129,104	106,686	4,555
from this: securities held for trading	138,393	127,372	11,021	-
from this: positive FVA of derivative financial instruments designated as held for trading	101,952	1,732	95,665	4,555
Securities available-for-sale	1,107,158	284,381	821,695	1,082
Positive FVA of derivative financial instruments designated as fair value hedge	13,137	144	10,177	2,816
Financial assets measured at fair value total	**1,360,640**	**413,629**	**938,558**	**8,453**
Negative FVA of derivative financial instruments designated as held for trading	230,149	99	207,967	22,083
Negative FVA of derivative financial instruments designated as fair value hedge	98,415	6	92,479	5,930
Financial liabilities measured at fair value total	**328,564**	**105**	**300,446**	**28,013**

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

e) Fair value classes [continued]

Movements in Level 3 financial instruments measured at fair value

EUR/CHF cross currency swap (CCIRS) portfolio

According to the risk management policies the Bank holds EUR/CHF cross currency swap portfolio with a notional totaling CHF 3,698 million (HUF 946,435 million equivalent) designated as held for trading and CHF 807 million (HUF 206,556 million equivalent) designated as hedging deals, in order to hedge its foreign currency denominated mortgage loan portfolio's FX risk.

In the second half of the year 2011 the EUR/CHF cross currency swap spreads speculation has previously unexpected volatility, which significantly differed from spreads on which the Bank could execute deals and therefore market quotations can not be used for estimating the fair value of the Bank's CCIRS portfolio.

For the above mentioned reasons, the Bank has classified these deals to 3rd level in the valuation of financial instruments in IFRS in the last quarter of 2011, and applied non-market observable inputs, which resulted a more reliable valuation. In the first half of 2012 due to decrease of volatility of market spreads, the reliable market observable quotations allowed the Bank to transfer these deals back to 2nd level in the valuation of financial instruments in IFRS.

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

e) Fair value classes [continued]

Movements in Level 3 financial instruments measured at fair value [continued]

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

Movements of the six month period ended 30 June 2012	Opening balance as at 1 January 2012	Transfer as at 30 June 2012	Closing balance as at 30 June 2012	Total (loss) / gain as at 30 June 2012
Positive FVA of derivative financial instruments designated as held for trading	4,555	1,675	-	(2,880)
Positive FVA of derivative financial instruments designated as hedge accounting relationship	2,816	8,037	-	5,221
Securities available-for-sale	1,082	4,101	4,101	-
Financial assets measured at fair value total	**8,453**	**13,813**	**4,101**	**2,341**
Negative FVA of derivative financial instruments designated as held for trading	(22,083)	(33,244)	-	(11,161)
Negative FVA of derivative financial instruments designated as hedge accounting relationship	(5,930)	-	-	5,930
Financial liabilities measured at fair value total	**(28,013)**	**(33,244)**	**-**	**(5,231)**

Movements of the year 2011	Opening balance as at 30 September 2011	Transfer as at 30 September 2011	Closing balance as at 31 December 2011	Total loss as at 31 December 2011
Positive FVA of derivative financial instruments designated as held for trading	17,754	17,754	4,555	(13,199)
Positive FVA of derivative financial instruments designated as hedge accounting relationship	3,043	3,043	2,816	(227)
Securities available-for-sale[1]	173	173	1,082	-
Financial assets measured at fair value total	**20,970**	**20,970**	**8,453**	**(13,426)**
Negative FVA of derivative financial instruments designated as held for trading	(16,399)	(16,399)	(22,083)	(5,684)
Negative FVA of derivative financial instruments designated as hedge accounting relationship	(5,138)	(5,138)	(5,930)	(792)
Financial liabilities measured at fair value total	**(21,537)**	**(21,537)**	**(28,013)**	**(6,476)**

[1] Certain bonds mainly issued by local governments in Hungary were reclassified to loans during the year ended 31 December 2010. These securities were not quoted on an active market and were met the definition of loans and receivables as defined in IAS 39.

NOTE 40: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn)

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported bellow.
The reportable segments of the Group on the base of IFRS 8 are the following:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries and Corporate Center.
OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financing Netherlands Ltd. and OTP Holding Ltd.
Corporate Centre: it is separated from OTP Core consolidated financial statements, this is a virtual entity responsible for rendering debt and capital market related to services to the subsidiaries across the Group, mainly in the form of capital and credit financing.
The results of OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., OTP Factoring Montenegro d.o.o. and OTP Faktor Slovensko s.r.o. are included into the foreign banks segment.
The activities of the other subsidiaries are out of the leasing and fund management activity, like: OTP Real Estate Ltd., OTP Life Annuity Ltd, OTP Funds Servicing and Consulting Ltd., Monicomp Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

The reportable business and geographical segments of the Group are those components where:

- separated incomes and expenses, assets and liabilities can be identified and assignable to the segments
- transactions between the different segments were eliminated
- the main decisive board of the Group regularly controls the operating results
- separated financial information is available

Goodwill impairment:

The effect of goodwill impairment after tax in 2011 is HUF 17,701 million.
There wasn't any effect of goodwill impairment after tax in the first half of year 2012.

Information regarding the Group's reportable segments is presented below.

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

As at 30 June 2012

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**53 902**		**53 902**																
Adjustments (total)		**(26 855)**	**(26 855)**																
Dividends and net cash transfers (after income tax)		43	43																
Goodwill /investment impairment (after income tax)		3 977	3 977																
Bank tax on financial institutions (after income tax)		(29 100)	(29 100)																
Total impact of early repayment (after income tax)		(1 775)	(1 775)																
Consolidated adjusted net profit for the year	**53 902**	**26 855**	**80 757**	**47 057**	**33 361**	**22 375**	**(4 074)**	**15 607**	**(242)**	**(1 292)**	**1 032**	**311**	**(355)**	**4 180**	**2 307**	**468**	**1 405**	**(3 995)**	**154**
Profit before income tax	**59 525**	**37 781**	**97 307**	**52 978**	**43 718**	**28 871**	**(2 440)**	**17 492**	**(242)**	**(1 292)**	**1 291**	**380**	**(342)**	**4 439**	**2 324**	**522**	**1 593**	**(4 932)**	**1 103**
Adjusted operating profit	**165 860**	**58 638**	**224 498**	**108 240**	**113 782**	**58 773**	**13 157**	**31 119**	**3 671**	**(6)**	**4 067**	**1 666**	**1 336**	**7 713**	**5 527**	**521**	**1 664**	**(4 932)**	**(305)**
Adjusted total income	391 511	25 785	417 296	197 641	207 748	93 714	28 138	48 515	10 502	3 430	11 357	7 141	4 951	22 901	10 917	1 398	10 586	(4 865)	(6 127)
Adjusted net interest income	319 142	3 912	323 054	147 386	170 819	82 704	21 719	38 571	8 580	1 345	8 286	5 953	3 660	9 772	8 887	46	839	(4 865)	(57)
Adjusted net profit from fees and commissions	73 363	(1 356)	72 007	42 611	29 352	9 259	5 295	8 280	846	811	2 234	1 467	1 160	92	(1 188)	1 381	(101)	0	(47)
Adjusted other net non-interest income	(994)	23 229	22 235	7 644	7 577	1 751	1 124	1 664	1 076	1 273	836	(278)	131	13 037	3 218	(29)	9 848	0	(6 023)
Adjusted other administrative expenses	(225 651)	32 853	(192 798)	(89 401)	(93 965)	(34 941)	(14 981)	(17 396)	(6 831)	(3 436)	(7 290)	(5 476)	(3 615)	(15 188)	(5 390)	(876)	(8 922)	(66)	5 822
Total risk costs	**(106 335)**	**(16 505)**	**(122 840)**	**(50 910)**	**(70 064)**	**(29 902)**	**(15 597)**	**(13 627)**	**(3 913)**	**(1 286)**	**(2 776)**	**(1 286)**	**(1 678)**	**(3 274)**	**(3 204)**	**1**	**(71)**	**0**	**1 408**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(106 335)	(13 698)	(120 033)	(49 636)	(69 138)	(29 370)	(15 836)	(13 628)	(3 893)	(1 326)	(2 363)	(1 328)	(1 395)	(2 347)	(2 319)	0	(28)	0	1 088
Other provision (adjustment)	0	(2 807)	(2 807)	(1 274)	(926)	(533)	239	1	(20)	41	(413)	42	(283)	(926)	(884)	1	(43)	0	320
Total other adjustments (one-off items)[1]	0	(4 352)	(4 352)	(4 352)	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	0	0
Income tax	**(5 623)**	**(10 927)**	**(16 550)**	**(5 922)**	**(10 357)**	**(6 496)**	**(1 634)**	**(1 885)**	**0**	**0**	**(259)**	**(69)**	**(13)**	**(259)**	**(17)**	**(54)**	**(188)**	**937**	**(949)**
Total Assets	**9 937 155**	**0**	**9 937 155**	**6 262 420**	**4 587 644**	**896 738**	**720 325**	**1 321 827**	**453 223**	**111 512**	**489 253**	**384 066**	**210 701**	**498 942**	**299 918**	**8 908**	**190 116**	**1 739 905**	**(3 151 756)**
Total Liabilities	**8 517 119**	**0**	**8 517 119**	**4 910 599**	**3 944 732**	**740 241**	**608 092**	**1 112 788**	**418 902**	**83 910**	**432 632**	**355 602**	**192 565**	**413 253**	**271 321**	**4 775**	**137 156**	**1 104 120**	**(1 855 585)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF (2,556) million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 1,124 million; result of the treasury share swap agreement in the amount of HUF (2,920) million.

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

As at 31 December 2011

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komerčijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+...+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**83 800**		**83 800**																
Adjustments (total)		**(77 605)**	**(77 605)**																
Dividends and net cash transfers (after income tax)		663	663																
Goodwill impairment (after income tax)		(17 701)	(17 701)																
Bank tax on financial institutions (after income tax)		(28 965)	(28 965)																
Total impact of early repayment (after income tax)		(31 602)	(31 602)																
Consolidated adjusted net profit for the year	**83 800**	**77 605**	**161 405**	**114 056**	**48 536**	**41 042**	**5 091**	**12 743**	**764**	**(6 284)**	**112**	**(408)**	**(4 524)**	**585**	**1 891**	**3 266**	**(4 572)**	**(6 728)**	**4 956**
Profit before income tax	**122 996**	**98 090**	**221 086**	**154 738**	**68 558**	**53 107**	**11 211**	**14 330**	**757**	**(6 149)**	**162**	**(336)**	**(4 524)**	**1 754**	**1 991**	**4 011**	**(4 248)**	**(8 305)**	**4 341**
Adjusted operating profit	**439 669**	**(4 090)**	**435 579**	**235 000**	**189 906**	**82 007**	**26 829**	**59 877**	**8 961**	**(1 316)**	**8 221**	**3 328**	**1 999**	**16 710**	**13 485**	**4 114**	**(889)**	**(8 305)**	**2 268**
Adjusted total income	842 344	(30 753)	811 591	419 401	360 674	142 796	53 585	93 103	22 207	5 220	21 784	13 639	8 340	46 039	23 438	6 140	16 461	(8 194)	(6 329)
Adjusted net interest income	630 816	76	630 892	327 081	292 561	123 990	41 784	74 731	18 658	1 460	15 383	10 968	5 587	20 056	18 600	104	1 352	(8 194)	(612)
Adjusted net profit from fees and commissions	146 522	(3 242)	143 280	84 687	56 125	17 610	9 063	15 867	2 428	1 872	4 094	2 499	2 692	2 277	(2 730)	5 246	(239)	0	191
Adjusted other net non-interest income	65 006	(27 587)	37 419	7 633	11 988	1 196	2 738	2 505	1 121	1 888	2 307	172	61	23 706	7 568	790	15 348	0	(5 908)
Adjusted other administrative expenses	(402 675)	26 663	(376 012)	(184 401)	(170 768)	(60 789)	(26 756)	(33 226)	(13 246)	(6 536)	(13 563)	(10 311)	(6 341)	(29 329)	(9 953)	(2 026)	(17 350)	(111)	8 597
Total risk costs	**(316 673)**	**82 634**	**(234 039)**	**(95 508)**	**(121 348)**	**(28 900)**	**(15 618)**	**(45 547)**	**(8 204)**	**(4 833)**	**(8 059)**	**(3 664)**	**(6 523)**	**(14 956)**	**(11 494)**	**(103)**	**(3 359)**	**0**	**(2 227)**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(316 673)	88 241	(228 432)	(99 209)	(117 121)	(28 714)	(15 209)	(45 713)	(8 187)	(4 960)	(6 694)	(3 624)	(4 020)	(11 981)	(7 855)	0	(4 126)	0	(121)
Other provision (adjustment)	0	(5 607)	(5 607)	3 701	(4 227)	(186)	(409)	166	(17)	127	(1 365)	(40)	(2 503)	(2 975)	(3 639)	(103)	767	0	(2 106)
Total other adjustments (one-off items)[1]	**0**	**19 546**	**19 546**	**15 246**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4 300**
Income tax	**(39 196)**	**(20 485)**	**(59 681)**	**(40 682)**	**(20 022)**	**(12 065)**	**(6 120)**	**(1 587)**	**7**	**(135)**	**(50)**	**(72)**	**0**	**(1 169)**	**(100)**	**(745)**	**(324)**	**1 577**	**615**
Total Assets	**10 200 527**	**0**	**10 200 527**	**6 548 167**	**4 737 953**	**868 231**	**778 198**	**1 360 510**	**460 623**	**121 475**	**529 853**	**386 313**	**232 750**	**482 841**	**324 888**	**9 318**	**148 635**	**1 962 390**	**(3 530 824)**
Total Liabilities	**8 782 217**	**0**	**8 782 217**	**5 269 759**	**4 102 286**	**723 393**	**658 049**	**1 151 026**	**432 271**	**93 769**	**471 368**	**355 891**	**216 519**	**402 567**	**297 979**	**1 584**	**103 004**	**1 299 920**	**(2 292 315)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF 3,169 million; non-recurring FX-gains and losses in the amount of HUF 3,926 million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 2,580 million; gain on Croatian government bonds in the amount of HUF 4,300 million; revaluation result of the treasury share swap agreement between OTP and MOL in the amount of HUF 5,571 million.

NOTE 41: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2012

1) Term Loan Facility

See details in Note 15.

2) Partial cancellation of EUR 125 million subordinated notes

See details in Note 18.

3) Escrow account loan

Escrow account loan is an appropriation established by the Hungarian Government to help FX mortgage debtors during the repayment of FX mortgage loans to finance the instalment-proportion non-paid by debtors arising from the difference between the fixed and the exceeding actual spot exchange rate. Escrow account loan is paid in HUF backing joint and several state guarantee during the fixed exchange rate period. During the fixed exchange rate period the Hungarian Government is refunding credit institutions the full proportion of monthly instalments of retail FX mortgage loans above the fixed exchange rate. However credit institutions are obliged to off-set 50% of the refunded amount – exempted receivable – for the year of 2012 by paying it back to the central budget as credit institutions' contribution. In the financial statements according to Hungarian accounting standards supplies are recognised as realised loss.

In the financial statements according to IFRS the credit institutions' contribution must be increased by expected loss (50% of receivable) from loans reported until 30 June 2012 regarding the fact that the Hungarian Government refunds the 100% of exempted receivable. Furthermore provision for impairment on expected losses from reported contracts following 30 June 2012, was recognised in IFRS.

NOTE 42: POST BALANCE SHEET EVENTS

1) Term Loan Facility

See details in Note 15.

2) Class action against the Bank initiated by "The Victims of Hungarian Holocaust"

See details in Note 28.

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

In the first half of 2012 operating environment remained weak, although the risk assessment of the CEE region and especially that of Hungary improved.

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

In the first half of 2012 the Hungarian economy contracted by 1% compared to the base six month period ended 30 June 2011. On the production side, the export-driven manufacturing industry could not contribute positively to the economic growth, as opposed to previous periods. On the consumption side, both households' consumption and investments declined, and dynamics of export moderated significantly. The change of net export remained positive, owing mainly to the drop of import demand. The key measures of the revised convergence plan called "Széll Kálmán 2.0", as well as the major targets of the draft 2013 budget are focusing on maintaining a balanced budget and increasing employment rate. Among countries in the CEE region where OTP is present the semi-annual economic growth was the strongest in Russia, +4.5% from the first half of 2011 to the first half of 2012, while both Slovakia and Ukraine could reach a growth rate above 2%. The Serbian economy contracted by 1%, the Croatian economy by 1.7%.

In the first half of 2012 the Hungarian forint was one of the best performing currencies; against the euro it strengthened 7%, against swiss franc it appreciated by 6% since the beginning of the year. The forint showed a strengthening against currencies of the foreign subsidiaries, too: both against the Russian rouble and the Bulgarian leva it strengthened by 7%, against the Ukrainian hrivna by 5%, whereas against the Romanian ley by 10%. Compared to 31 December 2011 Hungarian government securities benchmark yields came down significantly: in case of short maturities yields declined by 50-70 basis points ("bps"), in case of maturities beyond 1 year by 150-190 bps. The sovereign CDS spread narrowed noticeably during the six month period ended 30 June 2012 and declined to close to 500 bps. Improving market sentiment to a great extent was induced by positive expectations surrounding the renewed dialogue with the IMF-EU tandem. In the first half of 2012 CDS spreads of countries of foreign subsidiaries narrowed, too. Taking a look at the foreign exchange rate changes, the Ukrainian hrivna remained stable against USD, but the Romanian ley and the Serbian dinar depreciated against CHF (by 4 and 11%, respectively) and EUR, as well.

In the first half of 2012 the Group continued to focus its activity on stable operation by maintaining robust capital position and significant liquidity reserves as well as implementing prudent risk management and monitoring practices in line with the deteriorating loan portfolio. At the same time, some Group members could already benefit from the business opportunities arising from the improving operating environment.

- One of the direct consequences of the crisis started late 2008 was the generally weak loan demand in most of the relevant markets except for the consumer lending business.

  The consolidated loan book declined by 2% both comparing with the first half of 2011 and with the end of 2011 (adjusted for FX rate movements). Only the consumer and SME segments could grow by 3% and 2% respectively from 31 December 2011 to the first half of 2012. As for the consumer lending, those were the Russian and Ukrainian portfolios remaining the engines of growth. Due to seasonality the Russian consumer book grew only by 3% from the end of 2011 to the first half of 2012, however the yearly dynamism remained strong +45% comparing the first half of 2012 with the same period in 2011. The Ukrainian consumer lending remained vibrant, due to the relatively low base even the growth was significant +132% from the end of 2011 to 30 June 2012. In the Ukraine the selling network expanded rapidly, the bank used more than 2,000 agents (from which own agent: 1,773) by the end of June 2012 and increased the network of partner retail chains. POS-loan volumes reached HUF 16 billion in June. In order to capitalize on cross sale potentials the Bank entered the market with new credit card products late 2011 and cash loan sale was intensified, too. By the end of June credit card loan volumes represented HUF 4.4 billion with cash loans standing at HUF 5.3 billion.

  Regarding other loan book segments, all categories suffered a decline, mortgages, car loans and corporate exposures shrank further from the end of 2011 to the first half of 2012 by 4%, 2% and 7% respectively. The 4% decline in the consolidated mortgage loan portfolio was chiefly the result of the Hungarian early repayment program for FX mortgage borrowers. On the positive side the Slovakian, Romanian and Croatian mortgage volumes could increase from the end of 2011 to the first half of 2012 by 4%, 3% and 1% respectively and from 30 June 2011 to 30 June 2012 by 11%, 8% and 3% respectively.

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

The 2% decline during the last one year period of the consolidated loan book to a great extent reflects the negative impact of the Hungarian FX mortgage prepayment. The strong Russian and the increasing Ukrainian consumer lending could not fully offset the negative volume effect of the prepayment in the fourth quarter of 2011 and in the first quarter of 2012. The FX mortgage book dropped by HUF 217 billion as a result of the prepayment (in 2011 by HUF 110 billion, in the first quarter of 2012 by HUF 107 billion). The volume decline of FX mortgages was counterbalanced to some extent by newly sold forint refinancing loans. By 28 February 2012, their total amount reached HUF 64 billion, out of which HUF 41 billion was disbursed to own clients; the remaining part was sold to clients of other banks.

- Based on the Country Protection Action Plan of the Hungarian Government announced on 12 September 2011, FX mortgage loans of Hungarian households could get repaid at off-market rates in the period between 29 September 2011 and 28 February 2012, provided that certain eligibility criteria were met. The early repayment program had a total negative impact on consolidated net earnings of HUF 33.4 billion. In accordance with accounting standards, out of the total impact HUF 31.6 billion was recognised in 2011 and HUF 1.8 billon in the first quarter of 2012.

  The total prepayment-related HUF 33.4 billion loss consisted of four items. On one hand HUF 65.1 billion credit loss was stemming from the difference between the book value and the fixed exchange rate implied value of prepaid loans. The corporate income tax effect of that loss was a tax saving of HUF 12.4 billion. Furthermore, a HUF 3.3 billion after tax revaluation gain was realised on the FX position purchased from the National Bank of Hungary for hedging purposes. Finally, the bank also realised a prepayment related 30% banking tax refund of HUF 16.0 billion (after corporate tax).

  By the end of February 2012 deadline around 36 thousands clients of OTP Core[1] and OTP Flat Lease made use of the prepayment option, which represents 19.7% of the total 184 thousand FX loan contracts outstanding at the beginning of the programme. The total prepaid loan book amounted to HUF 217 billion representing 19.9% of the FX mortgage books of the two companies (at FX rates of 30 September 2011).

- While witnessing a generally weak loan demand, the Group has put less emphasis on deposit collection since 2010. Instead of further improving its liquidity indicators, the Group has rather focused on the improvement of deposit margins. Adjusted for FX effect, consolidated deposit volumes grew by 7%, 3% and 1% in 2009, 2010 and 2011 respectively comparing with the previous one year period, while they were stagnating in the first half of 2012 (0% was the change from the end of 2011). The Romanian, Ukrainian and Slovakian banks were the top performers in deposit collection in the first half of 2012.

- Since the beginning of the crisis OTP Group accumulated a significant liquidity buffer. By 30 June 2012, the volume of operating liquidity (measured by the liquid asset surplus within one month plus the repo value of government bonds, covered bonds and municipal bonds) reached EUR 5 billion – a size that would be more than enough to pay back all external FX obligations of the Group. Doing so, the Group would still have reserves of EUR 3.2 billion. The major source of the strong liquidity position is the gradual increase of deposits since the onset of the crisis. Also, as FX-lending was stopped in Hungary and Ukraine, ongoing servicing of FX loans in the back book generated significant additional FX liquidity.

  This comfortable position enabled the Group to redeem its maturing obligations mainly from its own sources, with minimal external fund raising. From January 2009 to June 2012 total redemptions of senior bonds, mortgage bonds and syndicated loans amounted to an equivalent of EUR 5.4 billion. During the same period capital market issuances of the Group totalled only to EUR 1.4 billion. In 2011 and 2012, the Russian subsidiary issued 4 series of senior bonds with face value of RUB 17.5 billion (cca. HUF 132 billion) to finance its growing consumer lending business. On top of the Russian emissions there was a EUR 300 million syndicated loan transaction with 2 years of maturity signed by OTP Bank Hungary in May 2011.

[1] OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc, OTP Mortgage Bank Ltd, OTP Building Society Ltd, OTP Factoring Ltd, OTP Financing Netherlands Ltd and OTP Holding Ltd. The consolidated accounting result of these companies are segmented into OTP Core and Corporate Centre, the latter being a virtual entity responsible for rendering debt and capital market related services to the subsidiaries across OTP Group.

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

The CHF and USD liquidity demand of the Group decreased in line with its contracting FX lending business. This process was accelerated by the early repayment of FX mortgage loans in Hungary. To raise the required FX liquidity – primarily through long term FX-swaps – remained manageable for the Group.

- Another side effect of the crisis was the deterioration in the financial position of the clients, which led to worsening loan quality and materially increasing risk costs compared to levels witnessed before 2008. In the first half of 2012 the ratio of loans in more than 90 days of delinquency ("DPD90+ ratio") increased further to 18.8% from 16.6% at the end of 2011. The pace of deterioration accelerated again as the favourable tendency of slowing portfolio deterioration, which characterised the second half of 2011, broke. This negative development partly reflects the delayed effect of HUF weakening in last fall 2011 and of deteriorating corporate loans in the Hungarian book. At the same time both the Russian and Ukrainian new DPD90+ volumes expanded rapidly. Thanks to the high semi-annual risk costs, the provision coverage of the non performing book (at 76.6%) equalled the end of 2011 levels.

- The further enhancement of the strong capital position still remained a top priority for the Group in 2012. The Basel 2 capital adequacy ratio of the Group reached 17.9% at end of June 2012, which is significantly higher than the ratios at its regional competitors. The ratio increased by 0.6%-point from 31 December 2011, the main reason for this was the FX-effect: the appreciation of the forint in the first half of the year lessened the volume of risk weighted assets. The Tier1 ratio (after deducting goodwill and intangible assets from the capital base) stood at 14.4% and Core Tier1 ratio (further deducting hybrid capital) at 13.1%. The capital adequacy ratio of OTP Bank (under local accounting standards) stood at 18.6%, compared to 17.9% at the end of 2011. During the period dividend income from subsidiaries contributed in the amount of HUF 43 billion to the improving capital position of OTP Bank. In the first half of 2012 OTP Bank Romania received a capital injection of HUF 9 billion equivalent, while the capital of the Serbian and Montenegrin subsidiary was increased through converting subordinated debt provided by OTP Bank into ordinary shares by HUF 6 and 3 billion, respectively. Capital adequacy ratios of the foreign subsidiaries are comfortably above the local regulatory minimums.

- In the first half of 2012 a one-off positive tax shield impact emerged in relation to the impairment of the investments into the Serbian and Montenegrin subsidiaries recognised on the balance sheet of OTP Bank. The impairments under local accounting standards amounted to HUF 15 billion and HUF 5.9 billion, respectively. Though on the consolidated level these impairments had no direct effect either on the balance sheet or on the P&L, there was a positive tax shield of HUF 4.0 billion that added to the Group's IFRS accounting profit.

- Concerning the Group members, the following rating actions were taken by international rating agencies in the first half of 2012:

  - On 12 January 2012 OTP's Support Rating '3' was affirmed by Fitch Ratings.

  - On 13 January 2012 Fitch Ratings affirmed long term foreign currency Issuer Default Rating ('IDR') of OTP Bank Russia at 'BB', the rating outlook has been changed from 'stable' to 'negative'.

  - On 17 May 2012 Moody's Investors Service placed on review for possible downgrade DSK Bank's ratings. On 31 July 2012, however, Moody's confirmed DSK Bank's long- and short term local currency deposit rating at Baa3/Prime-3. This rating action concluded the review initiated in May 2012.