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 2013

OTP BANK PLC.
CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2013
(in HUF mn)

	Note	30 June 2013	31 December 2012	30 June 2012
Cash, amounts due from banks and balances with the National Banks	*4.*	501,916	602,521	560,263
Placements with other banks, net of allowance for placement losses	*5.*	352,003	356,866	429,375
Financial assets at fair value through profit or loss	*6.*	215,750	222,874	213,113
Securities available-for-sale	*7.*	1,388,768	1,411,177	1,502,010
Loans, net of allowance for loan losses	*8.*	6,319,088	6,464,191	6,476,948
Associates and other investments	*9.*	7,323	7,936	7,712
Securities held-to-maturity	*10.*	596,802	429,303	132,007
Property and equipment	*11.*	250,461	251,393	236,758
Intangible assets	*11.*	236,690	237,749	237,776
Other assets	*12.*	179,809	129,456	141,193
TOTAL ASSETS		**10,048,610**	**10,113,466**	**9,937,155**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	*13.*	519,405	534,324	711,119
Deposits from customers	*14.*	6,602,506	6,550,708	6,170,700
Liabilities from issued securities	*15.*	535,428	643,123	742,688
Financial liabilities at fair value through profit or loss	*16.*	87,895	122,032	129,613
Other liabilities	*17.*	479,319	457,231	466,921
Subordinated bonds and loans	*18.*	298,717	291,495	296,078
TOTAL LIABILITIES		**8,523,270**	**8,598,913**	**8,517,119**
Share capital	*19.*	28,000	28,000	28,000
Retained earnings and reserves		1,547,854	1,534,572	1,440,849
Treasury shares	*21.*	(56,244)	(53,802)	(54,029)
Non-controlling interest	*22.*	5,730	5,783	5,216
TOTAL SHAREHOLDERS' EQUITY		**1,525,340**	**1,514,553**	**1,420,036**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,048,610**	**10,113,466**	**9,937,155**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013
(in HUF mn)

	Note	Six month period ended 30 June 2013	Six month period ended 30 June 2012	Year ended 31 December 2012
Interest Income:				
Loans		394,689	399,851	795,475
Placements with other banks		134,003	177,135	341,071
Securities available-for-sale		39,896	41,612	78,624
Securities held-to-maturity		15,244	3,527	20,204
Amounts due from banks and balances with the National Banks		2,207	3,753	6,749
Securities held for trading		416	879	1,827
Total Interest Income		***586,455***	***626,757***	***1,243,950***
Interest Expense:				
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		121,038	153,352	294,631
Deposits from customers		110,252	119,565	237,898
Liabilities from issued securities		19,189	28,396	54,033
Subordinated bonds and loans		5,721	6,302	11,923
Total Interest Expense		***256,200***	***307,615***	***598,485***
NET INTEREST INCOME		**330,255**	**319,142**	**645,465**
Provision for impairment on loan and placement losses	*5.,8.,23.*	**113,657**	**108,825**	**229,470**
Gains on loans related to early repayment	*23.*	**-**	**(2,490)**	**(2,490)**
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**216,598**	**212,807**	**418,485**
Income from fees and commissions	*24.*	118,041	96,347	203,499
Expense from fees and commissions	*24.*	26,359	22,984	49,162
Net profit from fees and commissions		**91,682**	**73,363**	**154,337**
Foreign exchange gains / (losses), net		7,102	(4,089)	3,171
Net gains / (losses) on securities		8,162	(3,844)	(235)
Gains on real estate transactions		1,088	366	1,131
Dividend income		2,712	2,706	2,803
(Provision for impairment) / release of provision on securities available-for-sale and		(1)	563	505
Other operating income	*25.*	11,071	13,704	23,987
Other operating expense	*25.*	(7,519)	(10,400)	(35,033)
Net operating result		**22,615**	**(994)**	**(3,671)**
Personnel expenses		102,884	93,519	188,952
Depreciation and amortization	*11.*	23,482	22,973	47,420
Other administrative expenses		143,040	109,159	187,105
Other administrative expenses	*25.*	**269,406**	**225,651**	**423,477**
PROFIT BEFORE INCOME TAX		**61,489**	**59,525**	**145,674**
Income tax	*26.*	(9,677)	(5,623)	(23,088)
NET PROFIT FOR THE PERIOD		**51,812**	**53,902**	**122,586**
From this, attributable to:				
Non-controlling interest		**232**	**451**	**896**
Owners of the company		**51,580**	**53,451**	**121,690**
Consolidated earnings per share (in HUF)				
Basic	*37.*	**193**	**201**	**457**
Diluted	*37.*	**193**	**201**	**457**

The accompanying notes to consolidated financial statements on pages 8 to 92 form an integral part of these Consolidated Financial Statements (unaudited) prepared in accordance with International Financial Reporting Standards.

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013
(in HUF mn)

	Six month period ended 30 June 2013	Six month period ended 30 June 2012	Year ended 31 December 2012
NET PROFIT FOR THE PERIOD	**51,812**	**53,902**	**122,586**
Fair value adjustment of securities available-for-sale	(4,162)	28,387	48,180
Derivative financial instruments designated as Cash-flow hedge	263	264	532
Net investment hedge in foreign operations	(1,052)	5,720	4,978
Foreign currency translation difference	(2,628)	(60,637)	(53,390)
NET COMPREHENSIVE INCOME	**44,233**	**27,636**	**122,886**
From this, attributable to:			
Non-controlling interest	**(53)**	**(385)**	**619**
Owners of the company	**44,286**	**28,021**	**122,267**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013
(in HUF mn)

OPERATING ACTIVITIES	**Note**	**Six month period ended 30 June 2013**	**Six month period ended 30 June 2012**	**Year ended 31 December 2012**
Profit before income tax		**61,489**	**59,525**	**145,674**
Goodwill impairment	*11.*	-	-	-
Depreciation and amortization	*11.*	23,482	22,973	47,420
Provision / (Release of provision) for impairment on securities	*7.,10.*	1	(563)	(505)
Provision for impairment on loan and placement losses	*5.,8.*	113,657	106,335	226,980
Provision for impairment on permanent diminution in value of investments	*9.*	778	1,445	1,335
(Release of provision) / Provision for impairment on other assets	*12.*	(1,373)	1,754	6,375
(Release of provision) / Provision for impairment on off-balance sheet commitments and contingent liabilities	*17.*	(733)	171	2,135
Share-based payment	*2.,29.*	2,881	2,540	4,584
Unrealized losses on fair value adjustment of securities held for trading		(26)	(1,784)	(1,938)
Unrealized gains / (losses) on fair value adjustment of derivative financial instruments		16,983	8,234	(8,829)
Net changes in assets and liabilities in operating activities				
Changes in financial assets at fair value through profit or loss		(13,777)	20,657	20,512
Net (increase) / decrease in loans, net of allowance for loan losses		(57,142)	366,714	278,246
(Increase) / decrease in other assets before provisions for impairment		(27,702)	1,669	1,585
Net increase / (decrease) in deposits from customers		51,798	(228,153)	151,855
Increase in other liabilities		66,372	94,929	42,657
Net decrease in compulsory reserves at the National Banks		1,070	15,640	10,217
Dividend income		(2,712)	(2,706)	(2,803)
Income tax paid		(13,988)	(12,488)	(25,259)
Net Cash Provided by Operating Activities		**221,058**	**456,892**	**900,241**
INVESTING ACTIVITIES				
Net decrease / (increase) in placement with other banks before allowance for placements losses		5,198	(6,954)	65,870
Net decrease / (increase) in securities available-for-sale		15,136	(346,584)	(216,170)
Net (increase) / decrease in investments in subsidiaries		(165)	1,185	1,071
Dividend income		2,712	2,706	2,803
Net increase in securities held-to-maturity		(167,499)	(7,106)	(304,401)
Additions to property, equipment and intangible assets		(27,701)	(13,604)	(63,127)
Disposals of property, equipment and intangible assets		6,110	7,777	18,430
Net (increase) / decrease in advances for investments included in other assets		(25)	1,446	1,434
Net Cash Used in Investing Activities		**(166,234)**	**(361,134)**	**(494,090)**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013
(in HUF mn)
[continued]

FINANCING ACTIVITIES	**Note**	**Six month period ended 30 June 2013**	**Six month period ended 30 June 2012**	**Year ended 31 December 2012**
Net (decrease) / increase in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		(14,919)	64,151	(112,644)
Cash used for redemption of issued securities		(107,695)	(70,175)	(169,740)
Increase / (decrease) in subordinated bonds and loans		7,222	(20,369)	(24,952)
(Decrease) / increase in non-controlling interest		(53)	(385)	182
Foreign currency translation		(2,356)	(59,803)	(53,391)
Payments to ICES holders		(1,186)	(1,380)	(4,144)
Net change in Treasury shares		(1,811)	249	430
Dividend paid		(33,561)	(28,129)	(25,140)
Net Cash Used in Financing Activities		**(154,359)**	**(115,841)**	**(389,399)**
Net (decrease) / increase in cash and cash equivalents		**(99,535)**	**(20,083)**	**16,752**
Cash and cash equivalents at the beginning of the period		**331,929**	**315,177**	**315,177**
Cash and cash equivalents at the end of the period		**232,394**	**295,094**	**331,929**

Analysis of cash and cash equivalents

Cash, amounts due from banks and balances with the National Banks		602,521	595,986	595,986
Compulsory reserve established by the National Banks		(270,592)	(280,809)	(280,809)
Cash and cash equivalents at the beginning of the period		**331,929**	**315,177**	**315,177**
Cash, amounts due from banks and balances with the National Banks	*4.*	501,916	560,263	602,521
Compulsory reserve established by the National Banks	*4.*	(269,522)	(265,169)	(270,592)
Cash and cash equivalents at the end of the period		**232,394**	**295,094**	**331,929**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2012		**28,000**	**52**	**6,215**	**1,488,296**	**(55,468)**	**(54,386)**	**5,601**	**1,418,310**
Net profit for the period		-	-	-	53,451	-	-	451	53,902
Other comprehensive income		-	-	-	(25,430)	-	-	(836)	(26,266)
Share-based payment	*29.*	-	-	2,540	-	-	-	-	2,540
Dividend for the year 2011		-	-	-	(28,000)	-	-	-	(28,000)
Sale of Treasury shares	*21.*	-	-	-	-	-	1,835	-	1,835
Treasury shares									
– loss on sale		-	-	-	(108)	-	-	-	(108)
– acquisition	*21.*	-	-	-	-	-	(1,478)	-	(1,478)
Payments to ICES holders	*20.*	-	-	-	(699)	-	-	-	(699)
Balance as at 30 June 2012		**28,000**	**52**	**8,755**	**1,487,510**	**(55,468)**	**(54,029)**	**5,216**	**1,420,036**
Balance as at 1 January 2013		**28,000**	**52**	**10,800**	**1,579,188**	**(55,468)**	**(53,802)**	**5,783**	**1,514,553**
Net profit for the period		-	-	-	51,580	-	-	232	51,812
Other comprehensive income		-	-	-	(7,294)	-	-	(285)	(7,579)
Share-based payment	*29.*	-	-	2,881	-	-	-	-	2,881
Dividend for the year 2012		-	-	-	(33,600)	-	-	-	(33,600)
Sale of Treasury shares	*21.*	-	-	-	-	-	7,786	-	7,786
Treasury shares									
– gain on sale		-	-	-	631	-	-	-	631
– acquisition	*21.*	-	-	-	-	-	(10,228)	-	(10,228)
Payments to ICES holders	*20.*	-	-	-	(916)	-	-	-	(916)
Balance as at 30 June 2013		**28,000**	**52**	**13,681**	**1,589,589**	**(55,468)**	**(56,244)**	**5,730**	**1,525,340**

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 2013	31 December 2012
Domestic and foreign private and institutional investors	97%	97%
Employees	2%	2%
Treasury shares	1%	1%
Total	**100%**	**100%**

The Bank and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,396 branches. The Group has operations in Hungary, Bulgaria, Russia, Ukraine, Croatia, Romania, Slovakia, Serbia and Montenegro.

The number of employees at the Group:

	30 June 2013	31 December 2012
The number of employees at the Group	36,794	36,366
The average number of employees at the Group	36,657	35,076

1.2. Base of Accounting

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

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

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

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2012

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

- IFRS 7 (Amendment) "Financial Instruments: Disclosures" - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of the above presented Amendment had no significant impact on the Consolidated Financial Statements of the Group.

1.2.2. Amendments and new Standards and Interpretations to IFRSs effective on or after 1 January 2013, which are adopted by the EU

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

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 1 (Amendment) "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 1 (Amendment) "First-time Adoption of IFRS" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- IFRS 7 (Amendment) "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 1 (Amendment) "Presentation of Financial Statements" -Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- IAS 12 (Amendment) "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 19 (Amendment) "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 32 (Amendment) "Financial instruments: presentation"- Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

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

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

1.2. Base of Accounting [continued]

1.2.3. Amendments and new Standards and Interpretations to IFRSs effective on or after 1 January 2013, which are not yet endorsed by EU, not yet adopted

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015),
- IFRS 9 (Amendment) "Financial Instruments" and IFRS 7 (Amendment) "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures,
- IFRS 10 (Amendment) "Consolidated Financial Statements", IFRS 11 (Amendment) "Joint Arrangements" and IFRS 12 (Amendment) "Disclosures of Interests in Other Entities" - Transition Guidance (effective for annual periods beginning on or after 1 January 2013),
- IFRS 10 (Amendment) "Consolidated Financial Statements", IFRS 12 (Amendment) "Disclosures of Interests in Other Entities" and IAS 27 (Amendment) "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- Amendments to various standards "Improvements to IFRSs (2012)" resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied 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, except of the application of IFRS 9 and IFRS 10 which might have significant impact on the Group Consolidated Financial Statements, the Group will analyse the impact after the adoption of the standards by EU.

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's presentation currency (HUF) are translated into HUF are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP as at the date of the Consolidated Financial Statements. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.2. Foreign currency translation [continued]

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

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

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

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

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

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

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank exercises control. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 31. However, certain subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.11.).
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.

2.4. Accounting for acquisitions [continued]

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 cautious recovery of economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

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

2.5. Securities held-to-maturity

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

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

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

2.6.2. Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.
Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The Group adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as the Group has almost all of its open derivative transactions collateralised. There is no other credit value (CVA), debit value (DVA) or funding value (FVA) adjustment applied.
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.

2.6.2. Derivative financial instruments [continued]

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

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Recognized Income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.
The conditions of hedge accounting applied by the Bank are the following: formally designed as hedge, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.

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

2.8. 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 hedge. Such gains and losses will be reported when realized in Consolidated Statement of Recognized Income for the applicable period.
Such securities consist of Hungarian and foreign government bonds, bonds issued by NBH, corporate bonds, discounted Treasury bills and other securities. Other securities include shares in investment funds and shares in non-financing companies.
The provision for impairment is calculated based on discounted cash flow methodology for debt instruments and calculated based on fair valuation on equity instruments, using the expected future cash flow and original effective interest rate if there is objective evidence of and impairment.

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.

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

Loans and placements with other banks are amortized cost, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.9. Loans, placements with other banks and allowance for loan and placement losses [continued]

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.

2.10. Sale and repurchase agreements, security lending

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

2.11. 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.

2.12. 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:

<u>NOTE 2:</u> SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Property and equipment, Intangible assets [continued]

Intangible assets	
Software	3.33-50%
Property rights	5-50%
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 impaired immediately to the estimated recoverable amount.

2.13. Financial liabilities

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

2.14. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Leases [continued]

The Group as a lessee [continued]

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.

2.15. 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.

2.16. 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, 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.

2.17. Fees and Commissions

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

2.18. Dividend income

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

2.19. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.20. 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.

2.21. 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.

2.22. Consolidated Statement of Cash Flows

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

2.23. Segment reporting

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

2.24. Comparative figures

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.25. Measures related to FX based mortgage loans

1. Events in accordance with early repayment at fixed exchange rates

The Hungarian Government announced the Country Protection Action Plan on 12 September 2011. The most significant arrangement, which directly affected the Bank, was *the opportunity of early repayment at fixed exchange rates.*
If certain conditions completed by the borrowers FX based mortgage loans could be repaid in one amount at fixed conversion rate ("early repayment") determined in the Law on Credit Institutions (Swiss Franc 180 HUF/CHF, Euro 250 HUF/EUR, Japanese Yen 2 HUF/JPY). Act CXXI of 2011 ("On the amendment of the acts in connection with the protection of homes") on early repayment was acted on 29 September 2011. Under the law the Bank was not allowed to charge any fees or other commissions for early repayment. Furthermore banks carried the loss derived from the difference between the book value recorded on market price and the paid amount calculated at fixed exchange rate as an early repayment. If the borrower had met the conditions determined by the law, the lender would not have been allowed to refuse the early repayment, and should have prepared the settlement of the contract in 60 days.
The final closing date of the opportunity of early repayment was 28 February 2012.

The Bank and OTP Mortgage Bank Ltd. ("OTP Mortgage Bank") made a guarantee contract about a facility in the amount of HUF 200 billion, as well as the Bank and OTP Flat Lease Ltd. ("OTP Flat Lease") made a guarantee contract about a facility in the amount of HUF 2 billion. Based on this agreement the Bank compensated the loss of OTP Mortgage Bank and OTP Flat Lease on early repayment of FX based mortgage loans.
In accordance with the guarantee contract OTP compensated the losses derived from the early repayment of OTP Mortgage Bank and OTP Flat Lease.

Investments in subsidiaries were raised with HUF 47,027 million – with the amount paid as compensation for OTP Mortgage Bank and OTP Flat Lease within the frames of guarantee contracts – as at 31 December 2011 and parallel with that provision for impairment was recognized on investments at the same amount. In 2012 correction occurred based on final realised loss related to early repayment as investments in subsidiaries were lowered with HUF 3,257 million and parallel with that provision for impairment was released at the same amount.

Up to 31 December 2011 – together at the Bank, OTP Mortgage Bank and OTP Flat Lease – 21,146 customers paid back their FX mortgage loans. Therefore provision for impairment on loan losses in the amount of HUF 32,152 million was recognized at the Group. Provision for impairment on loan losses in the amount of HUF 2,962 million was recognized at OTP relating to early repayment of the Bank's own customers.

In the year of 2012 – together at the Bank, OTP Mortgage Bank and OTP Flat Lease – additional 14,934 customers paid back their FX mortgage loans. Therefore provision for impairment on loan losses in the amount of HUF 32,901 million was recognized at the Group. Provision for impairment on loan losses in the amount of HUF 2,101 million was recognized at OTP relating to early repayment of OTP Bank's own customers.

Regarding to 2011 amendment of Act LIX of 2006 the financial institution reduced the 2011 amount of the payable bank tax as a tax refund with 30% of the loss from paid FX based mortgage loans. If the tax refund had exceeded the bank tax determined for the year 2011, the difference could have been claimed at tax determination for 2011 by the related parties (one or more financial institution or insurance company) ("tax refund beneficiary") of the financial institution.

Based on the arising losses at the Bank, OTP Mortgage Bank and OTP Flat Lease, Merkantil Bank Ltd. ("Merkantil Bank") and Merkantil Car Ltd. ("Merkantil Car") total HUF 20,606 million tax refund was carried out at the Group's level from the bank tax paid and recognized in 2011, from which the Bank recognized HUF 10,467 million as tax refund in the separate financial statements. The difference was asserted as tax refund by the other subsidiaries of the Group. The amount of the difference was rectified by HUF 1,090 million based on final realised loss related to early repayment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

2. Fixing of the exchange rate for calculating the monthly instalments, escrow account loan contract

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

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

According to modified terms and conditions, contract of fixed exchange rate escrow account loan can be concluded for 60 months or until the last installment due before 30 June 2017 the latest. Closing date has been prolonged until 29 March 2013 in consequence of 22 December 2012 amendment of the Act. The fixed exchange rates were modified and set at 180 HUF/CHF, 250 HUF/EUR and 2.5 HUF/JPY. For the difference between the fixed and the exceeding actual spot exchange rate, banks provide a special purpose HUF denominated mortgage loan ("escrow account loan"), granting of which is not regulated by the rules of prudent lending. Escrow account loan is paid in HUF backing joint and several state guarantee during the fixed exchange rate period. During the fixed exchange rate period the Hungarian Government is refunding credit institutions the full proportion of monthly installments of retail FX mortgage loans above the fixed exchange rate, but not more than the highest exchange rate (270 HUF/CHF, 340 HUF/EUR, 3.3 HUF/JPY). Credit institutions are obliged to off-set 50% of the refunded amount – exempted receivable – for the year of 2012 by paying it back to the central budget as credit institutions' contribution.

The Government backs the escrow account in full through a State Guarantee during the fixed exchange rate period, subsequently the guarantee applies to 25% of the escrow account. In case of utilizing of state guarantee credit institutions are obliged to pay contribution.
Regarding the fact that the expected number of debtors who concluded escrow account loan contract is low, the Bank decided not to employ the state guarantee.

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

As at 30 June 2013

	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Number of escrow account loans (number of loans)	4,711	31,184	410	36,305
Number of new contracts made after 1 April 2012 (number of contracts)	4,643	30,691	497	35,831
Gross value of escrow account loans (in HUF mn)	196	1,714	42	1,952
Gross amount of fixed FX loans (in HUF mn)	19,374	228,774	6,083	254,231

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

As at 31 December 2012

	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Number of escrow account loans (number of loans)	3,060	23,817	380	27,257
Number of new contracts made after 1 April 2012 (number of contracts)	2,988	23,324	386	26,698
Gross value of escrow account loans (in HUF mn)	79	831	3	913
Gross amount of fixed FX loans (in HUF mn)	13,444	187,606	5,346	206,396

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

As at 30 June 2013

	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Loss on interest from fixed exchange rate refunded by the State	102	1,004	53	1,159
Contribution paid for the State (50%)	89	761	27	877

As at 31 December 2012

	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Loss on interest from fixed exchange rate refunded by the State	60	824	-	884
Contribution paid for the State (50%)	30	412	-	442

3. Conversion of FX mortgage loan into HUF denominated one in case of FX mortgage debtors with more than 90 days of delinquency

Financial institution qualified as provider of FX loan was obliged to convert whole receivable of uncancelled FX loan into HUF denominated loan at average middle FX rate published by NBH between 15 May and 15 June 2012 until 31 August 2012 if:

a) no conversion into HUF denominated loan occurred yet
b) the total market value of real estate serving as collateral did not exceed HUF 20 million at conclusion of FX loan contract
c) at least HUF 78 thousand is the amount from debt which is due and delinquency of debtor more than 90 days as at 30 September 2011 and since then it is continuous
d) right of legal enforcement is not recorded on real estate included in FX mortgage loan contract
e) debtor made a statement in writing until 15 May 2012 that its delinquency was caused by significant and justifiable deterioration of ability to pay.

Financial institutions were obliged to cancel 25% of their receivable at the date of conversion into HUF loan. Financial institutions were not allowed to charge any fees or other commissions in connection with the conversion and the 25% cancellation of receivable.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

3. Conversion of FX mortgage loan into HUF denominated one in case of FX mortgage debtors with more than 90 days of delinquency [continued]

Main figures of conversion into HUF denominated loans at Group level as at 30 June 2013 and 31 December 2012 are the following:

	30 June 2013				31 December 2012			
	OTP	OTP Mortgage Bank	OTP Flat Lease	Group	OTP	OTP Mortgage Bank	OTP Flat Lease	Group
Number of DPD[1] 90+ loans (number of loans)	-	-	-	-	11	90	-	101
Loan losses (in HUF mn)	-	-	-	-	10	155	-	165

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.

[1] DPD: day past due

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 2013	31 December 2012
Cash on hand		
In HUF	60,721	59,693
In foreign currency	108,993	127,126
	169,714	**186,819**

Amounts due from banks and balances with the National Banks

	30 June 2013	31 December 2012
Within one year:		
In HUF	76,101	134,828
In foreign currency	255,206	279,755
	331,307	**414,583**
Over one year:		
In HUF	-	-
In foreign currency	580	659
	580	**659**
Accrued interest	315	460
	332,202	**415,702**
Total	**501,916**	**602,521**

Compulsory reserve set by the National Banks	**269,522**	**270,592**

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

	30 June 2013	31 December 2012
Within one year		
In HUF	48,066	40,882
In foreign currency	279,792	294,509
	327,858	**335,391**
Over one year		
In HUF	15,000	15,000
In foreign currency	8,799	7,183
	23,799	**22,183**
Accrued interest	377	403
Provision for impairment on placement losses	(31)	(1,111)
Total	**352,003**	**356,866**

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

	30 June 2013	31 December 2012
Balance as at 1 January	**1,111**	**1,165**
Provision for the period	25	1,479
Release of provision for the period	(347)	(1,375)
Foreign currency translation difference	(758)	(158)
Closing balance	**31**	**1,111**

Interest conditions of placements with other banks:

	30 June 2013	31 December 2012
In HUF	0.1% - 13.8%	0.1% - 9.4%
In foreign currency	0.001% - 11.9%	0.002% - 10.09%

	30 June 2013	31 December 2012
Average interest rates on placements with other banks	1.59%	2.28%

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

	30 June 2013	31 December 2012
Securities held for trading		
Corporate shares	86,840	90,779
Government bonds	27,371	12,476
Hungarian government discounted treasury bills	4,644	2,098
Securities issued by the NBH	-	1,333
Other securities	4,371	7,741
Other non-interest bearing securities	12,281	6,913
	135,507	**121,340**
Accrued interest	642	480
Total	**136,149**	**121,820**

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

	30 June 2013	31 December 2012
Interest rate swaps classified as held for trading	43,990	73,183
CCIRS and mark-to-market CCIRS[1] classified as held for trading	20,158	10,298
Foreign exchange swaps classified as held for trading	5,882	7,173
Other transactions classified as held for trading	9,571	10,400
	79,601	**101,054**
Total	**215,750**	**222,874**

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

	30 June 2013	31 December 2012
Denominated in HUF (%)	70.6%	80.2%
Denominated in foreign currency (%)	29.4%	19.8%
Total	**100.0%**	**100.0%**

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

	30 June 2013	31 December 2012
Denominated in HUF (%)	14.7%	9.9%
Denominated in foreign currency (%)	85.3%	90.1%
Total	**100.0%**	**100.0%**

	30 June 2013	31 December 2012
Interest rates on securities held for trading	3.3% - 13.0%	1.2% - 12.0%
Average interest rates on securities held for trading	2.79%	5.54%

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

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

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

	30 June 2013	31 December 2012
Within five years		
With variable interest	2,245	2
With fixed interest	27,606	21,587
	29,851	**21,589**
Over five years		
With variable interest	455	-
With fixed interest	6,080	2,059
	6,535	**2,059**
Non-interest bearing securities	99,121	97,692
Total	**135,507**	**121,340**

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

	30 June 2013	31 December 2012
Securities available-for-sale		
Bonds issued by NBH	823,325	860,081
Government bonds	358,855	370,329
Corporate bonds	62,735	51,527
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*56,751*	*45,966*
	56,751	*45,966*
Non-listed securities:		
In HUF	-	-
In foreign currency	*5,984*	*5,561*
	5,984	*5,561*
Discounted treasury bills	43,293	34,853
Other non-interest bearing securities	40,045	39,810
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*6,565*	*6,829*
	6,565	*6,829*
Non-listed securities:		
In HUF	*28,662*	*28,647*
In foreign currency	*4,818*	*4,334*
	33,480	*32,981*
Mortgage bonds	-	151
Other securities	47,317	44,022
	1,375,570	**1,400,773**

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

	30 June 2013	31 December 2012
Accrued interest	14,160	11,630
Provision for impairment on securities available-for-sale	(962)	(1,226)
Total	**1,388,768**	**1,411,177**

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

	30 June 2013	31 December 2012
Denominated in HUF (%)	75.3%	81.4%
Denominated in foreign currency (%)	24.7%	18.6%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency (%):

	30 June 2013	31 December 2012
Denominated in HUF (%)	44.6%	64.1%
Denominated in foreign currency (%)	55.4%	35.9%
Total	**100.0%**	**100.0%**

	30 June 2013	31 December 2012
Interest rates on securities available-for-sale denominated in HUF	4.3% - 8.0%	6.0% - 8.0%
Interest rates on securities available-for-sale denominated in foreign currency	0.8% - 22.0%	0.8% - 20.0%

	30 June 2013	31 December 2012
Average interest rates on securities available-for-sale denominated in HUF	5.52%	8.27%
Average interest rates on securities available-for-sale denominated in foreign currency	7.79%	3.39%

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

	30 June 2013	31 December 2012
Within five years		
With variable interest	10,640	9,518
With fixed interest	1,255,905	1,282,459
	1,266,545	**1,291,977**
Over five years		
With variable interest	2,207	2,521
With fixed interest	66,773	66,465
	68,980	**68,986**
Non-interest bearing securities	40,045	39,810
Total	**1,375,570**	**1,400,773**

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 2013	31 December 2012
Balance as at 1 January	**1,226**	**1,930**
Provision for the period	1	61
Release of provision	-	(551)
Use of provision	(281)	(83)
Foreign currency translation difference	16	(131)
Closing balance	**962**	**1,226**

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

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

	30 June 2013	31 December 2012
Short-term loans and promissory notes (within one year)	2,434,375	2,573,893
Long-term loans and promissory notes (over one year)	5,022,754	4,973,154
	7,457,129	**7,547,047**
Accrued interest	78,853	71,320
Provision for impairment on loan losses	(1,216,894)	(1,154,176)
Total	**6,319,088**	**6,464,191**

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

	30 June 2013	31 December 2012
In HUF	26%	26%
In foreign currency	74%	74%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	30 June 2013	31 December 2012
Short-term loans denominated in HUF	4.5% - 41.2%	4.5% - 43%
Long-term loans denominated in HUF	2.7% - 41.2%	2.7% - 43%
Short-term loans denominated in foreign currency	1% - 66%	1% - 66%
Long-term loans denominated in foreign currency	0.1% - 58.6%	0.1% - 58.6%

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

	30 June 2013	31 December 2012
Average interest rates on loans denominated in HUF	4.99%	5.27%
Average interest rates on loans denominated in foreign currency	17.38%	15.44%

	30 June 2013	31 December 2012
Gross loan portfolio on which interest to customers is not being accrued	18.8%	18.2%

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

	30 June 2013		31 December 2012	
Retail loans	2,671,691	36%	2,673,929	35%
Corporate loans	2,333,223	31%	2,319,618	31%
Housing loans	2,179,486	29%	2,248,435	30%
Municipality loans	272,729	4%	305,065	4%
Total	**7,457,129**	**100%**	**7,547,047**	**100%**

Through debt consolidation the central government provided a non-refundable subsidy to municipalities with less than five thousands inhabitants for the total repayment of their outstanding obligations (loans, bonds, bills of exchange) as at 12 December 2012. In case of the Bank HUF 28.8 billion total debt of 957 municipalities was repaid (at exchange rates as of 27 December 2012).
Furthermore the debt consolidation of municipalities with more than five thousands inhabitants was completed by end of June 2013, which was carried out from three sources: subsidy provided by the Hungarian Treasury, funds of the Government Debt Management Agency ("GDMA"), long-term loan originated by OTP for the GDMA.
At the Bank the total amount of loans to 192 municipalities with more than five thousands inhabitants represented HUF 245 billion by the end of 2012. Out of this portfolio the debt consolidation covered volumes of HUF 142.6 billion equivalent (at exchange rates as of 31 December 2012). HUF 41.5 billion equivalent of debt was prepaid, while HUF 101.2 billion equivalent was refinanced by a loan originated by OTP for the GDMA.

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

	30 June 2013	31 December 2012
Balance as at 1 January	**1,154,176**	**1,061,452**
Provision for the period	297,223	602,194
Release of provision	(218,377)	(472,154)
Use of provision	(13,955)	2,111
Foreign currency translation difference	(2,173)	(39,427)
Closing balance	**1,216,894**	**1,154,176**

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

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

	30 June 2013	31 December 2012
(Release of provision) / Provision for impairment on placement losses	(335)	41
Provision for impairment on loan losses	113,992	226,939
Total	**113,657**	**226,980**

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

	30 June 2013	31 December 2012
Investments		
Unconsolidated subsidiaries	6,694	7,159
Associated companies (non-listed)	338	337
Other investments (non-listed)	4,056	3,408
	11,088	**10,904**
Provision for impairment on investments	(3,765)	(2,968)
Total	**7,323**	**7,936**

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

	30 June 2013	31 December 2012
Balance as at 1 January	**2,968**	**1,654**
Provision for the period	778	1,335
Use of provision	-	(22)
Foreign currency translation difference	19	1
Closing balance	**3,765**	**2,968**

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

	30 June 2013	31 December 2012
Government bonds	573,820	407,853
Discounted Treasury bills	7,575	6,432
Foreign bonds	1,316	1,236
Mortgage bonds	490	2,142
	583,201	**417,663**
Accrued interest	14,382	12,410
Provision for impairment on securities held-to-maturity	(781)	(770)
Total	**596,802**	**429,303**

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 2013	31 December 2012
Within five years		
With variable interest	23,848	32,619
With fixed interest	238,520	230,287
	262,368	**262,906**
Over five years		
With variable interest	225	252
With fixed interest	320,608	154,505
	320,833	**154,757**
Total	**583,201**	**417,663**

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

	30 June 2013	31 December 2012
Denominated in HUF (%)	86.2%	85.7%
Denominated in foreign currency (%)	13.8%	14.3%
Total	**100%**	**100%**

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

	30 June 2013	31 December 2012
Interest rates of securities held-to-maturity with variable interest	0.3% - 5.75%	0.3% - 7.1%
Interest rates of securities held-to-maturity with fixed interest	2.5% - 30%	3.5% - 30%

	30 June 2013	31 December 2012
Average interest rates on securities held-to-maturity	6.14%	7.47%

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

	30 June 2013	31 December 2012
Balance as at 1 January	**770**	**889**
Provision for the period	1	15
Release of provision	(1)	(30)
Use of provision	-	(34)
Foreign currency translation difference	11	(70)
Closing balance	**781**	**770**

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

For the six month period ended 30 June 2013

Cost	Intangible assets and goodwill	Property	Office equipments and vehicles	Construction in progress	Total
Balance as at 1 January	**363,524**	**214,736**	**187,618**	**18,928**	**784,806**
Additions	16,268	5,593	8,533	7,127	37,521
Foreign currency translation differences	(1,350)	521	572	104	(153)
Disposals	(5,309)	(803)	(9,336)	(9,847)	(25,295)
Change in consolidation scope	108	-	78	793	979
Balance as at 30 June	**373,241**	**220,047**	**187,465**	**17,105**	**797,858**
Depreciation and Amortization					
Balance as at 1 January	**125,775**	**44,867**	**125,022**	**-**	**295,664**
Charge for the period	11,255	2,996	9,231	-	23,482
Foreign currency translation differences	111	456	227	-	794
Disposals	(643)	(219)	(8,476)	-	(9,338)
Change in consolidation scope	53	-	52	-	105
Balance as at 30 June	**136,551**	**48,100**	**126,056**	**-**	**310,707**
Net book value					
Balance as at 1 January	**237,749**	**169,869**	**62,596**	**18,928**	**489,142**
Balance as at 30 June	**236,690**	**171,947**	**61,409**	**17,105**	**487,151**

An analysis of the changes in the goodwill for the six month period ended 30 June 2013 is as follows:

Cost	Goodwill
Balance as at 1 January	**189,619**
Additions	1,124
Foreign currency translation difference	(1,464)
Impairment for the current period	-
Balance as at 30 June	**189,279**

Net book value	
Balance as at 1 January	**189,619**
Balance as at 30 June	**189,279**

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

For the six month period ended 30 June 2013 [continued]

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

List of units	**HUF mn**
OTP Bank JSC	65,524
OAO OTP Bank	64,916
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	17,135
OTP Bank Romania S.A.	5,865
Other[1]	7,298
Total	**189,279**

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 2013-2017 where for 2013 the actual, accepted annual financial plans are included and the actual financial strategic plans were used as forecasts for the period between 2014 and 2017.

Present value calculation with the DCF method

The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. For calculating the discount factor it was considered the base rates of the national banks in the actual macro forecasts as risk free rates and the Group calculated risk premiums by modifying the country risk premiums that are published on damodaran.com with the CDS of the different countries spread as of 31 December 2012.

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

Present value calculation with the EVA method

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

Summary of the impairment test for the six month period ended 30 June 2013

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 a.d., OTP Real Estate Investment Fund Management Ltd.

For the year ended 31 December 2012

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

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

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

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

List of units	HUF mn
OAO OTP Bank	68,205
OTP Bank JSC	64,003
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	16,910
OTP Bank Romania S.A.	5,788
Other[1]	6,172
Total	**189,619**

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

For the year ended 31 December 2012 [continued]

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

Summary of the 2012 year end impairment test

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

NOTE 12: OTHER ASSETS (in HUF mn)

	30 June 2013	31 December 2012
Inventories	54,577	50,751
Fair value of derivative financial instrument designated as fair value hedge	34,782	13,694
Trade receivables	26,618	12,465
Prepayments and accrued income	14,643	10,100
Current income tax receivable	12,860	13,313
Other advances	8,812	5,838
Other receivables from Hungarian Government	5,637	8,752
Receivables from investment services	4,568	1,431
Receivables due from pension funds and investment funds	1,227	1,544
Receivables from leasing activities	1,106	1,108
Advances for securities and investments	660	635
Deferred tax receivables	324	159
Other	33,440	30,931
	199,254	**150,721**
Provision for impairment on other assets[1]	(19,445)	(21,265)
Total	**179,809**	**129,456**

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

	30 June 2013	31 December 2012
CCIRS and mark-to-market CCIRS designated as fair value hedge	29,216	9,318
Interest rate swaps designated as fair value hedge	5,517	4,224
Forward security agreements designated as fair value hedge	45	6
Foreign exchange swaps designated as fair value hedge	4	136
Other transactions designated as fair value hedge	-	10
Total	**34,782**	**13,694**

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

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

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

	30 June 2013	31 December 2012
Balance as at 1 January	**21,265**	**16,558**
(Release of provision) / Provision for the period	(1,373)	6,375
Use of provision	(580)	(1,300)
Foreign currency translation difference	133	(368)
Closing balance	**19,445**	**21,265**

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

	30 June 2013	31 December 2012
Within one year		
In HUF	103,885	78,602
In foreign currency	204,262	200,599
	308,147	**279,201**
Over one year		
In HUF	77,357	110,267
In foreign currency	130,894	142,424
	208,251	**252,691**
Accrued interest	3,007	2,432
Total	**519,405**	**534,324**

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

	30 June 2013	31 December 2012
Within one year		
In HUF	0.9% - 6.4%	0.2% - 7.6%
In foreign currency	0.01% - 8.9%	0.01% - 10.1%
Over one year		
In HUF	0.1% - 6.65 %	0.2% - 8.1 %
In foreign currency	0.3% - 7.4%	0.1% - 9%

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

	30 June 2013	31 December 2012

Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks denominated in HUF	4.32%	0.86%
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks denominated in foreign currency	6.63%	1.74%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2013	31 December 2012
Within one year		
In HUF	2,759,707	2,864,536
In foreign currency	3,453,606	3,381,095
	6,213,313	**6,245,631**
Over one year		
In HUF	226,016	131,023
In foreign currency	117,089	133,045
	343,105	**264,068**
Accrued interest	46,088	41,009
Total	**6,602,506**	**6,550,708**

Interest rates on deposits from customers are as follows:

	30 June 2013	31 December 2012
Within one year		
In HUF	0.01% - 10%	0.1% - 11%
In foreign currency	0.01% - 25%	0.01% - 25.5%
Over one year		
In HUF	0.01% - 6.3%	0.2% - 7.8%
In foreign currency	0.01% - 20%	0.01% - 20%

	30 June 2013	31 December 2012
Average interest rates on deposits from customers denominated in HUF	1.98%	2.57%
Average interest rates on deposits from customers denominated in foreign currency	7.31%	6.94%

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

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

	30 June 2013	31 December 2012

Retail deposits	4,240,030	65%	4,286,153	66%
Corporate deposits	2,053,459	31%	1,961,543	30%
Municipality deposits	262,929	4%	262,003	4%
Total	**6,556,418**	**100%**	**6,509,699**	**100%**

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

	30 June 2013	31 December 2012
With original maturity		
Within one year		
In HUF	108,335	207,826
In foreign currency	116,247	59,632
	224,582	**267,458**
Over one year		
In HUF	182,649	185,893
In foreign currency	113,020	169,564
	295,669	**355,457**
Accrued interest	15,177	20,208
Total	**535,428**	**643,123**

Interest rates on liabilities from issued securities are as follows:

	30 June 2013	31 December 2012
Issued securities denominated in HUF	0.25% - 11.0%	0.25% - 12.0%
Issued securities denominated in foreign currency	2.0% - 10.8%	0.3% - 10.9%

	30 June 2013	31 December 2012
Average interest rates on issued securities denominated in HUF	9.02%	15.66%
Average interest rates on issued securities denominated in foreign currency	5.25%	3.87%

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

Issued securities denominated in HUF as at 30 June 2013 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1	2013/XIII	06/07/2012-13/07/2012	06/07/2013	5,676	7	fixed	
2	2013/XIV	20/07/2012-03/08/2012	20/07/2013	9,339	7	fixed	

3	2013/XV	10/08/2012-17/08/2012	10/08/2013	5,752	6.5	fixed	
4	2013/XVI	24/08/2012-31/08/2012	24/08/2013	3,576	6.5	fixed	
5	2013/XVII	07/09/2012-14/09/2012	07/09/2013	4,043	6.5	fixed	
6	2013/XVIII	21/09/2012-28/09/2012	21/09/2013	3,593	6.5	fixed	
7	2013/XIX	05/10/2012-12/10/2012	05/10/2013	2,393	6.5	fixed	
8	2013/XX	19/10/2012-31/10/2012	19/10/2013	2,268	6.5	fixed	
9	2013/XXI	12/11/2012-16/11/2012	12/11/2013	4,101	6	fixed	
10	2013/XXII	23/11/2012-03/12/2012	23/11/2013	2,988	5.5	fixed	
11	2013/XXIII	07/12/2012-17/12/2012	07/12/2013	1,835	5.5	fixed	
12	2013/XXIV	21/12/2012	21/12/2013	1,567	5.5	fixed	
13	2014/I	11/01/2013-25/01/2013	11/01/2014	3,466	5	fixed	
14	2014/II	01/02/2013-15/02/2013	01/02/2014	1,482	5	fixed	
15	2014/III	01/03/2013-22/03/2013	01/03/2014	2,854	4.5	fixed	
16	2014/IV	05/04/2013-19/04/2013	05/04/2014	1,561	4	fixed	
17	2014/V	26/04/2013-10/05/2013	26/04/2014	1,196	3.5	fixed	
18	2014/VI	24/05/2013-31/05/2013	24/05/2014	1,292	3.5	fixed	
19	2014/VII	14/06/2013-28/06/2013	14/06/2014	788	3	fixed	
20	TBSZ_2013_I	26/02/2010-28/12/2010	30/12/2013	5,967	5.5	fixed	
21	TBSZ_2014_I	14/01/2011-05/08/2011	15/12/2014	1,921	5.5	fixed	
22	TBSZ_2014_II	26/08/2011-29/12/2011	15/12/2014	733	5.5	fixed	
23	TBSZ_2015_I	26/02/2010-17/12/2010	30/12/2015	5,580	5.5	fixed	
24	TBSZ_2016_I	14/01/2011-05/08/2011	15/12/2016	1,205	5.5	fixed	
25	TBSZ_2016_II	26/08/2011-29/12/2011	15/12/2016	649	5.5	fixed	
26	TBSZ_4_2015_I	13/01/2012-22/06/2012	15/12/2015	477	6.5	fixed	
27	TBSZ_4_2015_II	21/12/2012	15/12/2015	48	6	fixed	
28	TBSZ_4_2016_I	18/01/2013-15/02/2013	15/12/2016	158	5	fixed	
29	TBSZ_6_2017_I	13/01/2012-22/06/2012	15/12/2017	236	6.5	fixed	
30	2013A	28/06/2010	08/07/2013	428	indexed	floating	hedged
31	2013B	26/11/2010	06/11/2013	785	indexed	floating	hedged
32	2013C	16/12/2010	19/12/2013	415	indexed	floating	hedged
33	2014A	25/06/2009	30/06/2014	2,781	indexed	floating	hedged
34	2014B	05/10/2009	13/10/2014	3,629	indexed	floating	hedged
35	2014C	14/12/2009	19/12/2014	3,578	indexed	floating	hedged
36	2014D	01/04/2011	03/04/2014	521	indexed	floating	hedged
37	2014E	17/06/2011	20/06/2014	1,163	indexed	floating	hedged
38	2014F	20/10/2011	21/10/2014	366	indexed	floating	hedged
39	2014G	21/12/2011	30/12/2014	320	indexed	floating	hedged
40	2015A	25/03/2010	30/03/2015	4,879	indexed	floating	hedged
41	2015B	28/06/2010	09/07/2015	4,390	indexed	floating	hedged
42	2015D	19/03/2012	23/03/2015	450	indexed	floating	hedged
43	2015E	16/07/2012	20/07/2015	390	indexed	floating	hedged
44	2015G	08/11/2012	16/11/2015	435	indexed	floating	hedged
45	2015H	28/12/2012	27/12/2015	170	indexed	floating	hedged
46	2016A	11/11/2010	03/11/2016	4,091	indexed	floating	hedged
47	2016B	16/12/2010	19/12/2016	3,073	indexed	floating	hedged
48	2016E	28/12/2012	27/12/2016	395	indexed	floating	hedged
49	2016F	22/03/2013	24/03/2016	670	indexed	floating	hedged
50	2017A	01/04/2011	31/03/2017	4,830	indexed	floating	hedged
51	2017B	17/06/2011	20/06/2017	4,578	indexed	floating	hedged
52	2017C	19/09/2011	25/09/2017	3,369	indexed	floating	hedged
53	2017D	21/10/2011	19/10/2017	520	indexed	floating	hedged
54	2017E	21/12/2011	28/12/2017	3,835	indexed	floating	hedged
55	2018A	03/01/2012	09/01/2018	1,044	indexed	floating	hedged
56	2018B	22/03/2012	22/03/2018	4,415	indexed	floating	hedged
57	2018C	16/07/2012	18/07/2018	3,725	indexed	floating	hedged
58	2018D	29/10/2012	26/10/2018	3,130	indexed	floating	hedged
59	2018E	28/12/2012	28/12/2018	3,250	indexed	floating	hedged
60	2019A	25/06/2009	01/07/2019	284	indexed	floating	hedged
61	2019B	05/10/2009-05/02/2010	14/10/2019	417	indexed	floating	hedged
	Subtotal issued securities in HUF			**143,070**			

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

Issued securities denominated in HUF as at 30 June 2013 (in HUF mn) [continued]

	Name	**Date of issue**	**Maturity**	**Nominal value (in HUF mn)**	**Interest conditions (in % p.a.)**		**Hedged**
62	2019C	14/12/2009	20/12/2019	359	indexed	floating	hedged
63	2019D	22/03/2013	21/03/2019	4,500	indexed	floating	hedged

64	2019E	28/06/2013	24/06/2019	3,550	indexed	floating	hedged
65	2020A	25/03/2010	30/03/2020	355	indexed	floating	hedged
66	2020B	28/06/2010	09/07/2020	415	indexed	floating	hedged
67	2020C	11/11/2010	05/11/2020	259	indexed	floating	hedged
68	2020D	16/12/2010	18/12/2020	235	indexed	floating	hedged
69	2021A	01/04/2011	01/04/2021	330	indexed	floating	hedged
70	2021B	17/06/2011	21/06/2021	370	indexed	floating	hedged
71	2021C	19/09/2011	24/09/2021	320	indexed	floating	hedged
72	2021D	21/12/2011	27/12/2021	395	indexed	floating	hedged
73	2022A	22/03/2012	23/03/2022	280	indexed	floating	hedged
74	2022B	16/07/2012	18/07/2022	265	indexed	floating	hedged
75	2022C	29/10/2012	28/10/2022	310	indexed	floating	hedged
76	2022D	28/12/2012	27/12/2022	350	indexed	floating	hedged
77	2023A	22/03/2013	24/03/2023	395	indexed	floating	hedged
78	2023B	28/06/2013	26/06/2023	295	indexed	floating	hedged
79	RA_2013_B	26/11/2010	03/12/2013	3,162	indexed	floating	hedged
80	RA_2014_A	25/03/2011	24/03/2014	945	indexed	floating	hedged
81	RA_2014_Bx	16/09/2011-23/09/2011	15/09/2014	1,126	indexed	floating	hedged
82	RF_2020_A	12/07/2010	20/07/2020	1,279	indexed	floating	hedged
83	RF_2020_B	12/07/2010	20/07/2020	965	indexed	floating	hedged
84	RF_2020_C	11/11/2010	05/11/2020	1,476	indexed	floating	hedged
85	RF_2021_A	05/07/2011	13/07/2021	861	indexed	floating	hedged
86	RF_2021_B	20/10/2011	25/10/2021	925	indexed	floating	hedged
87	RF_2021_C	21/12/2011	30/12/2021	127	indexed	floating	hedged
88	RF_2021_D	21/12/2011	30/12/2021	91	indexed	floating	hedged
89	RF_2021_E	21/12/2011	30/12/2021	27	indexed	floating	hedged
90	RF_2022_A	22/03/2012	23/03/2022	327	indexed	floating	hedged
91	RF_2022_B	22/03/2012	23/03/2022	113	indexed	floating	hedged
92	RF_2022_C	28/06/2012	28/06/2022	75	indexed	floating	hedged
93	RF_2022_D	28/06/2012	28/06/2022	95	indexed	floating	hedged
94	RF_2022_E	29/10/2012	31/10/2022	50	indexed	floating	hedged
95	RF_2022_F	28/12/2012	28/12/2022	28	indexed	floating	hedged
96	RF_2023_A	22/03/2013	24/03/2023	17	indexed	floating	hedged
97	DNT_HUF 131007	05/04/2013	07/10/2013	2,741	indexed	floating	hedged
98	DNT_HUF 131129	31/05/2013	29/11/2013	1,241	indexed	floating	hedged
99	OVK_2013_I	26/08/2011-28/12/2011	26/08/2013	1,238	5.75	fixed	
100	OVK_2014_I	31/01/2012-03/07/2012	27/01/2014	226	6.75	fixed	
101	OJK_2016_I	26/08/2011-21/12/2011	26/08/2016	200	5.75	fixed	
102	OJK_2017_I	27/01/2012-13/07/2012	27/01/2017	36	7	fixed	
103	OJB_2013_II	20/12/2002	31/08/2013	13,433	8.25	fixed	
104	OJB_2014_I	14/11/2003	12/02/2014	13,483	8	fixed	
105	OJB_2014_J	17/09/2004	17/09/2014	167	8.69	fixed	
106	OJB_2015_I	10/06/2005	10/06/2015	3,221	7.7	fixed	
107	OJB_2015_J	28/01/2005	28/01/2015	115	8.69	fixed	
108	OJB_2016_I	03/02/2006	03/02/2016	1,259	7.5	fixed	
109	OJB_2016_II	31/08/2006	31/08/2016	4,672	10	fixed	
110	OJB_2016_J	18/04/2006	28/09/2016	200	7.59	fixed	
111	OJB_2019_I	17/03/2004	18/03/2019	31,514	9.48	fixed	
112	OJB_2019_II	25/05/2011	18/03/2019	1,059	9.48	fixed	
113	OJB_2020_I	19/11/2004	12/11/2020	5,503	9	fixed	
114	OJB_2020_II	25/05/2011	12/11/2020	1,487	9	fixed	
115	Other[1]			36,192			
	Subtotal issued securities in HUF			**285,729**			
	Unamortized premium			**3,216**			
	Fair value adjustment			**2,039**			
	Total issued securities in HUF			**290,984**			

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

Issued securities denominated in foreign currency as at 30 June 2013 (in HUF mn)

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
1	DC_EUR_130829	31/05/2013	29/08/2013	EUR	6.89	2,033	3	fixed	hedged

[1] From the total amount HUF 35,960 million is mobil deposits of Merkantil Bank.

2	DC_USD_130829	31/05/2013	29/08/2013	USD	7.92	1,790	3	fixed	hedged
3	DC_EUR_130705	05/04/2013	05/07/2013	EUR	5.19	1,532	4.5	fixed	hedged
4	DC_USD_130715	05/04/2013	05/07/2013	USD	4.40	995	5	fixed	hedged
5	EUR_2013_I	05/08/2011	05/08/2013	EUR	0.44	130	3	fixed	
6	EUR_2013_II	12/08/2011	12/08/2013	EUR	0.44	129	3	fixed	
7	EUR_2013_III	26/08/2011	26/08/2013	EUR	0.89	263	3	fixed	
8	EUR_2013_IV	09/09/2011	09/09/2013	EUR	0.77	226	3	fixed	
9	EUR_2013_V	23/09/2011	23/09/2013	EUR	0.49	145	3	fixed	
10	EUR_2013_VI	07/10/2011	07/10/2013	EUR	0.55	162	3	fixed	
11	EUR_2013_VII	21/10/2011	21/10/2013	EUR	0.51	150	3	fixed	
12	EUR_2013_VIII	07/11/2011	07/11/2013	EUR	0.26	78	3	fixed	
13	EUR_2013_IX	18/11/2011	18/11/2013	EUR	0.42	123	3	fixed	
14	EUR_2013_X	25/11/2011	25/11/2013	EUR	0.14	42	3	fixed	
15	EUR_2013_XI	02/12/2011	02/12/2013	EUR	0.18	52	3.5	fixed	
16	EUR_2013_XII	16/12/2011	16/12/2013	EUR	0.08	25	3.5	fixed	
17	EUR_2013_XIII	29/12/2011	29/12/2013	EUR	0.15	44	4	fixed	
18	EUR_1_2013_XIV	13/07/2012	13/07/2013	EUR	4.76	1,406	3.5	fixed	
19	EUR_1_2013_XV	03/08/2012	03/08/2013	EUR	13.05	3,853	3.5	fixed	
20	EUR_1_2013_XVI	17/08/2012	17/08/2013	EUR	7.63	2,251	3.25	fixed	
21	EUR_1_2013_XVII	31/08/2012	31/08/2013	EUR	8.9	2,628	3.25	fixed	
22	EUR_1_2013_XVIII	14/09/2012	14/09/2013	EUR	8.42	2,484	3	fixed	
23	EUR_1_2013_XIX	28/09/2012	28/09/2013	EUR	4.61	1,362	3	fixed	
24	EUR_1_2013_XX	12/10/2012	12/10/2013	EUR	7.20	2,126	3	fixed	
25	EUR_1_2013_XXI	26/10/2012	26/10/2013	EUR	5.79	1,708	3	fixed	
26	EUR_1_2013_XXII	09/11/2012	09/11/2013	EUR	5.27	1,555	3	fixed	
27	EUR_1_2013_XXIII	23/11/2012	23/11/2013	EUR	9.13	2,694	3	fixed	
28	EUR_1_2013_XXIV	07/12/2012	07/12/2013	EUR	10.29	3,038	3	fixed	
29	EUR_1_2013_XXV	21/12/2012	21/12/2013	EUR	4.20	1,240	3	fixed	
30	EUR_1_2014_I	11/01/2013	11/01/2014	EUR	3.41	1,007	2.75	fixed	
31	EUR_1_2014_II	25/01/2013	25/01/2014	EUR	2.59	765	2.5	fixed	
32	EUR_1_2014_III	01/02/2013	01/02/2014	EUR	2.73	807	2.5	fixed	
33	EUR_1_2014_IV	15/02/2013	15/02/2014	EUR	4.08	1,204	2.5	fixed	
34	EUR_1_2014_V	01/03/2013	01/03/2014	EUR	3.85	1,136	2.5	fixed	
35	EUR_1_2014_VI	22/03/2013	22/03/2014	EUR	3.22	950	2.5	fixed	
36	EUR_1_2014_VII	05/04/2013	05/04/2014	EUR	1.39	409	2.25	fixed	
37	EUR_1_2014_VIII	19/04/2013	19/04/2014	EUR	3.04	899	2.25	fixed	
38	EUR_1_2014_IX	10/05/2013	10/05/2014	EUR	5.93	1,751	2.25	fixed	
39	EUR_1_2014_X	24/05/2013	24/05/2014	EUR	2.37	701	2	fixed	
40	EUR_1_2014_XI	07/06/2013	07/06/2014	EUR	2.62	772	2	fixed	
41	EUR_1_2014_XII	21/06/2013	21/06/2014	EUR	2.21	653	2	fixed	
42	EUR_1_2014_XIII	28/06/2013	28/06/2014	EUR	1.40	412	2	fixed	
43	EUR_2_2014_I	13/01/2012	13/01/2014	EUR	0.05	15	4	fixed	
44	EUR_2_2014_II	27/01/2012	27/01/2014	EUR	0.19	57	4	fixed	
45	EUR_2_2014_III	10/02/2012	10/02/2014	EUR	0.24	72	4	fixed	
46	EUR_2_2014_IV	24/02/2012	24/02/2014	EUR	0.44	131	4	fixed	
47	EUR_2_2014_V	09/03/2012	09/03/2014	EUR	0.10	28	4	fixed	
48	EUR_2_2014_VI	23/03/2012	23/03/2014	EUR	0.10	30	4	fixed	
49	EUR_2_2014_VII	06/04/2012	06/04/2014	EUR	0.15	44	4	fixed	
50	EUR_2_2014_VIII	20/04/2012	20/04/2014	EUR	0.25	74	4	fixed	
51	EUR_2_2014_IX	04/05/2012	04/05/2014	EUR	0.34	100	4	fixed	
52	EUR_2_2014_X	11/05/2012	11/05/2014	EUR	0.05	15	3.75	fixed	
53	EUR_2_2014_XI	25/05/2012	25/05/2014	EUR	0.10	30	3.75	fixed	
54	EUR_2_2014_XII	08/06/2012	08/06/2014	EUR	0.13	38	3.75	fixed	
55	EUR_2_2014_XIII	22/06/2012	22/06/2014	EUR	0.20	59	3.75	fixed	
56	EUR_2_2014_XIV	13/07/2012	13/07/2014	EUR	0.18	54	3.75	fixed	
57	EUR_2_2014_XV	03/08/2012	03/08/2014	EUR	0.22	65	3.75	fixed	
58	EUR_2_2014_XVI	17/08/2012	17/08/2014	EUR	0.18	54	3.5	fixed	
59	EUR_2_2014_XVII	31/08/2012	31/08/2014	EUR	0.46	135	3.5	fixed	
60	EUR_2_2014_XVIII	14/09/2012	31/08/2014	EUR	0.31	90	3.25	fixed	
	Subtotal issued securities in FX					**46,821**			

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

Issued securities denominated in foreign currency as at 30 June 2013 (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
61	EUR_2_2014_XIX	28/09/2012	28/09/2014	EUR	0.28	84	3.25	fixed	
62	EUR_2_2014_XX	12/10/2012	12/10/2014	EUR	0.22	64	3.25	fixed	
63	EUR_2_2014_XXI	26/10/2012	26/10/2014	EUR	0.47	139	3.25	fixed	

64	EUR_2_2014_XXII	09/11/2012	09/11/2014	EUR	0.20	60	3.25	fixed	
65	EUR_2_2014_XXIII	23/11/2012	23/11/2014	EUR	0.37	110	3.25	fixed	
66	EUR_2_2014_XXIV	07/12/2012	07/12/2014	EUR	0.41	121	3.25	fixed	
67	EUR_2_2014_XXV	21/12/2012	21/12/2014	EUR	0.36	108	3	fixed	
68	EUR_2_2015_I	11/01/2013	11/01/2015	EUR	0.16	48	3	fixed	
69	EUR_2_2015_II	25/01/2013	25/01/2015	EUR	0.17	51	2.75	fixed	
70	EUR_2_2015_III	01/02/2013	01/02/2015	EUR	0.16	47	2.75	fixed	
71	EUR_2_2015_IV	15/02/2013	15/02/2015	EUR	0.16	47	2.75	fixed	
72	EUR_2_2015_V	01/03/2013	01/03/2015	EUR	0.26	78	2.75	fixed	
73	EUR_2_2015_VI	22/03/2013	22/03/2015	EUR	0.20	58	2.75	fixed	
74	EUR_2_2015_VII	05/04/2013	05/04/2015	EUR	0.38	113	2.75	fixed	
75	EUR_2_2015_VIII	19/04/2013	19/04/2015	EUR	0.31	92	2.75	fixed	
76	EUR_2_2015_IX	10/05/2013	10/05/2015	EUR	0.74	218	2.75	fixed	
77	EUR_2_2015_X	24/05/2013	24/05/2015	EUR	0.36	107	2.5	fixed	
78	EUR_2_2015_XI	07/06/2013	07/06/2015	EUR	0.39	115	2.5	fixed	
79	EUR_2_2015_XII	21/06/2013	21/06/2015	EUR	0.21	62	2.5	fixed	
80	EUR_2_2015_XIII	28/06/2013	28/06/2015	EUR	0.27	81	2.5	fixed	
81	2015C	22/12/2010	29/12/2015	EUR	0.97	286	indexed	floating	hedged
82	2015F	21/12/2012	16/11/2015	EUR	2.07	612	indexed	floating	hedged
83	2016C	22/04/2011	22/04/2016	EUR	1.56	460	indexed	floating	hedged
84	2016D	22/12/2011	29/12/2016	EUR	1.25	368	indexed	floating	hedged
85	2017F	19/06/2012	16/06/2016	EUR	0.78	229	indexed	floating	hedged
86	OMB2013_I	11/11/2011	18/11/2013	EUR	3.5	1,033	5.44	floating	hedged
87	OMB2014_I	15/12/2004	15/12/2014	EUR	198.25	58,516	4	fixed	
88	OMB2014_II	02/08/2011	10/08/2014	EUR	15.5	4,575	3.19	floating	hedged
89	OMB2015_I	30/08/2012	06/03/2015	EUR	5	1,476	4.2	floating	hedged
90	Mortgage bonds OTP VII	21/12/2005	21/12/2015	EUR	22.47	6,633	0.36	floating	
91	Mortgage bonds OTP XXI	20/05/2010	20/05/2013	EUR	9.86	2,909	3.5	fixed	
92	Mortgage bonds OTP XXIV	23/11/2010	23/11/2013	EUR	7.88	2,325	3.3	fixed	
93	Mortgage bonds OTP XXV	28/09/2012	28/09/2016	EUR	7.96	2,350	4.0	fixed	
94	OTPRU 14/03	29/03/2011	25/03/2014	RUR	2,500	17,275	8.55	fixed	
95	OTPRU 14/07	02/08/2011	29/07/2014	RUR	5,000	34,550	8.21	fixed	
96	OTPRU 14/10	03/11/2011	30/10/2014	RUR	4,000	27,640	10.88	fixed	
97	OTPRU 15/03	06/03/2012	03/03/2015	RUR	4,940	34,135	10.84	fixed	
98	Other[1]					16,890			
	Subtotal issued securities in FX					**260,886**			
	Unamortized premium					**(31,614)**			
	Fair value adjustment					**(5)**			
	Total issued securities in FX					**229,267**			
	Accrued interest					**15,177**			
	Total issued securities					**535,428**			

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

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

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

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

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

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

Certain structured bonds are hedged by interest rate swaps ("IRS") which may transfer to a transferee a fixed rate and enter into an interest rate swap with the transferee to receive a fixed interest rate and pay a variable interest rate

[1] Other category includes promissory notes issued by OTP banka Slovensko a.s. in the amount of HUF 1,135 million and by OAO OTP Bank in the amount of HUF 15,755 million.

and amount of the structure if any 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 and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

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

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

	30 June 2013	31 December 2012
Interest rate swaps classified as held for trading	63,367	75,332
CCIRS and mark-to-market CCIRS classified as held for trading	12,169	31,594
Foreign exchange swaps classified as held for trading	4,476	6,388
Option contracts classified as held for trading	2,459	1,954
Forward rate agreements classified as held for trading (FRA)	2,315	4,857
Forward security agreements classified as held for trading	1,578	219
Foreign exchange forward contracts classified as held for trading	1,201	1,350
Other transactions classified as held for trading	330	338
Total	**87,895**	**122,032**

NOTE 17: OTHER LIABILITIES (in HUF mn)

	30 June 2013	31 December 2012
Financial liabilities from OTP-MOL share swap transaction[1]	84,953	89,308
Fair value of derivative financial instruments designated as fair value hedge	81,266	119,027
Subtotal	**166,219**	**208,335**

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

	30 June 2013	31 December 2012
Current income tax payable	55,008	15,982
Salaries and social security payable	38,603	29,835
Liabilities from investment services	33,652	26,264
Liabilities connected to Cafeteria benefits	30,564	23,696
Accrued expenses	23,310	20,048

[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 loss of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 30 June 2013 HUF 84,953 and as at 31 December 2012 HUF 89,308 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

Accounts payable	22,369	16,474
Provision for impairment on off-balance sheet commitments and contingent liabilities	18,819	19,727
Deferred tax liabilities	18,422	17,454
Giro clearing accounts	9,761	11,725
Clearing, settlement and pending accounts	9,674	14,595
Advances received from customers	2,936	2,904
Loans from government	2,650	3,008
Liabilities connected to leasing activities	1,112	1,212
Liabilities connected to loans for collection	1,008	1,006
Dividend payable	171	127
Liabilities related to housing loans	116	177
Other	44,765	43,804
	479,159	**456,373**
Accrued interest	160	858
Total	**479,319**	**457,231**

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

	30 June 2013	**31 December 2012**
Provision for losses on other off-balance sheet commitments and contingent liabilities related to lending	9,202	9,080
Provision for litigation	4,263	4,089
Provision for other liabilities	4,197	5,421
Provision for expected pension commitments	1,157	1,137
Total	**18,819**	**19,727**

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

	30 June 2013	**31 December 2012**
Balance as at 1 January	**19,727**	**18,434**
(Release of provision) / Provision for the period	(733)	2,135
Use of provision	(300)	(223)
Foreign currency translation differences	125	(619)
Closing balance	**18,819**	**19,727**

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 2013	**31 December 2012**
CCIRS and mark-to-market CCIRS designated as fair value hedge	75,238	113,915

Interest rate swaps designated as fair value hedge	5,881	5,033
Forward security agreements designated as fair value hedge	137	78
Foreign exchange swaps designated as fair value hedge	9	-
Other transactions designated as fair value hedge	1	1
Total	**81,266**	**119,027**

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

	30 June 2013	**31 December 2012**
Within one year:		
In HUF	5,000	5,000
In foreign currency	-	8
	5,000	**5,008**
Over one year:		
In HUF	-	-
In foreign currency	284,063	283,397
	284,063	**283,397**
Accrued interest	9,654	3,090
Total	**298,717**	**291,495**

Interest rates on subordinated bonds and loans are as follows:

	30 June 2013	**31 December 2012**
Denominated in HUF	2.4%	3.3%
Denominated in foreign currency	0.8% - 8.25%	0.7% - 8.0%

	30 June 2013	**31 December 2012**
Average interest rates on subordinated bonds and loans	4.00%	3.97%

The Bank purchased on the secondary market Notes from the EUR 125 million subordinated Notes series maturing 4 March 2015 in the total notional amount of EUR 125,000,000. The Bank initiated the cancellation of the Notes. Following the cancellation on 30 August 2013 the total outstanding amount of Notes decreased to EUR 93,450,000.

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 2013
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	4.8%
Subordinated bond	EUR 105.95 million	04/03/2005	04/03/2015	100%	Three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 473.2 million	07/11/2006	Perpetual, but callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	-
Subordinated bond (under EMTN[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond	USD 65 million	21/04/2008	13/10/2015	100%	Variable, six-month LIBOR + 1.4%	1.84%
Subordinated bond	RUB 16.7 million	30/12/2003	21/06/2015	100%	Variable monthly, based on the Russian National Bank’s interest rate	8.25%
Subordinated bond	EUR 5.113 million	23/12/1997	15/11/2014	100%	Variable, six-month EURIBOR + 1.3%	1.6%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	30 June 2013	31 December 2012
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 ("HAS) are as follows (the reserves under IFRS are detailed in consolidated statement of changes in equity):

	30 June 2013	31 December 2012
Capital reserve	52	52
General reserve	151,371	141,717
Retained earnings	853,587	845,614
Tied-up reserve	9,827	7,385
Total	**1,014,837**	**994,768**

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

In 2012 the Bank paid dividend of HUF 28,000 million from the profit of the year 2011, which meant 100 HUF payable dividend by share. In 2013 dividend of HUF 33,600 million were proposed by the management from the profit of the year 2012, which means 120 HUF payable dividend by share to the shareholders.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 663,498 million and HUF 701,935 million) and reserves (HUF 884,356 million and HUF 832,637 million) as at 30 June 2013 and 31 December 2012 respectively. The reserves include mainly net profit for the year attributable to the owners of the company, the fair value adjustment of securities available-for-sale, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous year at the subsidiaries, changes due to consolidation and exchange differences.

In the Consolidated Financial Statement the Group presents the difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, among the shareholders' equity as difference of translation. The accumulated amounts of exchange differences were HUF 15,533 million and HUF 17,889 million as at 30 June 2013 and 31 December 2012 respectively.

On 19 October 2006, the Bank sold 14.5 million Treasury shares owned by the Group through an issue of I 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 11, 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 2013	31 December 2012
Nominal value (Ordinary shares)	1,832	1,876
Carrying value at acquisition cost	56,244	53,802

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

Change in number of shares:

	30 June 2013	31 December 2012
Number of shares as at 1 January	**18,755,373**	**19,218,344**
Additions	2,146,180	1,490,134
Disposals	(2,585,614)	(1,953,105)
Closing number of shares	**18,315,939**	**18,755,373**

Change in carrying value:

	30 June 2013	31 December 2012
Balance as at 1 January	**53,802**	**54,386**
Additions	10,228	5,758
Disposals	(7,786)	(6,342)
Closing balance	**56,244**	**53,802**

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

	30 June 2013	31 December 2012
Balance as at 1 January	**5,783**	**5,601**
Non-controlling interest included in net profit for the period	232	896
Changes due to ownership structure	(19)	(784)
Foreign currency translation difference	(266)	70
Closing balance	**5,730**	**5,783**

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

	30 June 2013	31 December 2012
Provision for impairment on loan losses		
Provision for the period	296,441	602,194
- from this: release of provision for impairment on loan losses related to early repayment	-	*(35,264)*
Release of provision	(217,595)	(472,154)
Provision for impairment on loan losses	35,146	96,899
- from this: provision on loan losses related to early repayment	-	*32,774*
	113,992	**226,939**
(Release of provision) / Provision for impairment on placement losses		
Provision for the period	25	1,479
Release of provision	(347)	(1,375)
Release of provision for impairment on placement losses	(13)	(63)
	(335)	**41**
Provision for impairment on loan and placement losses	**113,657**	**226,980**
Gains on loans related to early repayment	-	(2,490)
Losses from early repayment recognizing in interest income from loans	-	127
Total gains related to early repayment	**-**	**(2,363)**

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

Income from fees and commissions	**30 June 2013**	**30 June 2012**
Deposit and account maintenance fees and commissions	44,760	37,605
Fees and commissions related to the issued bank cards	23,974	20,527
Fees related to cash withdrawal	14,173	12,151
Fees and commissions related to lending	11,363	9,014
Fees and commissions related to fund management	6,535	4,365
Fees and commissions related to security trading	5,368	3,168
Other	11,868	9,517
Total	**118,041**	**96,347**

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

Expense from fees and commissions	30 June 2013	30 June 2012
Fees and commissions paid on loans	6,794	5,519
Interchange fees	4,883	4,344
Fees and commissions related to issued bank cards	3,996	3,393
Fees and commissions related to lending	2,814	2,776
Cash withdrawal transaction fees	1,340	1,256
Fees and commissions related to deposits	1,248	1,286
Insurance fees	886	774
Fees and commissions related to security trading	582	396
Money market transaction fees and commissions	551	506
Postal fees	403	402
Other	2,862	2,332
Total	**26,359**	**22,984**
Net profit from fees and commissions	**91,682**	**73,363**

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

Other operating income	30 June 2013	30 June 2012
Other income from non-financial activities	11,071	13,704
Total	**11,071**	**13,704**

Other operating expenses	30 June 2013	30 June 2012
Provision for impairment on investments[1]	778	1,445
(Release of provision) / Provision for off-balance sheet commitments and contingent liabilities	(733)	171
(Release of provision) / Provision for impairment on other assets	(1,373)	1,754
Other expense from non-financial activities	6,366	3,931
Other operating costs	2,481	3,099
Total	**7,519**	**10,400**

Other administrative expenses	30 June 2013	30 June 2012
Personnel expenses		
Wages	75,706	69,097
Taxes related to personnel expenses	20,827	18,434
Other personnel expenses	6,351	5,988
Subtotal	**102,884**	**93,519**

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

[1] See details in Note 9.

Other administrative expenses	**30 June 2013**	**30 June 2012**
Depreciation and amortization	**23,482**	**22,973**
Other administrative expenses		
Taxes, other than income tax[1]	82,915	53,127
Administration expenses, including rental fees	25,361	24,697
Services	21,993	19,413
Professional fees	7,347	6,818
Advertising	5,424	5,104
Subtotal	**143,040**	**109,159**
Total	**269,406**	**225,651**

NOTE 26: INCOME TAX (in HUF mn)

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

The breakdown of the income tax expense is:

	30 June 2013	**30 June 2012**
Current tax expense	7,272	7,787
Deferred tax expense / (benefit)	2,405	(2,164)
Total	**9,677**	**5,623**

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

	30 June 2013	**31 December 2012**
Balance as at 1 January	**(17,295)**	**(2,140)**
Deferred tax expense	(2,405)	(2,561)
Deferred tax related to items recognized directly in equity and in Other Comprehensive Income	1,492	(12,894)
Foreign currency translation difference	110	300
Closing balance	**(18,098)**	**(17,295)**

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

[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 2013, for the year 2012 and 2011 was HUF 36.2 billion, HUF 37.1 billion and HUF 14.6 billion recognized as an expense thus decreased the corporate tax base. Based on the 2012 approved regulation financial institutions' obligation to pay this special tax was finalized.

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

	30 June 2013	31 December 2012
Fair value adjustment of securities held for trading and securities available-for-sale	5,114	6,285
Repurchase agreement and security lending	4,537	4,192
Tax loss carry forward	4,493	2,935
Difference in accounting for leases	339	423
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	321	427
Difference in depreciation and amortization	168	18
Other	6,203	9,630
Deferred tax asset	**21,175**	**23,910**

	30 June 2013	31 December 2012
Fair value adjustment of securities held for trading and securities available-for-sale	(8,400)	(8,905)
Adjustment from effective interest rate method	(4,534)	(2,869)
Net effect of treasury share transactions	(3,520)	(3,824)
Difference in depreciation and amortization	(3,509)	(6,223)
Accounting of equity instrument (ICES)	(2,504)	(2,775)
Temporary differences arising on consolidation	(1,879)	(1,636)
Premium and discount amortization on bonds	(103)	(1,161)
Fair value adjustment of derivative financial instruments	(69)	(6,071)
Difference in accounting for leases	(68)	(67)
Repurchase agreement	-	(2)
Other	(14,687)	(7,672)
Deferred tax liabilities	**(39,273)**	**(41,205)**
Net deferred tax liability	**(18,098)**	**(17,295)**

A reconciliation of the income tax expense is as follows:

	30 June 2013	30 June 2012
Profit before income tax	61,489	59,525
Income tax at statutory tax rates	13,129	13,320

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

Income tax adjustments due to permanent differences are as follows:

	30 June 2013	30 June 2012
Differences in carrying value of subsidiaries	627	1,492
Share-based payment	547	483
Treasury share transactions	148	(25)
Difference of accounting of equity instrument (ICES)	29	391
OTP-MOL share swap transaction	-	871
Reclassification of direct charges to reserves (self-revision)	-	(143)
Reversal of statutory general provision	(193)	443
Revaluation of investments denominated in foreign currency to historical cost	(231)	(5,104)
Other	(4,379)	(6,105)
Income tax expense	**9,677**	**5,623**
Effective tax rate	**15.74%**	**9.45%**

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1. Credit risk

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

27.1.1. Analysis by loan types and risk classes

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.

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

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and risk classes [continued]

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

As at 30 June 2013

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount / allowance
Retail loans	2,942,671	795,346	227,051	236,472	649,637	**4,851,177**
Corporate loans	1,135,365	481,828	158,161	143,705	414,164	**2,333,223**
Placement with other banks	351,620	-	-	6	31	**351,657**
Municipal loans	235,389	35,625	779	132	804	**272,729**
Total gross portfolio	**4,665,045**	**1,312,799**	**385,991**	**380,315**	**1,064,636**	**7,808,786**
Allowance for loans	(22,704)	(62,930)	(108,053)	(210,169)	(813,038)	**(1,216,894)**
Allowance for placements	-	-	-	-	(31)	**(31)**
Total allowance	**(22,704)**	**(62,930)**	**(108,053)**	**(210,169)**	**(813,069)**	**(1,216,925)**
Total net portfolio	**4,642,341**	**1,249,869**	**277,938**	**170,146**	**251,567**	**6,591,861**
Accrued interest						
for loans						**78,853**
for placements						**377**
Total accrued interest						**79,230**
Total net loans						**6,319,088**
Total net placements						**352,003**
Total net exposures						**6,671,091**

As at 31 December 2012

Loan type	Performing	To-be monitored	Below average	Doubtful	Bad	Total carrying amount / allowance
Retail loans	2,972,929	853,100	226,310	222,402	647,623	**4,922,364**
Corporate loans	1,152,177	469,093	130,965	154,969	412,414	**2,319,618**
Placement with other banks	341,171	15,610	-	6	787	**357,574**
Municipal loans	212,504	73,026	8,782	9,738	1,015	**305,065**
Total gross portfolio	**4,678,781**	**1,410,829**	**366,057**	**387,115**	**1,061,839**	**7,904,621**
Allowance for loans	(24,597)	(55,395)	(97,934)	(213,653)	(762,597)	**(1,154,176)**
Allowance for placements	-	(324)	-	-	(787)	**(1,111)**
Total allowance	**(24,597)**	**(55,719)**	**(97,934)**	**(213,653)**	**(763,384)**	**(1,155,287)**
Total net portfolio	**4,654,184**	**1,355,110**	**268,123**	**173,462**	**298,455**	**6,749,334**
Accrued interest						
for loans						**71,320**
for placements						**403**
Total accrued interest						**71,723**
Total net loans						**6,464,191**
Total net placements						**356,866**
Total net exposures						**6,821,057**

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

27.1. Credit risk [continued]

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

27.1.1. Analysis by loan types and risk classes [continued]

The Group's loan portfolio decreased by 1.2% in the first half year of 2013. Analysing the contribution of loan types to the loan portfolio, the share of the corporate loan type slightly increased while the other types of loan portfolios slightly decreased. 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 18.3% to 18.5%. Among the qualified loan portfolio, the loans classified to the risk class of "below average" 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 70.8% and 67.4% as at 30 June 2013 and 31 December 2012 respectively.

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

Qualification categories	30 June 2013	31 December 2012
Performing	1,525,404	1,426,968
To-be monitored	51,961	41,450
Below average	3,875	4,203
Doubtful	1,413	1,395
Bad	1,194	1,294
Total	**1,583,847**	**1,475,310**

The off-balance sheet liabilities connected to the lending activity increased by 7.4% and 14.6% as at 30 June 2013 and 31 December 2012 respectively.
The qualified loan portfolio decreased by 2.6% and 8.4% in the half year ended 30 June 2013 and year ended 31 December 2012 respectively.

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 2013	31 December 2012
Retail loans	1,718,948	1,854,274
Corporate loans	959,015	917,619
Placement with other banks	342,544	319,095
Municipal loans	97,714	149,558
Total	**3,118,221**	**3,240,546**

Qualification categories	30 June 2013	31 December 2012
Performing	3,073,673	3,061,957
To-be monitored	32,845	149,670
Below average	8,029	19,840
Doubtful	956	4,481
Bad	2,718	4,598
Total	**3,118,221**	**3,240,546**

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 41% to 39.9% as at 30 June 2013compared to the end of the prior year. The ratio of the corporate and interbank placements compared to the portfolio of loans neither past due nor impaired increased during the half year ended 30 June 2013 while the ratio of the retail and municipal loans decreased.

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

Past due, but not impaired loans

The aging of gross loans that are past due but not impaired as at 30 June 2013 and 31 December 2012 is as follows:

As at 30 June 2013

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	269,377	5,184	3,815	11,651	**290,027**
Corporate loans	54,801	3,703	975	2,483	**61,962**
Municipality loans	103,091	19,001	4,915	-	**127,007**
Total	**427,269**	**27,888**	**9,705**	**14,134**	**478,996**

As at 31 December 2012

Loan type	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Retail loans	283,443	7,061	4,321	13,975	**308,800**
Corporate loans	72,271	940	1,369	7,373	**81,953**
Municipality loans	56,358	-	-	54	**56,412**
Total	**412,072**	**8,001**	**5,690**	**21,402**	**447,165**

The loans that are past due but not impaired are concentrated mainly in the retail loan type. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Group.

Loans individually assessed for provision

The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.
An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 30 June 2013 and 31 December 2012 is as follows.

As at 30 June 2013

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	252,253	130,589	146,715	60,046	4
Regularity of payment	460	215	31	-	-
Legal proceedings	153,657	108,671	49,672	710	456
Decrease of client classification	178,495	53,284	46,664	5,418	542
Loan characteristics	56,209	4,644	3,023	150	1
Business lines risks	12,062	4,178	1,752	1,974	89
Cross default	19,261	8,179	2,563	6,500	247
Other	33,087	7,237	3,907	3,442	360
Corporate total	**705,484**	**316,997**	**254,327**	**78,240**	**1,699**
Delay of payment	11,004	451	4,172	66	1
Legal proceedings	1,102	708	-	-	-
Decrease of client classification	5,510	158	-	8	-
Cross default	52	1	-	-	-
Other	19,032	477	-	6,559	122
Municipal total	**36,700**	**1,795**	**4,172**	**6,633**	**123**
Placements with other banks	**761**	**761**	**-**	**-**	**-**
Total	**742,945**	**319,553**	**258,499**	**84,873**	**1,822**

As at 31 December 2012

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

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

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and risk classes [continued]

Loans individually assessed for provision [continued]

By 30 June 2013 the volume of the individually rated portfolio slightly increased in the corporate loan type. Among the rating factors of the corporate loan type, the increase is mostly based on the legal proceedings.

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).

Loan portfolio by countries

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

	30 June 2013		31 December 2012	
Country	**Carrying amount of the qualified gross loan portfolio**	**Allowance**	**Carrying amount of the qualified gross loan portfolio**	**Allowance**
Hungary	1,266,577	471,386	1,348,023	434,216
Ukraine	624,302	199,084	636,576	197,099
Bulgaria	328,236	176,302	304,997	165,177
Russia	307,491	166,237	264,877	128,911
Romania	270,599	29,576	312,453	48,861
Montenegro	129,608	73,947	141,855	82,135
Croatia	57,466	24,267	50,578	21,824
Slovakia	52,205	19,464	47,234	20,323
Serbia	51,902	27,173	51,759	26,318
Cyprus	46,461	2,684	45,985	1,854
Seychelles	4,977	1,493	4,912	1,473
United Kingdom	2,370	1,870	2,346	1,801
Egypt	684	478	664	332
Germany	228	79	217	75
Kazakhstan	175	24	82	34
Ireland	104	57	111	52
Island	39	27	38	19
Latvia	38	28	38	26
United States of America	6	5	12,724	131
Netherlands	2	2	2	1
Other[1]	271	38	369	28
Total	**3,143,741**	**1,194,221**	**3,225,840**	**1,130,690**

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

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

27.1. Credit risk [continued]

27.1.1. Analysis by loan types and risk classes [continued]

[1] Other category in the first half year of 2013 includes e.g.: Greece, Sweden, France, United Arab Emirates, Moldova, Switzerland, Israel, Austria, Spain, Georgia, South Korea, Turkey, China, Luxembourg, Canada, Libya.

Loan portfolio by countries [continued]

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

	30 June 2013		31 December 2012	
Country	**Carrying amount of the non-qualified gross loan portfolio**	**Allowance**	**Carrying amount of the non-qualified gross loan portfolio**	**Allowance**
Hungary	2,045,441	99	2,009,007	24
Bulgaria	855,812	11,446	890,478	14,367
Russia	592,772	4,138	624,285	3,331
Croatia	353,616	3,567	334,942	3,468
Slovakia	250,001	749	244,647	1,325
Romania	140,821	840	137,390	463
Ukraine	74,708	-	60,345	-
Montenegro	66,835	1,740	63,102	1,502
United Kingdom	65,988	-	87,509	-
Serbia	65,387	124	65,358	117
Germany	40,140	-	63,387	-
United States of America	34,110	-	19,852	-
Luxembourg	25,643	-	11,361	-
France	19,351	-	29,485	-
Austria	10,363	-	10,264	-
Switzerland	8,121	-	11,210	-
Czech Republic	4,438	-	4,062	-
Norway	2,743	-	2,204	-
Poland	2,099	-	290	-
Netherlands	1,390	-	147	-
Sweden	1,362	-	212	-
Denmark	1,334	-	276	-
Japan	1,053	-	1,417	-
Cyprus	468	-	470	-
Canada	233	-	429	-
Belgium	200	-	4,154	-
Italy	108	-	118	-
Ireland	106	-	105	-
Turkey	56	-	1,708	-
Kazakhstan	46	-	142	-
Spain	23	-	25	-
Other[1]	277	1	400	-
Total	**4,665,045**	**22,704**	**4,678,781**	**24,597**

The non-qualified loan portfolio decreased mostly in the United Kingdom and Russia on the other hand increased mostly in Ukraine, Netherlands, Montenegro and Croatia. 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.

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

27.1. Credit risk [continued]

27.1.2. Collaterals

[1] Other category in the first half year of 2013 includes e.g.: Australia, Hong-Kong, Greece, Macedonia, Brasilia, Latvia, Bosnia and Herzegovina, Finland, Moldova, Israel, Estonia, Iran.

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 2013	31 December 2012
Mortgages	5,964,575	6,971,347
Assignments (revenue or other receivables)	360,984	247,449
Guarantees of state or organizations owned by state	189,146	171,547
Guarantees and warranties	173,616	191,789
Cash deposits	147,292	154,956
Securities	111,261	132,965
Other	846,920	1,006,120
Total	**7,793,794**	**8,876,173**

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 2013	31 December 2012
Mortgages	2,945,714	3,092,824
Assignments (revenue or other receivables)	304,537	312,839
Guarantees of state or organizations owned by state	134,181	117,308
Guarantees and warranties	153,131	165,399
Cash deposits	125,119	117,778
Securities	45,288	65,864
Other	525,071	538,266
Total	**4,233,041**	**4,410,278**

The coverage level of the loan portfolio (total collaterals) decreased by 12.3%, as well as the coverage level to the extent of the exposures decreased by 4.2% as at 30 June 2013.

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

An analysis of the fair value of collaterals related to past due, but not impaired loans, total collaterals and to the extent of the exposures as at 30 June 2013 and 31 December 2012 is as follows:

Fair value of the collaterals (total collaterals)	30 June 2013	31 December 2012
Retail loans	452,840	491,038
Corporate loans	206,111	293,976
Municipality loans	2,183	8,243
Total	**661,134**	**793,257**

Fair value of the collaterals (to the extent of the exposures)	30 June 2013	31 December 2012
Retail loans	195,272	213,113
Corporate loans	49,772	42,458
Municipality loans	338	68
Total	**245,382**	**255,639**

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

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

27.2. Market risk

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

27.2.1. Market Risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	**Average**	
	30 June 2013	**30 June 2012**
Foreign exchange	507	405
Interest rate	488	284
Equity instruments	20	9
Diversification	(329)	(210)
Total VaR exposure	**686**	**488**

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 short, amounted to EUR 310 million as at 30 June 2013. High portion of strategic positions is considered as effective hedge of future profit inflows of investment of foreign subsidiaries, and so FX risk affects the Group capital and not its earnings.

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

Probability	**Effects to the Consolidated Statement of Recognized Income in 3 months period**	
	30 June 2013	**30 June 2012**
	In HUF billion	In HUF billion
1%	(13.2)	(12.7)
5%	(9.0)	(8.8)
25%	(3.7)	(3.6)
50%	(0.4)	(0.3)
25%	2.9	2.9
5%	7.3	7.2
1%	10.3	10.2

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) The HUF/EUR volatility increased slightly in the first half of 2013, so the probability of losses increased and the probability of further gains decreased.
(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 2013 would be decreased by HUF 2,544 million (probable scenario) and HUF 10,421 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 2,076 million (probable scenario) and HUF 9,847 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2012.
This effect is counterbalanced by capital gains (HUF 1,185 million for probable scenario, HUF 1,636 million for alternative scenario) as at 30 June 2013 and (HUF 3,867 million for probable scenario, HUF 5,284 million for alternative scenario) as at 31 December 2012 on the government bond portfolio held for hedging.

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

	30 June 2013		30 June 2012	
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	(808)	248	(614)	1,256
EUR (0.1%) parallel shift	(494)	-	(435)	-
USD 0.1% parallel shift	-	-	(3)	-
USD (0.1%) parallel shift	(47)	-	-	-
Total	**(1,349)**	**248**	**(1,052)**	**1,256**

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 2013**	**30 June 2012**
VaR (99%, one day, HUF million)	20	9
Stress test (HUF million)	(77)	(23)

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

27.2. Market risk [continued]

27.2.5. Capital management

Capital management

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

Capital adequacy

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

The Group has entirely complied with the regulatory capital requirements.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the advanced method (AMA) in case of the operational risk. The consolidated Capital adequacy ratio of the Group was 20.6% and 19.4% as at 30 June 2013 and 31 December 2012 respectively. The Regulatory capital was HUF 1,520,780 million and HUF 1,457,378 million, the Total eligible regulatory capital was HUF 591,961 million and HUF 599,752 million as at 30 June 2013 and 31 December 2012 respectively.

Calculation on HAS basis

	30 June 2013	**31 December 2012**
Core capital	1,288,046	1,221,476
Supplementary capital	233,078	236,245
Deductions	(344)	(343)
due to investments	*(344)*	*(343)*
Regulatory capital	**1,520,780**	**1,457,378**
Credit risk capital requirement	475,640	481,260
Market risk capital requirement	40,058	38,090
Operational risk capital requirement	76,263	80,402
Total requirement regulatory capital	**591,961**	**599,752**
Surplus capital	**928,819**	**857,626**
Tier 1 ratio	17.4%	16.3%
Capital adequacy ratio	**20.6%**	**19.4%**

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 2013	31 December 2012
OAO OTP Bank	Russia	11%	14.5%	16.2%
OTP Bank JSC	Ukraine	10%	20.6%	19.6%
DSK Bank EAD	Bulgaria	12%	19.1%	18.9%
OTP Bank Romania S.A.	Romania	10%	14.7%	15.6%
OTP banka Srbija a.d.	Serbia	12%	40.6%	16.5%
OTP banka Hrvatska d.d.	Croatia	12%	16.0%	16.0%
OTP Banka Slovensko a. s.	Slovakia	8%	12.1%	12.8%
Crnogorska komercijalna banka a.d.	Montenegro	10%	13.4%	12.4%

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 20.2% as at 30 June 2013 and 19.7 % as at 31 December 2012. The Regulatory capital was HUF 1,492,260 million and HUF 1,473,525 million, the Total regulatory capital requirement was HUF 591,961 million and HUF 599,752 million as at 30 June 2013 and 31 December 2012 respectively.

Calculation on IFRS basis

	30 June 2013	31 December 2012
Core capital (Tier 1)	***1,232,015***	***1,203,019***
Positive components	*1,524,828*	*1,494,427*
Issued capital	28,000	28,000
Reserves	1,393,879	1,362,290
Other issued capital components	102,949	104,137
Negative components	*(292,813)*	*(291,408)*
Treasury shares	(56,244)	(53,802)
Goodwill and other intangible assets	(236,569)	(237,606)
Supplementary capital (Tier 2)	***260,589***	***270,849***
Fair value corrections	10,133	13,688
Subordinated bonds and loans	250,456	257,161
Deductions	***(344)***	***(343)***
Regulatory capital	**1,492,260**	**1,473,525**
Credit risk capital requirement	475,640	481,260
Market risk capital requirement	40,058	38,090
Operational risk capital requirement	76,263	80,402
Total requirement regulatory capital	**591,961**	**599,752**
Surplus capital	**900,299**	**873,773**
Tier 1 ratio	16.6%	16.0%
Capital adequacy ratio	**20.2%**	**19.7%**

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 2013	31 December 2012
Commitments to extend credit	1,260,283	1,159,026
Guarantees arising from banking activities	322,308	316,159
Legal disputes (disputed value)	50,913	49,916
Confirmed letters of credit	14,287	13,721
Other	116,968	115,166
Total	**1,764,759**	**1,653,988**

Legal disputes

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

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 4,263 million and HUF 4,089 million as at 30 June 2013 and 31 December 2012, respectively. (See Note 17.)

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.

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.

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right but not the obligation to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. The option does not obligate the buyer to deliver a currency on the settlement date unless the buyer chooses to. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

NOTE 29: SHARE-BASED PAYMENT

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in 9/2011 resolution of Annual General Meeting regarding to the amendment of CRD III. directives and Act on Credit Institutions and Financial Enterprises.
Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act. The Bank ensures the share-based payment part for the management personnel of the Group members.
The value of the discounted share-based payment at the performance assessment is determined by Board of Directors based on the average of the three previous trade day's middle rate of the Bank's equity shares fixed on the Budapest Stock Exchange.
Discounted share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is determined by Board of Directors, maximum HUF 4,000.

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

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

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

Based on parameters accepted by Board of Directors relating to the year **2010** effective pieces are follows as at 30 June 2013:

	Effective pieces	**Approved pieces of shares**	**Exercised until 30 June 2013**
Share purchasing period started in 2012	412,636	735,722	323,086
Share purchasing period started in 2013	419,123	419,479	356
Share purchasing period starting in 2014	512,095	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2011** as at 30 June 2013:

	Effective pieces	**Approved pieces of shares**	**Exercised until 30 June 2013**
Share purchasing period started in 2012	10,370	471,240	460,870
Share purchasing period started in 2013	278,291	1,264,173	985,882
Share purchasing period starting in 2014	654,064	-	-
Share purchasing period starting in 2015	724,886	-	-

NOTE 29: SHARE-BASED PAYMENT [continued]

Effective pieces are follows in exercise periods of each year relating to the year **2012** as at 30 June 2013:

	Effective pieces	**Approved pieces of shares**	**Exercised until 30 June 2013**
Share purchasing period started in 2013	393,457	450,861	57,404
Share purchasing period starting in 2014	1,187,647	-	-
Share purchasing period starting in 2015	649,653	-	-
Share purchasing period starting in 2016	688,990	-	-

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

In connection with shares as a part of the Bank Group Policy on Payments modified by 7/2013 resolution of Annual General Meeting and the share-based compensation for Board of Directors detailed in 8/2013 resolution of Annual General Meeting and connecting compensation based on performance assessment accounted as equity-settled share based transactions, HUF 2,881 million was recognized as expense as at 30 June 2013.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Compensations	**30 June 2013**	**31 December 2012**
Short-term employee benefits	5,261	8,720
Share-based payment	2,308	2,711
Other long-term employee benefits	519	1,050
Termination benefits	-	218
Redundancy payments	-	10
Total	**8,088**	**12,709**

	30 June 2013	**31 December 2012**
Loans provided to companies owned by the management (normal course of business)	35,456	36,130
Commitments to extend credit and guarantees	1,161	690
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	508	432

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

	30 June 2013	**31 December 2012**
Loans provided to unconsolidated subsidiaries	982	1,526

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned credit line "A" in the amount of HUF 173.3 million and HUF 181.6 million as at 30 June 2013 and as at 31 December 2012.

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

	30 June 2013	**31 December 2012**

Members of Board of Directors and their close family members	26	23
Members of Supervisory Board	4	4

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

	30 June 2013	**31 December 2012**
Members of Board of Directors and their close family members	47	45
Members of Supervisory Board	3	3

One member of Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million as at 30 June 2012 and 31 December 2012, respectively.

Chief executives owned AMEX Gold credit card loan in the amount of HUF 2.5 million as at 30 June 2013 and 31 December 2012, respectively.

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

NOTE 31: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

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

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	30 June 2013	**31 December 2012**	
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
OAO OTP Bank (Russia)	97.79%	97.78%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	96.79%	96.79%	commercial banking services

NOTE 31: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES [continued]

Significant subsidiaries [continued]

Name	Ownership (Direct and Indirect)		Activity
	30 June 2013	**31 December 2012**	
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 komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (Netherlands)	100.00%	100.00%	refinancing activities
OTP 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

Significant associates

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

As at 30 June 2013

	Company for Cash Services Ltd.	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Agóra-Kapos Ltd.*	*Total*
Total assets	1,970	629	73	**2,672**
Total liabilities	85	2	53	**140**
Shareholders' equity	1,885	627	20	**2,532**
Reserves	(20)	567	19	**566**
Total revenues	454	20	1	**475**
Profit before income tax	19	11	-	**30**
Profit after income tax	19	10	-	**29**

As at 31 December 2012

	Moneta Ltd.	*Company for Cash Services Ltd.*	*Agóra-Kapos Ltd.*	*Total*
Total assets	1,924	629	73	**2,626**
Total liabilities	82	12	53	**147**
Shareholders' equity	1,842	617	20	**2,479**
Reserves	(59)	552	18	**511**
Total revenues	869	46	4	**919**
Profit before income tax	44	27	1	**72**
Profit after income tax	39	25	1	**65**

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 2013	**31 December 2012**
The amount of loans managed by the Group as a trustee	42,303	43,260

NOTE 33: CONCENTRATION OF ASSETS AND LIABILITIES

	30 June 2013	31 December 2012
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	16.7%	15.9%

There were no other significant concentrations of the assets or liabilities of the Group as at 30 June 2013 or as at 31 December 2012.

The Group continuously provides the HFSA 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 HFSA, 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.

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

As at 30 June 2013	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	486,611	14,725	380	200	-	501,916
Placements with other banks, net of allowance for placements losses	323,874	4,352	23,581	196	-	352,003
Financial assets at fair value through profit or loss	21,388	29,607	47,994	29,137	87,624	215,750
Securities available-for-sale	894,747	166,907	218,149	63,943	45,022	1,388,768
Loans, net of allowance for loan losses	962,993	1,029,783	1,932,101	2,394,211	-	6,319,088

Associates and other investments	-	-	-	-	7,323	7,323
Securities held-to-maturity	223,121	25,765	27,083	320,833	-	596,802
Property and equipment, Intangible assets	-	-	-	-	487,151	487,151
Other assets	78,964	73,807	24,915	2,123	-	179,809
TOTAL ASSETS	**2,991,698**	**1,344,946**	**2,274,203**	**2,810,643**	**627,120**	**10,048,610**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	244,257	66,874	118,598	89,676	-	519,405
Deposits from customers	5,178,321	1,079,033	322,687	22,465	-	6,602,506
Liabilities from issued securities	74,048	164,271	210,384	86,725	-	535,428
Financial liabilities at fair value through profit or loss	15,831	27,090	35,202	9,772	-	87,895
Other liabilities	365,810	41,786	61,121	10,602	-	479,319
Subordinated bonds and loans	9,597	5,056	192,486	15	91,563	298,717
TOTAL LIABILITIES	**5,887,864**	**1,384,110**	**940,478**	**219,255**	**91,563**	**8,523,270**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,547,854	1,547,854
Treasury shares	-	-	-	-	(56,244)	(56,244)
Non-controlling interest	-	-	-	-	5,730	5,730
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,525,340**	**1,525,340**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,887,864**	**1,384,110**	**940,478**	**219,255**	**1,616,903**	**10,048,610**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,896,166)**	**(39,164)**	**1,333,725**	**2,591,388**	**(989,783)**	**-**

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

As at 31 December 2012	**Within 3 months**	**Within one year and over 3 months**	**Within 5 years and over one year**	**Over 5 years**	**Without maturity**	**Total**
Cash, amounts due from banks and balances with the National Banks	584,085	17,777	350	309	-	602,521
Placements with other banks, net of allowance for placements losses	258,165	76,563	21,947	191	-	356,866
Financial assets at fair value through profit or loss	21,155	24,252	63,820	22,550	91,097	222,874
Securities available-for-sale	930,583	111,229	260,593	68,986	39,786	1,411,177
Loans, net of allowance for loan losses	957,743	1,111,844	1,905,677	2,488,927	-	6,464,191

Associates and other investments	-	-	-	-	7,936	7,936
Securities held-to-maturity	39,366	122,784	112,622	154,531	-	429,303
Property and equipment, Intangible assets	-	-	-	-	489,142	489,142
Other assets	54,231	55,819	16,761	2,645	-	129,456
TOTAL ASSETS	**2,845,328**	**1,520,268**	**2,381,770**	**2,738,139**	**627,961**	**10,113,466**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	131,509	150,124	126,352	126,339	-	534,324
Deposits from customers	5,167,850	1,110,672	249,774	22,412	-	6,550,708
Liabilities from issued securities	118,337	167,445	285,279	72,062	-	643,123
Financial liabilities at fair value through profit or loss	26,415	22,657	54,166	18,794	-	122,032
Other liabilities	341,264	28,250	77,979	9,738	-	457,231
Subordinated bonds and loans	3,421	4,677	161,870	-	121,527	291,495
TOTAL LIABILITIES	**5,788,796**	**1,483,825**	**955,420**	**249,345**	**121,527**	**8,598,913**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,534,572	1,534,572
Treasury shares	-	-	-	-	(53,802)	(53,802)
Non-controlling interest	-	-	-	-	5,783	5,783
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,514,553**	**1,514,553**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,788,796**	**1,483,825**	**955,420**	**249,345**	**1,636,080**	**10,113,466**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,943,468)**	**36,443**	**1,426,350**	**2,488,794**	**(1,008,119)**	**-**

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

As at 30 June 2013

	USD	**EUR**	**CHF**	**Others**	**Total**
Assets	539,989	1,627,451	995,825	3,102,335	6,265,600
Liabilities	(480,140)	(1,812,914)	(127,202)	(2,289,338)	(4,709,594)
Off-balance sheet assets and liabilities, net	14,164	(151,778)	(870,797)	(810,524)	(1,818,935)
Net position	**74,013**	**(337,241)**	**(2,174)**	**2,473**	**(262,929)**

As at 31 December 2012

	USD	**EUR**	**CHF**	**Others**	**Total**
Assets	570,169	1,603,605	1,060,445	2,591,153	5,825,372
Liabilities	(429,247)	(1,732,041)	(124,747)	(2,160,224)	(4,446,259)
Off-balance sheet assets and liabilities, net	(49,684)	206,904	(971,435)	(152,508)	(966,723)
Net position	**91,238**	**78,468**	**(35,737)**	**278,421**	**412,390**

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

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

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

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 2013

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-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	**77,288**	**64,507**	**16**	**348**	**-**	**1**	**-**	**-**	**-**	**-**	**60,845**	**298,911**	**138,149**	**363,767**	**501,916**
fixed rate	*77,244*	*17,653*	*16*	*247*	*-*	*1*	*-*	*-*	*-*	*-*	*-*	*-*	*77,260*	*17,901*	*95,161*
variable rate	*44*	*46,854*	*-*	*101*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*44*	*46,955*	*46,999*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*60,845*	*298,911*	*60,845*	*298,911*	*359,756*
Placements with other banks, net of allowance for placements losses	**63,401**	**168,844**	**-**	**88,833**	**-**	**7,430**	**-**	**238**	**-**	**9,993**	**-**	**13,264**	**63,401**	**288,602**	**352,003**
fixed rate	*63,354*	*167,945*	*-*	*15,801*	*-*	*3,839*	*-*	*238*	*-*	*8,966*	*-*	*-*	*63,354*	*196,789*	*260,143*
variable rate	*47*	*899*	*-*	*73,032*	*-*	*3,591*	*-*	*-*	*-*	*1,027*	*-*	*-*	*47*	*78,549*	*78,596*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*13,264*	*-*	*13,264*	*13,264*
Securities held for trading	**1,485**	**16**	**1,337**	**3,771**	**5,063**	**5,735**	**13**	**2,321**	**1,052**	**15,593**	**86,868**	**12,895**	**95,818**	**40,331**	**136,149**
fixed rate	*1,485*	*16*	*1,337*	*3,771*	*2,448*	*5,649*	*13*	*2,321*	*1,052*	*15,593*	*-*	*-*	*6,335*	*27,350*	*33,685*
variable rate	*-*	*-*	*-*	*-*	*2,615*	*86*	*-*	*-*	*-*	*-*	*-*	*-*	*2,615*	*86*	*2,701*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*86,868*	*12,895*	*86,868*	*12,895*	*99,763*
Securities available-for-sale	**824,716**	**29,401**	**4,458**	**42,407**	**42,806**	**110,485**	**32,073**	**53,549**	**95,479**	**107,965**	**33,739**	**11,690**	**1,033,271**	**355,497**	**1,388,768**
fixed rate	*824,716*	*27,192*	*4,458*	*42,173*	*42,806*	*103,644*	*32,073*	*52,994*	*95,479*	*107,965*	*-*	*-*	*999,532*	*333,968*	*1,333,500*
variable rate	*-*	*2,209*	*-*	*234*	*-*	*6,841*	*-*	*555*	*-*	*-*	*-*	*-*	*-*	*9,839*	*9,839*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*33,739*	*11,690*	*33,739*	*11,690*	*45,429*
Loans, net of allowance for loan losses	**926,402**	**2,811,755**	**213,690**	**463,457**	**128,089**	**352,342**	**53,412**	**183,591**	**218,819**	**654,583**	**26,239**	**286,708**	**1,566,651**	**4,752,437**	**6,319,088**
fixed rate	*2,155*	*352,247*	*632*	*135,965*	*5,889*	*327,628*	*5,258*	*165,768*	*10,460*	*429,242*	*-*	*-*	*24,394*	*1,410,850*	*1,435,244*
variable rate	*924,247*	*2,459,509*	*213,058*	*327,492*	*122,200*	*24,714*	*48,154*	*17,823*	*208,359*	*225,341*	*-*	*-*	*1,516,018*	*3,054,879*	*4,570,897*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*26,239*	*286,708*	*26,239*	*286,708*	*312,947*
Securities held-to-maturity	**7,078**	**15,662**	**13,185**	**16,004**	**54,593**	**3,375**	**58,177**	**22,056**	**376,164**	**16,126**	**12,123**	**2,259**	**521,320**	**75,482**	**596,802**
fixed rate	*7,078*	*15,425*	*668*	*15,514*	*44,469*	*3,337*	*58,177*	*22,056*	*376,164*	*16,126*	*-*	*-*	*486,556*	*72,458*	*559,014*
variable rate	*-*	*237*	*12,517*	*490*	*10,124*	*38*	*-*	*-*	*-*	*-*	*-*	*-*	*22,641*	*765*	*23,406*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*12,123*	*2,259*	*12,123*	*2,259*	*14,382*
Derivative financial instruments	**705,066**	**1,227,006**	**656,121**	**1,535,912**	**17,007**	**151,707**	**16,188**	**4,413**	**18,999**	**9,462**	**6**	**410**	**1,413,387**	**2,928,910**	**4,342,297**
fixed rate	*296,816*	*536,339*	*8,693*	*220,414*	*16,655*	*149,018*	*16,188*	*4,413*	*18,999*	*9,456*	*-*	*-*	*357,351*	*919,640*	*1,276,991*
variable rate	*408,250*	*690,667*	*647,428*	*1,315,498*	*352*	*2,689*	*-*	*-*	*-*	*6*	*-*	*-*	*1,056,030*	*2,008,860*	*3,064,890*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*6*	*410*	*6*	*410*	*416*

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

As at 30 June 2013

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-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	**169,622**	**177,920**	**7,152**	**41,430**	**450**	**3,069**	**24**	**6,414**	**4,041**	**105,926**	**589**	**2,768**	**181,878**	**337,527**	**519,405**
fixed rate	*83,941*	*171,977*	*1,044*	*1,510*	*450*	*1,803*	*24*	*1,903*	*4,041*	*105,671*	-	-	*89,500*	*282,864*	*372,364*
variable rate	*85,681*	*5,943*	*6,108*	*39,920*	-	*1,266*	-	*4,511*	-	*255*	-	-	*91,789*	*51,895*	*143,684*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*589*	*2,768*	*589*	*2,768*	*3,357*
Deposits from customers	**1,555,702**	**2,003,612**	**458,075**	**500,738**	**187,248**	**711,348**	**103,679**	**71,100**	**683,545**	**147,366**	**12,793**	**167,300**	**3,001,042**	**3,601,464**	**6,602,506**
fixed rate	*1,173,119*	*858,863*	*450,642*	*500,738*	*187,248*	*601,582*	*103,679*	*71,100*	*14,311*	*27,633*	-	-	*1,928,999*	*2,059,916*	*3,988,915*
variable rate	*382,583*	*1,144,749*	*7,433*	-	-	*109,766*	-	-	*669,234*	*119,733*	-	-	*1,059,250*	*1,374,248*	*2,433,498*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*12,793*	*167,300*	*12,793*	*167,300*	*180,093*
Liabilities from issued securities	**16,756**	**4,024**	**30,960**	**36,648**	**58,789**	**88,769**	**38,294**	**96,240**	**145,485**	**4,278**	**9,710**	**5,475**	**299,994**	**235,434**	**535,428**
fixed rate	*15,727*	*4,024*	*29,481*	*22,480*	*58,041*	*88,769*	*15,825*	*96,240*	*133,735*	*4,278*	-	-	*252,809*	*215,791*	*468,600*
variable rate	*1,029*	-	*1,479*	*14,168*	*748*	-	*22,469*	-	*11,750*	-	-	-	*37,475*	*14,168*	*51,643*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*9,710*	*5,475*	*9,710*	*5,475*	*15,185*
Derivative financial instruments	**146,371**	**1,760,704**	**93,676**	**2,125,371**	**36,071**	**142,200**	**24,159**	**22,187**	**15,340**	**30,958**	**16**	**600**	**315,633**	**4,082,020**	**4,397,653**
fixed rate	*146,080*	*680,422*	*90,791*	*166,101*	*35,507*	*140,629*	*24,159*	*22,174*	*15,340*	*30,958*	-	-	*311,877*	*1,040,284*	*1,352,161*
variable rate	*291*	*1,080,282*	*2,885*	*1,959,270*	*564*	*1,571*	-	*13*	-	-	-	-	*3,740*	*3,041,136*	*3,044,876*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*16*	*600*	*16*	*600*	*616*
Subordinated bonds and loans	**-**	**2**	**537**	**20,083**	**-**	**15,854**	**-**	**115**	**-**	**252,470**	**-**	**9,656**	**537**	**298,180**	**298,717**
fixed rate	-	-	-	-	-	-	-	-	-	*252,455*	-	-	-	*252,455*	*252,455*
variable rate	-	*2*	*537*	*20,083*	-	*15,854*	-	*115*	-	*15*	-	-	*537*	*36,069*	*36,606*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*9,656*	-	*9,656*	*9,656*
Net position	**716,985**	**370,930**	**298,407**	**(573,538)**	**(35,000)**	**(330,165)**	**(6,293)**	**70,112**	**(137,898)**	**272,724**	**196,712**	**440,338**	**1,032,913**	**250,400**	**1,283,314**

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

As at 31 December 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-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	**133,502**	**81,269**	**1,461**	**310**	**2**	**90**	**-**	**58**	**-**	**-**	**60,026**	**325,803**	**194,991**	**407,530**	**602,521**
fixed rate	*128,672*	*45,128*	*1,460*	*96*	*2*	*90*	*-*	*58*	*-*	*-*	*-*	*-*	*130,134*	*45,372*	*175,506*
variable rate	*4,830*	*36,141*	*1*	*214*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*4,831*	*36,355*	*41,186*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*60,026*	*325,803*	*60,026*	*325,803*	*385,829*
Placements with other banks, net of allowance for placements losses	**55,842**	**87,510**	**-**	**165,347**	**-**	**12,810**	**-**	**12,631**	**-**	**8,319**	**319**	**14,088**	**56,161**	**300,705**	**356,866**
fixed rate	*38,564*	*76,734*	*-*	*108*	*-*	*12,652*	*-*	*12,631*	*-*	*7,507*	*-*	*-*	*38,564*	*109,632*	*148,196*
variable rate	*17,278*	*10,776*	*-*	*165,239*	*-*	*158*	*-*	*-*	*-*	*812*	*-*	*-*	*17,278*	*176,985*	*194,263*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*319*	*14,088*	*319*	*14,088*	*14,407*
Securities held for trading	**1,635**	**208**	**1,731**	**10**	**2,839**	**68**	**458**	**5,542**	**288**	**10,863**	**90,473**	**7,705**	**97,424**	**24,396**	**121,820**
fixed rate	*1,635*	*208*	*1,731*	*10*	*2,838*	*67*	*458*	*5,542*	*288*	*10,863*	*-*	*-*	*6,950*	*16,690*	*23,640*
variable rate	*-*	*-*	*-*	*-*	*1*	*1*	*-*	*-*	*-*	*-*	*-*	*-*	*1*	*1*	*2*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*90,473*	*7,705*	*90,473*	*7,705*	*98,178*
Securities available-for-sale	**861,854**	**16,876**	**17,746**	**32,433**	**25,402**	**85,054**	**23,502**	**48,912**	**180,843**	**65,667**	**35,426**	**17,462**	**1,144,773**	**266,404**	**1,411,177**
fixed rate	*861,854*	*14,316*	*17,746*	*25,850*	*25,402*	*84,506*	*23,502*	*48,912*	*180,843*	*65,667*	*-*	*-*	*1,109,347*	*239,251*	*1,348,598*
variable rate	*-*	*2,560*	*-*	*6,583*	*-*	*548*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*9,691*	*9,691*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*35,426*	*17,462*	*35,426*	*17,462*	*52,888*
Loans, net of allowance for loan losses	**992,970**	**2,763,790**	**230,159**	**807,943**	**85,808**	**364,470**	**97,393**	**263,170**	**174,702**	**389,931**	**34,193**	**259,661**	**1,615,225**	**4,848,965**	**6,464,191**
fixed rate	*10,735*	*317,510*	*2,122*	*120,045*	*1,104*	*339,519*	*3,266*	*241,134*	*5,058*	*276,050*	*-*	*-*	*22,285*	*1,294,258*	*1,316,543*
variable rate	*982,235*	*2,446,281*	*228,037*	*687,898*	*84,704*	*24,951*	*94,127*	*22,036*	*169,644*	*113,881*	*-*	*-*	*1,558,747*	*3,295,046*	*4,853,794*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*34,193*	*259,661*	*34,193*	*259,661*	*293,854*
Securities held-to-maturity	**19,297**	**1,231**	**9,888**	**15,916**	**54,888**	**7,890**	**675**	**22,786**	**278,539**	**5,783**	**10,966**	**1,444**	**374,253**	**55,050**	**429,303**
fixed rate	*5,947*	*967*	*2,677*	*15,433*	*44,764*	*7,854*	*675*	*22,786*	*278,539*	*5,783*	*-*	*-*	*332,602*	*52,823*	*385,425*
variable rate	*13,350*	*264*	*7,211*	*483*	*10,124*	*36*	*-*	*-*	*-*	*-*	*-*	*-*	*30,685*	*783*	*31,468*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*10,966*	*1,444*	*10,966*	*1,444*	*12,410*
Derivative financial instruments	**919,552**	**1,047,446**	**768,810**	**1,407,927**	**31,161**	**188,345**	**27,230**	**15,442**	**29,813**	**33,488**	**80**	**1,819**	**1,776,646**	**2,694,467**	**4,471,113**
fixed rate	*390,418*	*339,102*	*72,075*	*173,000*	*31,133*	*180,283*	*27,230*	*15,442*	*29,813*	*33,488*	*-*	*-*	*550,669*	*741,315*	*1,291,984*
variable rate	*529,134*	*708,344*	*696,735*	*1,234,927*	*28*	*8,062*	*-*	*-*	*-*	*-*	*-*	*-*	*1,225,897*	*1,951,333*	*3,177,230*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*80*	*1,819*	*80*	*1,819*	*1,899*

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

As at 31 December 2012

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-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	**59,636**	**127,333**	**10,609**	**83,053**	**118,696**	**22,358**	**73**	**103,082**	**478**	**3,331**	**96**	**5,579**	**189,588**	**344,736**	**534,324**
fixed rate	*51,596*	*102,663*	*2,730*	*5,732*	*542*	*15,258*	*23*	*101,444*	*397*	*3,331*	-	-	*55,288*	*228,428*	*283,716*
variable rate	*8,040*	*24,670*	*7,879*	*77,321*	*118,154*	*7,100*	*50*	*1,638*	*81*	-	-	-	*134,204*	*110,729*	*244,933*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*96*	*5,579*	*96*	*5,579*	*5,675*
Deposits from customers	**1,435,223**	**1,930,614**	**649,539**	**478,089**	**172,472**	**711,795**	**102,808**	**87,577**	**633,666**	**146,083**	**13,412**	**189,430**	**3,007,120**	**3,543,588**	**6,550,708**
fixed rate	*1,042,679*	*825,021*	*633,649*	*478,089*	*172,472*	*604,827*	*102,808*	*87,577*	*14,392*	*26,670*	-	-	*1,966,000*	*2,022,184*	*3,988,184*
variable rate	*392,544*	*1,105,593*	*15,890*	-	-	*106,968*	-	-	*619,274*	*119,413*	-	-	*1,027,708*	*1,331,974*	*2,359,682*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*13,412*	*189,430*	*13,412*	*189,430*	*202,842*
Liabilities from issued securities	**30,498**	**7,229**	**52,031**	**17,900**	**85,478**	**36,609**	**52,604**	**160,111**	**175,857**	**3,857**	**17,077**	**3,872**	**413,545**	**229,578**	**643,123**
fixed rate	*30,169*	*7,229*	*50,595*	*6,524*	*84,653*	*36,609*	*30,779*	*160,111*	*164,395*	*3,857*	-	-	*360,591*	*214,330*	*574,921*
variable rate	*329*	-	*1,436*	*11,376*	*825*	-	*21,825*	-	*11,462*	-	-	-	*35,877*	*11,376*	*47,253*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*17,077*	*3,872*	*17,077*	*3,872*	*20,949*
Derivative financial instruments	**103,114**	**1,924,409**	**43,868**	**2,099,382**	**33,570**	**152,268**	**14,961**	**18,715**	**125,471**	**35,659**	**1,679**	**1,408**	**322,663**	**4,231,841**	**4,554,504**
fixed rate	*102,630*	*640,675*	*42,109*	*202,255*	*33,565*	*144,147*	*14,961*	*18,470*	*125,471*	*34,688*	-	-	*318,736*	*1,040,235*	*1,358,971*
variable rate	*484*	*1,283,734*	*1,759*	*1,897,127*	*5*	*8,121*	-	*245*	-	*971*	-	-	*2,248*	*3,190,198*	*3,192,446*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*1,679*	*1,408*	*1,679*	*1,408*	*3,087*
Subordinated bonds and loans	-	-	**5,000**	**26,009**	-	**15,706**	-	**80**	-	**241,673**	-	**3,027**	**5,000**	**286,495**	**291,495**
fixed rate	-	-	-	-	-	-	-	-	-	*241,632*	-	-	-	*241,632*	*241,632*
variable rate	-	-	*5,000*	*26,009*	-	*15,706*	-	*80*	-	*41*	-	-	*5,000*	*41,836*	*46,836*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*3,027*	-	*3,027*	*3,027*
Net position	**1,356,181**	**8,746**	**268,748**	**(274,547)**	**(210,116)**	**(280,009)**	**(21,188)**	**(1,024)**	**(271,287)**	**83,448**	**199,219**	**424,666**	**1,321,557**	**(38,721)**	**1,282,837**

NOTE 37: CONSOLIDATED EARNINGS PER SHARE

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 2013	**31 December 2012**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	51,580	121,690
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	266,723,434	266,239,227
Basic Earnings per share (in HUF)	**193**	**457**
Consolidated net profit for the period attributable to ordinary shareholders (in HUF mn)	51,580	121,690
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	267,015,325	266,307,792
Diluted Earnings per share (in HUF)	**193**	**457**

	30 June 2013	**31 December 2012**
	Number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	13,276,576	13,760,783
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**266,723,434**	**266,239,227**
Dilutive effects of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares	291,891	68,565
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**267,015,325**	**266,307,792**

The ICES bonds could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS because they are antidilutive for the period presented.

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

As at 30 June 2013

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Banks	2,207	-	-	-
Placements with other banks, net of allowance for placements losses	3,030	-	335	-
Securities held for trading	416	156	-	-
Securities available-for-sale	39,896	6,696	(1)	(5,138)
Loans, net of allowance for loan losses	391,180	4,570	(113,992)	-
From this: Consumer loans	*203,841*			
Housing loans	*82,054*			
Corporate loans	*69,478*			
Mortgage backed loans	*29,681*			
Municipality loans	*6,126*			
Securities held-to-maturity	15,244	(49)	-	-
Derivative financial instruments	15,345	(1,889)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(6,912)	-	-	-
Deposits from customers	(105,241)	71,440	-	-
Liabilities from issued securities	(19,189)	-	-	-
Subordinated bonds and loans	(5,721)	-	-	-
	330,255	**80,924**	**(113,658)**	**(5,138)**

As at 31 December 2012

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Banks	6,749	-	-	-
Placements with other banks, net of allowance for placements losses	9,457	-	(40)	-
Securities held for trading	1,827	(3,546)	-	-
Securities available-for-sale	78,624	2,798	490	59,481
Loans, net of allowance for loan losses	787,646	6,952	(226,940)	-
From this: Consumer loans	*372,603*			
Housing loans	*178,050*			
Corporate loans	*153,448*			
Mortgage backed loans	*65,687*			
Municipality loans	*17,858*			
Securities held-to-maturity	20,204	(87)	15	-
Derivative financial instruments	56,302	(7,376)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(18,814)	-	-	-
Deposits from customers	(230,574)	123,141	-	-
Liabilities from issued securities	(54,033)	-	-	-
Subordinated bonds and loans	(11,923)	-	-	-
	645,465	**121,882**	**(226,475)**	**59,481**

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

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

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

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

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

a) Fair value of financial assets and liabilities

	30 June 2013		31 December 2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Banks	501,916	501,916	602,521	602,521
Placements with other banks, net of allowance for placements losses	352,003	366,334	356,866	359,463
Financial assets at fair value through profit or loss	215,750	215,750	222,874	222,874
Securities held for trading	*136,149*	*136,149*	*121,820*	*121,820*
Fair value of derivative financial instruments classified as held for trading	*79,601*	*79,601*	*101,054*	*101,054*
Securities available-for-sale	1,388,768	1,388,768	1,411,177	1,411,177
Loans, net of allowance for loan losses	6,319,088	7,316,657	6,464,191	7,490,502
Securities held-to-maturity	596,802	594,073	429,303	154,517
Fair value of derivative financial instruments designated as fair value hedge	34,782	34,782	13,694	13,694
Financial assets total	**9,409,109**	**10,418,280**	**9,500,626**	**10,254,748**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	519,405	437,785	534,324	495,497
Deposits from customers	6,602,506	6,610,480	6,550,708	6,548,734
Liabilities from issued securities	535,428	530,433	643,123	614,156
Fair value of derivative financial instruments designated as fair value hedge	81,266	81,266	119,027	119,027
Fair value of derivative financial instruments classified as held for trading	87,895	87,895	122,032	122,032
Subordinated bonds and loans	298,717	239,281	291,495	241,268
Financial liabilities total	**8,125,217**	**7,987,140**	**8,260,709**	**8,140,714**

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

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	30 June 2013	**31 December 2012**	**30 June 2013**	**31 December 2012**
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	43,990	73,183	49,094	49,524
Negative fair value of interest rate swaps classified as held for trading	(63,367)	(75,332)	(70,663)	(56,534)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	5,882	7,173	5,660	7,147
Negative fair value of foreign exchange swaps classified as held for trading	(4,476)	(6,388)	(9,345)	(6,025)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated as fair value hedge	5,518	4,224	(227)	(4,488)
Negative fair value of interest rate swaps designated as fair value hedge	(5,881)	(5,033)	1,633	140
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	18,422	9,674	18,805	9,808
Negative fair value of CCIRS classified as held for trading	(11,214)	(30,948)	(12,071)	(31,625)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	1,736	624	1,514	376
Negative fair value of mark-to-market CCIRS classified as held for trading	(955)	(646)	(994)	(320)
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated as fair value hedge	25,901	9,035	25,824	9,099
Negative fair value of CCIRS designated as fair value hedge	(71,126)	(103,845)	(73,412)	(106,792)
Mark-to-market CCIRS designated as fair value hedge				
Positive fair value of mark-to-market CCIRS designated as fair value hedge	3,315	283	2,314	(577)
Negative fair value of mark-to-market CCIRS designated as fair value hedge	(4,113)	(10,070)	(4,157)	(12,275)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated as fair value hedge	48	152	(25,581)	41,073
Negative fair value of other derivative contracts designated as fair value hedge	(147)	(79)	(10)	(1)

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 2013	31 December 2012	30 June 2013	31 December 2012
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	9,571	10,400	6,576	7,205
Negative fair value of other derivative contracts classified as held for trading	(7,882)	(8,718)	(6,133)	(5,810)
Derivative financial assets total	**114,383**	**114,748**	**83,979**	**119,167**
Derivative financial liabilities total	**(169,161)**	**(241,059)**	**(175,152)**	**(219,242)**
Derivative financial instruments total	**(54,778)**	**(126,311)**	**(91,173)**	**(100,075)**

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 2013

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash flow hedges	-	-	-
2) Fair value hedges	IRS /Index option	HUF 142 million	Interest rate
3) Net investment hedge in foreign operations	CCIRS and issued securities	HUF (1,200) million	Foreign exchange

As at 31 December 2012

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

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 2013	**31 December 2012**
Fair value of the hedging instruments	342	298

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in foreign currencies within the available-for-sale portfolio. These fixed interest rate securities are exposed to the fair value risk driven by the changes in the risk-free interest rates.
In order to hedge the interest rate risk of the cash-flows the 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 2013	**31 December 2012**
Fair value of the hedging instruments	(1,311)	(1,267)

3. Loans to customers

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

	30 June 2013	**31 December 2012**
Fair value of the hedging instruments	(932)	(1,058)

4. Issued securities

The cash-flows of the fixed rate 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 and index option transactions. In the case of IRS transactions the fixed cash-flows were swapped to payments linked to 3 month EURIBOR or BUBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

	30 June 2013	**31 December 2012**
Fair value of the hedging IRS instruments	2,029	1,739
Fair value of the hedging index option instruments	14	4

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

d) Fair value hedges [continued]

As at 30June 2013

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 19,923 million	HUF (1,311) million	HUF 44 million	HUF (44) million
Loans to customers	IRS	HUF 17,928 million	HUF (932) million	HUF (126) million	HUF 126 million
Deposits from customers	IRS	HUF 8,621 million	HUF 342 million	HUF (44) million	HUF 44 million
Liabilities from issued securities	IRS	HUF 92,553 million	HUF 2,029 million	HUF (290) million	HUF 290 million
Liabilities from issued securities	Index option	HUF 633 million	HUF 14 million	HUF (10) million	HUF 10 million

As at 31 December 2012

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses	
				on the hedged items	on hedging instruments
Securities available-for-sale	IRS	HUF 19,662 million	HUF (1,267) million	HUF 552 million	HUF (552) million
Loans to customers	IRS	HUF 14,861 million	HUF (1,058) million	HUF 1,037 million	HUF (1,037) million
Deposits from customers	IRS	HUF 17,490 million	HUF 298 million	HUF (228) million	HUF 228 million
Liabilities from issued securities	IRS	HUF 134,992 million	HUF 1,739 million	HUF (11,307) million	HUF 11,307 million
Liabilities from issued securities	Index option	HUF 604 million	HUF 4 million	HUF (1) million	HUF 1 million

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 2013

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	215,108	119,825	95,283	-
from this: securities held for trading	135,507	118,969	16,538	-
from this: positive fair value of derivative financial instruments classified as held for trading	79,601	856	78,745	-
Securities available-for-sale	1,374,608	1,279,073	95,509	26
Positive fair value of derivative financial instruments designated as fair value hedge	34,782	55	34,727	-
Financial assets measured at fair value total	**1,624,498**	**1,398,953**	**225,519**	**26**
Negative fair value of derivative financial instruments classified as held for trading	87,895	974	86,921	-
Negative fair value of derivative financial instruments designated as fair value hedge	81,266	147	81,119	-
Financial liabilities measured at fair value total	**169,161**	**1,121**	**168,040**	**-**

As at 31 December 2012

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	222,394	107,840	114,554	-
from this: securities held for trading	121,340	107,450	13,890	-
from this: positive fair value of derivative financial instruments classified as held for trading	101,054	390	100,664	-
Securities available-for-sale	1,399,547	1,319,425	80,094	28
Positive fair value of derivative financial instruments designated as fair value hedge	13,694	11	13,683	-
Financial assets measured at fair value total	**1,635,635**	**1,427,276**	**208,331**	**28**
Negative fair value of derivative financial instruments classified as held for trading	122,032	1,110	120,922	-
Negative fair value of derivative financial instruments designated as fair value hedge	119,027	83	118,944	-
Financial liabilities measured at fair value total	**241,059**	**1,193**	**239,866**	**-**

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 / investment impairment and their tax saving effect:

There wasn't any effect of goodwill impairment after tax in the year 2012 and in the first half year of 2013, only tax saving effect of investment impairment was recognized.
The tax saving effect was HUF 1,379 million in relation with investment impairment of OTP banka Srbija a.d.in the first half year of 2013 and the same effect was HUF 3,977 million in relation with Crnogorska komercijalna banka a.d. and OTP banka Srbija a.d. in year 2012.

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

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

As at 30 June 2013

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	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	**51,812**		**51,812**																
Adjustments (total)		**(41,273)**	**(41,273)**																
Dividends and net cash transfers (after income tax)		(2)	(2)																
Goodwill /investment impairment (after income tax)		1,379	1,379																
Bank tax on financial institutions (after income tax)		(42,650)	(42,650)																
Total impact of early repayment (after income tax)		0	0																
Consolidated adjusted net profit for the year	**51,812**	**41,271**	**93,083**	**59,739**	**30,811**	**10,356**	**1,848**	**19,931**	**(2,266)**	**(1,645)**	**1,434**	**738**	**415**	**3,299**	**1,006**	**1,441**	**852**	**(1,588)**	**269**
Profit before income tax	**61,489**	**54,797**	**116,286**	**75,141**	**38,481**	**13,363**	**3,698**	**22,201**	**(2,266)**	**(1,645)**	**1,812**	**903**	**415**	**3,710**	**948**	**1,714**	**1,048**	**(1,938)**	**339**
Adjusted operating profit	**175,146**	**51,558**	**226,704**	**97,039**	**124,671**	**68,144**	**18,031**	**28,342**	**3,045**	**27**	**3,671**	**1,714**	**1,697**	**5,987**	**3,073**	**1,712**	**1,202**	**(2,355)**	**1,362**
Adjusted total income	444,552	(11,799)	432,753	192,214	226,199	109,725	33,684	46,364	9,667	3,664	10,983	7,031	5,081	21,499	8,463	2,792	10,244	(2,250)	(4,909)
Adjusted net interest income	330,255	(1,791)	328,464	136,054	186,612	96,991	25,743	36,376	7,744	2,198	7,896	5,880	3,784	9,308	7,594	38	1,676	(2,250)	(1,260)
Adjusted net profit from fees and commissions	91,682	(13,093)	78,589	43,180	34,214	11,619	6,967	8,897	940	790	2,324	1,549	1,128	1,334	(1,226)	2,685	(125)	0	(139)
Adjusted other net non-interest income	22,615	3,085	25,700	12,980	5,373	1,115	974	1,091	983	676	763	(398)	169	10,857	2,095	69	8,693	0	(3,510)
Adjusted other administrative expenses	(269,406)	63,357	(206,049)	(95,175)	(101,528)	(41,581)	(15,653)	(18,022)	(6,622)	(3,637)	(7,312)	(5,317)	(3,384)	(15,512)	(5,390)	(1,080)	(9,042)	(105)	6,271
Total risk costs	**(113,657)**	**(1,111)**	**(114,768)**	**(25,277)**	**(86,190)**	**(54,781)**	**(14,333)**	**(6,141)**	**(5,311)**	**(1,672)**	**(1,859)**	**(811)**	**(1,282)**	**(2,277)**	**(2,125)**	**2**	**(154)**	**(553)**	**(1,024)**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(113,657)	(2,218)	(115,875)	(25,465)	(86,059)	(55,232)	(13,650)	(6,141)	(5,198)	(1,562)	(1,827)	(843)	(1,606)	(3,327)	(2,774)	0	(553)	-553	(1,024)
Other provision (adjustment)	0	1,107	1,107	188	(131)	451	(683)	0	(113)	(110)	(32)	32	324	1,050	649	2	399	0	0
Total other adjustments (one-off items)[1]	**0**	**4,350**	**4,350**	**3,379**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**970**	**1**
Income tax	**(9,677)**	**(13,526)**	**(23,203)**	**(15,402)**	**(7,670)**	**(3,007)**	**(1,850)**	**(2,270)**	**0**	**0**	**(378)**	**(165)**	**0**	**(411)**	**58**	**(273)**	**(196)**	**350**	**(70)**
Total Assets	**10,048,610**	**0**	**10,048,610**	**6,039,763**	**4,777,611**	**1,074,034**	**678,010**	**1,334,178**	**477,170**	**101,439**	**528,905**	**385,794**	**198,081**	**516,044**	**310,016**	**9,638**	**196,390**	**1,627,830**	**(2,912,638)**
Total Liabilities	**8,523,270**	**0**	**8,523,270**	**4,859,311**	**4,079,117**	**881,997**	**563,096**	**1,116,544**	**446,217**	**65,863**	**466,205**	**358,802**	**180,393**	**422,877**	**280,364**	**4,401**	**138,112**	**971,407**	**(1,809,442)**

( ) 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 743 million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 970 million; result of the treasury share swap agreement in the amount of HUF 2,637 million.

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

As at 31 December 2012

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	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	**122,586**		**122,586**																
Adjustments (total)		**(27,363)**	**(27,363)**																
Dividends and net cash transfers (after income tax)		(391)	(391)																
Goodwill /investment impairment (after income tax)		3,977	3,977																
Bank tax on financial institutions (after income tax)		(29,174)	(29,174)																
Total impact of early repayment (after income tax)		(1,775)	(1,775)																
Consolidated adjusted net profit for the year	**122,586**	**27,362**	**149,948**	**94,587**	**60,119**	**47,156**	**527**	**24,216**	**(5,531)**	**(4,932)**	**3,715**	**(1,160)**	**(3,872)**	**2,401**	**2,050**	**2,042**	**(1,691)**	**(7,089)**	**(70)**
Profit before income tax	**145,674**	**46,517**	**192,191**	**117,520**	**79,965**	**60,847**	**2,707**	**27,545**	**(6,110)**	**(4,935)**	**4,754**	**(978)**	**(3,865)**	**3,028**	**2,189**	**2,299**	**(1,460)**	**(8,752)**	**430**
Adjusted operating profit	**372,654**	**77,008**	**449,662**	**211,355**	**233,534**	**121,540**	**33,511**	**58,928**	**6,494**	**(1,707)**	**8,498**	**3,441**	**2,829**	**13,841**	**9,619**	**2,267**	**1,955**	**(8,752)**	**(316)**
Adjusted total income	796,131	48,421	844,552	394,243	426,175	193,272	64,509	95,732	19,811	6,323	22,550	13,932	10,046	43,841	20,049	4,913	18,879	(8,610)	(11,097)
Adjusted net interest income	645,465	4,854	650,319	292,570	348,722	170,001	49,586	74,671	15,916	3,071	16,220	12,019	7,238	19,500	16,900	101	2,499	(8,610)	(1,863)
Adjusted net profit from fees and commissions	154,337	(2,768)	151,569	85,820	63,867	20,998	12,634	16,875	1,677	1,604	4,660	2,930	2,489	1,974	(2,616)	4,728	(138)	0	(92)
Adjusted other net non-interest income	(3,671)	46,335	42,664	15,853	13,586	2,273	2,289	4,186	2,218	1,648	1,670	(1,017)	319	22,367	5,765	84	16,518	0	(9,142)
Adjusted other administrative expenses	(423,477)	28,587	(394,890)	(182,888)	(192,641)	(71,732)	(30,998)	(36,804)	(13,317)	(8,030)	(14,052)	(10,491)	(7,217)	(30,000)	(10,430)	(2,646)	(16,924)	(142)	10,781
Total risk costs	**(226,980)**	**(26,712)**	**(253,692)**	**(90,056)**	**(153,569)**	**(60,693)**	**(30,804)**	**(31,383)**	**(12,604)**	**(3,228)**	**(3,744)**	**(4,419)**	**(6,694)**	**(10,813)**	**(7,430)**	**32**	**(3,415)**	**0**	**746**
Adjusted provision for impairment on loan and placement losses (with the effect of early repayment)	(226,980)	(15,715)	(242,695)	(86,986)	(146,979)	(59,567)	(30,597)	(31,153)	(12,440)	(3,159)	(2,988)	(4,420)	(2,655)	(8,449)	(7,194)	0	(1,255)	0	(281)
Other provision (adjustment)	0	(10,997)	(10,997)	(3,070)	(6,590)	(1,126)	(207)	(230)	(164)	(69)	(756)	1	(4,039)	(2,364)	(236)	32	(2,160)	0	1,027
Total other adjustments (one-off items)[1]	**0**	**(3,779)**	**(3,779)**	**(3,779)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax	**(23,088)**	**(19,155)**	**(42,243)**	**(22,933)**	**(19,846)**	**(13,691)**	**(2,180)**	**(3,329)**	**579**	**3**	**(1,039)**	**(182)**	**(7)**	**(627)**	**(139)**	**(257)**	**(231)**	**1,663**	**(500)**
Total Assets	**10,113,466**	**0**	**10,113,466**	**6,229,359**	**4,660,276**	**1,027,763**	**653,603**	**1,292,031**	**461,458**	**122,994**	**519,570**	**374,224**	**208,633**	**481,262**	**287,527**	**7,245**	**186,490**	**1,636,529**	**(2,893,960)**
Total Liabilities	**8,598,913**	**0**	**8,598,913**	**4,833,227**	**3,985,137**	**835,880**	**541,139**	**1,082,845**	**428,877**	**97,823**	**459,757**	**347,231**	**191,585**	**394,960**	**258,229**	**1,585**	**135,146**	**980,395**	**(1,594,806)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF (2,527) million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 1,415 million; result of the treasury share swap agreement in the amount of HUF (2,667) million.

NOTE 41: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2013

1) Term Note Program

See details in Note 15.

NOTE 42: POST BALANCE SHEET EVENTS

1) Term Note Program

See details in Note 15.

2) Subordinated bonds and loans

See details in Note 18

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

In the first half of 2013 the Hungarian macroeconomics showed improving figures. Disinflation remained in place, average rate of inflation was 2.3% in the six month period, making room for further monetary easing. Cut rates and the monetary easing already in place since August 2012 ended up in a record low level of 3.6% by September 2013. Due to the strong investor appetite local government bond yields dropped significantly, public debt refinancing is safe and on a sound track. The overall supportive international climate helped local Treasury auctions: foreigners' holding of Hungarian government securities reached all-time high at HUF 5.2 trillion by early July. The stable funding position made it possible for the NBH and the Hungarian State to repay its outstanding EUR 2.9 billion obligation to IMF ahead of the first quarter of 2014 original schedule.

Since headline inflation is well contained there is a good chance that real wages will increase sensibly having a positive impact on household consumption. Further positive effect on growth has the lending program initiated by NBH on 4 April. As a result the Hungarian GDP growth in 2013 may get close to 1%. By the end of June the unemployment rate moderated to 10.3%, the lowest reading in the last four years, whereas overall employment reached 51.5%. Due to the disciplined fiscal policy witnessed in recent 9 years on 21 June 2013 Ecofin decided to release Hungary out of the Excessive Deficit Procedure. The budget deficit in 2013 will probably be around 2.7% as the Government forecasts.

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

Funding for Growth Scheme

On 4 April 2013 the NBH outlined the Funding for Growth Scheme. The aim of the Scheme is to alleviate disruptions in lending to small and medium-sized enterprises. These details were approved by the Monetary Council on 30 April 2013. The Scheme consists of three pillars:

- Under the first pillar, the NBH will stand ready to provide collateralized refinancing loans to its monetary policy counterparties up to a total amount of HUF 425 billion over a period of three months (from 1 June 1 to 30 August). The interest rate will be 0% over the term of the loan. Credit institutions wishing to participate in the first pillar will be allowed to lend further preferential financing to small and medium-sized enterprises by charging an interest rate margin of maximum 2.5%. The interest rate margin must include all fees and commissions as well as the costs of potential credit guarantee. The initial maturity of refinancing loans provided to credit institutions will be maximum 10 years and will be equal to the term of the loans to be provided to small and medium-sized enterprises. In case of refinancing the preferential loans can be claimed not only at the bank that lent the existing loan but at all of the credit institutions taking part in the Scheme. Under the first two pillars the preferential central bank funding will be allocated to the banks in the following way: banks wishing to take part in the scheme must apply for a minimum of 5% of their outstanding loan stock to small and medium-sized enterprises. Then the available budget will be distributed by first fulfilling the smallest demands and going to the largest ones until it runs out.

- Under the second pillar of the Scheme, the central bank have provided refinancing loans in the total amount of HUF 325 billion to convert foreign currency loans of small and medium-sized enterprises into forint loans. The parameters of the refinancing facility and the conditions to access are identical to those described above for the first pillar.

- The third pillar is aiming at reducing the external debt of the Hungarian economy and the stock of two-week central bank bills. The central bank, acting in full compliance with the rules of reserve adequacy, may help credit institutions to reduce their external foreign currency liabilities through FX swaps using the foreign exchange reserves. As a result, the outstanding stock of two-week central bank bills will also fall. The reserve adequacy rules will be fulfilled during the program because the use of currency reserves will match the decline in the reduction of short-term external debt.

During the second quarter of 2013 the NBH lengthened the period available for the drawdown of the SME loans by 1 month while the original time-frame of the programme remained unchanged. Furthermore a decision by the Executive Board of the NBH allowed banks to reallocate funds originally received under the second pillar but unutilised so far to the first pillar. The latter change was aiming at increasing the overall utilisation of the programme and enhancing credit supply in the first pillar in order to catch up with the excessive demand.