OTP Bank Plc.

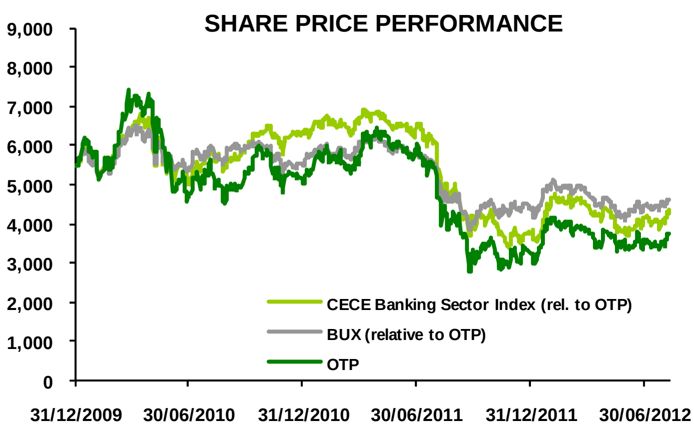
Half-year Financial Report
First half 2012 result

(English translation of the original report submitted to the Budapest Stock Exchange)

Budapest, 17 August 2012

CONSOLIDATED FINANCIAL HIGHLIGHTS[1] AND SHARE DATA

Main components of the Statement of recognised income in HUF million	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
Consolidated after tax profit	**74,476**	**53,902**	**-28%**	**37,288**	**12,828**	**41,074**	**220%**	**10%**
Adjustments (total)	**-14,204**	**-26,855**	**89%**	**-7,293**	**-30,937**	**4,082**	**-113%**	**-156%**
Consolidated adjusted after tax profit without the effect of adjustments	**88,679**	**80,757**	**-9%**	**44,581**	**43,765**	**36,992**	**-15%**	**-17%**
Pre-tax profit	108,566	97,307	-10%	57,286	51,228	46,078	-10%	-20%
Operating profit without one-offs	215,413	224,498	4%	106,980	112,545	111,953	-1%	5%
Total income without one-offs	388,424	417,296	7%	194,347	209,252	208,044	-1%	7%
Net interest income without one-offs	302,701	323,054	7%	150,977	164,147	158,907	-3%	5%
Net fees and commissions	68,106	72,007	6%	35,374	34,078	37,929	11%	7%
Other net non-interest income (adj.) without one-offs and the revaluation of FX provisions	17,618	22,235	26%	7,996	11,027	11,208	2%	40%
Operating expenses (adj.)	-173,011	-192,798	11%	-87,368	-96,707	-96,092	-1%	10%
Total risk costs without the revaluation of FX provisions	-107,165	-122,840	15%	-50,012	-58,741	-64,099	9%	28%
One off items	318	-4,352		318	-2,576	-1,776	-31%	-658%
Corporate taxes	-19,887	-16,550	-17%	-12,704	-7,464	-9,086	22%	-28%
Main components of balance sheet closing balances in HUF million	2011	1H 2012	YTD	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
Total assets	10,200,527	9,937,155	-3%	9,712,339	10,004,926	9,937,155	-1%	2%
Total customer loans (net, FX adjusted)	**6,684,259**	**6,476,947**	**-3%**	**6,828,011**	**6,564,484**	**6,476,948**	**-1%**	**-5%**
Total customer loans (gross, FX adjusted)	**7,689,688**	**7,554,219**	**-2%**	**7,704,855**	**7,582,170**	**7,554,220**	**0%**	**-2%**
Allowances for possible loan losses (FX adjusted)	-1,005,430	-1,077,272	7%	-876,845	-1,017,686	-1,077,272	6%	23%
Total customer deposits (FX adjusted)	**6,163,577**	**6,170,701**	**0%**	**6,192,828**	**6,143,538**	**6,170,700**	**0%**	**0%**
Issued securities	812,863	742,688	-9%	934,346	810,135	742,688	-8%	-21%
Subordinated loans	316,447	296,078	-6%	281,736	299,494	296,078	-1%	5%
Total shareholders' equity	1,418,310	1,420,036	0%	1,338,717	1,380,561	1,420,036	3%	6%
Indicators based on one-off adjusted earnings %	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
ROE	13.5%	11.4%	-2.1%	13.6%	12.6%	10.6%	-2.0%	-2.9%
ROA	1.8%	1.6%	-0.2%	1.8%	1.7%	1.5%	-0.3%	-0.4%
Operating profit margin without one-offs	4.46%	4.48%	0.03%	4.43%	4.48%	4.52%	0.04%	0.09%
Total income margin without one-offs	8.04%	8.33%	0.30%	8.04%	8.33%	8.39%	0.06%	0.35%
Net interest margin without one-offs	6.26%	6.45%	0.19%	6.25%	6.53%	6.41%	-0.13%	0.16%
Cost-to-asset ratio	3.58%	3.85%	0.27%	3.62%	3.85%	3.88%	0.03%	0.26%
Cost/income ratio (adj.) without one-offs	44.5%	46.2%	1.7%	45.0%	46.2%	46.2%	0.0%	1.2%
Risk cost to average gross loans (adj.)	3.01%	3.11%	0.10%	2.89%	2.95%	3.32%	0.37%	0.43%
Total risk cost-to-asset ratio	2.22%	2.45%	0.24%	2.07%	2.34%	2.59%	0.25%	0.52%
Effective tax rate	18.3%	17.0%	-1.3%	22.2%	14.6%	19.7%	5.1%	-2.5%
Net loan/(deposit+retail bond) ratio (FX adjusted)	105%	100%	-5%	105%	101%	100%	-1%	-5%
Capital adequacy ratio (consolidated, IFRS) – Basel2	18.1%	17.9%	-0.2%	18.1%	17.0%	17.9%	0.8%	-0.2%
Core Tier1 ratio – Basel2	13.6%	13.1%	-0.5%	13.6%	12.3%	13.1%	0.8%	-0.5%
Share Data	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
EPS diluted (HUF) (from unadjusted net earnings)	278	201	-28%	139	47	153	224%	10%
EPS diluted (HUF) (from adjusted net earnings)	333	303	-9%	167	165	139	-16%	-17%
Closing price (HUF)	5,965	3,570	-40%	5,965	3,829	3,570	-7%	-40%
Highest closing price (HUF)	6,450	4,160	-36%	6,450	4,160	3,841	-8%	-40%
Lowest closing price (HUF)	5,020	2,960	-41%	5,620	2,960	3,300	11%	-41%
Market Capitalization (EUR billion)	6.3	3.5	-45%	6.3	3.6	3.5	-4%	-45%
Book Value Per Share (HUF)	5,065	5,072	0%	4,781	4,931	5,072	3%	6%
Tangible Book Value Per Share (HUF)	4,188	4,223	1%	3,904	4,061	4,223	4%	8%
Price/Book Value	1.2	0.7	-40%	1.2	0.8	0.7	-9%	-44%
Price/Tangible Book Value	1.4	0.8	-41%	1.5	0.9	0.8	-10%	-45%
P/E (trailing, from accounting net earnings)	13.6	15.8	16%	13.6	18.0	15.8	-12%	16%
P/E (trailing, from adjusted net earnings)	10.1	6.5	-35%	10.1	6.7	6.5	-2%	-35%
Average daily turnover (EUR million)	34	26	-24%	33	30	21	-32%	-38%
Average daily turnover (million share)	1.6	2.1	34%	1.5	2.4	1.7	-30%	17%



MOODY'S RATINGS

OTP Bank	
Foreign currency senior debt	Ba1
Financial strength	D+
OTP Mortgage Bank	
Covered mortgage bond	Baa3
DSK Bank	
Foreign currency long term deposits	Baa3
Financial strength	D
OTP Bank Russia	
Foreign currency long term deposits	Ba2
Financial strength	D-
Long term national rating	Aa2.ru

STANDARD & POOR'S RATING

OTP Bank and OTP Mortgage Bank	
Long term credit rating	BB+

[1] Structural adjustments made on consolidated IFRS profit and loss statement together with the calculation methodology of adjusted indicators are detailed in the Supplementary data section of the Report.

HALF-YEAR FINANCIAL REPORT – OTP BANK'S RESULTS FOR FIRST HALF 2012

Half-year Financial Report for the first half 2012 results of OTP Bank Plc. has been prepared according to the 24/2008. (VIII.15.) PM resolution on the basis of its separate and consolidated condensed IFRS financial statements for 30 June 2012 or derived from that. At presentation of first half 2012 report of OTP Bank we applied International Financial Reporting Standards adopted by the European Union.

SUMMARY OF THE FIRST HALF AND SECOND QUARTER OF THE YEAR 2012

Significant HUF strengthening, improving Hungarian risk profile, but weak local operating environment; mixed group-level macroeconomic performance

In 2012 ytd the Hungarian Forint was one of the best performing currencies; against the EUR it strengthened 2.5% q-o-q and 7% since the beginning of the year, whereas against the CHF it dropped below 240 HUF/CHF, a level haven't experienced for quite a while. Government yields tightened substantially and the CDS spreads equalled last year levels. Improving market sentiment to a great extent was induced by positive expectations about the renewed dialogue with IMF/EU. The Hungarian GDP contracted by 0.7% in 1Q with consumption and investments hovering in negative territories and net export growth slowing as a result of weakening West European demand. The key measures of the revised convergence plan called Széll Kálmán 2.0, as well as the major targets of the draft 2013 budget are focusing on maintaining a balanced budget and increasing employment rate. Within the Group the Russian economy has so far overperformed original expectations with 4.9% quarterly growth, but the Slovakian, Ukrainian and Bulgarian economies also surprised markets on the positive side (with 3%, 2% and 0.9% quarterly growth rates, respectively). The Croatian and Serbian economies suffered a bigger decline than the Hungarian (-1.3% in both countries), whereas the Romanian economy practically stagnated.

Consolidated earnings: HUF 37 billion adjusted 2Q net results with declining net interest income being mitigated by seasonally stronger net fees, substantial profit contribution from foreign subsidiaries, outstanding capital and liquidity position

In 1H 2012 OTP Group posted HUF 53.9 billion accounting profit (1H 2011: HUF 74.5 billion) including the negative effects of the banking levy and the FX mortgage prepayment, as well as the positive impact of the tax shield on investment impairment charges. The adjusted 1H profit excluding the effect of the adjustments represented HUF 80.8 billion and was down by 9% y-o-y. The accounting profit of 2Q stood at HUF 41.1 billion, being significantly higher than in 1Q. The key reason behind was that adjustment items represented a materially bigger amount. Recall: in 1Q the Group booked the annual due amount of the Hungarian banking levy (HUF 29 billion) and also HUF 1.8 billion negative result after the FX mortgage repayment. On the opposite, in 2Q there was a positive net impact of HUF 4.0 billion after the Serbian and Montenegrin subsidiary investment impairment charges. (For details, please see Section 'Consolidated statement of recognised income'.)

The adjusted quarterly net result was HUF 37.0 billion (-15% q-o-q). Operating profit without one-offs remained practically flat, but risk cost increased by HUF 5.4 billion, and the quarterly tax burden was higher, too.

Similar to the previous quarter, foreign subsidiaries' profit contribution remained significant: it represented 42% both in 2Q and 1H 2012. In 1H 2012 in total HUF 34.0 billion of net earnings were made outside Hungary versus HUF 26.8 billion a year ago.

The operating profit without one-offs for 2Q practically equalled to 1Q earnings, while 1H profit improved by 4% y-o-y. During the previous few quarters the Group managed to post fairly balanced operating profit. The total income also showed a positive picture (2Q: HUF 208 billion, 1H: HUF 407 billion), within that the net interest income shrank by HUF 5.2 billion q-o-q due to lower net interest margin, but seasonally stronger fee and commission income (+3.9 billion q-o-q) partially offset it. 1H net interest income expanded by 7% y-o-y and net fees grew by 6% respectively. For the six months consolidated net interest margin remained high (6.45%), however the Hungarian one declined by 24 bps y-o-y, while the Russian advanced by almost 1 ppt.

Operating expenses remained flat q-o-q, the adjusted cost-to-income ratio was practically the same (46.2%) as in 1Q; 1H cost-to-income ratio (46.2%) grew by 1.7 ppts y-o-y.

FX-adjusted loan volumes declined by 0.4% q-o-q and by 2% y-o-y. Deposit volumes remained flat. As a result, the "net loan-to-deposit+retail bonds" ratio (100%) improved by 1 ppt and 5 ppts q-o-q and y-o-y, respectively (adjusted for FX-effect).

Due to the strong liquidity position of the Group, in the past six months all debt redemptions were serviced from liquidity reserves, no FX denominated capital market transactions were required. Furthermore, through the excess liquidity generated by ongoing loan repayments the Bank managed to reduce its outstanding swap positions. The only bond transaction in 1H was recorded in Russia, where OTP Russia raised RUB 6 billion from local market in March.

Parallel with the loan portfolio deterioration the Group made HUF 64 billion risk provisions in 2Q (+9% q-o-q), thus 1H risk costs amounted to HUF 123 billion underpinning a 15% y-o-y increase. The DPD90+ ratio grew to 18.8%. The FX-adjusted DPD90+ volume formation accelerated a lot; its volume of HUF 80 billion in 2Q is the highest amount during the last eight quarters. The worsening portfolio quality partly reflects the delayed effect of HUF weakening in last fall 2011 and few one-off corporate items. At the same time both the Russian and Ukrainian new DPD90+ volumes expanded rapidly. Despite high quarterly risk costs, the provision coverage (76.6%) somewhat declined q-o-q, but equalled 2011 year-end levels.

The consolidated capital adequacy ratio of OTP Group under IFRS increased to 17.9% in the second quarter (+0.8 ppt q-o-q). Within this, the Tier1 ratio reached 14.4%.

The stand-alone capital adequacy of OTP Bank stood at 18.6% by end-June (+0.6 ppt ytd). In the past six months there were capital increases at three subsidiaries: OTP Romania received RON 140 million (HUF 9.3 billion), whereas in Serbia and Montenegro subordinated debt was converted into equity (EUR 19 million and EUR 12 million, respectively).

OTP Core: declining after tax profit, weaker operating earnings, shrinking loan book, accelerating portfolio deterioration

The adjusted after tax profit of ***OTP Core*** (basic activity in Hungary) in 2Q 2012 represented HUF 22.8 billion (-6% q-o-q), thus 1H results amounted to HUF 47.1 billion underpinning a 25% y-o-y decline. The lower profit was mainly the result of the negative effect of one-off items, but it was also caused by the 12% y-o-y decline in operating profit and the 9% increase in risk costs. Quarterly and semi-annual total income dropped by 4% due to lower net interest income. Both interest earning assets and net interest margin declined as a result of early repayment of FX mortgage loans. The erosion of deposit margins played a role, too. At the same time semi-annual operating expenses grew by 8% y-o-y, reflecting the higher costs of the collection activity, Hungarian tax hikes and the higher deposit insurance fees took their tolls as well.

Risk costs grew by 9% y-o-y. The key reason behind was the accelerating portfolio deterioration in the first half of the year. In the past three months the portfolio deterioration accelerated driven by the worsening of mortgages and corporate loans. However, the quarterly risk cost declined by 9% q-o-q, thus the provision coverage dropped too (2Q: 78.3%).

FX-adjusted loan volumes contracted by 9% y-o-y and by 1% q-o-q. The most significant decline was registered in the mortgage book (-12% y-o-y), though the 8% drop in corporate volumes was considerable, too. The only segment showing an increase was the SME: here the portfolio advanced by 10% y-o-y and by 5% q-o-q, respectively.

Almost in every segment demand remained weak. In new mortgage disbursement OTP fostered its leading position with a 2Q market share of 33% in new sales, and while its 1H new origination at HUF 60.1 billion was much stronger than a year ago, it fell short of pre-crisis new volumes. This is true for cash loans, as well: while the Bank maintains its dominant position in new sales (1H 2012: 58% market share), due to sluggish demand sold volumes dropped (1H 2011: HUF 25 billion, 1H 2012: HUF 24 billion).

The FX-adjusted deposits and retail bonds dropped by 7% y-o-y and 1% q-o-q, respectively. Within the same periods retail volumes (plus retail bonds) decreased by 4% and 2%, whereas corporate deposits dropped by 13% y-o-y and remained flat q-o-q. The “net loan-to-deposit+retail bond” ratio stood at 79% (-5 ppts y-o-y FX-adjusted).

Merkantil Group (the Hungarian car financing business) posted HUF 0.5 billion net result in 2Q with operating profit remaining flat. Thus 1H profit – without the banking levy – represented HUF 1.4 billion (+22% y-o-y). FX-adjusted loan volumes continued shrinking, but new loan origination showed a recovery. The DPD90+ ratio (21.5%) q-o-q increased, its coverage stood at 92%.

OTP Fund Management posted HUF 50 million loss in 2Q and in 1H 2012 the company reached HUF 476 million net results (without the banking levy). The apparently weak 2Q result is reasoned by an FSA-ruling that obliged the company to pay almost HUF 600 million in favour of OTP Private Pension Fund. Without this one-off charge 1H profit would be almost at HUF 1 billion. Fee income dropped significantly, by almost 50% y-o-y. The volume of total assets under management reached HUF 966 billion, underpinning a 3% y-o-y decline; q-o-q there was a small improvement already. The company’s market share was 26.2%.

Improving 1H profit contribution by foreign subsidiaries: significantly stronger six months results in Russia, Bulgaria and Slovakia, balanced performance in Croatia, improving Serbian and Montenegrin results, loss-making Ukrainian and Romanian operations

Foreign subsidiaries posted HUF 34 billion profit in 1H 2012 underpinning a 27% y-o-y improvement. Bulk of the earnings was contributed by the Russian (HUF 22.4 billion) and Bulgarian (HUF 15.6 billion) subsidiaries, whereas the Ukrainian and Romanian performance was overly volatile. The Croatian and Slovakian results in general remained well-balanced, while losses at OTP banka Srbija (Serbia) and CKB (Montenegro) gradually moderated. In the past three months, those were again the Russian and Bulgarian subsidiaries posting the highest profits (HUF 11.0 billion and 5.7 billion respectively); in 2Q OTP Bank Ukraine was a loss-maker again.

OTP Bank Russia booked HUF 11.0 billion profit after tax in 2Q, nearly unchanged q-o-q. Thus in 1H it posted HUF 22.4 billion net result underpinning a 32% growth y-o-y. Despite the seasonality of consumer lending, operating results expanded nicely (+17% q-o-q) and 1H result advanced by a remarkable 73% y-o-y. Total income grew by 47% y-o-y, supported by strong net interest income (+47%) and dynamic net fees (+22%). During the same period operating expenses grew at slower pace (+17%), as a result the banks efficiency improved a lot: its cost-to-income ratio dropped below 35% in 2Q.

FX-adjusted loan volumes grew by 22% y-o-y, within that the consumer book increased by 45%. After the seasonally weak 1Q POS-volumes still moderated by 3% in 2Q, however cross-selling remained intense with credit card loans expanding by 15%. The quarterly 3% decrease of cash loans was reasoned by a deliberately lower origination since the product had smaller profit content. The robust loan growth was supported by the strong retail deposit growth (+38% y-o-y and 6% q-o-q). Furthermore, the bank continued its successful local bond issuance: in March it printed the fourth series of bonds with face value of RUB 6 billion.

The portfolio quality worsened q-o-q, the DPD90+ ratio grew to 14.8%. Risk cost grew significantly q-o-q, partly due to the increase of the DPD90+ coverage (2Q 2012: 95.1%).

DSK Group maintained its stable operating profit; in 2Q it remained practically flat q-o-q. The key reason behind lower quarterly net results was the doubling risk costs. In 1H 2012 the Bulgarian subsidiary posted net earnings of HUF 15.6 billion, almost three times more than a year ago. In 1Q DSK realized HUF 9.9 billion profit followed by HUF 5.7 billion in the second quarter.

While the net interest income was down q-o-q, this was offset by improving fees. Semi-annual net interest and fee income advanced by 6% and 12% y-o-y respectively. DSK's net interest margin somewhat moderated (1H: 5.78%, 2Q: 5.76%) and the cost-to-income ratio marginally grew (2012 1H: 35.9%, 2Q: 36.1%).

The FX-adjusted loan portfolio stagnated q-o-q and grew by 1% y-o-y. Deposits advanced by 5% compared to the base period. The net loan-to deposit ratio improved by 7 ppts y-o-y (FX-adjusted) and dropped to 100%. The portfolio quality worsening moderated, DPD90+ ratio reached 18.0%, its coverage improved by 1.9 ppts q-o-q (78.3%). Parallel with the portfolio deterioration risk cost doubled q-o-q, however its volume fell short of that in the base period by 42%.

OTP Bank Ukraine had another loss-making quarter in 2Q 2012 (-HUF 1.5 billion), though the negative result was lower q-o-q. Thus in 1H the bank posted a loss of HUF 4.1 billion versus HUF 6 billion profit in 1H 2011. The key reason behind the negative result was the doubling six months risk cost, while operating profit fell short by 5% for the same period. 1H net interest income grew by 10% y-o-y, while net fee and commission income advanced by 40%.

The portfolio deterioration started accelerating again, with DPD90+ ratio reaching 34.4%. There was a worsening in all major loan segments. Despite the higher risk costs, the DPD90+ coverage (79.2%) decreased.

The FX-adjusted loan book contracted by 3% q-o-q, but grew by 1% y-o-y. Within that the corporate book advanced by 8% y-o-y (-5% q-o-q). The retail segment shrank further (-1% q-o-q, -4% y-o-y) except the consumer lending launched in March 2011. The latter grew by 48% q-o-q and within a year volumes increased eight folds. Deposits kept growing (+24% y-o-y) and the net loan-to-deposit ratio further improved. Both quarterly and semi-annual growth of operating expenses outpaced underlying inflation, the cost-to-income ratio in 1H hovered around 53%.

Profitability at ***OTP Bank Romania*** ('OBR') showed significant volatility: against HUF 1.1 billion loss in 1Q 2012 the bank posted HUF 0.9 billion after tax profit. Thus in 1H OBR realized HUF 242 million negative results. The key driver of profitability was the risk costs, however the operating profit for 2Q and 1H also decreased. Since the bank launched deposit campaigns from March, both the quarterly and semi-annual net interest income declined. The FX-adjusted loan book grew q-o-q and y-o-y (+1% and +5% respectively), but the growth of deposits outpaced it with 18% and 36% increase. As a result, the net loan-to-deposit ratio improved substantially to 248%. By the end of June the DPD90+ ratio grew to 14.6%, the coverage dropped to 66.6% (-5.0 ppts q-o-q).

Despite the worsening macroeconomic conditions, ***OTP banka Hrvatska (Croatia)*** managed to post HUF 0.3 billion profit in 2Q, thus 1H results exceeded HUF 1 billion (+8% y-o-y). The stable operating profit could off-set the negative impact of growing risk costs. The bank continued its coverage enhancing policy: while 1H DPD90+ ratio slightly decreased (9.9%), the coverage improved and reached 66%.

The ***Slovakian subsidiary*** realized another positive quarter and 1H net profit reached HUF 331 million (+141% y-o-y). Lending activity started growing slowly, within that the consumer lending showed substantial growth (+22% q-o-q and +36% y-o-y). During the same periods deposit volumes also advanced by 5% and 11% respectively. The DPD90+ ratio grew slightly to 11.5%, the DPD90+ coverage reached 57%.

While the ***Serbian subsidiary*** still remained in red and 1H losses amounted to HUF 1.3 billion, it was less than half posted in the base period. Since the volume of total income and operating expenses was almost equal, net results are shaped by risk costs. Its portfolio quality is the worst within the Group, the DPD90+ ratio was 57.9%, q-o-q practically unchanged. The FX-adjusted loan portfolio grew by 1% q-o-q, but melted by 3% y-o-y. The only exception was the cash loans where volumes advanced by 9% q-o-q and by 18% y-o-y.

CKB Montenegro posted a loss of HUF 355 million in 1H versus a more sizeable negative result in the base period (-HUF 1.7 billion). In 2Q the bank realized HUF 667 million losses due to higher risk costs. All major portfolio segments deteriorated and the DPD90+ ratio grew to 39.6%. The coverage stood at 73.6%. The FX-adjusted loan and deposit book stagnated q-o-q, with some positive momentum at SME loans (+5%) and corporate deposits (+6%).

Credit ratings, shareholder structure

In 2Q 2012 there was no change in the credit rating of OTP Bank. It has got a "BB+" rating from Standard & Poor's and "Ba1" from Moody's. Both being equal to that of the Hungarian sovereign.

As for the ownership structure, by the end of 2Q four investors had more than 5% influence (beneficial ownership) in the Company, namely the Rahimkulov family (9.14%), MOL (Hungarian Oil and Gas Company) (8.71%), Groupama Group (8.44%) and the Lazard Group (6.08%).

POST BALANCE SHEET EVENTS

Hungary

- On 6 July 2012 the Parliament passed the amendment of the central bank law in accordance with the suggestions made by international organizations. This amendment paved the way for the start of the official negotiations with IMF.
- On 9 July 2012 Hungarian lawmakers passed the bill on financial transaction tax. Details of the financial transaction tax can be found in section OTP Bank's Hungarian Core Business.
- The first round of negotiations with EU and IMF took place between 17-25 July 2012.

Romania

- The EU and the IMF mission conducted a review of the precautionary agreement with Romania from 31 July to 13 August 2012.

Bulgaria

- On 31 July 2012 Moody's confirmed DSK Bank's long- and short term local currency deposit rating at Baa3/Prime-3. This rating action concluded the review initiated on the bank's ratings on 17 May 2012.

Serbia

- On 7 August 2012 S&P lowered the sovereign issuer rating to "BB-" on the back of deteriorating public finances and curbing central bank's independence.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[2]

in HUF million	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
Consolidated after tax profit	**74,476**	**53,902**	**-28%**	**37,288**	**12,828**	**41,074**	**220%**	**10%**
Adjustments (total)	**-14,204**	**-26,855**	**89%**	**-7,293**	**-30,937**	**4,082**	**-113%**	**-156%**
Dividend and total net cash transfers (consolidated)	279	43	-84%	-52	-138	181	-231%	-449%
Goodwill/investment impairment charges (after tax)	0	3,977		0	0	3,977		
Special tax on financial institutions (after corporate income tax)	-14,483	-29,100		-7,241	-29,023	-76	-100%	
Impact of early repayment of FX mortgage loans in Hungary (after corporate income tax)	0	-1,775	0%	0	-1,775	0		
Consolidated adjusted after tax profit without the effect of adjustments	**88,680**	**80,757**	**-9%**	**44,581**	**43,765**	**36,992**	**-15%**	**-17%**
Banks total without one-off items[1]	84,869	76,425	-10%	43,558	40,508	35,917	-11%	-18%
OTP CORE (Hungary)[2]	62,730	47,059	-25%	29,865	24,298	22,760	-6%	-24%
Corporate Centre (after tax)[3]	-4,181	-3,995	-4%	-1,714	-2,099	-1,896	-10%	11%
OTP Bank Russia	16,996	22,375	32%	9,251	11,332	11,043	-3%	19%
CJSC OTP Bank (Ukraine)[4]	5,963	-4,074	-168%	5,100	-2,601	-1,473	-43%	-129%
DSK Bank (Bulgaria)[5]	5,499	15,607	184%	2,015	9,890	5,717	-42%	184%
OBR adj. (Romania)	1,473	-242	-116%	1,326	-1,163	921	-179%	-31%
OTP banka Srbija (Serbia)[6]	-2,973	-1,292	-57%	-1,514	-456	-836	83%	-45%
OBH (Croatia)	951	1,032	8%	711	757	275	-64%	-61%
OBS (Slovakia)	129	311	141%	24	239	72	-70%	198%
CKB (Montenegro)	-1,718	-355	-79%	-1,505	312	-667	-314%	-56%
Leasing	1,529	2,306	51%	257	1,356	951	-30%	270%
Merkantil Bank + Car, adj. (Hungary)[8]	1,183	1,447	22%	36	996	451	-55%	
Foreign leasing companies (Slovakia, Croatia, Bulgaria, Romania)[9]	346	859	148%	221	360	500	39%	126%
Asset Management	1,948	468	-76%	874	522	-53	-110%	-106%
OTP Asset Management (Hungary)	1,971	476	-76%	910	527	-50	-110%	-106%
Foreign Asset Management Companies (Ukraine, Romania)[10]	-23	-9	-63%	-36	-5	-3	-38%	-91%
Other Hungarian Subsidiaries	255	1,656	549%	153	842	813	-3%	432%
Other Foreign Subsidiaries (Slovakia, United Kingdom, Cyprus, Romania, Belize)[11]	185	-252	-236%	85	-190	-61	-68%	-172%
Eliminations	-107	154	-244%	-346	726	-572	-179%	65%
Total after tax profit of HUNGARIAN subsidiaries[12]	61,852	46,797	-24%	28,903	25,290	21,507	-15%	-26%
Total after tax profit of FOREIGN subsidiaries[13]	26,828	33,960	27%	15,678	18,473	15,487	-16%	-1%
Share of foreign profit contribution, %	30%	42%	12%	35%	42%	42%	0%	7%

[2] Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED AND SEPARATE, UNAUDITED IFRS REPORTS OF OTP BANK PLC.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME

Main components of the Statement of recognized income in HUF million	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
Consolidated after tax profit	**74,476**	**53,902**	**-28%**	**37,288**	**12,828**	**41,074**	**220%**	**10%**
Adjustments (total)	**-14,204**	**-26,855**	**89%**	**-7,293**	**-30,937**	**4,082**	**-113%**	**-156%**
Dividends and net cash transfers (after tax)	279	43	-85%	-52	-138	181	-231%	-448%
Goodwill/investment impairment charges (after tax)	0	3,977		0	0	3,977		
Special tax on financial institutions (after corporate income tax)	-14,483	-29,100	101%	-7,241	-29,023	-76	-100%	-99%
Impact of early repayment of FX mortgage loans in Hungary (after corporate income tax)	0	-1,775		0	-1,775	0	-100%	
Consolidated adjusted after tax profit without the effect of adjustments	**88,679**	**80,757**	**-9%**	**44,581**	**43,765**	**36,992**	**-15%**	**-17%**
Before tax profit	**108,566**	**97,307**	**-10%**	**57,286**	**51,228**	**46,078**	**-10%**	**-20%**
Operating profit without one-offs	**215,413**	**224,498**	**4%**	**106,980**	**112,545**	**111,953**	**-1%**	**5%**
Total income without one-offs	**388,424**	**417,296**	**7%**	**194,347**	**209,252**	**208,044**	**-1%**	**7%**
Net interest income without one-offs	**302,701**	**323,054**	**7%**	**150,977**	**164,147**	**158,907**	**-3%**	**5%**
Net fees and commissions	**68,106**	**72,007**	**6%**	**35,374**	**34,078**	**37,929**	**11%**	**7%**
Other net non-interest income (adj.) without one-offs	**17,618**	**22,235**	**26%**	**7,996**	**11,027**	**11,208**	**2%**	**40%**
Foreign exchange result, net (adj.) without one-offs and the effect of revaluation of FX provisions	9,405	10,757	14%	1,961	4,423	6,334	43%	223%
Gain/loss on securities, net (adj.) without one-offs	2,830	1,341	-53%	2,314	1,054	287	-73%	-88%
Net other non-interest result (adj.) without one-offs	5,384	10,137	88%	3,722	5,550	4,587	-17%	23%
Operating expenses	**-173,011**	**-192,798**	**11%**	**-87,368**	**-96,707**	**-96,092**	**-1%**	**10%**
Personnel expenses	-77,969	-93,519	20%	-38,660	-46,903	-46,615	-1%	21%
Depreciation (adj.)	-23,905	-22,973	-4%	-12,165	-11,141	-11,832	6%	-3%
Other expenses (adj.)	-71,137	-76,307	7%	-36,542	-38,663	-37,644	-3%	3%
Total risk costs	**-107,165**	**-122,840**	**15%**	**-50,012**	**-58,741**	**-64,099**	**9%**	**28%**
Provision for loan losses (adj.) (without the effect of revaluation of FX provisions)	-108,159	-120,033	11%	-50,768	-57,564	-62,469	9%	23%
Other provision	993	-2,807	-383%	756	-1,177	-1,630	39%	-316%
Total one-off items	**318**	**-4,352**	**-1467%**	**318**	**-2,576**	**-1,776**	**-31%**	**-658%**
Revaluation result of FX swaps at OTP Core (booked within net interest income)	0	-2,556		0	-1,200	-1,356	13%	
Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core)	318	1,124	253%	318	1,124	0	-100%	-100%
Result of the treasury share swap (booked as Gain on securities, net (adj.) at OTP Core and Dividend income)	0	-2,920		0	-2,501	-420	-83%	
Corporate taxes	**-19,887**	**-16,550**	**-17%**	**-12,704**	**-7,464**	**-9,086**	**22%**	**-28%**
INDICATORS (%)	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
ROE (adjusted)	13.5%	11.4%	-2.1%	13.6%	12.6%	10.6%	-2.0%	-2.9%
ROA (adjusted)	1.8%	1.6%	-0.2%	1.8%	1.7%	1.5%	-0.3%	-0.4%
Operating profit margin without one-offs	4.46%	4.48%	0.03%	4.43%	4.48%	4.52%	0.04%	0.09%
Total income margin without one-offs	8.04%	8.33%	0.30%	8.04%	8.33%	8.39%	0.06%	0.35%
Net interest margin without one-offs	6.26%	6.45%	0.19%	6.25%	6.53%	6.41%	-0.13%	0.16%
Net fee and commission margin	1.41%	1.44%	0.03%	1.46%	1.36%	1.53%	0.17%	0.07%
Net other non-interest income margin without one-offs	0.36%	0.44%	0.08%	0.33%	0.44%	0.45%	0.01%	0.12%
Cost-to-asset ratio	3.58%	3.85%	0.27%	3.62%	3.85%	3.88%	0.03%	0.26%
Cost/income ratio (adj.) without one-offs	44.5%	46.2%	1.7%	45.0%	46.2%	46.2%	0.0%	1.2%
Risk cost for loan losses-to-average gross loans (adj.)	3.01%	3.11%	0.10%	2.89%	2.95%	3.32%	0.37%	0.43%
Risk cost for loan losses-to-average FX adjusted gross loans (adj.)	2.83%	3.20%	0.36%	2.66%	3.06%	3.35%	0.29%	0.70%
Total risk cost-to-asset ratio	2.22%	2.45%	0.24%	2.07%	2.34%	2.59%	0.25%	0.52%
Effective tax rate	18.3%	17.0%	-1.3%	22.2%	14.6%	19.7%	5.1%	-2.5%
Non-interest income/total income without one-offs	22%	23%	1%	22%	22%	24%	2%	1%
EPS base (HUF) (from unadjusted net earnings)	278	201	-28%	139	47	153	224%	10%
EPS diluted (HUF) (from unadjusted net earnings)	278	201	-28%	139	47	153	224%	10%
EPS base (HUF) (from adjusted net earnings)	333	304	-9%	167	165	139	-15%	-17%
EPS diluted (HUF) (from adjusted net earnings)	333	303	-9%	167	165	139	-16%	-17%

Comprehensive Income Statement	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
Net comprehensive income	**46,174**	**28,021**	**-39%**	**35,362**	**-10,164**	**38,185**	**-476%**	**8%**
Net profit attributable to equity holders	**74,014**	**53,451**	**-28%**	**37,032**	**12,609**	**40,842**	**224%**	**10%**
Consolidated after tax profit	74,476	53,902	-28%	37,288	12,828	41,074	220%	10%
(-) Net profit attributable to non-controlling interest	461	451	-2%	256	219	232	6%	-10%
Other net comprehensive income elements	**-27,840**	**-25,430**	**-9%**	**-1,670**	**-22,773**	**-2,657**	**-88%**	**59%**
Fair value adjustment of securities available-for-sale (recognised directly through equity)	13,277	28,387	114%	2,213	10,618	17,769	67%	703%
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	237	264	11%	119	132	132	0%	11%
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	3,316	5,720	72%	-344	3,869	1,851	-52%	-638%
Foreign currency translation difference	-44,670	-59,801	34%	-3,658	-37,392	-22,409	-40%	513%

- ***HUF 81 billion adjusted profit in 1H down by 9% y-o-y due to higher risk costs and negative one-off effects***
- ***1H operating profit advanced by 4% y-o-y supported by the Russian total income growing by HUF 30 billion (+47% y-o-y)***
- ***Declining quarterly adjusted profit due to higher risk costs induced by the deteriorating loan portfolio and lower Hungarian net interest income as a result of FX mortgage prepayment***

In 1H 2012 **OTP Group** posted an adjusted after tax profit of HUF 80.8 billion (excluding the special banking levy, FX mortgage prepayment and positive tax shield of investment impairment charges) showing a y-o-y 9% decline. The accounting profit including the special banking tax, the loss from early repayment of FX mortgage loans and the tax shield of investment impairment charges came out at HUF 53.9 billion, down by 28% y-o-y. The more significant drop in accounting profit was practically entirely reasoned by the following: in 2012 the full annual amount of the special banking tax paid by Hungarian group members was already recognised in the first quarter, whereas previously accrual accounting was applied. This methodological change was based on a draft statement of the IFRS Interpretation Committee (“IFRIC”) released in March 2012.

The 2Q consolidated adjusted profit after tax was at HUF 37 billion, -15% q-o-q and -17% y-o-y. At the same time the accounting profit advanced from HUF 12.8 billion in 1Q to HUF 41 billion in 2Q. The key reason behind the sharp improvement is the base effect of the banking levy booked in 1Q. Furthermore, on the investments into the Serbian and Montenegrin subsidiaries impairment charges were recognised at OTP Bank (under local accounting standards: HUF 15 billion and HUF 5.9 billion respectively). Though under IFRS these impairments had direct effect neither on the consolidated balance sheet nor on the P&L, there was a positive tax shield of HUF 4.0 billion that added to the Group’s IFRS accounting profit.

The 9% decline in 1H adjusted profit was partly caused by one-off items (revaluation of FX swaps and the result of the treasury share swap), but also by the y-o-y 15% increase in risk costs – mostly related to the loan books of OTP Core, OTP Russia and OTP Ukraine. However, the operating profit improved by 4% due to the rapid growth of the Russian interest income (+47%, +HUF 26 billion y-o-y) which offset the weaker Hungarian net interest result. Six months operating expenses expanded by 11% y-o-y (by cca. HUF 20 billion), of which HUF 8.4 increase was caused by the y-o-y weaker forint. Thus the FX-adjusted cost increase was only 6%, HUF 11.4 billion. Bulk of it was related to OTP Core (y-o-y +HUF 6.9 billion), where personal expenses grew on the back of enhanced collection activity while other expenses increased mainly due to higher taxes (VAT) and higher deposit insurance charges. Operating expenses in Russia and the Ukraine also kept growing (FX-adjusted up by HUF 1.9 billion and HUF 1.2 billion y-o-y), but in those units higher costs are well-reasoned by enhanced business activity.

Behind the q-o-q 15% drop in 2Q adjusted net results there were several factors: the net interest income declined by 3% to a great extent being related to a 6% decrease in the net interest income at OTP Core, where due to the FX mortgage prepayment interest earning assets melted down and the net interest margin also shrank (2012 2Q: 4.54%, -20 bps q-o-q). Furthermore, consolidated risk cost increased by 9% induced by the Russian and Bulgarian subsidiaries. In Bulgaria behind the q-o-q risk cost increase there was a base effect. In Russia, however, the consumer loan book deteriorated in 2Q, the consumer DPD90+ ratio was up from 12.7% to 15.3% q-o-q and the risk cost rate increased sharply (2Q 2012: 9.9%, +3.1% q-o-q).

The consolidated loan portfolio deterioration accelerated q-o-q (FX adjusted new DPD90+ volume formation in HUF billion 4Q 2011: 44, 1Q 2012: 51, 2Q 80) and the DPD90+ ratio grew from 17.4% to 18.8%. Apart from the Russian loan book the most significant portfolio deterioration was witnessed in Hungary and the Ukraine. In Hungary not just the mortgage book weakened as in previous quarters, but the corporate portfolio deteriorated too. In the Ukraine the most problematic segment was the corporate one.

Higher tax burden also had a negative impact on 2Q results: the consolidated effective tax rate was up from 15% in 1Q to 20% in 2Q. Mostly because the effective tax rate at OTP Core increased from 10% to 13%. The key reason behind was the lower positive tax shield on the revaluation of subsidiaries investments (positive tax effect in 1Q 2012: HUF 3.9 billion, 2Q: HUF 2.6 billion).

ASSET-LIABILITY MANAGEMENT

In 1H 2012 asset-liability management of OTP Group focused on preserving the safe liquidity reserves of the OTP Group…

The primary objective of OTP Group in terms of asset-liability management has been to ensure that the Group's liquidity is maintained at a safe level. Refinancing sources of the European Central Bank are still available for OTP, thus the renewal risk of maturing mortgage bonds is low. Thanks to the high level of liquidity reserves, the Group could safely function without FX-denominated fund raising. The total level of market funding in 1H 2012 was about EUR 150 million through a RUB denominated note issue related to the POS lending activity of the Russian subsidiary (RUB 6 billion in March).

Despite the maturing debt in 1H 2012 liquidity reserves of OTP Group remained steadily above the safety level. As of 30 Jun 2012, the gross liquidity buffer was above EUR 5 billion equivalent, which is significantly higher than the maturing debt within one year and the reserves required to protect against possible liquidity shocks. The CHF and USD liquidity need of the Group deriving from its FX lending activity was shrinking due to the FX generation of the business lines. To cover the required FX funding – primarily through long term FX-swaps – did not cause any problem for the Bank.

… and keeping interest-rate risk exposures low.

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the HUF liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank regards the reduction and closing of this exposure as a strategic matter and reduced its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income.

The Bank has a closed interest-rate position in EUR and CHF, consequently the yield volatility of the previous period did not cause significant changes in the FX interest income.

Market Risk Exposure of OTP Group

At end of June 2012 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 46.0 billion in total, primarily due to the capital requirement of the FX risk exposure at HUF 34.3 billion.

OTP Group is an active participant of the international FX and derivative market. Open FX positions of group members are restricted to individual and global net open position limits (overnight and intraday), and to stop-loss limits. The open positions of the group members outside Hungary except the Bulgarian DSK Bank – the EUR/BGN exposure of DSK under the current exchange rate regime does not represent real risk – were negligible measured against either the balance sheet total or the regulatory capital. Therefore the group level FX exposure was concentrated at OTP Bank. By 29 February 2012 the Bank closed its long EUR positions against the National Bank of Hungary, previously opened for hedging purposes related to the early repayment of mortgage loans. Thus the main part of the FX exposure booked at OTP Bank – in line with the previous years' practice – was the strategic open FX position kept to hedge the currency risk of the expected FX-denominated net earnings (EUR 310 million with 2 years maturity) of the main foreign subsidiaries.

CONSOLIDATED BALANCE SHEET

Main components of balance sheet in HUF million	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
TOTAL ASSETS	**9,712,339**	**10,200,527**	**10,004,926**	**9,937,155**	**-1%**	**2%**	**-3%**
Cash and amount due from banks	441,575	595,986	650,444	560,263	-14%	27%	-6%
Placements with other banks	527,955	422,777	554,915	429,375	-23%	-19%	2%
Financial assets at fair value	273,078	241,282	219,420	213,113	-3%	-22%	-12%
Securities available-for-sale	1,387,995	1,125,855	1,116,219	1,502,010	35%	8%	33%
Net customer loans	6,332,757	7,047,179	6,671,887	6,476,948	-3%	2%	-8%
Net customer loans (FX adjusted)	**6,828,011**	**6,684,259**	**6,564,484**	**6,476,948**	**-1%**	**-5%**	**-3%**
Gross customer loans	7,133,174	8,108,631	7,702,079	7,554,220	-2%	6%	-7%
Gross customer loans (FX adjusted)	**7,704,855**	**7,689,688**	**7,582,170**	**7,554,220**	**-0.4%**	**-2%**	**-2%**
o/w Retail loans	4,970,628	4,997,983	4,924,962	4,933,491	0%	-1%	-1%
Retail mortgage loans (incl. home equity)	3,099,068	2,981,974	2,886,299	2,857,563	-1%	-8%	-4%
Retail consumer loans	1,408,458	1,571,018	1,592,044	1,620,321	2%	15%	3%
SME loans	463,101	445,001	446,572	455,606	2%	-2%	2%

Main components of balance sheet in HUF million	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
Corporate loans	2,301,474	2,282,479	2,254,908	2,227,928	-1%	-3%	-2%
Loans to medium and large corporates	1,925,361	1,941,411	1,923,322	1,892,912	-2%	-2%	-2%
Municipal loans	375,942	341,064	331,586	335,016	1%	-11%	-2%
Car financing loans	371,997	346,353	333,227	321,599	-3%	-14%	-7%
Bills and accrued interest receivables related to loans	60,612	62,865	69,083	71,202	3%	17%	13%
Allowances for loan losses	-800,417	-1,061,452	-1,030,192	-1,077,272	5%	35%	1%
Allowances for loan losses (FX adjusted)	-876,845	-1,005,430	-1,017,686	-1,077,272	6%	23%	7%
Equity investments	8,529	10,342	11,843	7,712	-35%	-10%	-25%
Securities held-to-maturity	147,621	124,887	117,774	132,007	12%	-11%	6%
Premises, equipment and intangible assets, net	460,866	491,666	476,068	474,534	0%	3%	-3%
o/w Goodwill, net	197,284	198,896	192,801	188,956	-2%	-4%	-5%
Premises, equipment and other intangible assets, net	263,582	292,770	283,267	285,578	1%	8%	-2%
Other assets	131,963	140,553	186,356	141,193	-24%	7%	0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,712,339**	**10,200,527**	**10,004,926**	**9,937,155**	**-1%**	**2%**	**-3%**
Liabilities to credit institutions and governments	698,421	646,968	714,147	711,119	0%	2%	10%
Customer deposits	5,898,200	6,398,853	6,218,220	6,170,700	-1%	5%	-4%
Customer deposits (FX adjusted)	**6,192,828**	**6,163,577**	**6,143,538**	**6,170,700**	**0%**	**0%**	**0%**
o/w Retail deposits	4,439,267	4,607,085	4,579,211	4,593,365	0%	3%	0%
Household deposits	3,976,908	4,046,164	4,010,321	4,019,454	0%	1%	-1%
SME deposits	462,360	560,912	568,891	573,911	1%	24%	2%
Corporate deposits	1,717,979	1,522,050	1,519,543	1,527,845	1%	-11%	0%
Deposits to medium and large corporates	1,485,612	1,272,249	1,232,908	1,299,148	5%	-13%	2%
Municipal deposits	232,360	249,804	286,635	228,697	-20%	-2%	-8%
Accrued interest payable related to customer deposits	35,596	34,403	44,771	49,491	11%	39%	44%
Issued securities	934,346	812,863	810,135	742,688	-8%	-21%	-9%
o/w Retail bonds	308,466	344,510	335,931	316,503	-6%	3%	-8%
Issued securities without retail bonds	625,880	468,353	474,204	426,185	-10%	-32%	-9%
Other liabilities	560,919	607,086	582,369	596,534	2%	6%	-2%
Subordinated bonds and loans	281,736	316,447	299,494	296,078	-1%	5%	-6%
Total shareholders' equity	**1,338,717**	**1,418,310**	**1,380,561**	**1,420,036**	**3%**	**6%**	**0%**
Indicators	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
Loan/deposit ratio (FX adjusted)	124%	124%	123%	122%	-1%	-2%	-2%
Net loan/(deposit + retail bond) ratio (FX adjusted)	105%	102%	101%	100%	-1%	-5%	-3%
90+ days past due loan volume	1,092,425	1,335,917	1,330,089	1,405,669	6%	29%	5%
90+ days past due loans/gross customer loans	15.4%	16.6%	17.4%	18.8%	1.4%	3.3%	2.2%
Total provisions/90+ days past due loans[1]	73.3%	76.7%	77.5%	76.6%	-0.8%	3.4%	-0.1%
Consolidated capital adequacy - Basel2	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
Capital adequacy ratio (consolidated, IFRS)	18.1%	17.3%	17.0%	17.9%	0.8%	-0.2%	0.6%
Tier1 ratio	15.2%	13.3%	13.6%	14.4%	0.8%	-0.7%	1.1%
Core Tier1 ratio	13.6%	12.0%	12.3%	13.1%	0.8%	-0.5%	1.1%
Leverage (Total Assets/Shareholder's Equity)	7.3x	7.2x	7.2x	7x			
Regulatory capital (consolidated)	1,330,218	1,433,085	1,396,553	1,427,742	2%	7%	0%
o/w Tier1 Capital	1,116,015	1,105,876	1,115,069	1,153,637	3%	3%	4%
o/w Core Tier1 Capital	1,004,964	997,583	1,008,195	1,048,213			
Hybrid Tier1 Capital	111,051	108,293	106,874	105,425	-1%	-5%	-3%
Tier2 Capital	214,622	327,587	281,858	274,479	-3%	28%	-16%
Deductions from the regulatory capital	-418	-377	-374	-374	0%	-11%	-1%
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	7,361,063	8,297,547	8,204,205	7,988,880	-3%	9%	-4%
o/w RWA (Credit risk)	5,661,489	6,397,182	6,303,874	6,094,912	-3%	8%	-5%
RWA (Market & Operational risk)	1,699,574	1,900,365	1,900,331	1,893,968	0%	11%	0%
Closing exchange rate of the HUF (in forint)	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
EUR/HUF	266	311	296	288	-2%	9%	-7%
CHF/HUF	220	256	245	240	-2%	9%	-6%
USD/HUF	183	241	222	229	3%	25%	-5%
JPY/100HUF	228	311	270	288	7%	26%	-7%

[1] Excluding provisions related to the early repayment of FX mortgage loans.

- ***Further increasing Ukrainian consumer loan portfolio (+48% q-o-q), whereas the Russian consumer book advanced by only 2% q-o-q due to seasonality, but grew by 45% y-o-y***
- ***Moderate mortgage portfolio growth in Slovakia, Romania and Croatia (q/q +2% and +1-1% respectively), in Hungary the pace of contraction moderated (-1% q/q) as FX prepayment scheme was over in 1Q***
- ***Stable consolidated deposit volumes***
- ***Consolidated net loan-to-deposit ratio dropped to 100% (-1 ppt q/q, -5 ppts y/y)***

Methodological notes:

Due to an accounting error in 1Q 2012, an extra HUF 15.2 billion corporate exposure was booked within the consolidated gross loan portfolio, simultaneously allowances for possible loan losses were also higher with the same amount. The error was corrected retrospectively. As a result, the 1Q 2012 closing volume of the consolidated gross loan portfolio changed from HUF 7,717 to HUF 7,702 billion versus, whereas allowances for possible loan losses from HUF 1,045 billion to HUF 1,030 billion. Furthermore, the DPD90+ coverage for 1Q 2012 was reduced from 78.6% to 77.5% and the provisioning coverage of gross loan volumes shrank from 13.7% to 13.5%. The gross loan-to-deposit ratio was modified from 123.9% to 123.6%. The above revision had no impact on recognized earnings.

In 3Q 2011 in Russia and Montenegro a certain part of corporate deposits – HUF 56 billion and HUF 20 billion respectively – was reclassified into the SME deposits, furthermore in Russia an equivalent of HUF 17 billion corporate exposures was reclassified as municipality loans. Those changes had a significant impact on the y-o-y dynamics of those product categories both at consolidated and at stand-alone levels.

The consolidated FX-adjusted loan portfolio decreased by 0.4% q-o-q and by 2% y-o-y. Similar to the previous quarter, only the consumer and SME segments could grow q-o-q, both by 2%. As for the consumer lending, those were the Russian and Ukrainian portfolio remaining the engines of growth. Due to seasonality the Russian book grew only by 2% q-o-q, however the yearly dynamism remained strong (+45%). The Ukrainian consumer lending remained vibrant, due to the relatively low base even the q-o-q growth was significant (+48%). Closing volumes represented HUF 26 billion in 2Q 2012 underpinning a q-o-q increase of HUF 8 billion and y-o-y HUF 23 billion, respectively. In the Ukraine the selling network expanded rapidly, the bank used more than 2,000 agents (o/w own agent: 1.773) by the end of June and increased the network of partner retail chains. POS-loan volumes reached HUF 16 billion in June. In order to capitalize on cross sale potentials the Bank entered the market with new credit card products and cash loan sale was intensified, too. By the end of June credit card loan volumes represented HUF 4.4 billion with cash loans standing at HUF 5.3 billion.

Regarding other loan book segments, all categories suffered a decline, mortgages, car loans and corporate exposures shrank further q-o-q. In Hungary, the mortgage book decreased only slightly as FX prepayment came to end in February (q-o-q changes 4Q 2011: -6%, 1Q 2012: -5%, 2Q 2012: -1%). On the positive side the Slovakian, Romanian and Croatian mortgage volumes could increase (q-o-q +2%, 1% and 1%, y-o-y +11%, 8% and 3% respectively).

The 2% y-o-y decline of the consolidated loan book to a great extent reflects the negative impact of the Hungarian FX mortgage prepayment. The strong Russian and the increasing Ukrainian consumer lending could not fully offset the negative volume effect of the prepayment in 4Q 2011 and 1Q 2012. The FX mortgage book dropped by HUF 217 billion as a result of the prepayment (2011: HUF 110 billion, 2012 1Q: HUF 107 billion). The volume decline of FX mortgages was counterbalanced to some extent by newly sold forint refinancing loans. By 28 February 2012, their total amount reached HUF 64 billion, out of which HUF 41 billion was disbursed to own clients; the remaining part was sold to clients of other banks.

FX-adjusted deposit volumes were stable both y-o-y and q-o-q. The only significant drop was registered in Hungary and Ukraine. In Hungary municipality deposits shrank by 27% q-o-q as a result of seasonality caused by the collection of local taxes. Furthermore, retail deposit and bond volumes also dropped due to the intensified selling campaign of the Government Debt Management Agency. There is a strong desire to increase the share of Hungarian households in holding government debt up to 10%. The state is offering appealing yields and one could see a gradual shift within the structure of retail savings from term deposits and retail bonds of banks into government securities. In the Ukraine corporate deposits dropped by 21% q-o-q: a few corporate reduced their deposits due to dividend payments or business needs. Those negative effects were successfully counterbalanced by strong Russian (+7%), Romanian (+18%) and Slovakian (+5%) deposit growth; also in Hungary the corporate segment advanced by 8% q-o-q.

The volume of issued securities dropped by 8% q-o-q and by 21% y-o-y. The q-o-q drop was related to the volume decline of retail bonds, furthermore mortgage bonds matured in May in the amount of HUF 31 billion. The y-o-y decline was reasoned by big ticket bond redemptions: on the top of the HUF mortgage bond maturities OTP Mortgage Bank repaid HUF 750 million mortgage bond in July 2011, whereas OTP Bank had a senior bond maturity in February 2012 (CHF 100 million). The decrease caused by these repayments was mitigated by the HUF 8 billion y-o-y growth in Hungarian retail bonds and HUF 44 billion increase in forint denominated Hungarian institutional bonds. Furthermore, during the course of 2011-2012 the Russian subsidiary issued 4 series of senior bonds with face value of RUB 17.5 billion (cca. HUF 132 billion).

The FX-adjusted volume of Lower and Upper Tier2 capital ("LT2", "UT2") was stable q-o-q and shrank a bit y-o-y as a result of buybacks resumed from June 2011. In 2011 out of the UT2 OTP bought back EUR 5 million in 2Q, 12 million in 3Q and 5.4 million in 4Q. From the LT2 maturing on 4 March 2015 the Bank repurchased EUR 3.2 million in 3Q 2011, 1.9 million in 4Q and 14 million in 1Q 2012.

Since the beginning of the crisis OTP Group accumulated a significant liquidity buffer[3]. By end-June 2012, the volume of liquid reserves reached EUR 5 billion – a size that would be more than enough to pay back all external FX obligations of the Group. Doing so, the Group would still have reserves of EUR 3.2 billion. The major source of the strong liquidity position is the gradual increase of deposits since the onset of the crisis. Also, as FX-lending was stopped in Hungary and Ukraine, ongoing redemptions generated significant additional FX liquidity.

This comfortable position enabled the Group to redeem its maturing obligations mainly from its own sources, with minimal external fund raising. From January 2009 to June 2012 total redemptions of senior bonds, mortgage bonds and syndicated loans amounted to an equivalent of EUR 5.4 billion. During the same period capital market issuances of the Group totalled only to EUR 1.4 billion. In 2011-2012, on the top of the aforementioned Russian senior note emissions there was a EUR 300 million syndicated loan transaction with 2 years of maturity signed by OTP Bank Hungary in May 2011.

CONSOLIDATED CAPITAL ADEQUACY RATIO (IN ACCORDANCE WITH BASEL II)

At the end of June 2012 the regulatory capital of OTP Group represented HUF 1,428 billion, while the risk-weighted-assets, taking into account the capital needs for credit-, market- and operational risks, stood at HUF 7,989 billion. The capital adequacy ratio stood at 17.9% with the Tier1 ratio (after deducting goodwill and intangible assets) at 14.4% and the Core Tier1 ratio (further deducting hybrid instruments) at 13.1%.

[3] The Group's operating liquidity reserve consists of bonds of the National Bank of Hungary, government bonds, liquid asset surplus within one month and repoable covered bonds and municipal bonds.

OTP BANK'S HUNGARIAN CORE BUSINESS[4]

OTP Core Statement of recognized income:

Main components of the Statement of recognised income in HUF million	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After-tax profit without the banking levy, dividends and net cash transfer	62,730	47,059	-25%	29,865	24,298	22,760	-6%	-24%
Corporate income tax	-13,663	-5,921	-57%	-9,165	-2,591	-3,330	29%	-64%
Pre-tax profit	76,393	52,979	-31%	39,031	26,889	26,090	-3%	-33%
Operating profit without one-offs	122,590	108,240	-12%	61,721	56,113	52,126	-7%	-16%
Total income without one-offs	205,070	197,641	-4%	103,950	100,609	97,032	-4%	-7%
Net interest income without one-offs	160,200	147,386	-8%	79,724	76,138	71,248	-6%	-11%
Net fees and commissions	41,861	42,611	2%	21,640	20,429	22,182	9%	3%
Other net non-interest income (adj.) without one-offs and without the effect of revaluation of FX provisions	3,010	7,644	154%	2,585	4,042	3,602	-11%	39%
Operating expenses	-82,480	-89,401	8%	-42,229	-44,495	-44,906	1%	6%
Total risk costs	-46,516	-50,909	9%	-23,009	-26,648	-24,261	-9%	5%
Provisions for possible loan losses (without the effect of revaluation of FX provisions)	-49,538	-49,635	0%	-25,213	-26,143	-23,492	-10%	-7%
Other provisions	3,022	-1,274	-142%	2,204	-506	-768	52%	-135%
Total one-off items	318	-4,352		318	-2,576	-1,776	-31%	-658%
Revaluation result of FX swaps at OTP Core (booked within Net interest income)	0	-2,556		0	-1,200	-1,356	13%	
Non-recurring FX-gains and losses (booked within Other net non-interest income)	0	0		0	0	0		
Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Other net non-interest income (adj.))	318	1,124	253%	318	1,124	0	-100%	-100%
Revaluation result of the treasury share swap agreement (booked as Other net non-interest income (adj.))	0	-2,920		0	-2,501	-420	-83%	
Revenues by Business Lines								
RETAIL								
Total income	158,816	155,868	-2%	80,640	79,476	76,392	-4%	-5%
Net interest income	120,672	117,094	-3%	60,926	60,913	56,181	-8%	-8%
Net fees and commissions	36,528	37,383	2%	18,890	17,994	19,388	8%	3%
Other net non-interest income	1,616	1,391	-14%	824	568	822	45%	0%
CORPORATE								
Total income	19,048	15,720	-17%	9,974	7,485	8,236	10%	-17%
Net interest income	13,707	10,447	-24%	7,165	5,094	5,353	5%	-25%
Net fees and commissions	4,869	4,867	0%	2,569	2,225	2,642	19%	3%
Other net non-interest income	472	406	-14%	241	166	240	45%	0%
Treasury ALM								
Total income without one-offs	28,478	23,560	-17%	13,586	12,000	11,560	-4%	-15%
Net interest income without one-offs	25,820	19,845	-23%	11,634	10,131	9,714	-4%	-17%
Net fees and commissions	453	298	-34%	376	205	93	-55%	-75%
Other net non-interest income without one-offs	2,204	3,417	55%	1,577	1,663	1,753	5%	11%
Indicators (%)	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
ROE	10.5%	7.2%	-3.3%	9.7%	7.5%	6.9%	-0.7%	-2.9%
ROA	1.9%	1.5%	-0.4%	1.8%	1.5%	1.5%	-0.1%	-0.3%
Operating profit margin (operating profit / avg. total assets) without one-offs	3.7%	3.4%	-0.3%	3.7%	3.5%	3.3%	-0.2%	-0.4%
Total income margin without one-offs	6.24%	6.21%	-0.03%	6.24%	6.27%	6.19%	-0.09%	-0.05%
Net interest margin without one-offs	4.87%	4.63%	-0.24%	4.78%	4.75%	4.54%	-0.20%	-0.24%
Net fee and commission margin	1.3%	1.3%	0.1%	1.3%	1.3%	1.4%	0.1%	0.1%
Net other non-interest income margin without one-offs	0.1%	0.2%	0.1%	0.2%	0.3%	0.2%	0.0%	0.1%
Operating costs to total assets ratio	2.5%	2.8%	0.3%	2.5%	2.8%	2.9%	0.1%	0.3%
Cost/income ratio without one-offs	40.2%	45.2%	5.0%	40.6%	44.2%	46.3%	2.1%	5.7%
Cost of risk/average gross loans	2.84%	2.89%	0.05%	2.95%	3.02%	2.82%	-0.21%	-0.13%
Cost of risk/average gross loans (FX adjusted)	2.71%	2.94%	0.23%	2.76%	3.09%	2.82%	-0.26%	0.07%
Effective tax rate	17.9%	11.2%	-6.7%	23.5%	9.6%	12.8%	3.1%	-10.7%

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

- ***1H net profit dropped by 25% as a result of decreasing operating income, higher risk costs and negative one-off effects***
- ***2Q net profit declined by 6% mainly as a result of a 6% drop of net interest income q-o-q; net interest margin narrowed by 20 basis points to 4.54% q-o-q***
- ***Significant portfolio deterioration in 2Q related to large corporate loans as well as FX mortgage loans***
- ***Loan and deposit portfolio shrank by 1% q-o-q, stable loan-to-deposit rate (2Q 2012: 79%)***

P&L developments

Without the effect of banking tax and mortgage loan prepayments **OTP Core** reached a net profit of HUF 47.1 billion in 1H 2012, by 25% lower than a year ago. 1H 2012 profit on one hand decreased by HUF 4.4 billion due to one-off items such as the revaluation effect of FX swaps and the P&L impact of the treasury share-swap transaction. Furthermore, operating income also declined by 12%. On the revenue side (-4% y-o-y) it was primarily driven by lower interest income realised on a decreasing interest earning portfolio, partly as a result of early repayment of FX mortgage loans. At the same time, deposit margins narrowed, too. Operating expenses grew by 8%. The latter is the result of several factors: it was partially related to governmental and regulatory measures (i.e. higher VAT[5] and higher deposit insurance fees[6]), while personnel expenses grew fundamentally due to higher number of employees aimed at strengthening collection processes.

Risk cost advanced by 9% y-o-y. In 1H 2012 it has been mostly influenced by the strong portfolio deterioration.

Tax burden of 1H 2012 decreased significantly (effective tax rate dropped from 18% to 11% y-o-y). The main reason was that the revaluation of subsidiary investments generated HUF 6.6 billion tax savings in 1H 2012 due to HUF appreciation. Due to similar reasons in 1H 2011 HUF 4.1 billion tax savings were generated. However in 1H 2011 the positive impact of the subsidiary investments on the effective tax rate was offset by a provisioning related to OTP Factoring. The provisioning, which was not part of the tax base, lowered the before tax earnings, and at the same time it increased the effective tax rate since it had no impact on the tax amount.

Without the effect of banking tax and mortgage loan prepayments OTP Core reached a net profit of HUF 22.8 billion in 2Q 2012 underpinning a 6% drop q-o-q. Lower profit is primarily due to lower net interest income moderating by 6% q-o-q. The q-o-q decrease in OTP Core's net interest income was reasoned by eroding deposit margins and the further declining mortgage loan portfolio. The erosion in deposit margins was the result of increasing competitive pressure generated by the more aggressive pricing of competitors and the accelerated household targeted government bond sales by the Debt Management Agency. Net interest margin narrowed by 0.2 ppt to 4.54% and the volume of interest earning portfolio also declined. Tax burden increased slightly q-o-q and the effective tax rate grew from 10% to 13%, basically as a result of lower q-o-q tax saving effect on the revaluation of subsidiary investments (tax savings in HUF billion 1Q 2012: 3.9, 2Q: 2.6).

Without the losses on early repayment of mortgage loans the quarterly risk cost shrank by 9% q-o-q. During 2Q 2012 the non-performing loan formation accelerated (FX-adjusted DPD90+ loan formation in HUF billion 1Q 2011: 28; 2Q: 15; 3Q: 21, 4Q: 18, 1Q 2012: 20, 2Q: 34). Apart from the mortgage loan portfolio, large corporate loans deteriorated significantly, too. Coverage ratio of DPD90+ loans decreased from 79.7% to 78.3%.

The ratio of loans more than 90 days past due ('DPD90+ ratio') grew from 14.6% to 15.8% q-o-q. As for the composition of the deterioration, the most significant deterioration was in the corporate loan book which previously had a relatively stable quality (DPD90+ 4Q 2011: 15.4%, 1Q 2012: 14.7%, 2Q: 16.1%). Retail mortgage loans further deteriorated primarily due to FX-loans (DPD90+ rate 3Q 2011: 11.0% 4Q: 12.6%, 1Q 2012: 14.5%, 2Q: 16.2%, adjusted for the effect of early repayments: 3Q 2011: 11.0% 4Q: 11.9%, 1Q 2012: 12.8%, 2Q: 14.3%). In case of consumer loans the deterioration remained moderate (DPD90+ 4Q 2011: 22.7% 1Q 2012: 23.1%, 2Q: 23.6%), and the quality of municipality loans remained good. (DPD90+ 4Q 2011: 0.4%, 1Q 2012: 0.2%, 2Q: 0.2%).

The conversion of FX mortgage loans with more than 90 days delinquency and the subsequent 25% debt forgiveness did not have a material P&L impact in 2Q 2012.

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[5] Since January 2012 the Hungarian VAT increased from 25% to 27%.
[6] Since 1st January 2011 the fee paid to National Deposit Insurance Fund increased from 0.2‰ to 0.6% of the Balance Sheet deposit and bond portfolio.

Main components of OTP Core's Statement of financial position:

Main components of the balance sheet (closing balances, in HUF million)	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
Total Assets	6,767,919	6,548,167	6,352,863	6,262,420	-1%	-7%	-4%
Net customer loans	3,151,267	3,194,835	2,984,987	2,924,459	-2%	-7%	-8%
Net customer loans (FX adjusted)	**3,324,144**	**3,087,101**	**2,965,335**	**2,924,459**	**-1%**	**-12%**	**-5%**
Gross customer loans	3,457,506	3,581,382	3,376,872	3,336,029	-1%	-4%	-7%
Gross customer loans (FX adjusted)	**3,649,478**	**3,459,154**	**3,353,922**	**3,336,029**	**-1%**	**-9%**	**-4%**
Retail loans	2,443,149	2,322,855	2,239,512	2,222,702	-1%	-9%	-4%
Retail mortgage loans (incl. home equity)	1,891,088	1,773,778	1,682,271	1,659,897	-1%	-12%	-6%
Retail consumer loans	442,603	436,938	442,069	442,422	0%	0%	1%
SME loans	109,458	112,139	115,172	120,383	5%	10%	7%
Corporate loans	1,206,329	1,136,299	1,114,410	1,113,327	0%	-8%	-2%
Loans to medium and large corporates	864,550	830,800	824,546	815,220	-1%	-6%	-2%
Municipal loans	341,778	305,499	289,864	298,107	3%	-13%	-2%
Provisions[1]	-306,240	-386,547	-391,885	-411,570	5%	34%	6%
Provisions (FX adjusted)[1]	**-325,334**	**-372,052**	**-388,587**	**-411,570**	**6%**	**27%**	**11%**
Deposits from customers + retail bonds	3,908,912	3,913,977	3,777,068	3,722,929	-1%	-5%	-5%
Deposits from customers + retail bonds (FX adjusted)	**3,982,158**	**3,875,103**	**3,769,632**	**3,722,929**	**-1%**	**-7%**	**-4%**
Retail deposits + retail bonds	2,754,679	2,767,867	2,700,617	2,650,863	-2%	-4%	-4%
Household deposits + retail bonds	2,470,099	2,466,028	2,401,995	2,349,681	-2%	-5%	-5%
o/w: Retail bonds	308,466	344,510	335,931	316,503	-6%	3%	-8%
SME deposits	284,580	301,839	298,621	301,182	1%	6%	0%
Corporate deposits	1,227,479	1,107,236	1,069,015	1,072,066	0%	-13%	-3%
Deposits of medium and large corporates	1,036,043	910,017	823,598	892,897	8%	-14%	-2%
Municipal deposits	191,436	197,219	245,417	179,169	-27%	-6%	-9%
Liabilities to credit institutions	611,169	572,721	597,752	583,952	-2%	-4%	2%
Issued securities without retail bonds	492,476	284,194	271,095	230,791	-15%	-53%	-19%
Total shareholders' equity	1,272,663	1,278,409	1,316,081	1,351,820	3%	6%	6%
Loan Quality (%)	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
90+ days past due loan volume	396,026	488,668	491,819	525,566	7%	33%	8%
90+ days past due loans/gross customer loans	11.5%	13.6%	14.6%	15.8%	1.2%	4.3%	2.1%
Total provisions/90+ days past due loans[1]	77.3%	79.1%	79.7%	78.3%	-1.4%	1.0%	-0.8%
Market Share (%)	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
Loans	18.6%	18.2%	18.5%	18.8%	0.3%	0.2%	0.6%
Deposits	24.7%	22.7%	22.8%	22.7%	-0.1%	-2.0%	0.0%
Total Assets	25.2%	25.4%	26.7%	26.8%	0.1%	1.6%	1.4%
Indicators (%)	2Q 2011	4Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y	YTD
Net loans to (deposits + retail bonds) (FX adjusted)	83%	80%	79%	79%	0%	-5%	-1%
Leverage (Shareholder's Equity/Total Assets)	18.8%	19.5%	20.7%	21.6%	0.9%	2.8%	2.1%
Leverage (Total Assets/Shareholder's Equity)	5.3x	5.1x	4.8x	4.6x			
Capital adequacy ratio (OTP Bank, non-consolidated, HAS)	20.0%	17.9%	18.9%	18.6%	-0.4%	-1.4%	0.6%
Tier1 ratio (OTP Bank, non-consolidated, HAS)	17.6%	15.8%	17.2%	16.7%	-0.5%	-0.9%	0.9%

[1] End-2011 statistics do not include provisions related to the early repayment of FX mortgage loans.

Balance sheet trends

As the early repayment scheme of FX mortgage loans came to end in February, the pace of loan portfolio contraction slowed down again to the level of 1H 2011. In 2Q 2012 FX-adjusted gross loans decreased by 1% q-o-q as a result of a 1% decline in the retail book with the corporate portfolio remaining stable. The deposit book together with the retail bonds shrank by 1% q-o-q. Thus, the "net loan-to-deposit+retail bond" ratio remained stable q-o-q (1Q 2012: 79%, -5 ppts y-o-y).

Loan demand in the retail sector is still missing momentum. The FX-adjusted decrease of the mortgage portfolio continued after closing the early repayment scheme, though at a moderate pace (-1% q-o-q, -12% y-o-y). Loan disbursement dropped significantly in 2Q due to the ceased HUF denominated loan demand boosted by the early repayments (2Q 2012 disbursement: HUF 13.5 billion, -71% q-o-q, -44% y-o-y).

Apart from outstanding market share in new sales (1Q 2012: 54%, 2Q: 63%) no meaningful expansion was experienced in consumer lending: due to low demand the newly disbursed personal loan portfolio lagged behind that of the previous year (in HUF billion: 1H 2011: 25, 1H 2012: 24) and the loan book decreased. However the portfolio of current account loans increased in 1H, thus the total consumer loan book stagnated.

Corporate loan volumes followed a downward trend, however, loans to micro and small enterprises kept expanding at a dynamic rate (+5% q-o-q) and the municipal loan book grew, too (+3% q-o-q).

The deposit base of OTP Core (together with retail bonds) decreased by 1% q-o-q and 7% y-o-y, respectively. Due to its favourable liquidity, the Bank continued its pricing policy aimed at moderating deposit collection. Y-o-y retail volume development was determined by the fact that clients could use their savings for early repayment of FX mortgage loans. Furthermore, since the beginning of 2012 the state offers more favourable interest rates on the government bonds and conducts an intensive promotional campaign. As a result, the structure of retail savings realigned at the expense of term deposits and bank bonds in favour of government bonds. The q-o-q 27% shrinkage of municipal deposits is due to the seasonality of local tax collection: local tax collection of municipalities tends to boost 1Q and 3Q deposit portfolios. Notwithstanding the corporate and the SME portfolio increased by 8 and 1% q-o-q, respectively.

The portfolio of issued securities (without retail bonds) decreased by 15% q-o-q and 53% y-o-y. The significant yearly decline was caused by the repayment of a EUR 750 million (about HUF 199 billion) mortgage bond on 11 July 2011 issued by OTP Mortgage Bank in 2006. Furthermore, on 5 December 2011 another mortgage bond became due with on original maturity of 2 years and a nominal value of EUR 1,350 million. Out of the total notional about EUR 84 million (HUF 24 billion) was sold to external investors, so the consolidated volume decreased only by this amount. The portfolio of issued securities was also lowered by some smaller size HUF denominated mortgage bond maturities in the past 12 months with the total amount of HUF 66 billion. There were no major international covered bond issuances[7] in the last 12 months. Thus the set back of the portfolio was balanced by smaller size HUF denominated mortgage bond issuances (altogether with a face value of around HUF 6 billion) and forint denominated senior notes issued for Hungarian institutional investors (1Q 2012 closing volume: HUF 116 billion, +HUF 44 billion y-o-y, -HUF 2 billion q-o-q).

Summary on financial transaction tax

Act CXVI of 2012 on financial transaction duty is effective on financial service providers with residence or branch in Hungary. The National Bank of Hungary (‘NBH’) is exempt from the effect of the Act with the below mentioned exemptions. The Act comes into effect on 1st January 2013.

Tax payment obligation arises on the date of fulfilment of the payment transaction. The base of the tax is typically that amount with which the account of the payer is debited, in case of money transfer: the amount of the transfer order, in case of postal cash payment: the transferred amount, in case of issuance of central bank notes with maximum 2 weeks maturity: the issue price of the note, in case of term deposits at NBH with one day but maximum 2 weeks maturity: the amount of the term deposit. The forint amount of FX denominated transaction should be calculated with the official exchange rate of the NBH of the transaction day.

The rate of the tax is 0.1% but not more than HUF 6,000 per transaction. The HUF 6,000 limit is not effective if the payer of the duty is the NBH, the Post or the Treasury. Furthermore, the deposit at the central bank with 1 day maturity is an exemption with 0.01% tax rate. Payers of the duty (typically the banks) have to inform their customers about the amount of paid duty on the account statements. Financial service providers have to fix the amount of payable duty on a monthly base up to the 20th day of the month following the month of the transaction.

List of transactions with tax payment obligation (the relevant obliged person is in brackets):

- transfers of funds; direct debits; payments initiated by the payer through the beneficiary, payments from a payment account, cheques made out to cash (financial service provider of the payer)
- cash payments initiated through the Hungarian Post Clearing Centre (Hungarian Post)
- cash transfers (the cash transferring financial service provider)
- letters of credit (the opening party financial service provider)
- central bank securities issued with maximum two weeks maturity (National Bank of Hungary)
- central bank deposits with maturity between one day and maximum 2 weeks (National Bank of Hungary); and
- all payment orders qualified as a financial service which results in a reduction in the payer’s account balance with the amount of the payment order (financial service provider of the payer).

List of transaction without tax payment obligation

- transfers between accounts held with the same financial service provider where payer and payee are the same person;
- payment transaction on the customer- or other security related account if the investment service is provided by a related entity of the financial service provider and the payer and the payee are the same person
- transfer governed by the Act on the fulfilment finality of payment and clearing systems
- cash pooling transactions, provided that accounts of the group members are held with the same financial service provider
- financial transactions between financial service providers (and certain financial institutions)
- financial transactions debiting the supply- and family subsidy accounts of the financial funds of social security system
- non-validated or erroneously fulfilled financial transactions

Shifting the burden on bank customers is not constrained by the Act.

[7] The mortgage bonds issued by OTP Mortgage Bank on 10 August and on 18 November 2011 with a notional principal of EUR 750 million each were mostly purchased by OTP Bank. Only a tranche of EUR 19 million was bought by investors outside OTP Group.

OTP FUND MANAGEMENT (HUNGARY)

Changes in assets under management and financial performance of OTP Fund Management:

Main components of P&L account in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfer and banking tax	1,971	476	-76%	910	527	-50	-110%	-106%
Corporate income tax	462	54	-88%	213	110	-55	-150%	-126%
Profit before income tax	2,433	531	-78%	1,123	636	-106	-117%	-109%
Total income	3,072	1,262	-59%	1,479	956	306	-68%	-79%
Net interest income	66	27	-59%	31	18	9	-47%	-70%
Net fee and commission income	2,504	1,280	-49%	1,236	968	313	-68%	-75%
Other net non-interest income	503	-45	-109%	212	-29	-16	-46%	-107%
Operating expenses	-639	-731	14%	-356	-319	-412	29%	16%
Personnel expenses	-210	-355	69%	-89	-177	-178	1%	101%
Operating expenses	-423	-358	-15%	-265	-133	-225	69%	-15%
Depreciation	-7	-19	178%	-3	-9	-9	-4%	200%
Main components of balance sheet closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	8,633	8,291	-4%	7,302	9,099	8,291	-9%	14%
Total shareholders' equity	7,115	3,567	-50%	5,420	3,486	3,567	2%	-34%
Asset under management in HUF bn	**2011**	**2Q 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Assets under management, total (w/o duplicates)	**993**	**966**	**-3%**	**1,006**	**950**	**966**	**2%**	**-4%**
Retail investment funds (closing, w/o duplicates)	594	590	-1%	601	569	590	4%	-2%
Volume of managed assets (closing, w/o duplicates)	400	375	-6%	405	382	375	-2%	-7%
Volume of investment funds (with duplicates)	**796**	**708**	**-11%**	**1,108**	**726**	**708**	**-2%**	**-36%**
money market	375	366	-2%	340	354	366	4%	8%
bond	112	103	-8%	166	103	103	0%	-38%
mixed	11	11	-6%	14	11	11	-4%	-23%
equity	196	113	-42%	468	152	113	-25%	-76%
guaranteed	81	86	6%	97	82	86	4%	-12%
other	21	29	38%	23	24	29	21%	26%

OTP Fund Management posted HUF 476 million after tax profit in 1H 2012 (excluding the special banking tax on financial institutions), whereas in 2Q the company realized a negative earnings of HUF 50 million. Quarterly earnings were substantially influenced by a one-off item: recently the Hungarian FSA reviewed the practice of local fund managers as to how much they charged directly and indirectly for handling private pension funds investments. As a result, FSA obliged the company to refund HUF 597 million to OTP Private Pension Fund. The adjusted 1H net result would represent HUF 960 million with 2Q earnings standing at HUF 433 million.

The company's operating profit fell short of the base period performance significantly. The fund and wealth management fees dropped sharply (-49% y-o-y). The main reason for a declining fee income is that the redemption of investment fund units held earlier in the portfolios of private pension funds (and transferred to the Government Debt Management Agency) continued, but institutional investors also withdrew funds as sentiment changed into negative. At the same time operating expenses grew by 14% y-o-y.

The Hungarian investment fund market suffered a capital outflow: in 2012 ytd HUF 170 billion was withdrawn, bulk of it was institutional money. During the past six months the volume of managed funds grew by HUF 67 billion as a result of improving performance. The most "victimized" segments of the capital outflow were the equity and money market funds. The latter also suffered from the redemption of investment fund units from the portfolio transferred to the State. At the same time index-linked funds turned to be popular and in the past three months they managed to attract fresh money.

As for OTP Fund Management, the volume of investment funds and managed assets (w/o duplication) decreased ytd (by 1% and 6%, respectively). In line with prevailing market trends the most significant redemption hit the equity funds, their volumes almost halved. Substantial withdrawal was observed in case of fixed income funds, too. In 1Q liquidity, money market and indexed-linked funds attracted approximately HUF 12 billion fresh money.

The market share of OTP Fund Management stood at 26.2% at the end of June 2012 (adjusted for estimated duplication) underpinning a q-o-q 47 ppts decrease mainly driven by the shrinking institutional portfolio. The client base of the Company however increased by 6,000 people and by June it exceeded 213 thousand clients.

The other two consolidated fund management companies within OTP Group (operating in the Ukraine and in Romania) posted HUF 9 million loss in 2Q 2012.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	1,183	1,447	22%	36	996	451	-55%	
Income tax	0	86		0	165	-79	-148%	
Profit before income tax	1,183	1,361	15%	36	831	530	-36%	
Operating profit	5,580	4,404	-21%	2,469	2,202	2,203	0%	-11%
Total income	8,667	7,505	-13%	4,044	3,702	3,803	3%	-6%
Net interest income	8,059	7,884	-2%	3,884	3,985	3,900	-2%	0%
Net fees and commissions	-1,728	-1,472	-15%	-865	-755	-716	-5%	-17%
Other net non-interest income without the effect of revaluation of FX provisions	2,337	1,093	-53%	1,026	473	620	31%	-40%
Operating expenses	-3,087	-3,101	0%	-1,575	-1,501	-1,601	7%	2%
Total risk costs	-4,397	-3,044	-31%	-2,433	-1,371	-1,673	22%	-31%
Provision for possible loan losses without the effect of revaluation of FX provisions	-4,241	-2,956	-30%	-2,340	-1,325	-1,631	23%	-30%
Other provision	-155	-87	-44%	-92	-46	-41	-9%	-55%
Main components of balance sheet closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	270,894	252,616	-7%	249,049	259,990	252,616	-3%	1%
Gross customer loans	305,445	285,234	-7%	287,882	291,055	285,234	-2%	-1%
Gross customer loans (FX-adjusted)	291,744	285,234	-2%	306,823	286,689	285,234	-1%	-7%
Retail loans	2,290	3,028	32%	1,003	2,540	3,028	19%	202%
Corporate loans	30,272	35,536	17%	30,645	32,293	35,536	10%	16%
Car financing loans	259,182	246,670	-5%	275,175	251,856	246,670	-2%	-10%
Allowances for possible loan losses	-54,563	-56,226	3%	-50,802	-55,121	-56,226	2%	11%
Allowances for possible loan losses (FX-adjusted)	-53,995	-56,226	4%	-51,741	-54,947	-56,226	2%	9%
Deposits from customers	4,673	4,135	-12%	4,886	4,272	4,135	-3%	-15%
Deposits from customers (FX-adjusted)	4,671	4,135	-11%	4,902	4,271	4,135	-3%	-16%
Retail deposits	1,673	1,241	-26%	2,144	1,467	1,241	-15%	-42%
Corporate deposits	2,998	2,894	-3%	2,758	2,804	2,894	3%	5%
Liabilities to credit institutions	211,429	187,756	-11%	194,574	199,455	187,756	-6%	-4%
Total shareholders' equity	25,332	26,327	4%	23,463	25,868	26,327	2%	12%
Loan Quality	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	54,582	61,364	12.4%	54,582	59,525	61,364	3.1%	12.4%
90+ days past due loans/gross customer loans (%)	19.0%	21.5%	2.6%	19.0%	20.5%	21.5%	1.1%	2.6%
Cost of risk/average gross loans (%)	2.87%	2.01%	-0.86%	3.32%	1.79%	2.28%	0.49%	-1.04%
Cost of risk/average gross loans (FX-adjusted) (%)	2.70%	2.06%	-0.64%	3.03%	1.84%	2.29%	0.45%	-0.73%
Total provisions/90+ days past due loans (%)	93.1%	91.6%	-1.4%	93.1%	92.6%	91.6%	-1.0%	-1.4%
Performance Indicators (%)	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	0.9%	1.1%	0.2%	0.1%	1.5%	0.7%	-0.8%	0.7%
ROE	10.5%	11.3%	0.8%	0.6%	15.7%	7.0%	-8.7%	6.3%
Net interest margin	6.08%	6.06%	-0.02%	6.25%	6.04%	6.12%	0.08%	-0.13%
Cost/income ratio	35.6%	41.3%	5.7%	39.0%	40.5%	42.1%	1.6%	3.1%

- ***HUF 1.4 billion profit was realized in the first half of 2012. The y-o-y improvement was driven by decreasing risk cost and effective cost control, while other income declined due to base effect***
- ***Loan quality went on deteriorating, coverage ratio remained comfortably high at 91.6%***
- ***Despite the uptrend in new loan sales, car financing loan volumes continued eroding***

Merkantil Bank and Car's aggregated 1H 2012 after tax result totalled to HUF 1.4 billion, 22% higher than a year ago. 2Q 2012 was the sixth consecutive profitable quarter since 1Q 2011. The 55% quarterly decline of after tax profit in 2Q 2012 was partly explained by the deferred tax item booked in 1Q 2012. Profit before income tax dropped by 36% q-o-q.

The semi-annual operating result declined by 21% y-o-y, owing to the 13% drop in total income, while operating costs remained practically unchanged. At the same time, quality of the income structure improved as core banking revenues were flat, but other income eroded due to base effect. Merkantil realized FX gain in the base period: in 1H 2011 the open FX position was gradually closed at stronger HUF levels. These positions had been closed in the meantime fully and did not influence the 1H 2012 result.

In 1H 2012 net interest income came out 2% below the 1H 2011 level. Intragroup funding spreads became wider, however, this was somewhat offset by the weakening average exchange rate of HUF against CHF (+16% y-o-y). This exerted a positive effect on the interest income from CHF denominated loans in HUF terms. The trend-like shrinkage of net fee and commission expenses continued.

In the first half of 2012 total risk cost fall by 31% y-o-y. Loan quality went on deteriorating, the ratio of loans with more than 90 days of delinquency reached 21.5%. Cash provision coverage of defaulted loans remained at a satisfactorily high level (91.6%, -1 ppt q-o-q, -1.4 ppts y-o-y).

The FX-adjusted car financing loan book continued shrinking: the decline amounted to 10% y-o-y and 2% q-o-q. In 1H 2012 the lending activity strengthened further: the newly disbursed car financing loan volume was 55% higher than a year ago. The corporate loan portfolio which accounts for the smaller part of the total loan book expanded nicely both q-o-q and y-o-y, because new big ticket leasing sales volumes rapidly gained momentum (although from a relatively low base).

IFRS REPORTS OF THE MAIN SUBSIDIARIES

In the following parts of the Report, the after tax profit of the subsidiaries are presented without any received dividends and net cash transfers. The structural adjustments on the lines of subsidiaries' Statements of recognised income as well as description of calculation methods of performance indices are to be found in supplementary data annex.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	16,996	22,375	32%	9,251	11,332	11,043	-3%	19%
Income tax	-5,415	-6,496	20%	-2,928	-3,290	-3,206	-3%	10%
Profit before income tax	22,411	28,871	29%	12,179	14,621	14,249	-3%	17%
Operating profit	34,046	58,773	73%	17,882	27,116	31,657	17%	77%
Total income	63,813	93,714	47%	32,375	45,226	48,488	7%	50%
Net interest income	56,450	82,704	47%	28,148	41,507	41,197	-1%	46%
Net fees and commissions	7,566	9,259	22%	4,097	3,678	5,581	52%	36%
Other net non-interest income	-203	1,751	-963%	130	41	1,710		
Operating expenses	-29,767	-34,941	17%	-14,494	-18,111	-16,830	-7%	16%
Total risk costs	-11,635	-29,902	157%	-5,702	-12,494	-17,408	39%	205%
Provision for possible loan losses	-11,372	-29,370	158%	-5,579	-12,236	-17,133	40%	207%
Other provision	-264	-533	102%	-124	-258	-275	7%	122%
Main components of balance sheet closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	868,231	896,738	3%	608,635	926,460	896,738	-3%	47%
Gross customer loans	729,910	671,719	-8%	509,943	726,733	671,719	-8%	32%
Gross customer loans (FX-adjusted)	681,005	671,719	-1%	548,965	676,176	671,719	-1%	22%
Retail and SME loans	617,120	627,320	2%	462,274	618,359	627,320	1%	36%
Corporate loans	51,631	35,385	-31%	71,660	47,275	35,385	-25%	-51%
Car financing loans	12,253	9,014	-26%	15,030	10,542	9,014	-14%	-40%
Allowances for possible loan losses	-72,332	-94,493	31%	-57,007	-85,039	-94,493	11%	66%
Allowances for possible loan losses (FX-adjusted)	-67,456	-94,493	40%	-60,924	-78,828	-94,493	20%	55%
Deposits from customers	488,582	471,311	-4%	367,611	469,138	471,311	0%	28%
Deposits from customer (FX-adjusted)	456,098	471,311	3%	397,367	440,665	471,311	7%	19%
Retail and SME deposits	374,671	388,767	4%	282,029	367,663	388,767	6%	38%
Corporate deposits	81,427	82,544	1%	115,338	73,002	82,544	13%	-28%
Liabilities to credit institutions	91,738	89,693	-2%	62,084	104,534	89,693	-14%	44%
Issued securities	105,490	138,117	31%	34,613	151,263	138,117	-9%	299%
Subordinated debt	17,567	16,540	-6%	14,437	16,722	16,540	-1%	15%
Total shareholders' equity	144,838	156,497	8%	113,177	159,620	156,497	-2%	38%
Loan Quality	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	67,748	99,315	46.6%	67,748	90,435	99,315	9.8%	46.6%
90+ days past due loans/gross customer loans (%)	13.3%	14.8%	1.5%	13.3%	12.4%	14.8%	2.3%	1.5%
Cost of risk/average gross loans (%)	4.50%	8.43%	3.92%	4.50%	6.76%	9.86%	3.10%	5.35%
Cost of risk/average (FX-adjusted) gross loans (%)	4.27%	8.73%	4.46%	4.17%	7.25%	10.22%	2.97%	6.05%
Total provisions/90+ days past due loans (%)	84.1%	95.1%	11.0%	84.1%	94.0%	95.1%	1.1%	11.0%
Performance Indicators (%)	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	5.4%	5.1%	-0.3%	6.0%	5.1%	4.9%	-0.2%	-1.1%
ROE	32.5%	29.9%	-2.6%	33.8%	29.9%	28.1%	-1.8%	-5.7%
Total income margin	20.22%	21.36%	1.14%	20.84%	20.27%	21.39%	1.12%	0.55%
Net interest margin	17.88%	18.85%	0.96%	18.12%	18.60%	18.18%	-0.43%	0.06%
Cost/income ratio	46.6%	37.3%	-9.4%	44.8%	40.0%	34.7%	-5.3%	-10.1%
Net loans to deposits (FX-adjusted)	123%	122%	0%	123%	136%	122%	-13%	0%

- ***HUF 22 billion profit for 1H 2012 tops last 1H 2011 results by more than 30%, 2Q profit was about the same as in 1Q***
- ***Operating profit surged by 73% y-o-y***
- ***Leaping 2Q risk cost, improving provision coverage (2Q 2012: 95.1%)***
- ***Still robust consumer loan disbursement***
- ***Cost efficiency is further improving (2Q 2012 cost/income ratio at 37.3%, -9.4 ppts y-o-y)***

The HUF denominated financials of OTP Bank Russia were highly influenced by the development of the HUF/RUB exchange rate: in 2Q 2012 the closing rate of the HUF weakened by 6% y-o-y, while the 1H average rate weakened by 11% y-o-y against RUB. Concerning the closing rate of HUF/RUB in 2Q there was an 8% q-o-q HUF strengthening, while the average rate in 2Q showed about 2% HUF appreciation q-o-q and 12% depreciation y-o-y.

After tax profit of **OTP Bank Russia** for 1H 2011 amounted to HUF 22.3 billion, by 32% above the net profit of the base period; the HUF 11 billion 2Q profit is about the same as in 1Q.

Total income in 1H 2012 showed dynamic increase, net interest income grew by 47%, net fees increased by 22% y-o-y. Besides swelling loan volumes (FX-adjusted 22% increase) higher interest margin (1H 2012: 18.9%, +1.0 ppt y-o-y) also fuelled the increase of income. Although net fee margin decreased by 30 basis points, net fee income increased by 22% y-o-y, mainly driven by the still outstandingly strong dynamics of the credit card business. In 1H 2012 HUF 1.8 billion other net non-interest income beefed up the results, mainly owing to the FX gains due to revaluation of open positions in 2Q. This gain is the result of the different exchange rates used by the National Bank and markets at the revaluation of the open USD positions and the hedging transactions. In the long run no major P&L impact is expected from this discrepancy. Operating expenses grew (+17% y-o-y, +6% in RUB terms), which is caused by the stronger business activity, nevertheless, operating profit surged by 73%, which is an outstanding yearly improvement. As a result, cost/income ratio of the bank improved significantly (1H 2012: 37.3%, -9.4 ppts y-o-y).

Risk cost grew significantly in 1H 2012, by 157% y-o-y; 2Q risk cost exceeded the quarterly basis by 39%. The larger loan portfolios as well as the quality deterioration of POS and cash loan portfolios are the primary causes of the surging risk cost. Since the record disbursements at the end of last year included lower quality loans as well, so comparing the DPD90+ loans at the end of 2Q to the seasonally smaller overall loan portfolio results in an increase to 14.8% in the ratio (+1.5 ppts y-o-y, +2.3 ppts q-o-q). On the quarterly basis all product segments showed deterioration. Due to the high risk cost, provision coverage of DPD90+ portfolio further improved (2Q 2012: 95.1%, +11 ppts y-o-y, +1.1 ppts q-o-q). The improvement of the coverage of consumer loans alone required and additional HUF 1.5 billion risk cost in 2Q.

2Q 2012 also showed robust operating profit accumulation (+17% q-o-q), the q-o-q stagnation of after tax profit is caused by the previously mentioned high provisioning. Due to the seasonality in POS lending net interest income stagnated q-o-q, while net interest margin slightly decreased (2Q: 18.18%, -43 bps q-o-q). The latter is reasoned on one hand by the fact that until the second half of the year, when lending starts picking up, deposits with high interest rates were invested into yielding interbank assets. On the other hand provisions on interest income also grew in line with the portfolio deterioration. Net fees improved (+52% q-o-q, +36% y-o-y). In 2Q the quarterly growth is partly reasoned by a basis effect (in 1Q fees paid was higher due to an agency contract with a retail chain). Nevertheless fees and commissions stemming from the credit card business increased as well as the insurance fee income in connection with the “POS loan with insurance” product. Furthermore there was a decrease in the fees paid to POS agents and expenses incurred in connection with the collection activities.

Operating expenses decreased by 6% q-o-q in RUB terms: other expenses decreased by 5% due to the seasonally lower business activity and personnel expenses decreased, too (-19% q-o-q) owing to the degressive tax system. The bank’s cost/income ratio improved significantly and ended the quarter below 35% (2Q 2012: 34.7%, -5.3 ppts q-o-q, -10.1 ppts y-o-y).

The Russian bank is still very successful in selling consumer loans; the gross consumer loan portfolio increased by 45% y-o-y (FX-adjusted growth). In case of the flagship POS-loan product the low season is the main reason behind the 3% q-o-q shrinkage of the portfolio; however the bank managed to increase its market share (21.3%, +0.3 ppts q-o-q) as the market decline was greater. The 39% y-o-y increase of the POS-loan portfolio is still very robust. The bank kept its No. 2 position in this segment.

Notwithstanding the strengthening market competition, due to the 750 thousand cards sent out in 2Q, the simultaneously high activation rate and the slightly higher average loan volume, the credit card segment grew further in 2Q 2012 (+59% y-o-y, +15% q-o-q). Currently the bank is the sixth largest player in this segment.

Beside the two main products cash loan portfolio also thrived significantly in 2011 due to the change in conditions of the product and the introduction of risk based pricing. However, the management decided to put more emphasis on the sales of products with higher profitability, thus cash loan portfolio has been shrinking since 4Q 2011 (2Q 2012: +41% y-o-y, -3% q-o-q).

The decrease of the corporate portfolio continued: in 2Q 2012 it shrank by 51% y-o-y on FX-adjusted basis, and dropped by 25% q-o-q. This typically low margin segment is dominated by state owned banks; OTP Bank Russia started to develop the letter of credit business in 2Q.

Total deposits grew by 19% y-o-y and by 7%[8] q-o-q FX-adjusted. Due to the slightly higher interest rates portfolio volume grew in all segments q-o-q: retail deposits increased by 6%, SME by 4% and corporate by 13%, respectively. As a combined effect of the seasonally lower loan portfolio and the growing deposit base, FX-adjusted net loan-to-deposit ratio decreased to 122%, -13 ppts q-o-q, the yearly change was not significant.

With the aim of diversifying the funding base, the Bank continued its bond issuance programme launched in March 2011. After the total of RUB 11.5 billion bonds issued in 2011 the Bank printed a RUB 6 billion note on 6 March 2012 with 3 years maturity.

The number of employees decreased q-o-q by 10 to 5,067 by the end of 2Q 2012, at the same time the number of branches increased from 151 to 152. The new branch was opened in the Far-Eastern region of the country, thus since November last year 10 new branches have been opened in that region. The number of POS loan agents exceeded 22 thousand. (+32% y-o-y) of which the number of own agents was 6,598 while number of third party agents reached 16,221.

DSK GROUP (BULGARIA)[9]

Performance of DSK Group:

Main components of P&L account in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	5,499	15,607	184%	2,015	9,890	5,717	-42%	184%
Income tax	-614	-1,885	207%	-225	-1,107	-777	-30%	246%
Profit before income tax	6,113	17,492	186%	2,240	10,997	6,495	-41%	190%
Operating profit	29,726	31,119	5%	14,619	15,539	15,580	0%	7%
Total income	45,265	48,515	7%	22,301	24,137	24,377	1%	9%
Net interest income	36,352	38,571	6%	17,942	19,518	19,054	-2%	6%
Net fees and commissions	7,368	8,280	12%	3,849	3,928	4,351	11%	13%
Other net non-interest income	1,545	1,664	8%	510	691	973	41%	91%
Operating expenses	-15,539	-17,396	12%	-7,681	-8,598	-8,798	2%	15%
Total provisions	-23,613	-13,627	-42%	-12,380	-4,542	-9,085	100%	-27%
Provision for possible loan losses	-23,697	-13,628	-42%	-12,455	-4,544	-9,085	100%	-27%
Other provision	84	1	-98%	75	2	0	-118%	-100%
Main components of balance sheet closing balances in HUF mn	**2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	1,360,510	1,321,827	-3%	1,149,230	1,339,930	1,321,827	-1%	15%
Gross customer loans	1,221,517	1,132,236	-7%	1,030,118	1,157,953	1,132,236	-2%	10%
Gross customer loans (FX-adjusted)	1,131,753	1,132,236	0%	1,118,142	1,129,140	1,132,236	0%	1%
Retail loans	894,036	893,011	0%	891,338	890,991	893,011	0%	0%
Corporate loans	237,717	239,224	1%	226,804	238,149	239,224	0%	5%
Allowances for possible loan losses	-158,490	-159,153	0%	-115,352	-154,119	-159,153	3%	38%
Allowances for possible loan losses (FX-adjusted)	-146,846	-159,153	8%	-125,195	-150,305	-159,153	6%	27%
Deposits from customers	1,013,310	968,859	-4%	843,881	989,777	968,859	-2%	15%
Deposits from customer (FX-adjusted)	939,822	968,859	3%	920,686	967,541	968,859	0%	5%
Retail deposits	827,398	840,510	2%	783,541	846,263	840,510	-1%	7%
Corporate deposits	112,424	128,348	14%	137,146	121,277	128,348	6%	-6%
Liabilities to credit institutions	12,223	24,642	102%	6,796	17,475	24,642	41%	263%
Subordinated debt	109,262	101,150	-7%	93,270	104,190	101,150	-3%	8%
Total shareholders' equity	209,484	209,039	0%	189,704	209,245	209,039	0%	10%

[8] The y-o-y growth of the individual product categories is biased due to reclassifications in the course of 2011. In 3Q 2011 SME deposits worth HUF 56 billion have been reclassified from corporate to retail deposit portfolio.

[9] Since 3Q 2010 based on the consolidated Profit and Loss Statement of DSK Group and the newly established Bulgarian factoring company, OTP Factoring Bulgaria LLC. Loan portfolio contains the assets sold to the factoring company at pre-sale gross value and with the related provisioning.

Loan Quality	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	145,579	203,310	39.7%	145,579	201,902	203,310	0.7%	39.7%
90+ days past due loans/gross customer loans (%)	14.1%	18.0%	3.8%	14.1%	17.4%	18.0%	0.5%	3.8%
Cost of risk/average gross loans (%)	4.55%	2.33%	-2.22%	4.87%	1.54%	3.19%	1.65%	-1.68%
Cost of risk/average (FX-adjusted) gross loans	4.29%	2.42%	-1.87%	4.48%	1.62%	3.23%	1.61%	-1.25%
Total provisions/90+ days past due loans (%)	79.2%	78.3%	-1.0%	79.2%	76.3%	78.3%	1.9%	-1.0%
Performance Indicators (%)	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	0.9%	2.3%	1.4%	0.7%	2.9%	1.7%	-1.2%	1.0%
ROE	5.4%	15.0%	9.6%	4.0%	19.0%	11.0%	-8.0%	7.0%
Total income margin	7.71%	7.27%	-0.44%	7.78%	7.19%	7.37%	0.18%	-0.42%
Net interest margin	6.19%	5.78%	-0.41%	6.26%	5.81%	5.76%	-0.06%	-0.50%
Cost/income ratio	34.3%	35.9%	1.5%	34.4%	35.6%	36.1%	0.5%	1.6%
Net loan to deposit ratio (FX-adjusted)	108%	100%	-7%	108%	101%	100%	-1%	-7%

- ***1H net profit almost tripled (y-o-y +184%) primarily due to decreasing (y-o-y -42%) loan loss provisioning***
- ***Stagnating FX-adjusted loan and deposit portfolio; net loan-to-deposit ratio declined to 100% (y-o-y -7 ppts)***
- ***Y-o-y narrowing net interest margin (5.78%; -0.41 ppts) due to exchange-rate driven net interest income growth and increasing total assets (y-o-y +15%)***
- ***Moderating portfolio quality deterioration, stable DPD90+ coverage (78.3%)***

HUF denominated financials of DSK Group were highly influenced by the development of the BGN-HUF exchange rate: in 2Q 2012 the closing rate of the HUF weakened by 9% y-o-y, and strengthened by 2% q-o-q against BGN, while the half-year average rate depreciated by 10% y-o-y.

The **DSK Group** reached HUF 15.6 billion after tax profit in 1H 2012 which is almost triple of 1H 2011 net profit (y-o-y +184%). The outstanding growth is primarily due to moderating risk provisioning (-42% y-o-y).

1H 2012 total income went up by 7% y-o-y (in BGN diminished by 2%) due to 6% increase of net interest income, 12% growth of net fee income and by 8% higher other net non-interest income.

The quarterly 2% decline of net interest income is set-off by the q-o-q 11% increase of net fee income and q-o-q 41% growth of other net non-interest income. The latter is the result of the q-o-q by 35% higher FX-gain and the technical type other income - related to loan portfolio sold to OTP Faktoring Bulgaria - which is totally offset within risk costs with a time lag.

Net interest margin narrowed by 41 bps y-o-y in 1H 2012 (1H 2011: 6.19%, 1H 2012: 5.78%; 2Q 2012: 5.76%) mainly due to lower net interest income and higher amount of total assets. Owing to its stable liquidity position, the Bank continuously lowered deposit rates. However, lower deposit rates could not off-set shrinking of the margin. Cost/income ratio increased by 1.5 ppts (1H 2012: 35.9%, 1H 2011: 34.3%, 2Q 2012: 36.1%) due to lower total income (-2% y-o-y in BGN) and higher operating expenses (+4% y-o-y in BGN) (y-o-y +7% and +12% in HUF, respectively). The y-o-y significantly improved net profit is due to moderate risk provisioning: HUF 13.6 billion 1H amount reflects a y-o-y 42% drop which is – apart from the increased volume of mortgage loan related real estate insurance portfolio in 1Q – due to y-o-y slower portfolio deterioration. As a result of doubling risk costs in 2Q (q-o-q +100%) the coverage ratio of DPD90+ portfolio is 78.3% (q-o-q +1.9 ppts, y-o-y -1 ppt).

In 2Q 2012 portfolio quality deteriorated at a slower pace (DPD90+ ratio: 18%, -0.5 ppt). Regarding the composition of portfolio deterioration, the DPD90+ ratio of mortgage loans increased to 20.4%, while that of consumer loans to 15.2%. The quality of SME loan portfolio stagnated (DPD90+ ratio: 39.9%, -0.1 ppt), while DPD90+ ratio of large corporate loan portfolio declined by 0.4 ppt to 11.9%. The improvement is due to restructuring of three large corporate loans. Q-o-q the FX-adjusted loan portfolio remained flat (y-o-y +1%). Recovery of lending activity in March resulted a stable mortgage and consumer loan book, the volume of corporate loans did not change. The 1Q growth of market share of newly disbursed customer loans was followed by a slight decline in 2Q. At the end of June DSK's loan market share was 13.8% (q-o-q -0.2 ppt).

In spite of the continuously decreasing deposit interest rates the FX-adjusted deposit base stagnated, the 1% drop of retail and SME portfolio was balanced by q-o-q 6% increase of the corporate deposit book. Thus DSK's overall deposit market share remained stable at 11.6%, but in the retail segment decreased to 16.9% (q-o-q -0.3 ppt) and in the corporate segment increased to 5.3% (q-o-q +0.2 ppt).

As a result of stagnating loan and deposit base the net-loan-to-deposit ratio declined further (1H 2011: 108%; 1Q 2012: 101%; 2Q: 100%).

Capital position of DSK remained very strong, the capital adequacy ratio is more than 1.5 times higher than the regulatory minimum (1H 2012: 19.1% vs. 12%; Tier1 ratio: 15.3% vs. 10%).

In 1H 2012 DSK closed 4 branches (thus number of branches dropped to 382), the headcount increased by 8 persons q-o-q to 4.621.

On July 30, 2012 Moody's closed the rating review of DSK and confirmed the "Baa3" long term FX and BGN deposit rating of the Bank.

OTP BANK UKRAINE[10]

Performance of OTP Bank Ukraine:

Main components of P&L Account in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	5,963	-4,074	-168%	5,100	-2,601	-1,473	-43%	-129%
Corporate income tax	-13	-1,634		-13	-721	-913		
Profit before income tax	5,975	-2,440	-141%	5,113	-1,880	-560	-70%	-111%
Operating profit	13,876	13,157	-5%	5,488	6,652	6,506	-2%	19%
Total income	25,593	28,138	10%	11,339	13,928	14,210	2%	25%
Net interest income	19,800	21,719	10%	9,249	10,904	10,815	-1%	17%
Net fees and commissions	3,773	5,295	40%	1,921	2,535	2,760	9%	44%
Other net non-interest income without the effect of revaluation of FX provisions	2,020	1,124	-44%	169	489	635	30%	276%
Operating expenses	-11,717	-14,981	28%	-5,851	-7,276	-7,704	6%	32%
Total risk costs	-7,901	-15,597	97%	-375	-8,532	-7,065	-17%	
Provision for possible loan losses without the effect of revaluation of FX provisions	-7,859	-15,836	102%	-470	-8,913	-6,923	-22%	
Other provision	-42	239	-666%	95	381	-142	-137%	-250%
Main components of balance sheet closing balances in HUF mn	2011	1H 2012	YTD	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
Total assets	778,198	720,325	-7%	609,992	751,116	720,325	-4%	18%
Gross customer loans	799,117	727,239	-9%	585,434	728,455	727,239	0%	24%
Gross customer loans (FX-adjusted)	758,997	727,239	-4%	722,549	749,517	727,239	-3%	1%
Retail loans	327,726	322,431	-2%	336,828	324,137	322,431	-1%	-4%
Corporate loans	385,323	365,131	-5%	336,774	382,421	365,131	-5%	8%
Car financing loans	45,948	39,678	-14%	48,947	42,959	39,678	-8%	-19%
Allowances for possible loan losses	-193,587	-198,302	2%	-143,849	-186,269	-198,302	6%	38%
Allowances for possible loan losses (FX-adjusted)	-183,942	-198,302	8%	-177,650	-191,704	-198,302	3%	12%
Deposits from customers	251,176	267,123	6%	177,491	272,430	267,123	-2%	50%
Deposits from customer (FX-adjusted)	237,765	267,123	12%	215,425	278,727	267,123	-4%	24%
Retail and SME deposits	142,425	170,407	20%	129,038	156,894	170,407	9%	32%
Corporate deposits	95,340	96,716	1%	86,387	121,833	96,716	-21%	12%
Liabilities to credit institutions	350,556	285,722	-18%	285,557	313,569	285,722	-9%	0%
Subordinated debt	47,971	44,698	-7%	37,888	44,428	44,698	1%	18%
Total shareholders' equity	120,149	112,232	-7%	94,174	107,892	112,232	4%	19%
Loan Quality	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
90+ days past due loan volume (in HUF million)	190,536	250,423	31.43%	190,536	227,754	250,423	10.0%	31.4%
90+ days past due loans/gross customer loans (%)	32.5%	34.4%	1.89%	32.5%	31.3%	34.4%	3.2%	1.9%
Cost of risk/average gross loans with the effect of revaluation of FX provisions (%)	2.48%	4.17%	1.69%	0.31%	4.69%	3.83%	-0.87%	3.51%
Cost of risk/average (FX-adjusted) gross loans without the effect of revaluation of FX provisions	2.14%	4.29%	2.14%	0.26%	4.75%	3.77%	-0.98%	3.51%
Total provisions/90+ days past due loans (%)	75.5%	79.2%	3.69%	75.5%	81.8%	79.2%	-2.6%	3.7%
Performance Indicators (%)	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
ROA	1.8%	-1.1%	-2.9%	3.3%	-1.4%	-0.8%	0.6%	-4.1%
ROE	11.8%	-7.0%	-18.9%	20.8%	-9.2%	-5.4%	3.8%	-26.2%
Total income margin	7.79%	7.55%	-0.23%	7.26%	7.33%	7.77%	0.44%	0.51%
Net interest margin	6.02%	5.83%	-0.19%	5.92%	5.74%	5.91%	0.18%	-0.01%
Net loans to deposits (FX-adjusted)	253%	198%	-55%	253%	200%	198%	-2%	-55%

[10] From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the financial statement and balance sheet of LLC OTP Credit was also added.

- ***HUF 4.1 billion after tax loss in 1H as a result of doubling risk costs***
- ***POS-lending kept growing steadily; cash loan origination and cross sale of credit cards started picking up***
- ***Due to the worsening corporate book and mortgage portfolio the DPD90+ ratio increased again***
- ***Despite significant risk costs in 2Q the DPD90+ coverage q-o-q dropped by 2.6 ppts to 79.2%***
- ***As a result of a successful deposit collection campaign retail deposit ytd advanced by a remarkable 20%***

The HUF denominated financials of OTP Bank Ukraine were highly influenced by the development of the UAH/HUF exchange rate: in 2Q 2012 the closing rate of the HUF weakened by 23% y-o-y, while 1H 2012 average rate depreciated by 17% on a yearly basis. The 2Q 2012 closing rate compared to the 1Q exchange rate strengthened by 3%, and quarterly average rate remained stable q-o-q.

In 1H 2012 OTP Bank Ukraine posted HUF 4.1 billion loss, a sharp difference against the HUF 6 billion after-tax profit in the same period a year earlier. However, the 2Q 2012 after-tax loss dropped by 43% q-o-q influenced by the stable quarterly operating income and still noticeable loan loss provisioning.

Higher y-o-y revenues in forint terms were mainly influenced by the exchange rate movement. Within revenues net interest income diminished further as a result of stagnating loan portfolio (+1% y-o-y, FX-adjusted) and it also reflected the growth of interest expenses on deposits boosted by periodic campaigns. In order to manage UAH liquidity the bank recently launched deposit campaigns and increased the volumes of term deposits (+22% ytd, FX-adjusted), while underlying deposits were also repriced and the portfolio of lower yielding saving deposits declined, too. As a result of growing deposits and higher rates net interest margin tightened (1H 2012: 5.83%, -19 basis points y-o-y).

The periodic net fee and commission income (in UAH terms) showed y-o-y 23% increase, partially as a consequence of expanding deposit and transaction related fees and the strong performance of card related fees on the back of successful cross selling activity.

Operating expenses surged both on a yearly and quarterly basis in UAH terms (+11% and +5%, respectively), mainly driven by the gradual increase in personnel and administrative expenses. Parallel with the expansion of POS lending and cash loan origination the recruitment of selling agents, as well as branch network rationalization continued. The agency network showed a dynamic expansion by 373 people ytd (1H 2012: 1,773 people), while the total number of employees declined by 70 people ytd (1H 2012: 2,933 people, without agents). Periodic costs, associated with the above mentioned processes put an upward pressure on cost income ratio (1H 2012: 53.2%) increasing by 7.5 ppts y-o-y.

Periodic risk cost (HUF 16 billion) doubled (+102% y-o-y) on a yearly basis, albeit quarterly provisioning dropped by 20%.

While the FX-adjusted overall loan portfolio stagnated, the deterioration of the mortgage book accelerated: by end-June the DPD90+ ratio jumped to 49.3% (+7.5 ppts y-o-y).

Concerning the 2Q portfolio quality development, noticeable deterioration was observed in case of corporate loans, four corporate exposures fell into the delinquent category. As a result, the corporate DPD90+ ratio increased by 4.2 ppts and represented 20.3% at the end of June 2012.

The FX-adjusted gross loan portfolio stagnated: corporate loan book shrank further, but the consumer lending gradually gains momentum. Since the first POS loan origination in March 2011, the volume of monthly disbursement has shown a steady increase. Further improvement of the scoring system as well as the strengthening of the soft collection activity had major importance. In last November cash loan sales started together with the cross sales of credit cards to POS borrowers, consequently by 1H 2012 the volume of consumer loans grew by eight folds y-o-y and currently represents 8% of the retail book.

Regarding the corporate segment, the corporate book somewhat contracted ytd due to repayments. Accordingly, the net loan to deposit ratio decreased further (2012 1H: 198%, -2 ppts q-o-q and -55 ppts y-o-y).

The Ukrainian subsidiary retained its stable capital position, its capital adequacy ratio calculated under local standards stood at 19.1% (regulatory minimum: 10%) as at the end of June 2012.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs[1]	1,473	-242	-116%	1,326	-1,163	921	-179%	-31%
Income tax	-10	0	-100%	-1	0	0		-100%
Profit before income tax	1,484	-242	-116%	1,327	-1,163	921	-179%	-31%
Operating profit	4,111	3,671	-11%	1,559	2,211	1,460	-34%	-6%
Total income	10,622	10,502	-1%	4,787	5,504	4,998	-9%	4%
Net interest income	8,824	8,580	-3%	5,032	4,607	3,973	-14%	-21%
Net fees and commissions	1,202	846	-30%	642	420	426	1%	-34%
Other net non-interest income without the effect of revaluation of FX provisions	596	1,076	81%	-887	477	599	26%	-168%
Operating expenses	-6,511	-6,831	5%	-3,228	-3,293	-3,538	7%	10%
Total risk costs	-2,627	-3,913	49%	-232	-3,373	-540	-84%	132%
Provision for possible loan losses without the effect of revaluation of FX provisions	-2,597	-3,893	50%	-189	-3,358	-535	-84%	183%
Other provision	-31	-20	-34%	-44	-15	-5	-68%	-89%
Main components of balance sheet[2] closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	460,623	453,223	-2%	401,883	448,157	453,223	1%	13%
Gross customer loans	394,188	379,506	-4%	332,483	384,566	379,506	-1%	14%
Gross customer loans (FX-adjusted)	366,076	379,506	4%	359,844	374,810	379,506	1%	5%
Retail loans	273,183	285,669	5%	262,070	281,431	285,669	2%	9%
Corporate loans	92,894	93,837	1%	97,774	93,379	93,837	0%	-4%
Allowances for possible loan losses	-33,266	-36,960	11%	-26,593	-37,388	-36,960	-1%	39%
Allowances for possible loan losses (FX-adjusted)	-30,818	-36,960	20%	-28,663	-36,431	-36,960	1%	29%
Deposits from customers	120,822	137,958	14%	95,839	120,425	137,958	15%	44%
Deposits from customers (FX-adjusted)	110,134	137,958	25%	101,782	116,539	137,958	18%	36%
Retail deposits	88,316	104,586	18%	78,835	92,472	104,586	13%	33%
Corporate deposits	21,818	33,372	53%	22,947	24,067	33,372	39%	45%
Liabilities to credit institutions	280,966	248,149	-12%	254,104	259,209	248,149	-4%	-2%
Total shareholders' equity	28,353	34,320	21%	25,392	34,860	34,320	-2%	35%
Loan Quality	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	39,802	55,495	39%	39,802	52,186	55,495	6%	39%
90+ days past due loans/gross customer loans (%)	12.0%	14.6%	2.7%	12.0%	13.6%	14.6%	1.1%	2.7%
Cost of risk/average gross loans (%)	1.58%	2.02%	0.44%	0.24%	3.47%	0.56%	-2.91%	0.33%
Cost of risk/average gross loans (FX-adjusted) (%)	1.48%	2.10%	0.62%	0.21%	3.65%	0.57%	-3.08%	0.36%
Total provisions/90+ days past due loans (%)	66.8%	66.6%	-0.2%	66.8%	71.6%	66.6%	-5.0%	-0.2%
Performance Indicators (%)	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	0.7%	-0.1%	-0.8%	1.4%	-1.0%	0.8%	1.9%	-0.5%
ROE	11.8%	-1.6%	-13.3%	21.1%	-14.8%	10.7%	25.5%	-10.4%
Total income margin	5.18%	4.62%	-0.56%	4.88%	4.87%	4.46%	-0.41%	-0.42%
Net interest margin	4.31%	3.78%	-0.53%	5.13%	4.08%	3.55%	-0.53%	-1.58%
Cost/income ratio	61.3%	65.0%	3.8%	67.4%	59.8%	70.8%	11.0%	3.4%
Net loans to deposits (FX-adjusted)	325%	248%	-77%	325%	290%	248%	-42%	-77%

- ***HUF 242 million loss in the first half of 2012 with profitable second quarter***
- ***The provision coverage ratio of DPD90+ loans declined to a level seen a year ago, as loan quality deteriorated further***
- ***In the first half of the year the Romanian bank reached the strongest loan and deposit volume growth within the Group. The RON denominated consumer lending was the engine of growth***
- ***In 1H 2012 the capital adequacy ratio improved significantly due to the capital injection from the mother company***

The financial performance in HUF terms was influenced by the RON/HUF rate changes. The closing FX rate of HUF versus RON weakened by 3% y-o-y and strengthened by 4% q-o-q. In the first half the average FX rate of HUF versus RON weakened by 5% y-o-y.

In line with the directives of the central bank, the transition to IFRS from 2012 influenced certain P&L lines, altering the comparability of 1Q 2012 numbers with previous periods. Several items were reclassified from net fees into net interest income line. The risk cost set aside in relation to non-realized interest income of DPD90+ loans was reclassified from provision for possible loan losses into net interest income line. Changes were neutral to the net profit.

OTP Bank Romania realized HUF 242 million loss 1H 2012, a sharp contrast to the HUF 1.5 billion profit in the base period. The 2Q result turned into profit as a consequence of low risk cost.

1H operating result declined by 11% y-o-y, owing mainly to the 5% operating cost increase.

The 1H 2012 net interest income dwindled by 3% because the risk cost set aside in relation to non-realized interest income of DPD90+ loans was reclassified from provision for possible loan losses into net interest income line. Further factor that influenced the net interest income was that part of the revaluation result of swaps was booked on this line. This revaluation result reached +HUF 180 million in 1H 2012 (+HUF 520 million in 1H 2011). Excluding the swap revaluation result the semi-annual net interest income in HUF terms grew by 5% y-o-y (the average FX rate of HUF against RON weakened by 5% y-o-y).

The 14% quarterly drop of net interest income in 2Q 2012 is explained mainly by the deposit collection campaign launched in the first quarter and consequently, higher interest expenses on deposits.

The 30% y-o-y decline of 1H net fee and commission income was due to the reclassification of some items from fees into net interest income.

The 81% jump in other net non-interest income owed mainly to the higher FX result, which was partly counterbalanced by the lower securities gain.

In 1H 2012 operating expenses went up by 5% in HUF terms, but were flat in RON terms. This achievement reflects solid cost control, bearing in mind the inflationary environment. The 7% q-o-q rise in operating costs is explained by higher marketing and training expenses, as well as deposit insurance fees.

The loan quality deterioration continued: the ratio of loans with more than 90 days delay reached 14.6% at end-June (+1.1 ppts q-o-q, +2.7 ppts y-o-y). Bulk of portfolio quality worsening came from the mortgage loan segment.

Cash provision coverage of DPD90+ portfolio changed to 66.6% as of 30 June 2012. Although the coverage declined by 5 ppts q-o-q, its level is basically the same as a year ago.

At the end of June 11% of the households' loan portfolio was involved in the debtor protection program.

The FX-adjusted gross loans grew further: by 1% q-o-q and 5% y-o-y, respectively. New mortgage loan disbursements declined significantly in 2Q as expected, and the volume expansion slowed down (+1% q-o-q). Mortgage lending conditions became stricter as the Bank implemented the provisions of the new regulation of the central bank. The consumer loan volumes leaped by 15% q-o-q after the Bank launched a lending campaign in February focusing on RON consumer loans. Corporate loan volumes stagnated in 2Q, while SME loans increased by 2% q-o-q.

Total deposits gained further momentum: in 2Q the expansion growth reached 18% q-o-q (adjusted for the FX-effect). This dynamic growth reflects the success of the deposit collection campaign started in March. As a result of attractive deposit rates, retail deposits grew by 13% and corporate deposits expanded by 39% q-o-q.

The Bank received a HUF 9.3 billion (RON 140 million) capital injection from the mother company in 1Q 2012. The capital adequacy ratio stood at 15.1% at end-June, representing a 1.7 ppts increase in the first half of the year.

In 1H 2012 five branches were closed within the frame of branch network rationalization, thus the number of outlets declined to 95.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	951	1,032	8%	711	757	275	-64%	-61%
Income tax	-237	-259	9%	-176	-190	-69	-64%	-61%
Profit before income tax	1,189	1,291	9%	887	947	344	-64%	-61%
Operating profit	3,612	4,067	13%	2,119	1,913	2,154	13%	2%
Total income	10,205	11,357	11%	5,354	5,556	5,801	4%	8%
Net interest income	7,554	8,286	10%	4,041	4,093	4,194	2%	4%
Net fees and commissions	1,850	2,234	21%	943	1,061	1,173	11%	24%
Other net non-interest income	801	836	4%	370	402	434	8%	17%
Operating expenses	-6,593	-7,290	11%	-3,235	-3,643	-3,646	0%	13%
Total risk costs	-2,424	-2,776	15%	-1,231	-965	-1,810	88%	47%
Provision for possible loan losses	-2,557	-2,363	-8%	-1,280	-910	-1,453	60%	14%
Other provision	133	-413	-410%	49	-55	-358	549%	-836%
Main components of balance sheet closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	529,853	489,253	-8%	453,364	502,071	489,253	-3%	8%
Gross customer loans	377,592	350,537	-7%	317,646	360,722	350,537	-3%	10%
Gross customer loans (FX-adjusted)	350,566	350,537	0%	343,760	351,941	350,537	0%	2%
Retail loans	219,981	223,119	1%	216,763	222,474	223,119	0%	3%
Corporate loans	129,267	126,382	-2%	125,353	128,290	126,382	-1%	1%
Car financing loans	1,318	1,036	-21%	1,644	1,177	1,036	-12%	-37%
Allowances for possible loan losses	-22,013	-22,844	4%	-15,122	-21,931	-22,844	4%	51%
Allowances for possible loan losses (FX-adjusted)	-20,460	-22,844	12%	-16,215	-21,392	-22,844	7%	41%
Deposits from customers	421,618	385,455	-9%	347,734	397,096	385,455	-3%	11%
Deposits from customer (FX-adjusted)	392,383	385,455	-2%	381,827	389,901	385,455	-1%	1%
Retail deposits	350,010	344,762	-1%	338,972	346,571	344,762	-1%	2%
Corporate deposits	42,373	40,693	-4%	42,856	43,330	40,693	-6%	-5%
Liabilities to credit institutions	36,041	33,301	-8%	35,373	33,545	33,301	-1%	-6%
Subordinated debt	1,589	1,473	-7%	1,355	1,510	1,473	-2%	9%
Total shareholders' equity	58,485	56,622	-3%	56,639	57,305	56,622	-1%	0%
Loan Quality	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	32,846	34,589	5.3%	32,846	36,165	34,589	-4.4%	5.3%
90+ days past due loans/gross customer loans (%)	10.3%	9.9%	-0.5%	10.3%	10.0%	9.9%	-0.2%	-0.5%
Cost of risk/average gross loans	1.58%	1.31%	-0.27%	1.57%	1.01%	1.64%	0.63%	0.07%
Cost of risk/average (FX-adjusted) gross loans	1.49%	1.36%	-0.14%	1.48%	1.06%	1.66%	0.61%	0.18%
Total provisions/90+ days past due loans (%)	46.0%	66.0%	20.0%	46.0%	60.6%	66.0%	5.4%	20.0%
Performance Indicators (%)	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	0.4%	0.4%	0.0%	0.6%	0.6%	0.2%	-0.4%	-0.4%
ROE	3.4%	3.6%	0.2%	5.1%	5.3%	1.9%	-3.3%	-3.1%
Total income margin	4.39%	4.48%	0.10%	4.72%	4.33%	4.71%	0.38%	-0.01%
Net interest margin	3.25%	3.27%	0.02%	3.56%	3.19%	3.40%	0.21%	-0.16%
Cost/income ratio	64.6%	64.2%	-0.4%	60.4%	65.6%	62.9%	-2.7%	2.4%
Net loans to deposits (FX-adjusted)	86%	85%	-1%	86%	85%	85%	0%	-1%

- ***1H after tax profit is higher by 8%y-o-y due to the joint impact of favourable operating income (y-o-y +13%) and significant provisioning (y-o-y +15%)***
- ***Stable portfolio quality (DPD90+ ratio: 9.9%, q-o-q -0.2 ppt) and higher provisioning resulted a higher coverage ratio (2Q 2012: 66%, q-o-q +5.4 ppts)***
- ***Stable net loan-to-deposit ratio (1H 2012: 85%) as a result of stagnating deposit and net loan volumes***
- ***Improving profitability ratios: net interest margin: 3.40% (q-o-q +0.21 ppt), cost/income ratio: 62.9% (q-o-q -2.7 ppt)***

HUF denominated financials of OBH Group were highly influenced by the development of the HRK/HUF exchange rate: in 2Q 2012 the closing rate of the HUF weakened by 7% y-o-y and strengthened by 2% q-o-q, while the half-year average rate depreciated by 8% y-o-y.

In 1H 2012 **OTP banka Hrvatska** (OBH) Group posted HUF 1,032 million net profit (+8% y-o-y) while quarterly profit dropped to one-third q-o-q (HUF 275 million). Beside the higher operating income (q-o-q +13%), in 2Q the drivers of profit developments were the significant provisioning for possible loan losses (q-o-q +60%) and higher other risk costs related to a legal case.

1H 2012 total income and operating costs of OBH – mainly due to exchange rate movements – grew by 11% y-o-y (in HRK the growth rate is +3% y-o-y for both). During 1H 2012 – apart from FX-effects – the 10% net interest income increase is basically reasoned by the lower interest rate on retail deposits and decreased interest expenses on the significantly moderating interbank loan portfolio. It is a favourable improvement that while net interest margin y-o-y practically stagnated in 1H (3.27%), in 2Q it grew by 21 basis points to 3.40%.

In 1H engines of net fee income growth (y-o-y +21%) were – apart from exchange rate effects – the improving card and POS-terminal revenues and loan prepayment fees. Q-o-q 11% increase in 2Q (y-o-y +24%) of net fee income was also boosted by the lending fee related to a large corporate loan.

As a result of continuously stringent cost control operating expenses in 2Q matched that of the previous quarter. Q-o-q +1% growth in HRK is partially due to increased VAT (from 23% to 25% since 1st March 2012) and public notary fees overtaken by OBH from the customers in a retail loan campaign in 2Q. Cost/income ratio of OBH in 1H improved to 64.2% (y-o-y -0.4 ppt), 62.9% rate in 2Q underpins a 2.7 ppts improvement.

By the end of 1H 2012 the portfolio quality improved slightly, ratio of DPD90+ loans decreased to 9.9% (q-o-q -0.16 ppt). Regarding the composition of portfolio quality: while mortgage loans stagnated at 7.4% (q-o-q +0.1 ppt), quality of consumer loans deteriorated by 0.4 ppt from 9.1% to 9.5%. The quality of SME and car loan portfolios worsened by 2.40 and 1.70 ppts, respectively (DPD90+ ratios are 18.9% and 16.5%). The 1.80 ppts improvement of DPD90+ ratio of corporate loans is mainly due to the resumed payment of two large corporate loans (DPD90+ ratio: 13.8%). As a result of practically stagnating DPD90+ portfolio (in HRK) and significantly higher provisioning (q-o-q +60%) the DPD90+ coverage ratio grew to 66% in 2Q (q-o-q +5.4 ppts).

Due to stagnating economy and high level of unemployment the loan demand remained benign. During the first half of 2012 the FX-adjusted loan portfolio remained stable. Within the q-o-q stagnating loan portfolio consumer loans also remained unchanged while mortgage loan portfolio went up by 1% q-o-q and the corporate book shrank by 1%. The market share of OBH in overall loans is a stable with 3.2% (0.1 ppt increase both q-o-q and y-o-y).

Apart from stable 4.3% market share, FX-adjusted deposit base of OBH in 1H 2012 declined by 2% (q-o-q -1%). Both in 1H and 2Q retail deposits dropped by 1%; the corporate deposit portfolio suffered a proportionally more significant decline (-4% y-o-y and -6% q-o-q). Net loan to deposit rate remained 85% in 2012 2Q.

Capital adequacy ratio of the Bank marginally decreased from 15.2% to 15.1% q-o-q (regulatory minimum: 12%).

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko:

Main components of P&L account* in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	129	311	141%	24	239	72	-70%	198%
Income tax	-37	-69	89%	-5	-43	-26	-38%	459%
Profit before income tax	166	380	129%	29	282	98	-65%	241%
Operating profit	1,771	1,666	-6%	879	874	792	-9%	-10%
Total income	6,657	7,141	7%	3,302	3,589	3,552	-1%	8%
Net interest income	5,325	5,953	12%	2,643	2,902	3,051	5%	15%
Net fees and commissions	1,238	1,467	19%	612	731	736	1%	20%
Other net non-interest income	95	-278	-393%	47	-44	-234		
Operating expenses	-4,886	-5,476	12%	-2,423	-2,715	-2,761	2%	14%
Total risk costs	-1,605	-1,286	-20%	-850	-592	-694	17%	-18%
Provision for possible loan losses	-1,602	-1,328	-17%	-874	-629	-699	11%	-20%
Other provision	-4	42		24	37	5	-86%	-79%
Main components of balance sheet closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	386,313	384,066	-1%	335,731	377,078	384,066	2%	14%
Gross customer loans	300,970	287,152	-5%	262,735	294,199	287,152	-2%	9%
Gross customer loans (FX-adjusted)	278,842	287,152	3%	285,389	287,159	287,152	0%	1%
Retail and SME loans	203,321	215,119	6%	196,755	209,251	215,119	3%	9%
Corporate loans	74,984	71,488	-5%	88,139	77,360	71,488	-8%	-19%
Allowances for possible loan losses	-18,992	-18,736	-1%	-16,649	-18,511	-18,736	1%	13%
Allowances for possible loan losses (FX-adjusted)	-17,593	-18,736	6%	-18,067	-18,050	-18,736	4%	4%
Main components of balance sheet closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Deposits from customers	290,157	293,193	1%	243,108	286,135	293,193	2%	21%
Deposits from customer (FX-adjusted)	269,072	293,193	9%	264,655	279,337	293,193	5%	11%
Retail and SME deposits	247,801	261,584	6%	244,641	254,623	261,584	3%	7%
Corporate deposits	21,271	31,609	49%	20,014	24,715	31,609	28%	58%
Liabilities to credit institutions	7,596	6,162	-19%	16,872	6,163	6,162	0%	-63%
Issued securities	42,250	40,437	-4%	37,399	40,341	40,437	0%	8%
Subordinated debt	9,057	8,380	-7%	7,729	8,599	8,380	-3%	8%
Total shareholders' equity	30,421	28,464	-6%	23,910	29,157	28,464	-2%	19%
Loan Quality	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	31,698	33,014	4.2%	31,698	32,130	33,014	2.8%	4.2%
90+ days past due loans/gross customer loans (%)	12.1%	11.5%	-0.6%	12.1%	10.9%	11.5%	0.6%	-0.6%
Cost of risk/average gross loans (%)	1.20%	0.91%	-0.30%	1.34%	0.85%	0.97%	0.12%	-0.37%
Cost of risk/average (FX-adjusted) gross loans (%)	1.14%	0.94%	-0.19%	1.23%	0.89%	0.98%	0.08%	-0.25%
Total provisions/90+ days past due loans (%)	52.5%	56.8%	4.2%	52.5%	57.6%	56.8%	-0.9%	4.2%
Performance Indicators (%)*	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	0.1%	0.2%	0.1%	0.0%	0.3%	0.1%	-0.2%	0.0%
ROE	1.1%	2.1%	1.0%	0.4%	3.2%	1.0%	-2.2%	0.6%
Total income margin	3.92%	3.73%	-0.19%	3.96%	3.78%	3.75%	-0.03%	-0.20%
Net interest margin	3.13%	3.11%	-0.03%	3.17%	3.06%	3.22%	0.17%	0.06%
Cost/income ratio	73.4%	76.7%	3.3%	73.4%	75.6%	77.7%	2.1%	4.3%
Net loans to deposits	101%	92%	-10%	101%	96%	92%	-5%	-10%
Net loans to deposits (FX-adjusted)	101%	92%	-9%	101%	96%	92%	-5%	-9%

* P&L account lines and indicators in the first two quarters of 2012 are adjusted for banking tax

- ***HUF 311 million after tax profit in 1H 2012, adjusted for banking tax***
- ***Decreasing 1H risk cost y-o-y; slightly deteriorating loan portfolio q-o-q***
- ***Further strengthening retail focus: home equity and consumer loans kept growing***
- ***Increasing deposit base, net loan-to-deposit ratio dropped to 92%***

The financial performance of OBS in HUF terms was influenced by the FX rate changes. The 2Q 2012 closing FX rate of HUF against EUR weakened by 8.5% y-o-y and strengthened by 2.5% q-o-q. 1H 2012 average rate depreciated by 10% y-o-y. The 2Q average HUF rate depreciated by 11% y-o-y and strengthened by 1% q-o-q against the EUR.

In 1H 2012 the **OTP Banka Slovensko**[11] posted HUF 311 million after tax profit without the banking

[11] From 3Q 2010 on OBS sold loans to Group members. The balance sheet of OBS reflects the standing before the transfer of loans. Accordingly, in 2011 Balance Sheet contains consolidated data of OBS and OTP Faktor Slovensko s.r.o., adjusted to loans sold to OTP Bank Plc and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements since 2011.

tax, compared to the HUF 129 million profit in 1H 2011. The total burden of banking tax in 1H 2012 was HUF 152 million (after corporate tax) for the Slovakian bank. According to the decision of the Slovakian parliament the base of the banking tax will be broadened from 4Q 2012, and there will be an extraordinary banking tax due in the second half of the year. Thus, the total burden of banking taxes is expected to reach EUR 2.6 in 2012 for the Slovakian subsidiary (after corporate tax).

Despite the narrowing income margins (1H 2012 total income margin: 3.73%, -19 bps y-o-y) net income lines performed well in 1H: net interest income grew by 12%, net fees by 19%, both supported by the growing loan volumes. The strong income generation was somewhat worsened by the HUF 280 million other net non-interest income loss, mainly stemming from swap revaluation. The free liquidity of the bank was invested into Hungarian bonds, for which the HUF was swapped from EUR. The total net result of the transaction including both the interest income of the securities recognised as net interest income and the revaluation of the swap booked as other non interest income was of positive margin. Due to the 12% growth of operating expenses operating profit decreased by 6% y-o-y (however, it is to be noted that the average rate of the forint against the euro in 1H weakened by 11% y-o-y). Cost/income ratio worsened by 3.3 ppts to 76.7% in the first half of 2012.

For 2Q 2012 operating profit decreased by HUF 82 million q-o-q (2Q 2012: HUF 792 million), as a result of the flat income and the 2% increase of operating expenses. Net interest income improved by 5% q-o-q, owing to the 17 bps increase in net interest margin. Net fees and commissions did not change much in the last quarter, so total income remained flat as a result of the HUF 234 million net non-interest income loss, stemming mainly from the above mentioned swap revaluation.

In the first half of 2012 OBS put HUF 1.3 billion aside as provisions (-20% y-o-y) while 2Q risk cost totalled to HUF 0.7 billion (+17% q-o-q). By the end of 2Q 2012 the ratio of 90 days past due loans decreased to 11.5% (-0.6 ppt y-o-y), however on the quarterly basis a deterioration was observed (+0.6 ppt q-o-q). Total volume of loans did not change in euro terms, but the quality of mortgage and corporate loans deteriorated. Provision coverage of DPD90+ loans grew by 4.2 ppts to 56.8% on the yearly basis, but slightly worsened on the quarterly basis (-0.9 ppt).

The development of loan and deposit volumes was in line with the intention of the management to strengthen the retail focus of the Bank. Due to the subdued loan demand the FX-adjusted loan portfolio grew in 2Q 2012 by 1% y-o-y, but it stagnated on the quarterly basis – one should also note that the prepayments were also above average, which offset the positive effects of loan disbursements. If looking at the yearly changes, retail loans grew significantly (+12%), with SME loans following with +6%, but corporate loans dropped by 19% compared to 1H 2011. After last year's successful spring campaign, the bank started a new spring campaign in March 2012 again, aimed at retail mortgage and consumer loans. As a result, the retail loan volume grew by 3% q-o-q, which was higher than the market average. Within retail loans consumer loans and personal loans achieved above average increase (22% and 35% respectively), while mortgage loans grew by 2% q-o-q.

FX-adjusted deposit base surged by 11% y-o-y, which is a combined effect of the 7% growth of retail and SME deposits and the 58% increase of corporate deposits. Due to the fierce competition on the retail deposit market, a slight increase in paid interest was seen; but the bank managed to increase its deposit base in the second quarter as well (+5% q-o-q). Net loans-to-deposits ratio stood at 92% at the end of 2Q 2012 (-9 ppts y-o-y and -5 ppts q-o-q).

After closing 2 branches in 1Q, another two were closed in 2Q, thus decreasing the number of branches to 70 by the end of 2Q.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account[1] in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends, net cash transfers and one-offs	-2,973	-1,292	-57%	-1,514	-456	-836	83%	-45%
Income tax	0	0		0	0	0		
Profit before income tax	-2,973	-1,292	-57%	-1,514	-456	-836	83%	-45%
Operating profit	-311	-6	-98%	-355	6	-12	-304%	-97%
Total income	2,492	3,430	38%	1,039	1,571	1,859	18%	79%
Net interest income	552	1,345	144%	297	590	755	28%	154%
Net fees and commissions	915	811	-11%	460	404	407	1%	-11%
Other net non-interest income without the effect of revaluation of FX provisions	1,025	1,273	24%	282	577	697	21%	147%
Operating expenses	-2,803	-3,436	23%	-1,394	-1,565	-1,871	20%	34%

Main components of P&L account[1] in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
Total risk costs	-2,662	-1,286	-52%	-1,159	-462	-824	78%	-29%
Provision for possible loan losses without the effect of revaluation of FX provisions	-2,751	-1,326	-52%	-1,200	-493	-833	69%	-31%
Other provision	90	41	-55%	41	31	9	-71%	-78%
Main components of balance sheet[1] closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	121,475	111,512	-8%	101,011	118,868	111,512	-6%	10%
Gross customer loans	90,523	81,729	-10%	81,705	84,220	81,729	-3%	0%
Gross customer loans (FX-adjusted)	80,981	81,729	1%	84,515	80,946	81,729	1%	-3%
Retail loans	34,406	36,577	6%	35,697	35,329	36,577	4%	2%
Corporate loans	46,575	45,152	-3%	48,818	45,617	45,152	-1%	-8%
Allowances for possible loan losses	-26,078	-24,339	-7%	-20,782	-24,681	-24,339	-1%	17%
Allowances for possible loan losses (FX-adjusted)	-22,917	-24,339	6%	-20,954	-23,574	-24,339	3%	16%
Deposits from customers	36,476	34,422	-6%	33,703	37,717	34,422	-9%	2%
Deposits from customers (FX-adjusted)	32,818	34,422	5%	35,522	36,320	34,422	-5%	-3%
Retail deposits	26,688	27,185	2%	28,044	27,576	27,185	-1%	-3%
Corporate deposits	6,130	7,237	18%	7,478	8,744	7,237	-17%	-3%
Liabilities to credit institutions	6,602	9,469	43%	9,278	7,883	9,469	20%	2%
Subordinated debt	45,967	37,256	-19%	40,249	43,845	37,256	-15%	-7%
Total shareholders' equity	27,706	27,602	0%	15,157	24,327	27,602	13%	82%
Loan Quality	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	49,947	47,313	-5.3%	49,947	48,604	47,313	-2.7%	-5.3%
90+ days past due loans/gross customer loans (%)	61.1%	57.9%	-3.2%	61.1%	57.7%	57.9%	0.2%	-3.2%
Cost of risk/average gross loans (%)	6.51%	3.10%	-3.41%	5.88%	2.27%	4.04%	1.77%	-1.84%
Cost of risk/average gross loans (FX-adjusted) (%)	6.36%	3.28%	-3.09%	5.62%	2.45%	4.12%	1.67%	-1.51%
Total provisions/90+ days past due loans (%)	41.6%	51.4%	9.8%	41.6%	50.8%	51.4%	0.7%	9.8%
Performance Indicators (%)	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
ROA	-5.6%	-2.2%	3.3%	-5.9%	-1.5%	-2.9%	-1.4%	3.0%
ROE	-36.2%	-9.4%	26.8%	-38.7%	-7.1%	-12.9%	-5.9%	25.8%
Total income margin	4.66%	5.92%	1.26%	4.07%	5.26%	6.49%	1.24%	2.42%
Net interest margin	1.03%	2.32%	1.29%	1.16%	1.97%	2.64%	0.66%	1.47%
Cost/income ratio	112.5%	100.2%	-12.3%	134.2%	99.6%	100.6%	1.0%	-33.6%
Net loans to deposits (FX-adjusted)	179%	167%	-12%	179%	158%	167%	9%	-12%

- ***Due to lower risk cost, the loss realized in 1H 2012 amounted to less than half in the base period***
- ***Provision coverage ratio went up significantly, coupled with the y-o-y decline of DPD90+ ratio***
- ***The strong RSD consumer loan sales performance led to a small FX-adjusted increase of gross loans***
- ***The capital adequacy ratio climbed to 23.1% after the capital increase***

The financial performance in HUF terms was influenced by the FX rate changes. The closing FX rate of HUF against RSD appreciated by 6% both in quarterly and yearly comparison. The 1H average FX rate of HUF versus RSD weakened by 1% y-o-y.

The 1H 2012 net loss of **OTP banka Srbija** reached HUF 1.3 billion against the negative result of HUF 3 billion in the base period.

The development of the net result was determined by the development of risk cost: in the first half of the year it declined by 52% y-o-y. With regard to loan quality developments, favourable tendencies started already in 2H 2011 continued. In 1H 2011 the high risk cost coupled with declining coverage ratio due to the rapid loan quality deterioration. In 1H 2012 the halving risk cost was already enough to push up the coverage ratio as the DPD90+ ratio declined. The Bank is deliberately striving for lifting the provision coverage ratio: it went up by 9.8 ppts y-o-y and by 0.7 ppt q-o-q, reaching 51.4%.

Total revenues in 1H came out 38% above that in the base period, driven by the net interest income which jumped almost 2.5-fold y-o-y. This change is mainly attributable to a base effect: in 1H 2011 both rapid portfolio quality deterioration and high interest expenses on deposits were a drag on net interest income. On the contrary, in 1H 2012 interest expenses on interbank- and customer deposits were lower, on the back of improving liquidity situation. Moreover, interest revenue on securities gave a positive impetus to the net interest income, too.

Apart from the y-o-y 11% erosion of net fees, other revenues advanced by 24% in 1H 2012, mainly because the previously suspended, but in the current period collected interest income that appears on this line, increased.

In 2Q 2012 operating cost went up by 20% q-o-q. The main reasons are the higher personnel expenses, and a tax payable for previous years (together with penalty interest) which was booked in 2Q accounts. In 1H 2012 operating costs went up by 23% y-o-y. The increment can be attributed mainly to personnel expenses, but marketing costs and the above mentioned one-off type cost items that emerged in 2Q drove up costs, too.

Adjusted for the FX-effect, total gross loan portfolio shrank by 3% y-o-y, but expanded by 1% q-o-q. The Bank concentrated its lending activity on RSD personal loans; the continuously improving sales performance resulted in remarkable FX-adjusted volume growth in this segment (+15% q-o-q, +51% y-o-y). In all other portfolio segments q-o-q stagnation and y-o-y drop was witnessed.

The development of deposit volumes remained volatile: after the 11% FX-adjusted increase in 1Q, the second quarter brought a 5% contraction. Corporate deposits declined by 3% y-o-y, but SME deposits leaped by 25%. Household deposits expanded by 2% q-o-q; the yearly drop of 9% is owing to the declining deposit rates offered to households in line with the overall lower interest rate environment on the market and the improving RSD liquidity position of the Bank.

The capital adequacy ratio (CAR) reached 23.1 % in June 2012. The main reason for the quarterly improvement is the RSD 2.22 billion capital increase completed in 2Q 2012 by converting subordinated debt into ordinary shares.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account in HUF mn	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
After tax profit w/o dividends and net cash transfer	-1,718	-355	-79%	-1,505	312	-667	-314%	-56%
Corporate income tax	0	-13		0	0	-13		
Pre-tax profit	-1,718	-342	-80%	-1,505	312	-654	-310%	-57%
Operating profit	745	1,336	79%	470	594	742	25%	58%
Total income	3,649	4,951	36%	1,919	2,413	2,538	5%	32%
Net interest income	2,500	3,660	46%	1,273	1,807	1,853	3%	46%
Net fees and commissions	1,188	1,160	-2%	652	527	633	20%	-3%
Other net non-interest income	-39	131	-437%	-6	79	52	-35%	
Operating expenses	-2,903	-3,615	25%	-1,449	-1,819	-1,796	-1%	24%
Total risk costs	-2,464	-1,678	-32%	-1,975	-282	-1,396	394%	-29%
Provision for possible loan losses	-2,380	-1,395	-41%	-1,821	-370	-1,025	177%	-44%
Other provision	-84	-283	237%	-154	88	-371	-522%	142%
Main components of balance sheet closing balances in HUF mn	**2011**	**1H 2012**	**YTD**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
Total assets	232,750	210,701	-9%	202,510	214,744	210,701	-2%	4%
Gross customer loans	165,708	152,521	-8%	142,968	157,051	152,521	-3%	7%
Gross customer loans (FX-adjusted)	153,507	152,521	-1%	155,139	153,130	152,521	0%	-2%
Retail loans	67,325	66,102	-2%	83,946	66,262	66,102	0%	-21%
Corporate loans	86,181	86,419	0%	71,193	86,867	86,419	-1%	21%
Car financing loans	0	0		0	0	0		
Allowances for possible loan losses	-46,536	-44,500	-4%	-37,191	-44,528	-44,500	0%	20%
Allowances for possible loan losses (FX-adjusted)	-43,068	-44,500	3%	-40,356	-43,417	-44,500	2%	10%
Deposits from customers	171,982	154,747	-10%	150,188	157,423	154,747	-2%	3%
Deposits from customers (FX-adjusted)	159,490	154,747	-3%	163,787	153,841	154,747	1%	-6%
Retail deposits	124,746	119,963	-4%	105,817	120,998	119,963	-1%	13%
Corporate deposits	34,744	34,784	0%	57,970	32,842	34,784	6%	-40%
Liabilities to credit institutions	22,287	23,335	5%	20,304	24,451	23,335	-5%	15%
Subordinated debt	8,408	4,325	-49%	7,178	4,436	4,325	-2%	-40%
Total shareholders' equity	16,231	18,137	12%	16,404	19,279	18,137	-6%	11%
Loan Quality	**1H 2011**	**1H 2012**	**Y-o-Y**	**2Q 2011**	**1Q 2012**	**2Q 2012**	**Q-o-Q**	**Y-o-Y**
90+ days past due loan volume (in HUF million)	55,847	60,467	8.3%	55,847	57,719	60,467	4.8%	8.3%
90+ days past due loans/gross customer loans (%)	39.1%	39.6%	0.58%	39.1%	36.8%	39.6%	2.9%	0.6%
Cost of risk/average gross loans (%)	3.16%	1.76%	-1.40%	5.07%	0.95%	2.66%	1.72%	-2.40%
Cost of risk/average (FX-adjusted) gross loans (%)	2.99%	1.83%	-1.15%	4.67%	0.99%	2.69%	1.70%	-1.98%
Total provisions/90+ days past due loans (%)	66.6%	73.6%	7.0%	66.6%	77.1%	73.6%	-3.6%	7.0%

Performance Indicators (%)	1H 2011	1H 2012	Y-o-Y	2Q 2011	1Q 2012	2Q 2012	Q-o-Q	Y-o-Y
ROA	-1.7%	-0.3%	1.3%	-3.0%	0.6%	-1.3%	-1.8%	1.7%
ROE	-21.2%	-4.2%	17.1%	-35.2%	7.1%	-14.3%	-21.4%	20.8%
Total income margin	3.5%	4.5%	0.94%	3.80%	4.34%	4.80%	0.46%	1.00%
Net interest margin	2.4%	3.3%	0.89%	2.52%	3.25%	3.50%	0.26%	0.98%
Cost/income ratio	79.6%	73.0%	-6.6%	75.5%	75.4%	70.8%	-4.6%	-4.7%
Net loans to deposits (FX-adjusted)	69%	70%	1%	70%	71%	70%	-2%	0%

- ***The 1H 2012 loss dropped significantly y-o-y due to the favourable operating income and the diminishing loan loss provisioning (-41% y-o-y)***
- ***The portfolio deterioration continued, the 90+ days overdue loan portfolio increased by 8% y-o-y, while provision coverage increased by 7ppts y-o-y (1H 2012: 73.6%)***
- ***The gross loan portfolio was still shrinking; personal loans recorded a moderate demand growth, while mortgage portfolio diminished further***

The HUF denominated financials of the Montenegrin CKB Bank were influenced by the development of the EUR/HUF exchange rate: in 2Q 2012 the closing rate of the HUF weakened by 9% y-o-y, while periodic average rate weakened by 10% y-o-y. On a quarterly basis the impact of exchange rate movements was lower, the closing rate in 2Q 2012 strengthened by 2% q-o-q, while the quarterly average rate of the HUF against the EUR appreciated by 1%.

Methodological note: in 2Q and 3Q 2011 the micro and small loan portfolio was partially reclassified from the SME segment into corporate loans. Also, in 3Q 2011 a certain part of corporate deposits (HUF 20 billion) was reclassified into the SME deposits. Those changes had a significant impact on the y-o-y dynamics of those product categories.

In 1H 2012 the Montenegrin CKB Bank realized HUF 355 million loss in contrast to HUF 1.7 billion loss in the base period. The quarterly result was mainly due to the significant increase of total risk cost, at the same time it reflects the q-o-q higher operating income (+25%) of the Bank.

Within revenues, net interest income improved by 46% y-o-y, mainly due to the higher interest income of interbank loans and lower interest expenses on the diminishing retail term deposit base. As a result of lower yielding deposit base, semi-annual as well as the quarterly interest margin improved further y-o-y (+89 basis points and 98 basis points, respectively).

Net fees showed a slight decrease y-o-y, while the higher quarterly fee income (+20% q-o-q) was partially driven by the favourable development of deposit and payment related fees, as well as seasonality of commission income on cash transactions.

The yearly increase in operating expenses was partially affected by the enhancement of collection activities; furthermore the newly implemented management incentive system and emerging redundancy payments played a role, too.

Regarding the risk cost, loan loss provisioning on non-performing portfolio decreased by more than 30% y-o-y, while quarterly risk cost doubled q-o-q due to the strong increase of 90+ days overdue loan volumes. Furthermore, other provisions made for unpaid interest and already utilized bank guarantees showed a significant growth q-o-q, too.

The demand for loans remained sluggish; the FX-adjusted loan portfolio stagnated y-o-y. With respect to the quarterly portfolio development personal loans showed a moderate growth (+2% q-o-q): in 2Q 2012 the number of quarterly loan disbursement as well as the average interest rate on personal loans remained stable. Furthermore, the SME loans showed a 5% q-o-q growth, the total value of disbursed loans as well as the number of monthly disbursements increased further q-o-q.

The loan portfolio deterioration accelerated, the DPD90+ ratio increased further to 39.6%. Parallel with the stagnating gross loan portfolio the FX-adjusted DPD90+ loan volumes gradually increased. In 2Q 2012, the corporate DPD90+ ratio reached 55.7% (+4.3 ppts q-o-q), while the deterioration of retail mortgage loans continued, too (DPD90+ ratio: 20.4%, +1.5 ppts q-o-q). The quarterly portfolio deterioration was only partially offset by the quarterly loan loss provisioning, thus provision coverage of non-performing loans (2Q 2012: 73.6%) decreased by 3.6 ppts q-o-q, however it was still higher than a year ago.

The FX-adjusted corporate deposit base decreased by 6% q-o-q, while the retail deposit base contracted by 3% q-o-q, partially driven by the lowering of offered interest rate on term deposits due to the favourable liquidity position of the Bank. Accordingly, the net loan to deposit ratio remained stable at 70% as at the end of June 2012.

The capital adequacy ratio of CKB Bank stood at 12.7% (regulatory minimum 10%) as at the end of June 2012. In 1H 2012, the bank received a capital

[12] In 4Q 2010 OTP Groups's Montenegrin collection company (OTP Factoring Montenegro d.o.o.) started its operation, therefore from 4Q 2010 CKB Bank and its subsidiary's consolidated balance sheet and P&L statement are reported.

injection in the amount of EUR 12 million by converting the subordinated debt provided by OTP Bank into ordinary shares.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 33,945 as at 30 June 2012 (+120 people ytd). During 1H 2012 there was a staff increase of 145 people in Bulgaria out of foreign subsidiaries. In Russia and Ukraine the staff number in core banking activities showed a declining trend. However, the headcount of people employed in consumer lending increased further parallel with seeking new retail partner chains.

OTP Group provides services through more than 1,400 branches in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes around 380 branches and 2,003 ATM terminals. The Bank has more than 47,000 POS-units at the same time.

	30 June 2012				31 December 2011			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	379	2.003	46.912	8.470	377	2.028	42.122	8.470
OTP Bank Russia (w/o employed agents)	152	214	2.697	5.067	148	242	2.697	5.108
DSK Group	382	862	4.141	4.621	386	890	4.178	4.477
OTP Bank Ukraine (w/o employed agents)	153	163	349	2.933	152	165	406	3.003
OTP Bank Romania	95	130	1.312	958	100	136	1.302	957
OTP banka Hrvatska	103	218	1.199	973	103	218	1.139	971
OTP Banka Slovensko	70	112	198	618	74	115	202	609
OTP banka Srbija	52	156	3.244	683	52	162	3.557	649
CKB	33	82	4.120	441	32	84	4.010	450
Foreign subsidiaries, total	1.040	1.937	17.260	16.294	1.047	1.985	17.491	16.223
Other Hungarian and foreign subsidiaries				811				783
OTP Group total (w/o employed agents)				**25.575**				**25.476**
OTP Bank Russia – employed agents				***6.598***				***6.940***
OTP Bank Ukraine – employed agents				***1.773***				***1.410***
OTP Group total	**1.419**	**3.940**	**64.172**	**33.945**	**1.424**	**4.013**	**59.613**	**33.826**

PERSONAL AND ORGANIZATIONAL CHANGES

In the first half of the year 2012, the Annual General Meeting of OTP Bank held on 27 April 2012 elected Mr. Tamás Erdei and Dr. István Gresa into the Bank's Board of Directors until the closing AGM of the fiscal year 2015, but the latest until April 30, 2016. there was neither a change in the composition of the Supervisory Board, Board of Directors nor in the Auditor of the Bank.

STATEMENT ON CORPORATE GOVERNANCE POLICY

Corporate governance policy

OTP Bank Plc., as a Hungarian-registered company has a corporate governance policy in accordance with the provisions of the Hungarian Act on Companies. Due to the nature of its banking operations, it also complies with the statutory regulations pertaining to credit institutions.

Beyond fulfilling the statutory requirements, as a company listed on the Budapest Stock Exchange (BSE), it makes an annual statement on its compliance with the BSE's Corporate Governance Recommendations, which is, following the approval by the General Meeting, published on the websites of the Stock Exchange (www.bet.hu), the Bank (www.otpbank.hu) and on the website operated by the Hungarian Financial Services Authority (www.kozzetetelek.hu).

Internal control system

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.

The Company has detailed risk management regulations applicable to all types of risks, which are in compliance with the legal regulations on prudent banking operations. Our risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results.

To ensure effective internal auditing, the Company's internal control system is structured along both vertical and horizontal lines. The system of internal checks and balances comprises a combination of process-integrated, management and independent internal audit functions. The independent internal audit organisation promotes the use of safe business procedures, efficient operation and the minimising of risks, besides monitoring compliance with the statutory provisions. It regularly prepares objective and impartial reports on risk management operations, internal control mechanisms and corporate governance functions, for the executive boards and management.

In accordance with the regulations of the European Union and the applicable Hungarian laws, the Bank operates an independent organisational unit with the task of identifying and managing compliance risks.

General Meeting

The General Meeting is OTP Bank Plc.'s supreme governing body. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully both with general and special statutory requirements. Information regarding the General Meeting is published in the Corporate Governance Report.

Committees

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Dr. Antal Pongrácz – Vice Chairman
Mihály Baumstark
Dr. Tibor Bíró
Péter Braun
Tamás Erdei (elected as of 27 April, 2012)
Dr. István Gresa (elected as of 27 April, 2012)
Zsolt Hernádi
Dr. István Kocsis
Dr. László Utassy
Dr. József Vörös

Members of the Supervisory Board
Tibor Tolnay – Chairman
Dr. Gábor Horváth – Vice Chairman
Antal Kovács
Pierre Lefévre
András Michnai
Dr. Márton Gellért Vági

The résumés of the committee and board members are available on the website of OTP Bank and in the Corporate Governance Report/Annual Report (in latter case with the exception of the résumés of Tamás Erdei).

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive body, while the Supervisory Board performs oversight tasks. To assist it in the performance of its governance functions, the Board of Directors has created, as permanent committees, the Management Committee and the Management Coordination Committee. Besides, with the participation of three non-executive members of the Board of Directors it also operates the Remuneration Committee. To ensure effective operation the Bank also has a number of permanent and special committees.

The Bank gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Declaration.

The Board of Directors and the Supervisory Board held 4 meetings each in the first half of 2012.

ENVIRONMENT PROTECTION POLICY, ENVIRONMENT PROTECTION MEASURES

'With trust and responsibility for each other'

In the course of its operation OTP Group pays attention to burden its environment at the lowest possible level, to minimize its consumption of natural resources and produce the possibly lowest level of waste material. Furthermore, the Bank continuously controls environmental effects of its operation. Every year OTP Bank issues its group-wide Corporate Social Responsibility Report which covers OTP Group's commitment to and achievements in environment protection. The measures introduced in 1H 2012 and the operation is primarily governed by the efforts to minimise operating expenses further on. Consequently, the Bank limited its investments in 1H 2012.

Consumption of energy

In order to minimise energy consumption of the Bank, the implementation of previously introduced energy saving measures continued, such as the change of traditional lightening to LED lamps or energy-saving bulbs, application of heat-regaining systems, operation of timing program governed lightening, renovation of the heating system and last but not least the usage of renewable energies (geothermic and solar energy).

Following a complex preparatory work in 2011 OTP Bank started to renovate the facade of around 400 branches. The lightening system – containing the lighting of the branch facades, logos and the poster displays in the branches – has been changed completely to LED lamps. The new and unified image and technique were gradually adopted at foreign subsidiaries of OTP Group too.

In 2012 – as a pilot project – with the installation of hybrid-solar lamps in two branches the Bank widened the usage of renewable energy resources. Measuring and controlling tools, as well as an information system for data collection, procession, evaluation – and in case of need – intervention, were installed as part of the project. These tools helped to examine, optimize and reduce energy consumption of branches. However, the pilot project is in process now, thus no relevant figures are yet available about its effectiveness.

Waste management

Within the Group paper consumption means the largest burden on the environment, thus minimizing of this is a continuous task of the Bank. Primarily with the rollback of consumption, selective waste gathering and the re-cycling of products and equipments the Bank diminished the amount of waste material. Selective collection of dangerous waste material is continuous in compliance with the relevant regulations.

Regarding waste management: **selective collection method of waste material**, like waste paper in the offices, packaging materials (PET bottles, paper boxes of drinks, metallic boxes of drinks, glasses and used batteries) is provided – separately from communal garbage. 1H 2012 selective waste material collection figures show, that the amount of several waste material fractions is basically similar to those of the same period in 2011 (regarding the buildings of the Bank in central management),

Further measures

Further environment protection measures are typically related to operation in connection with procurement and usage of resources, diminishing the CO_2 output of the Bank year by year. Among others the most significant ones are the procurement of IT-equipment, reduction of paper consumption, the replacement of business travelling and application of recycled material.

Reduction of paper consumption is a continuous goal which is reached by the Bank through reduction of printable documents, building of printer network and the availability of electronic account statements. As a result of these measures 320 thousands of Hungarian retail customers applied for electronic account statements, thus 10% of our customers do not receive paper-based statements at all.

Continuously, large quantity of dossiers, promotional material and prospectuses in the branches are made from **recycled paper**.

Video conference lines are used by OTP Group in continuously increasing volume year by year. Building up of the infrastructure is finalised at the required level: it is available in the headquarters as well as in the largest branches. With all of this – with the replacement of airplane and car travelling – the Group saved a lot of CO_2 output.

OTP Bank made rationalisations regarding the Hungarian **carriage services**. Instead of using external carriers, the measure and ratio of internal carriage has been increased and usage of postal services grew also. Fuel-consumption minimisation is promoted by the dispatcher system co-ordinating the route plans of the drivers. Because of their performance evaluation system, they are also motivated in fuel-saving driving.

In connection with branch renovation OTP Bank built out new **bicycle storing facilities**. It is planned to continue this practice and to furbish the surrounding areas of branches with new or renovated street-furniture and pavements, in co-operation with the relevant local authorities to make more beautiful the nearby areas and parks.

Regarding its base activity, our Bank is not a highly environment burdening company, nonetheless enforcement of environment protective measures is a top priority in the daily operation.

OTP Bank defined its responsibilities towards its environment in the Bank's corporate social responsibility strategy (CSR strategy), where guidelines were set and the Bank determined the related objectives. Beside the strategy the Bank declared its commitment to environmental protection and to providing healthy workplace in its Code of Ethics. The environmentally friendly operation and compliance with statutory environmental provisions are provided by the Environmental Regulations effective since 2009 and several other internal regulations. Environment related issues are dealt with in a solid and conscious way, several divisions within the bank are involved and an expert specialised in environmental protection safeguards the compliance with statutory provisions and beyond.

In order to improve its CSR principles and practices, OTP was among the first to implement the ISO 26000 standard in almost all fields of operational environment protection.

FINANCIAL DATA

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF FINANCIAL POSITION

In HUF million	OTP Bank			Consolidated		
	30/06/2012	31/12/2011	change	30/06/2012	31/12/2011	change
Cash, due from banks and balances with the National Bank of Hungary	235,841	226,976	4%	560,263	595,986	-6%
Placements with other banks, net of allowance for possible placement losses	974,497	897,980	9%	429,375	422,777	2%
Financial assets at fair value through profit and loss	249,093	272,577	-9%	213,113	241,282	-12%
Securities available-for-sale	1,952,413	1,711,418	14%	1,502,010	1,125,855	33%
Loans, net of allowance for loan losses	2,504,706	2,741,827	-9%	6,476,948	7,047,179	-8%
Investments in subsidiaries	643,735	651,709	-1%	7,712	10,342	-25%
Securities held-to-maturity	69,925	120,467	-42%	132,007	124,887	6%
Premises, equipment and intangible assets, net	103,615	104,332	-1%	474,534	491,666	-3%
Other assets	48,994	57,404	-15%	141,193	140,553	0%
TOTAL ASSETS	**6,782,819**	**6,784,690**	**0%**	**9,937,155**	**10,200,527**	**-3%**
Due to banks and deposits from the National Bank of Hungary and other banks	1,175,337	871,770	35%	711,119	646,968	10%
Deposits from customers	3,289,546	3,416,221	-4%	6,170,700	6,398,853	-4%
Liabilities from issued securities	400,181	453,423	-12%	742,688	812,863	-9%
Financial liabilities at fair value through profit or loss	233,707	345,955	-32%	142,740	230,149	-38%
Other liabilities	261,824	267,184	-2%	453,794	376,937	20%
Subordinated bonds and loans	307,438	325,997	-6%	296,078	316,447	-6%
TOTAL LIABILITIES	**5,668,033**	**5,680,550**	**0%**	**8,517,119**	**8,782,217**	**-3%**
SHARE CAPITAL	28,000	28,000	0%	28,000	28,000	0%
RETAINED EARNINGS AND RESERVES	1,091,948	1,081,659	1%	1,440,849	1,439,095	0%
TREASURY SHARES	-5,162	-5,519	-6%	-54,029	-54,386	-1%
MINORITY INTEREST	0			5,216	5,601	-7%
TOTAL SHAREHOLDERS' EQUITY	1,114,786	1,104,140	1%	1,420,036	1,418,310	0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,782,819**	**6,784,690**	**0%**	**9,937,155**	**10,200,527**	**-3%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF RECOGNIZED INCOME

in HUF million	OTP Bank			Consolidated		
	1H 2012	1H 2011	change	1H 2012	1H 2011	change
Loans	110,241	108,483	2%	399,851	362,119	10%
Interest income without swap	105,833	103,741	2%	395,443	357,377	11%
Results of swaps	4,215	4,742	-11%	4,408	4,742	-7%
Placements with other banks	180,309	124,994	44%	177,135	145,562	22%
Interest income without swap	13,884	8,011	73%	5,146	3,917	31%
Results of swaps	160,978	116,983	38%	171,989	141,645	21%
Due from banks and balances with the National Bank of Hungary	3,589	3,256	10%	3,753	3,415	10%
Securities held-for-trading	784	1,023	-23%	879	705	25%
Securities available-for-sale	61,345	55,623	10%	41,612	38,161	9%
Securities held-to-maturity	4,166	5,083	-18%	3,527	4,377	-19%
Total Interest Income	360,434	298,462	21%	626,757	554,339	13%
Due to banks and deposits from the National Bank of Hungary and other banks	167,850	97,727	72%	153,352	112,758	36%
Interest expenses without swap	16,222	8,497	91%	11,253	8,204	37%
Losses of swaps	146,781	89,230	64%	142,099	104,554	36%
Deposits from customers	70,557	65,233	8%	117,958	104,112	13%
Interest expenses without swap	66,513	59,867	11%	113,914	98,746	15%
Losses of swaps	4,044	5,366	-25%	4,044	5,366	-25%
Liabilities from issued securities	13,612	15,245	-11%	28,396	28,852	-2%
Subordinated bonds and loans	8,643	7,830	10%	6,302	5,819	8%
Other entrepreneurs	0	0		1,607	1,787	-10%
Total Interest Expense	260,662	186,035	40%	307,615	253,328	21%
NET INTEREST INCOME	**99,772**	**112,427**	**-11%**	**319,142**	**301,011**	**6%**
Provision for possible loan losses	20,667	25,482	-19%	105,979	105,566	0%
Provision for possible placement losses	-138	-714	-81%	356	-537	-166%
Provision for possible loan and placement losses	20,529	24,768	-17%	106,335	105,029	1%
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	79,243	87,659	-10%	212,807	195,982	9%
Fees and commissions	55,926	62,888	-11%	96,347	88,058	9%
Foreign exchange gains and losses, net	-5,409	-1,672	224%	-4,089	5,427	-175%
Gains and losses on securities, net	-9,944	1,600	-722%	-3,844	2,830	-236%
Gains and losses on real estate transactions, net	0	-17		366	606	-40%
Dividend income and gains and losses of associated companies	43,567	72,912	-40%	2,706	464	483%
Other	2,635	1,333	98%	13,704	10,183	35%
Total Non-Interest Income	86,775	137,044	-37%	105,190	107,568	-2%
Fees and commissions	10,250	10,265	0%	22,984	18,262	26%
Personnel expenses	39,329	32,303	22%	93,519	77,968	20%
Depreciation and amortization	10,376	12,040	-14%	22,973	23,905	-4%
Other	89,826	52,047	73%	118,996	92,302	29%
Total Non-Interest Expense	149,781	106,655	40%	258,472	212,437	22%
INCOME BEFORE INCOME TAXES	**16,237**	**118,048**	**-86%**	**59,525**	**91,113**	**-35%**
Income taxes	-6,690	7,454	-190%	5,623	16,638	-66%
INCOME AFTER INCOME TAXES	**22,927**	**110,594**	**-79%**	**53,902**	**74,475**	**-28%**
Minority interest	0	0		-451	-461	-2%
NET INCOME	**22,927**	**110,594**	**-79%**	**53,451**	**74,014**	**-28%**

SEPARATE AND CONSOLIDATED IFRS STATEMENT OF CASH FLOWS

in HUF million	OTP Bank			Consolidated		
	1H 2012	1H 2011	change	1H 2012	1H 2011	change
OPERATING ACTIVITIES						
Income before income taxes	16,237	118,048	-86%	59,525	91,113	-35%
Adjustments to reconcile income before income taxes to net cash provided by operating activities						
Income tax paid	-2,400	-2,029	-18%	-12,448	-14,824	16%
Depreciation, amortization	10,376	12,040	-14%	22,973	23,905	-4%
Provision for loan and placement losses	51,804	32,074	62%	109,142	104,037	5%
Share-based compensation	2,540	4,666	-46%	2,540	4,666	-46%
Unrealised losses on fair value adjustment of securities held of trading	-1,844	1,552	-219%	-1,784	1,534	-216%
Unrealised losses / (gains) on fair value adjustment of derivative financial instruments	16,337	6,367	157%	8,234	4,438	86%
Changes in operating assets and liabilities	-41,990	93,975	-145%	268,750	246,106	9%
Net cash provided by operating activities	**51,060**	**266,693**	**-81%**	**456,892**	**460,975**	**-1%**
INVESTING ACTIVITIES						
Net cash used in investing activities	**-240,614**	**-206,184**	**-17%**	**-361,134**	**-350,464**	**-3%**
FINANCING ACTIVITIES						
Net cash provided by financing activities	**197,763**	**-59,497**	**432%**	**-115,841**	**-146,744**	**21%**
Net (decrease) / increase in cash and cash equivalents	**8,209**	**1,012**	**711%**	**-20,083**	**-36,233**	**45%**
Cash and cash equivalents at the beginning of the period	146,208	88,197	66%	315,177	255,045	24%
Cash and cash equivalents at the end of the period	**154,417**	**89,209**	**73%**	**295,094**	**218,812**	**35%**
DETAILS OF CASH AND CASH EQUIVALENTS						
Cash, due from banks and balances with the National Bank of Hungary	226,976	171,677	32%	595,986	513,038	16%
Mandatory reserve established by the National Bank of Hungary	-80,768	-83,480	3%	-280,809	-257,993	-9%
Cash and equivalents at the beginning of the period	**146,208**	**88,197**	**66%**	**315,177**	**255,045**	**24%**
Cash, due from banks and balances with the National Bank of Hungary	235,841	171,999	37%	560,263	441,575	27%
Compulsory reserve established by the National Bank of Hungary	-81,424	-82,790	2%	-265,169	-222,763	-19%
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**154,417**	**89,209**	**73%**	**295,094**	**218,812**	**35%**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (IFRS)

in HUF million	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Total	Total
Balance as at 1 January 2011	**28,000**	**52**	**28**	**1,383,026**	**-55,468**	**-52,597**	**5,888**	**1,308,929**
Net comprehensive income	--	--	--	74,014		--	--	74,014
Net comprehensive income elements				-27,840				-27,840
Share-based payment	--	--	4,666			--	--	4,666
Treasury share transactions								
Dividend for the year 2010	--	--	--	-20,160		--	--	-20,160
Written put option on ordinary shares								
Treasury shares								
– gain on sale						2,651		2,651
– loss on sale				-16				-16
– change of volume						-2,579		-2,579
Payments to ICES holders				-1,286				-1,286
Non-controlling interest	--	--	--	--	--	--	338	338
Balance as at 30 June 2011	**28,000**	**52**	**4,694**	**1,407,738**	**-55,468**	**-52,525**	**6,226**	**1,338,717**

in HUF million	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Total	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 comprehensive income	--	--	--	53,451		--	--	53,451
Net comprehensive income elements				-25,430				-25,430
Share-based payment	--	--	2,540			--	--	2,540
Treasury share transactions								
Dividend for the year 2011	--	--	--	-28,000		--	--	-28,000
Written put option on ordinary shares								
Treasury shares								
– gain on sale						1,835		1,835
– loss on sale				-108				-108
– change of volume						-1,478		-1,478
Payments to ICES holders				-699				-699
Non-controlling interest	--	--	--	--	--	--	-385	-385
Balance as at 30 June 2012	**28,000**	**52**	**8,755**	**1,487,510**	**-55,468**	**-54,029**	**5,216**	**1,420,036**

Ownership structure of OTP Bank Plc.

Description of owner	Total equity					
	1 January 2012			30 June 2012		
	%[1]	%[2]	Qty	%[1]	%[2]	Qty
Domestic institution/company	17.2%	17.5%	48,167,622	14.2%	14.4%	39,749,728
Foreign institution/company	59.9%	60.9%	167,611,237	57.5%	58.5%	161,079,572
Domestic individual	11.1%	11.3%	31,040,428	13.7%	14.0%	38,456,185
Foreign individual	1.1%	1.2%	3,204,215	1.0%	1.0%	2,836,677
Employees, senior officers	1.8%	1.9%	5,103,361	1.8%	1.9%	5,129,927
Treasury shares	1.7%	0.0%	4,716,888	1.6%	0.0%	4,484,574
Government held owner[3]	0.4%	0.4%	1,132,501	5.0%	5.0%	13,874,377
International Development Institutions[4]	1.5%	1.6%	4,320,559	1.4%	1.4%	3,830,559
Other[5]	5.3%	5.3%	14,703,199	3.8%	3.8%	10,558,411
TOTAL	**100.0%**	**100.0%**	**280,000,010**	**100.0%**	**100.0%**	**280,000,010**

[1] Voting rights
[2] Beneficial ownership
[3] E.g.: State Privatization Holding Co. Ltd., Social Security, Municipality, 100% state-owned companies, Pension Reform and Debt Reduction Fund etc.
[4] E.g.: EBRD, EIB, etc.
[5] Non-identified shareholders according to the shareholders' registry

Number of treasury shares held in the year under review

	1 January	31 March	30 June	30 September	31 December
Company	2,643,328	2,640,987	2,411,014		
Subsidiaries	2,073,560	2,073,560	2,073,560		
TOTAL	4,716,888	4,714,547	4,484,574		

Shareholders with over/around 5% stake

Name	Number of shares	Voting rights	Beneficial ownership
Megdet, Timur and Ruszlan Rahimkulov	25,171,495	8.99%	9.14%
MOL (Hungarian Oil and Gas Company Plc.)	24,000,000	8.57%	8.71%
Groupama Group	23,257,160	8.31%	8.44%
Lazard Group	16,751,632	5.98%	6.08%

Senior officers, strategic employees and their shareholding of OTP shares

Type[1]	Name	Position	No. of shares held
IT	Dr. Sándor Csányi [2]	Chairman and CEO	208,000
IT	Mihály Baumstark	member	6,400
IT	Dr. Tibor Bíró	member	37,081
IT	Péter Braun	member	534,305
IT	Tamás Erdei	member	11,150
IT	Dr. István Gresa	member	63,758
IT	Zsolt Hernádi	member	6,400
IT	Dr. István Kocsis	member	88,000
IT	Dr. Antal Pongrácz	Deputy Chairman, Deputy CEO	203,600
IT	Dr. László Utassy	member	266,400
IT	Dr. József Vörös	member	123,600
FB	Tibor Tolnay	Chairman	54
FB	Dr. Gábor Horváth	member	10,000
FB	Antal Kovács	member, Deputy CEO	23,000
FB	András Michnai	member	16,000
FB	Pierre Lefévre	member	0
FB	Dr. Márton Gellért Vági	member	0
SP	László Bencsik	Chief Financial and Strategic Officer, Deputy CEO	0
SP	Daniel Gyuris	Deputy CEO	0
SP	Ákos Takáts	Deputy CEO	153,347
SP	László Wolf	Deputy CEO	644,640
TOTAL No. of shares held by management:			**2,395,735**

[1] Employee in strategic position (SP), Board Member (IT), Supervisory Board Member (FB)
[2] Number of OTP shares owned by Mr. Csányi directly or indirectly: 2,708,000

OFF-BALANCE SHEET ITEMS ACCORDING TO IFRS (IN HUF MILLION) [1]

a) Contingent liabilities

	30/06/2012	30/06/2011
Commitments to extend credit	1,076,264	860,215
Guarantees arising from banking activities	297,923	251,334
Confirmed letters of credit	13,228	4,074
Legal disputes (disputed value)[2]	10,514,123	8,438,505
Contingent liabilities related to OTP Mortgage Bank	--	--
Other	60,925	107,820
Total:	**11,962,463**	**9,661,947**

[1] Those financial undertakings, which are important from valuation perspectives however not booked within the balance sheet (such as surety, guarantees, pledge related obligations, etc.)
[2] The pending payment obligation in the amount of HUF 10,514 billion existing on 30 June 2012 is largely attributable and related to the litigation initiated in 2010 by the Holocaust Victims of Bank Theft seeking to enforce a claim against OTP Bank Plc. before the US District Court Northern District of Illinois. The result of this litigation, which cannot be predicted at this stage of the proceeding, is not likely to have a significant effect on the financial position or profitability of OTP Bank Plc. or the OTP Group.

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

	End of reference period	Current period opening	Current period closing
Bank	7,799	7,912	7,996
Consolidated	33,684	33,826	33,945

Major security issuances on Group level in the course of 2H 2011 and 1H 2012

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2012	Outstanding consolidated debt (in HUF million) 30/06/2012
OTP Bank Nyrt.	Corporate bond	OTP 2021/RF/A	05/07/2011	13/07/2021	HUF	190	190
OTP Bank Nyrt.	Corporate bond	OTP 2017/Cx	19/09/2011	25/09/2017	HUF	3,750	3,750
OTP Bank Nyrt.	Corporate bond	OTP 2021/RF/B	20/10/2011	25/10/2021	HUF	204	204
OTP Bank Nyrt.	Corporate bond	OTP 2014/Fx	20/10/2011	21/10/2014	HUF	391	391
OTP Bank Nyrt.	Corporate bond	OTP 2017/Dx	21/10/2011	19/10/2017	HUF	540	540
OTP Bank Nyrt.	Corporate bond	OTP 2017/Ex	21/12/2011	28/12/2017	HUF	4,000	4,000
OTP Bank Nyrt.	Corporate bond	OTP 2021/RF/C	21/12/2011	30/12/2021	HUF	15	15
OTP Bank Nyrt.	Corporate bond	OTP 2021/RF/D	21/12/2011	30/12/2021	HUF	18	18
OTP Bank Nyrt.	Corporate bond	OTP 2021/Dx	21/12/2011	27/12/2021	HUF	425	425
OTP Bank Nyrt.	Corporate bond	OTP 2014/Gx	21/12/2011	30/12/2014	HUF	320	320
OTP Bank Nyrt.	Corporate bond	OTP 2021/RF/E	21/12/2011	30/12/2021	HUF	15	15
OTP Bank Nyrt.	Corporate bond	OTP 2016/Dx	22/12/2011	29/12/2016	EUR	1,245,100	359
OTP Bank Nyrt.	Corporate bond	OTP 2018/Ax	03/01/2012	09/01/2018	HUF	1,200	1,200
OTP Bank Nyrt.	Corporate bond	OTP 2015/Dx	19/03/2012	23/03/2015	HUF	520	520
OTP Bank Nyrt.	Corporate bond	OTP 2022/RF/A	22/03/2012	23/03/2022	HUF	45	45
OTP Bank Nyrt.	Corporate bond	OTP 2018/Bx	22/03/2012	22/03/2018	HUF	4,680	4,680
OTP Bank Nyrt.	Corporate bond	OTP 2022/RF/B	22/03/2012	23/03/2022	HUF	15	15
OTP Bank Nyrt.	Corporate bond	OTP 2022/Ax	22/03/2012	23/03/2022	HUF	310	310
OTP Bank Nyrt.	Corporate bond	OTP 2017/Fx	14/06/2012	16/06/2017	EUR	776,800	224
OTP Bank Nyrt.	Corporate bond	OTP 2022/RF/D	28/06/2012	28/06/2022	HUF	86	86
OTP Bank Nyrt.	Corporate bond	OTP 2022/RF/C	28/06/2012	28/06/2022	HUF	68	68
OTP Bank Nyrt.	Retail bond	OTP 2012/XIV	15/07/2011	14/07/2012	HUF	8,637	8,637
OTP Bank Nyrt.	Retail bond	OTP 2012/XV	29/07/2011	28/07/2012	HUF	9,491	9,491
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/I	05/08/2011	04/08/2012	EUR	2,987,300	861
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/I	05/08/2011	05/08/2013	EUR	450,600	130
OTP Bank Nyrt.	Retail bond	OTP 2012/XVI	12/08/2011	11/08/2012	HUF	13,805	13,805
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/II	12/08/2011	11/08/2012	EUR	4,445,100	1,281
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/II	12/08/2011	12/08/2013	EUR	437,400	126
OTP Bank Nyrt.	Retail bond	OTP 2012/XVII	26/08/2011	25/08/2012	HUF	6,369	6,369
OTP Bank Nyrt.	Retail bond	OTP OVK 2013/I	26/08/2011	26/08/2013	HUF	1,284	1,284
OTP Bank Nyrt.	Retail bond	OTP TBSZ2014/II	26/08/2011	15/12/2014	HUF	744	744
OTP Bank Nyrt.	Retail bond	OTP TBSZ2016/II	26/08/2011	15/12/2016	HUF	655	655
OTP Bank Nyrt.	Retail bond	OTP OJK 2016/I	26/08/2011	26/08/2016	HUF	260	260
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/III	26/08/2011	25/08/2012	EUR	7,442,900	2,145
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/III	26/08/2011	26/08/2013	EUR	916,800	264
OTP Bank Nyrt.	Retail bond	OTP 2012/XVIII	09/09/2011	08/09/2012	HUF	13,132	13,132
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/IV	09/09/2011	08/09/2012	EUR	11,509,900	3,317
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/IV	09/09/2011	09/09/2013	EUR	768,400	221
OTP Bank Nyrt.	Retail bond	OTP 2014/RA/Bx	16/09/2011	15/09/2014	HUF	1,121	1,121
OTP Bank Nyrt.	Retail bond	OTP 2012/XIX	23/09/2011	22/09/2012	HUF	9,354	9,354

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2012	Outstanding consolidated debt (in HUF million) 30/06/2012
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/V	23/09/2011	22/09/2012	EUR	3,739,500	1,078
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/V	23/09/2011	23/09/2013	EUR	497,200	143
OTP Bank Nyrt.	Retail bond	OTP 2012/XX	07/10/2011	06/10/2012	HUF	7,316	7,316
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/VI	07/10/2011	07/10/2013	EUR	552,000	159
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/VI	07/10/2011	06/10/2012	EUR	7,867,200	2,267
OTP Bank Nyrt.	Retail bond	OTP 2012/XXI	21/10/2011	20/10/2012	HUF	7,993	7,993
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/VII	21/10/2011	20/10/2012	EUR	5,730,300	1,652
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/VII	21/10/2011	21/10/2013	EUR	587,000	169
OTP Bank Nyrt.	Retail bond	OTP 2012/XXII	07/11/2011	06/11/2012	HUF	18,308	18,308
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/VIII	07/11/2011	06/11/2012	EUR	3,665,000	1,056
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/VIII	07/11/2011	07/11/2013	EUR	269,000	78
OTP Bank Nyrt.	Retail bond	OTP 2012/XXIII	18/11/2011	17/11/2012	HUF	14,255	14,255
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/IX	18/11/2011	17/11/2012	EUR	8,097,800	2,334
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/IX	18/11/2011	18/11/2013	EUR	418,400	121
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/X	25/11/2011	25/11/2013	EUR	140,700	41
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/X	25/11/2011	24/11/2012	EUR	4,137,400	1,192
OTP Bank Nyrt.	Retail bond	OTP 2012/XXIV	02/12/2011	01/12/2012	HUF	8,814	8,814
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/XI	02/12/2011	01/12/2012	EUR	3,889,300	1,121
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/XI	02/12/2011	02/12/2013	EUR	182,300	53
OTP Bank Nyrt.	Retail bond	OTP 2012/XXV	16/12/2011	15/12/2012	HUF	18,727	18,727
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/XII	16/12/2011	15/12/2012	EUR	2,859,800	824
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/XII	16/12/2011	16/12/2013	EUR	104,600	30
OTP Bank Nyrt.	Retail bond	OTP EUR 2012/XIII	29/12/2011	28/12/2012	EUR	1,004,600	290
OTP Bank Nyrt.	Retail bond	OTP EUR 2013/XIII	29/12/2011	29/12/2013	EUR	149,800	43
OTP Bank Nyrt.	Retail bond	OTP 2013/I	06/01/2012	05/01/2013	HUF	8,884	8,884
OTP Bank Nyrt.	Retail bond	OTP TBSZ 4 2015/I	13/01/2012	15/12/2015	HUF	484	484
OTP Bank Nyrt.	Retail bond	OTP TBSZ6 2017/I	13/01/2012	15/12/2017	HUF	242	242
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/I	13/01/2012	12/01/2013	EUR	1,109,400	320
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/I	13/01/2012	13/01/2014	EUR	60,000	17
OTP Bank Nyrt.	Retail bond	OTP 2013/II	20/01/2012	19/01/2013	HUF	21,789	21,789
OTP Bank Nyrt.	Retail bond	OTP OJK 2017/I	27/01/2012	27/01/2017	HUF	43	43
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/II	27/01/2012	26/01/2013	EUR	1,859,000	536
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/II	27/01/2012	27/01/2014	EUR	193,400	56
OTP Bank Nyrt.	Retail bond	OTP OVK 2014/I	31/01/2012	27/01/2014	HUF	215	215
OTP Bank Nyrt.	Retail bond	OTP 2013/III	03/02/2012	02/02/2013	HUF	12,779	12,779
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/III	10/02/2012	09/02/2013	EUR	1,018,700	294
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/III	10/02/2012	10/02/2014	EUR	244,600	70
OTP Bank Nyrt.	Retail bond	OTP 2013/IV	17/02/2012	16/02/2013	HUF	17,335	17,335
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/IV	24/02/2012	23/02/2013	EUR	1,084,900	313
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/IV	24/02/2012	24/02/2014	EUR	445,000	128
OTP Bank Nyrt.	Retail bond	OTP 2013/V	02/03/2012	02/03/2013	HUF	9,179	9,179
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/V	09/03/2012	09/03/2013	EUR	836,700	241
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/V	09/03/2012	09/03/2014	EUR	95,000	27
OTP Bank Nyrt.	Retail bond	OTP 2013/VI	23/03/2012	23/03/2013	HUF	8,349	8,349
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/VI	23/03/2012	23/03/2013	EUR	757,600	218
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/VI	23/03/2012	23/03/2014	EUR	103,100	30
OTP Bank Nyrt.	Retail bond	OTP 2013/VII	06/04/2012	06/04/2013	HUF	10,297	10,297
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/VII	06/04/2012	06/04/2013	EUR	1,168,600	337
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/VII	06/04/2012	06/04/2014	EUR	148,000	43
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/VIII	20/04/2012	20/04/2013	EUR	2,355,600	679
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/VIII	20/04/2012	20/04/2014	EUR	266,400	77
OTP Bank Nyrt.	Retail bond	OTP 2013/VIII	21/04/2012	21/04/2013	HUF	10,786	10,786
OTP Bank Nyrt.	Retail bond	OTP DNT HUF 2012B	27/04/2012	31/10/2012	HUF	5,486	5,486
OTP Bank Nyrt.	Retail bond	OTP DC EUR 120801 5%	27/04/2012	01/08/2012	EUR	15,894,100	4,581
OTP Bank Nyrt.	Retail bond	OTP DC USD 120801 5%	27/04/2012	01/08/2012	USD	9,933,000	2,276
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/IX	04/05/2012	04/05/2013	EUR	2,948,900	850
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/IX	04/05/2012	04/05/2014	EUR	341,100	98
OTP Bank Nyrt.	Retail bond	OTP 2013/IX	11/05/2012	11/05/2013	HUF	10,846	10,846
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/X	11/05/2012	11/05/2013	EUR	524,900	151
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/X	11/05/2012	11/05/2014	EUR	50,200	14
OTP Bank Nyrt.	Retail bond	OTP 2013/X	25/05/2012	11/05/2013	HUF	5,058	5,058
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/XI	25/05/2012	25/05/2013	EUR	874,600	252
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/XI	25/05/2012	25/05/2014	EUR	101,900	29
OTP Bank Nyrt.	Retail bond	OTP 2013/XI	08/06/2012	08/06/2013	HUF	5,635	5,635

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2012	Outstanding consolidated debt (in HUF million) 30/06/2012
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/XII	08/06/2012	08/06/2013	EUR	1,117,200	322
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/XII	08/06/2012	08/06/2014	EUR	130,200	38
OTP Bank Nyrt.	Retail bond	OTP 2013/XII	22/06/2012	22/06/2013	HUF	4,542	4,542
OTP Bank Nyrt.	Retail bond	OTP EUR 1 2013/XIII	22/06/2012	22/06/2013	EUR	2,338,800	674
OTP Bank Nyrt.	Retail bond	OTP EUR 2 2014/XIII	22/06/2012	22/06/2014	EUR	200,900	58
OTP Jelzálogbank Zrt.	Mortgage bond	OMB2014_II	02/08/2011	10/08/2014	EUR	14,500,000	4,179
OTP Jelzálogbank Zrt.	Mortgage bond	OMB2013_I	11/11/2011	18/11/2013	EUR	3,500,000	1,009
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2015_II	17/05/2012	17/05/2015	HUF	0	0
OTP Bank Russia	Corporate bond	OTPRU 14/07	02/08/2011	29/07/2014	RUR	5,000,000,000	34,800
OTP Bank Russia	Corporate bond	OTPRU 14/10	03/11/2011	30/10/2014	RUR	2,505,000,000	17,435
OTP Bank Russia	Corporate bond	OTPRU 13/03	06/03/2012	03/03/2015	RUR	5,906,500,000	41,109

Major security redemptions on Group level in the course of 2H 2011 and 1H 2012

Issuer	Type of security	Security name	Date of issue	Date of maturity	Ccy	Outstanding consolidated debt (in original currency or HUF million) 30/06/2011	Outstanding consolidated debt (in HUF million) 30/06/2011
OTP Bank Nyrt.	Corporate bond	OTP 2011C	09/11/2009	09/11/2011	HUF	2,000	2,000
OTP Bank Nyrt.	Corporate bond	OTPX 2011C	14/12/2009	20/12/2011	HUF	527	527
OTP Bank Nyrt.	Corporate bond	OTPHB402/12	24/02/2010	24/02/2012	CHF	56,165,000	12,352
OTP Bank Nyrt.	Corporate bond	OTPX 2012C	25/03/2010	30/03/2012	HUF	651	651
OTP Bank Nyrt.	Retail bond	OTP 2011/XIV	09/07/2010	09/07/2011	HUF	10,189	10,189
OTP Bank Nyrt.	Retail bond	OTP 2011/XV	23/07/2010	23/07/2011	HUF	10,959	10,959
OTP Bank Nyrt.	Retail bond	OTP 2011/XVI	06/08/2010	06/08/2011	HUF	13,037	13,037
OTP Bank Nyrt.	Retail bond	OTP 2011/XVII	19/08/2010	19/08/2011	HUF	7,084	7,084
OTP Bank Nyrt.	Retail bond	OTP 2011/XVIII	03/09/2010	03/09/2011	HUF	14,456	14,456
OTP Bank Nyrt.	Retail bond	OTP 2011/XIX	17/09/2010	17/09/2011	HUF	10,933	10,933
OTP Bank Nyrt.	Retail bond	DNT_HUF_2011_B	25/03/2011	21/09/2011	HUF	7,070	7,070
OTP Bank Nyrt.	Retail bond	DNT_EUR_2011_B	25/03/2011	21/09/2011	EUR	12,195,900	3,238
OTP Bank Nyrt.	Retail bond	DNT_USD_2011_B	25/03/2011	21/09/2011	USD	3,533,700	648
OTP Bank Nyrt.	Retail bond	DNT_CHF_2011A	25/03/2011	21/09/2011	CHF	2,070,300	455
OTP Bank Nyrt.	Retail bond	OTP 2011/XX	01/10/2010	01/10/2011	HUF	4,766	4,766
OTP Bank Nyrt.	Retail bond	DC_HUF_2011A	27/06/2011	03/10/2011	HUF	2,632	2,632
OTP Bank Nyrt.	Retail bond	DC_EUR_2011A	27/06/2011	03/10/2011	EUR	7,131,200	1,894
OTP Bank Nyrt.	Retail bond	OTP 2011/XXII	29/10/2010	29/10/2011	HUF	19,327	19,327
OTP Bank Nyrt.	Retail bond	OTP 2011/XXIII	12/11/2010	12/11/2011	HUF	12,357	12,357
OTP Bank Nyrt.	Retail bond	OTP 2011/XXI	15/10/2010	15/11/2011	HUF	6,362	6,362
OTP Bank Nyrt.	Retail bond	OTP 2011/XXV	13/12/2010	13/12/2011	HUF	15,566	15,566
OTP Bank Nyrt.	Retail bond	DNT_HUF_2011_C	27/06/2011	21/12/2011	HUF	10,131	10,131
OTP Bank Nyrt.	Retail bond	DNT_EUR_2011_C	27/06/2011	21/12/2011	EUR	16,791,600	4,460
OTP Bank Nyrt.	Retail bond	DNT_USD_2011_C	27/06/2011	21/12/2011	USD	5,660,200	1,038
OTP Bank Nyrt.	Retail bond	DNT_CHF_2011B	27/06/2011	21/12/2011	CHF	1,173,200	258
OTP Bank Nyrt.	Retail bond	OTP 2012/II	21/01/2011	07/01/2012	HUF	15,426	15,426
OTP Bank Nyrt.	Retail bond	OTP 2012/I	07/01/2011	07/01/2012	HUF	8,598	8,598
OTP Bank Nyrt.	Retail bond	OTP 2012/III	04/02/2011	04/02/2012	HUF	9,575	9,575
OTP Bank Nyrt.	Retail bond	OTP 2012/IV	18/02/2011	18/02/2012	HUF	23,668	23,668
OTP Bank Nyrt.	Retail bond	OTP 2012/V	04/03/2011	03/03/2012	HUF	15,258	15,258
OTP Bank Nyrt.	Retail bond	OTP 2012/VI	25/03/2011	24/03/2012	HUF	15,132	15,132
OTP Bank Nyrt.	Retail bond	OTP 2012/VII	08/04/2011	07/04/2012	HUF	18,885	18,885
OTP Bank Nyrt.	Retail bond	OTP 2012/VIII	22/04/2011	21/04/2012	HUF	14,449	14,449
OTP Bank Nyrt.	Retail bond	OTP 2012/IX	06/05/2011	05/05/2012	HUF	16,244	16,244
OTP Bank Nyrt.	Retail bond	OTP 2012/X	20/05/2011	19/05/2012	HUF	10,743	10,743
OTP Bank Nyrt.	Retail bond	OTP 2012/XI	03/06/2011	02/06/2012	HUF	8,774	8,774
OTP Bank Nyrt.	Retail bond	OTP 2012/XII	17/06/2011	16/06/2012	HUF	5,776	5,776
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2011/VI	25/05/2011	30/11/2011	HUF	0	0
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2011_II	28/05/2004	12/09/2011	HUF	8,780,000,000	8,780
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2011_III	28/02/2005	30/11/2011	HUF	2,170,000	2
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2011_IV	31/08/2006	31/08/2011	HUF	7,619,970,000	7,620
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2012_I	17/03/2004	21/03/2012	HUF	13,870,000,000	13,870
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2012_II	14/04/2004	16/05/2012	HUF	36,006,600,000	36,007
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2012/VI	25/05/2011	16/05/2012	HUF	0	0
OTP Jelzálogbank Zrt.	Mortgage bond	OJB2012/VIII	25/05/2011	31/01/2012	HUF	0	0
OTP Jelzálogbank Zrt.	Mortgage bond	OMB2011_I	10/07/2006	11/07/2011	EUR	695,950,000	184,851
OTP Jelzálogbank Zrt.	Mortgage bond	OMB2011_II	04/12/2009	05/12/2011	EUR	86,900,000	23,082
OTP Banka Slovensko	Mortgage bond	Mortgage bonds OTP XVII.	08/06/2009	08/06/2012	EUR	3,030,000	805
OTP Banka Slovensko	Mortgage bond	Mortgage bonds OTP XVIII.	18/09/2009	18/03/2012	EUR	900,000	239

RELATED-PARTY TRANSACTIONS

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 in HUF million	1H 2011	1H 2012
Total	**5,078**	**6,369**
Short-term employee benefits	3,479	4,071
Share-based payment	1,171	1,584
Other long-term employee benefits	428	595
Termination benefits		109
Redundancy payments		10
Loans provided to companies owned by the management (normal course of business)	34,167	35,193
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	115	112
Commitments to extend credit and guarantees	46	364
Loans provided to unconsolidated subsidiaries	5,873	10,807

SUPPLEMENTARY DATA

FOOTNOTES OF THE TABLE 'CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)

General note: regarding OTP Core and other subsidiaries, profit after tax is calculated without received dividends and net cash transfers. Regarding dividends and net cash transfers received from non-group member companies, it is shown on a separate line in one sum in the table, regardless to the particular receiver or payer group member company.

(1) OTP Core, Corporate Centre and foreign banks aggregated, excluding one-timers.

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

(3) Within OTP Group, the Corporate Centre acts as a virtual entity established by the equity investment of OTP Core for managing the wholesale financing activity for all the subsidiaries within OTP Group but outside OTP Core. Therefore the balance sheet of the Corporate Centre is funded by the equity and intragroup lending received from OTP Core plus the subordinated debt and senior notes arranged by OTP Bank under its running EMTN program. From this funding pool, the Corporate Centre is to provide intragroup lending to, and hold equity stakes in OTP subsidiaries outside OTP Core. Within OTP Group, the full range of financing and investments into non-OTP Core subsidiaries is allocated to the Corporate Centre. Main subsidiaries financed by Corporate Centre are as follows: Hungarians: Merkantil Bank Ltd, Merkantil Car Ltd, Merkantil Leasing Ltd, OTP Real Estate Leasing Ltd, OTP Fund Management Ltd, OTP Real Estate Fund Management Ltd, OTP Life Annuity Ltd; foreigners: leasing companies, factoring companies.

(4) From 4Q 2008 figures are based on the aggregated financial statements of OTP Bank JSC and LLC OTP Leasing Ukraine, from 4Q 2009 the result of LLC OTP Factoring Ukraine was also aggregated, while in 4Q 2010 the financial statement and balance sheet of LLC OTP Credit was also added.

(5) From 3Q 2010, statements are based on the aggregated financials of DSK Group and the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC.

(6) Including the financial performance of OTP Factoring Serbia d.o.o from 4Q 2010.

(7) Revaluation result (revaluation benchmark: Croatian industrial price index) of HRK denominated government bonds issued in 1991 with 20 years tenor, 5% fixed interest rates aiming the restructuring of the Croatian economy was accounted against capital during the maturity. At maturity the revaluation result was transferred from capital to P&L on Other net non-interest income line.

(8) Aggregated after tax profit of Merkantil Bank and Merkantil Car without dividends, net cash transfer and provisioning for investments in subsidiaries.

(9) From 4Q 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o. (Croatia), OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).

(10) LLC AMC OTP Capitol (Ukraine) and OTP Asset Management SAI S.A. (Romania).

(11) HIF Ltd. (United Kingdom), OTP Faktoring Slovensko (Slovakia) (until 1Q 2011), OTP Buildings (Slovakia), OTP Real Slovensko (Slovakia), OTP Holding Limited (Cyprus), Velvin Ventures Ltd. (Belize), OTP Faktoring SRL (Romania).

(12) Total Hungarian subsidiaries: sum of after tax results of Hungarian group members including (Corporate Centre) and related eliminations.

(13) Total Foreign subsidiaries: sum of profit after tax (without dividends and net cash transfers) of foreign subsidiaries.

CALCULATION OF ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS PRESENTED IN THE REPORT

In order to present Group level trends in a comprehensive way in the Interim Management Report, the presented consolidated and Separate profit and loss statements of the Report were adjusted in the following way, and the adjusted P&Ls are shown and analysed in the Report. Consolidated accounting figures together with Separate accounting figures of OTP Bank are still disclosed in the Financial Data section of the Report.

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, special tax on financial institutions, the loss from early repayment of FX mortgage loans in Hungary, the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments and the special banking tax refund related to the early repayments.
- Other non-interest income elements stemming from provisioning release in connection with loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising material cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations, which are quasi marketing expenses but kept as paid cash transfer on the P&L –, Other non-interest expenses and Special tax on financial institutions.
- In 1Q 2010, parallel losses on sale of securities and release of other provisions for these securities were netted and are shown together on line “Gain/loss on securities, net” both at OTP Group consolidated and at OTP Core stand alone level. The negative P&L effect stemming from the deteriorated value of these securities was suffered in previous quarters – at the time of emerging of the above mentioned other provisions.
- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers (’dealer fees’) were registered as interest expense on the accounting income statement. Earlier this item had been booked as fee expense. In order to create a comparable time series, since 4Q 2010 dealer fees have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group’s consolidated net earnings.
- Cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, the after tax effect of the goodwill write-downs, the effect of special banking tax, the loss from early repayment of FX mortgage loans in Hungary and the revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments. Cost/income ratio is calculated from operating costs, excluding other risk costs.
- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line “Provision for loan losses”), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line “Foreign exchange result, net”). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L, By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- Within the report, FX-adjusted statistics for business volumes are disclosed. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier.

ADJUSTMENTS OF CONSOLIDATED IFRS P&L LINES

in HUF million	1Q 11	2Q 11	1H 11	3Q 11	4Q 11 Audited	2011 Audited	1Q 12	2Q 12	1H 12
Net interest income	**150,868**	**150,143**	**301,011**	**161,974**	**167,833**	**630,817**	**162,243**	**156,899**	**319,142**
(-) Agent fees paid to car dealers by Merkantil Group	-856	-834	-1,690	-787	-767	-3,244	-704	-652	-1,356
Net interest income (adj.) with one-offs	**151,724**	**150,977**	**302,701**	**162,761**	**168,600**	**634,061**	**162,947**	**157,551**	**320,498**
(-) Revaluation result of FX swaps at OTP Core (booked within net interest income)	0	0	0	3,530	-361	3,169	-1,200	-1,356	-2,556
Net interest income (adj.) without one-offs	**151,724**	**150,977**	**302,701**	**159,230**	**168,961**	**630,892**	**164,147**	**158,907**	**323,054**
Net fees and commissions	**33,587**	**36,208**	**69,796**	**37,364**	**39,364**	**146,524**	**34,782**	**38,581**	**73,363**
(+) Agent fees paid to car dealers by Merkantil Group	-856	-834	-1,690	-787	-767	-3,244	-704	-652	-1,356
Net fees and commissions (adj.)	**32,731**	**35,374**	**68,106**	**36,577**	**38,597**	**143,280**	**34,078**	**37,929**	**72,007**
Foreign exchange result on Consolidated IFRS P&L	**-3,651**	**9,078**	**5,427**	**22,958**	**21,646**	**50,031**	**-7,236**	**3,147**	**-4,089**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	-11,095	7,117	-3,977	16,631	14,410	27,063	-11,659	-3,187	-14,846
(-) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments	0	0	0	1,775	-1,775	0	0	0	0
Foreign exchange result (adj.) with one-offs	**7,444**	**1,961**	**9,405**	**4,553**	**9,011**	**22,968**	**4,423**	**6,334**	**10,757**
(-) Non-recurring FX-gains and losses (booked within Foreign exchange gains, net at OTP Core)	0	0	0	0	3,926	3,926	0	0	0
Foreign exchange result (adj.) without one-offs	**7,444**	**1,961**	**9,405**	**4,553**	**5,085**	**19,042**	**4,423**	**6,334**	**10,757**
Gain/loss on securities, net	**516**	**2,314**	**2,830**	**3,713**	**6,747**	**13,290**	**-1,446**	**-2,398**	**-3,844**
Gain/loss on securities, net (adj.) with one-offs	**516**	**2,314**	**2,830**	**3,713**	**6,747**	**13,290**	**-1,446**	**-2,398**	**-3,844**
(-) Gain on Croatian government bonds (booked as Gain on securities, net (adj.) at OBH Croatia)	0	0	0	4,300	0	4,300	0	0	0
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj.) at OTP Core)	0	0	0	0	5,572	5,572	-2,501	-2,685	-5,185
Gain/loss on securities, net (adj.) without one-offs	**516**	**2,314**	**2,830**	**-587**	**1,176**	**3,419**	**1,054**	**287**	**1,341**
Gains and losses on real estate transactions	**255**	**351**	**606**	**104**	**291**	**1,002**	**214**	**152**	**366**
(+) Other non-interest income	**4,807**	**5,376**	**10,183**	**6,850**	**10,220**	**27,252**	**7,428**	**6,276**	**13,704**
(-) Received cash transfers	0	5	5	15	17	37	2	0	2
(-) Non-interest income from the release of pre-acquisition provisions	775	72	847	130	54	1,030	232	47	279
(+) Other non-interest expenses	-2,625	-1,611	-4,236	-261	-5,152	-9,648	-734	-1,793	-2,527
Net other non-interest result (adj.) with one-offs	**1,662**	**4,040**	**5,702**	**6,549**	**5,288**	**17,538**	**6,674**	**4,587**	**11,262**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core)	0	318	318	1,454	807	2,580	1,124	0	1,124
Net other non-interest result (adj.) without one-offs	**1,662**	**3,722**	**5,384**	**5,095**	**4,480**	**14,959**	**5,550**	**4,587**	**10,137**
Provision for possible loan losses	**-47,070**	**-57,958**	**-105,028**	**-77,566**	**-134,080**	**-316,675**	**-47,006**	**-59,329**	**-106,335**
(+) Non-interest income from the release of pre-acquisition provisions	775	72	847	130	54	1,030	232	47	279
(-) Revaluation result of FX provisions	11,095	-7,117	3,977	-16,631	-14,410	-27,063	11,659	3,187	14,846
(-) Loss from early repayment of FX mortgage loans in Hungary	0	0	0	-2,306	-67,157	-69,463	4,409	0	4,409
(-) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments	0	0	0	0	9,313	9,313	-5,278	0	-5,278
Provision for possible loan losses (adj.)	**-57,390**	**-50,768**	**-108,159**	**-58,500**	**-61,773**	**-228,432**	**-57,564**	**-62,469**	**-120,033**

in HUF million	1Q 11	2Q 11	1H 11	3Q 11	4Q 11 Audited	2011 Audited	1Q 12	2Q 12	1H 12
Other expenses	**-45,878**	**-46,424**	**-92,301**	**-47,357**	**-48,003**	**-187,662**	**-77,577**	**-41,420**	**-118,997**
(-) Other provisions	237	756	993	-839	-5,761	-5,607	-1,177	-1,630	-2,807
(-) Paid cash transfers	-205	-438	-643	-312	-5,631	-6,587	-652	-752	-1,404
(+) Film subsidies and cash transfers to public benefit organisations	-176	-277	-453	-217	-5,596	-6,266	-510	-494	-1,004
(-) Other non-interest expenses	-2,625	-1,611	-4,236	-261	-5,152	-9,648	-734	-1,793	-2,527
(-) Special tax on financial institutions	-8,866	-8,866	-17,731	-8,866	-8,866	-35,463	-35,539	-94	-35,633
(-) Special banking tax refund	0	0	0	0	20,839	20,839	-1,323	0	-1,323
Other expenses (adj.)	**-34,595**	**-36,542**	**-71,137**	**-37,297**	**-49,028**	**-157,462**	**-38,663**	**-37,644**	**-76,307**
After tax dividends and net cash transfers	**155**	**-329**	**-174**	**85**	**-5,513**	**-5,603**	**-648**	**1,952**	**1,304**
(-) Film subsidies and cash transfers to public benefit organisations	-176	-277	-453	-217	-5,596	-6,266	-510	-494	-1,004
(-) Dividend income of MOL shares kept under the treasury share swap agreement								2,265	2,265
After tax dividends and net cash transfers	**331**	**-52**	**279**	**302**	**82**	**663**	**-138**	**181**	**43**
Depreciation	**-11,740**	**-12,165**	**-23,905**	**-12,600**	**-36,927**	**-73,433**	**-11,141**	**-11,832**	**-22,973**
(-) Goodwill impairment charges (OTP banka Srbija (Serbia), OTP Bank JSC (Ukraine), OTP banka Hrvatska (Croatia), CKB (Montenegro))	0	0	0	0	-23,979	-23,979	0	0	0
Depreciation (adj.)	**-11,740**	**-12,165**	**-23,905**	**-12,600**	**-12,948**	**-49,454**	**-11,141**	**-11,832**	**-22,973**
Income taxes	**-5,558**	**-11,080**	**-16,638**	**-17,992**	**-4,567**	**-39,197**	**-532**	**-5,092**	**-5,623**
(-) Corporate tax impact of goodwill/investment impairment charges	0	0	0	0	6,278	6,278	0	3,977	3,977
(-) Corporate tax impact of the special tax on financial institutions	1,624	1,624	3,249	1,624	1,624	6,498	6,516	18	6,533
(-) Corporate tax impact of the loss from early repayment of FX mortgage loans in Hungary	0	0	0	438	12,760	13,198	-838	0	-838
(-) Corporate tax impact of the special banking tax refund	0	0	0	-337	-3,382	-3,719	251	0	251
(-) Corporate tax impact of the revaluation of FX purchased from the National Bank of Hungary to cover the FX need of early repayments	0	0	0	0	-1,770	-1,770	1,003	0	1,003
Corporate income tax (adj.)	**-7,183**	**-12,704**	**-19,887**	**-19,717**	**-20,077**	**-59,682**	**-7,464**	**-9,086**	**-16,550**

METHODOLOGICAL NOTE ON THE DISCLOSURE OF THE REVALUATION OF FX PROVISIONS AND THE REVALUATION RESULT REALISED ON HEDGING OPEN FX PROVISONS WITHIN THE HALF YEAR FINANCIAL REPORT

Representing a methodological change compared to the previous reporting structure, the following adjustment is implemented on the financials shown within the financial reports and interim management reports published since 2Q 2011.

OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In its accounting statement of income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), whereas the revaluation of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.

In order to prepare and present comparable time series, this adjustment was implemented retrospectively back to the first quarter of 2010. Therefore statistics for the base periods in the affected P&L lines of this report are differing from the disclosure published before 2Q 2011. As a result of the adjustment the sum of the affected lines did not change (ie. the sum of „Provision for loan losses" and „Other net non interest income"), the modification is only influencing the profit split between these lines. Financial indicators calculated from these lines changed as well.

The FX result reached on the hedging open FX positions is included in the table following this paragraph.

FX RESULT FROM THE REVALUATION OF OPEN FX POSITION HEGDING THE REVALUATION OF FX PROVISIONS (THIS ITEM IS COMPENSATED BY THE REVALUATION OF FX PROVISIONS THROUGH THE RISK COST LINE OF THE ACCOUNTING INCOME STATEMENT)

in HUF million	1Q 2011	2Q 2011	1H 2011	3Q 2011	4Q 2011	2011	1Q 2012	2Q 2012	1H 2012
OTP Group Total	**-11,095**	**7,117**	**-3,977**	**16,631**	**14,410**	**27,063**	**-11,659**	**-3,187**	**-14,846**
of which OTP Core (Hungary)	-8,188	5,035	-3,153	15,723	13,893	26,464	-12,431	-3,611	-16,042
of which OTP Bank	-6,374	1,334	-5,040	10,014	7,689	12,663	-6,427	-1,881	-8,307
OTP Mortgage Bank	-1,814	1,341	-473	2,553	2,645	4,725	-2,961	-232	-3,193
OTP Factoring		2,360	2,360	3,156	3,559	9,075	-3,043	-1,499	-4,541
OTP Bank Russia	-839	76	-763	475	-70	-357	-313	337	23
CJSC OTP Bank (Ukraine)	306	355	661	-429	30	262	397	-661	-264
OBR adj. (Romania)	-1,117	1,342	225	526	-171	580	498	574	1,072
OBH (Croatia)	-21	66	45	49	26	119	-8	4	-4
OTP banka Srbija (Serbia)	-231	-183	-414	-119	336	-196	681	434	1,115
Merkantil Bank + Car (Hungary)	-1,005	426	-579	405	366	192	-483	-264	-746

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