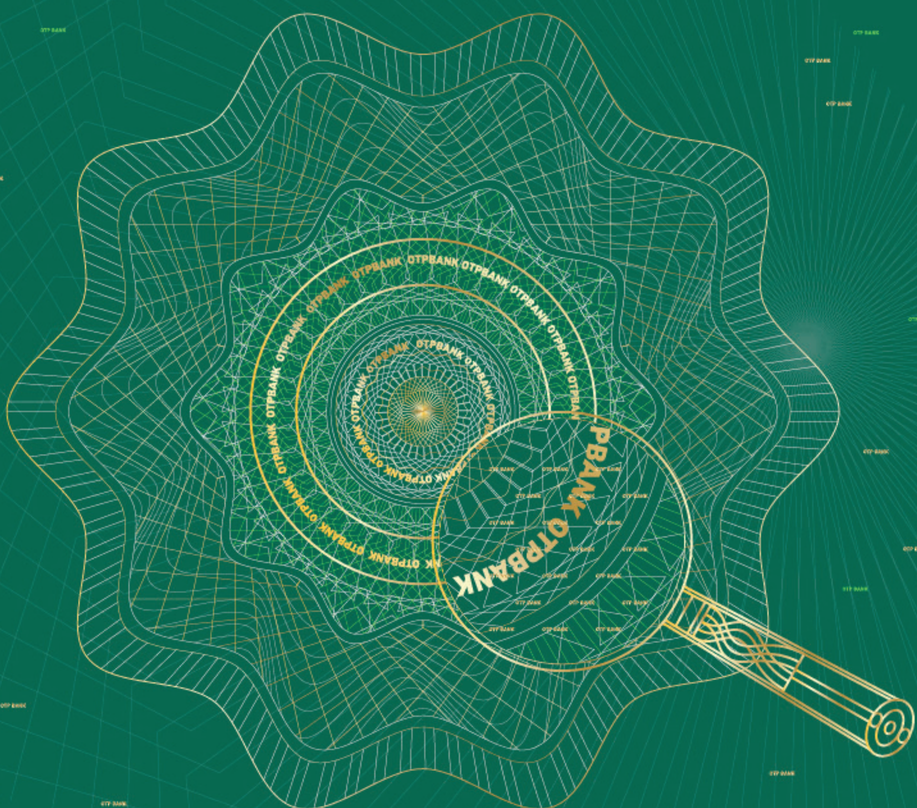
OTP BANK

ANNUAL REPORT



2013

MANAGEMENT'S ANALYSIS

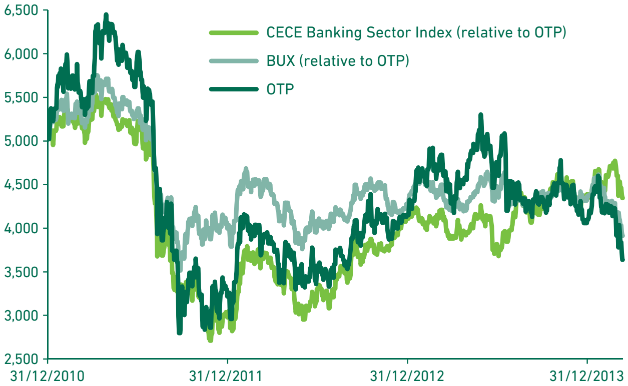
Management's analysis of the 2013 results of the OTP Group

CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA[1]

Main components of the Statement of recognised income	2012 HUF million	2013 HUF million	Change %
Consolidated after tax profit	**122,586**	**64,108**	**(48)**
Adjustments (total)	**(27,363)**	**(81,775)**	**199**
Consolidated adjusted after tax profit without the effect of adjustments	**149,949**	**145,882**	**(3)**
Pre-tax profit	192,192	184,894	(4)
Operating profit	449,664	447,710	0
Total income	844,553	864,910	2
Net interest income	650,319	653,126	0
Net fees and commissions	151,570	166,936	10
Other net non-interest income	42,664	44,848	5
Operating expenses	(394,890)	(417,201)	6
Total risk costs	(253,692)	(272,459)	7
One off items	(3,779)	9,643	(355)
Corporate taxes	(42,243)	(39,012)	(8)
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	10,113,466	10,381,047	3
Total customer loans (net, FX adjusted)	**6,433,930**	**6,245,210**	**(3)**
Total customer loans (gross, FX adjusted)	**7,579,455**	**7,480,844**	**(1)**
Allowances for possible loan losses (FX adjusted)	(1,145,525)	(1,235,634)	8
Total customer deposits (FX adjusted)	**6,536,735**	**6,866,606**	**5**
Issued securities	643,123	445,218	(31)
Subordinated loans	291,495	267,162	(8)
Total shareholders' equity	1,514,553	1,509,332	0
Indicators based on one-off adjusted earnings	**2012**	**2013**	**ppts**
ROE (from adjusted net earnings)	10.2%	9.6%	(0.6)
ROA (from adjusted net earnings)	1.5%	1.4%	(0.1)
Operating profit margin	4.43%	4.37%	(0.06)
Total income margin	8.31%	8.44%	0.13
Net interest margin	6.40%	6.37%	(0.03)
Cost-to-asset ratio	3.89%	4.07%	0.18
Cost/income ratio	46.8%	48.2%	1.4
Risk cost to average gross loans	3.11%	3.51%	0.40
Total risk cost-to-asset ratio	2.50%	2.66%	0.16
Effective tax rate	22.0%	21.1%	(0.9)
Net loan/(deposit+retail bond) ratio (FX adjusted)	95%	89%	(6)
Capital adequacy ratio (consolidated, IFRS) – Basel2	19.7%	19.9%	0.2
Core Tier1 ratio – Basel2	14.7%	16.0%	1.3
Share Data	**2012**	**2013**	**%**
EPS diluted (HUF) (from unadjusted net earnings)	457	240	(47)
EPS diluted (HUF) (from adjusted net earnings)	563	546	(3)
Closing price (HUF)	4,150	4,100	(1)
Highest closing price (HUF)	4,391	5,302	21
Lowest closing price (HUF)	2,960	4,059	37
Market Capitalization (EUR billion)	4.0	3.9	(3)
Book Value Per Share (HUF)	5,409	5,390	0
Tangible Book Value Per Share (HUF)	4,561	4,699	3
Price/Book Value	0.8	0.8	(0)
Price/Tangible Book Value	0.9	0.9	(0)
P/E (trailing, from accounting net earnings)	9.5	17.9	88
P/E (trailing, from adjusted net earnings)	7.7	7.9	3
Average daily turnover (EUR million)	22	18	(18)
Average daily turnover (million share)	1.7	1.1	(35)

[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.

Share price performance (indexed)



MOODY'S RATINGS	
OTP Bank	
Foreign currency long term deposits	Ba1
Financial strength	D
OTP Mortgage Bank	
Covered mortgage bond	Baa3
DSK Bank	
Foreign currency long term deposits	Ba1
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

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2013 RESULTS OF OTP GROUP

With respect to the major macroeconomic indicators there has been a turnaround in growth perspectives for Hungary. According to the preliminary GDP statistics the Hungarian economy grew by 1.1% in 2013 showing a radical turnaround versus a 1.7% yearly contraction in 2012 (in 4Q 2013 the y-o-y growth was at 2.7%). Unemployment rate dropped to 9.1% in 4Q 2013, whereas the number of employed pierced through 4 million, the highest level since 2001. As a result of the households' improving financial position, household consumption started growing, with retails sales in 2013 expanding by 0.9% (in 4Q 2013 by 3% y-o-y) and a moderate pick-up was witnessed in investments, too.
The overall favourable international environment and disinflation (average CPI in 2013 was 1.7%, while in January 2014 it was 0.0%) enabled the Central Bank to ease monetary conditions in 2013 by 275 bps in total.
The Government has remained strongly committed to maintain fiscal balance: based on preliminary figures the fiscal deficit to GDP was 2.5% with the public debt to GDP dropping to 79.0% (down by 0.8 ppt y-o-y). Balance indicators provided strong cushion for the local currency: in 2013 the forint was one of the best performing Emerging Market currencies, refinancing of the marketable public debt was accomplished within safe framework and declining borrowing costs. Also, the share of local households in public debt financing increased substantially, which made refinancing more secure.
Under the first phase of the Funding for Growth Scheme (FGS) launched by the National Bank of Hungary, financial institutions contracted for HUF 701 billion, whereas OTP Bank's own portion represented HUF 91 billion.
From early October the Hungarian National Bank commenced the second phase of the Programme with a HUF 500 billion tranche as a starter. Funds can be drawn down for financing new investment purposes or working capital by end 2014. Given the longer application period loan demand may strengthen gradually.
At the end of 2013, growth was seen

accelerating in a number of CEE countries, which may be attributable to the recovery of external demand. With the outstanding Romanian GDP growth of 5.2% in 4Q 2013 the overall economic expansion in 2013 reached 3.3%. In Bulgaria growth was slower (2013: 0.6%), however the external and fiscal balance indicators remained excellent. Given their weight in OTP Group's performance, Russia and the Ukraine deserve special attention. Economic activity slowed down in both countries. However, while in Russia it was mainly due to structural problems and a more stringent regulatory approach from the central bank, in the Ukraine the domestic political situation escalated from late November. The fiscal package offered – and then suspended – by Russia could only temporary stabilize the situation: FX-reserves melted down to critical levels, the artificially stable hryvnia supported by continuous central bank interventions started depreciating, credit downgrades became almost a routine, as a result, the sovereign CDS spread is well over 1,000 basis points. Under the current circumstances the likelihood of putting together a massive EU-IMF rescue package increased. Overall, in 2014 most of the economies where OTP Group operates can achieve a y-o-y stronger economic performance which might be coupled with a slow increase in loan portfolio.

Consolidated earnings: HUF 146 billion adjusted after-tax profit, improving income margin and stable net interest margin, significant deceleration in portfolio deterioration in 2H 2013, y-o-y 4.4 ppts increase in DPD90+ coverage, partly due to high risk costs

In 2013 OTP Group posted HUF 64.1 billion accounting profit, almost half of the profit reached a year ago (HUF 122.6 billion). The key driver of that meaningful decline is explained by the trebling adjustment items. In 2013 HUF 28.9 billion Hungarian banking tax for the year had to be booked enhanced by a one-off HUF 13.2 billion financial transaction duty (after corporate income tax in both cases). The Slovakian banking tax represented another HUF 1 billion for the full year. Furthermore out of the registered HUF 64.0 billion goodwill at the Ukrainian subsidiary, HUF 37.2 billion was written down. Of that HUF 6.4 billion was recognised against equity and HUF 30.8 billion against the P&L. Additionally, two more items took their toll on profit: the Hungarian Competition Office imposed a penalty (the Bank appealed against the sentence) of HUF 3.2 billion (after tax) on OTP. Also, OTP Core had to pay HUF 5.5 billion additional contribution tax after the transfer of general risk reserves to retained earnings[2]. As a result, the aforementioned adjustment items in total represented almost HUF 82 billion. Within the consolidated accounting profit the share of the Hungarian operation decreased (2012: HUF 68 billion, 2013: HUF 34 billion), simultaneously net earnings from non-Hungarian businesses fell, too (2012: HUF 60 billion, 2013: 24 billion). As a result the profit contribution from foreign subsidiaries moderated from 49% to 37%. In 2013 OTP Group posted HUF 146 billion adjusted net profit versus HUF 150 billion a year ago. It was positive, that the consolidated total income without one-off items kept growing and reached HUF 865 billion (+2% y-o-y). There was a moderate increase in net interest income as a joint result of stronger Russian and Ukrainian, but weaker Hungarian and Bulgarian contribution. Net fees advanced by 10%. During the year operating expenses grew by 6%. The FX-adjusted consolidated loan portfolio declined by 1% y-o-y. The yearly melt-down was mainly due to a 7% contraction at OTP Core and a 2% decrease in Bulgaria. In the

[2] According to the new CRR rules ('Capital Requirements Regulation') effective from 1 January 2014, general risk reserve is going to be treated as Tier2 Capital element as opposed to the previous practice where it was recognised as Tier1 Capital when calculating the stand alone capital adequacy ratio of OTP Bank under Hungarian accounting standards. The new Hungarian Law on Financial Institutions becoming effective in parallel with the CRR from 1 January 2014 allowed the transfer of HUF 29.1 billion general risk reserves to retained earnings by the balance sheet date of 31 December 2013. Thus the transferred after tax amount of the general risk reserves can be recognised as Tier1 Capital going forward. According to the prevailing regulation the Bank had to pay 19% contribution tax after the transfer.

Ukraine the drop of loan book stopped after several years, whereas in Montenegro it grew substantially (+9%). As for the different loan categories mortgages declined in all markets, but in Slovakia. The consumer book, however showed strong dynamics (+9% y-o-y) with the highest growth captured in Slovakia (+175%), the Ukraine (+126%) and Romania (+98%). The Russian, Montenegrin and Serbian consumer loan portfolio also reached doubly-digit growth (+10, 20 and 26%, respectively).
As for deposits, group level volumes grew by 5% y-o-y. The fastest increase was posted by the Romanian and Serbian subsidiaries, however, given their absolute weight both the Hungarian and Bulgarian deposit increase were substantial (+5% and 6% respectively).
The "net loan-to-(deposit+retail bonds)" ratio stood at 89% by December underpinning a 5 ppts drop y-o-y.
The stable liquidity position of the Group did not require any FX-denominated external funding, the ongoing banking operation generated enough excess liquidity to reduce net swap positions. By 31 December 2013 the gross liquidity reserves were close to EUR 6 billion equivalent and all maturing swaps for 2014 were rolled over by the Bank. In 2013 from the Upper Tier2 Perpetual bonds EUR 70.1 million was repurchased by the Group, while EUR 12.5 million was bought back from the Lower Tier2 bond maturing in 2015.
Despite the DPD90+ ratio slightly increased y-o-y – partly due to the eroding loan book –, it already improved in the second half of 2013 as a result of write-offs and sales. The DPD90+ ratio was 19.8% (a quarterly changes in 2013, in ppt: 1Q: +0.8, 2Q: +0.9, 3Q: –0.1, 4Q: –0.9). Regarding the key markets, the DPD90+ ratio grew by 1.3 ppts at OTP Core, by 1.5 ppts in Russia, by 1.7 ppts in Bulgaria, respectively; it dropped, however in the Ukraine by 1.8 ppts. Underlying portfolio quality trends are better described by the FX-adjusted DPD90+ loan formation: its total volume was HUF 190 billion versus HUF 222 billion in 2012. DPD90+ loan formation moderated significantly in three countries (in HUF billions, FX adjusted: OTP Core: 2012: 75, 2013: 31, DSK: 2012: 23, 2013: 15, OTP Ukraine 2012: 32, 2013: 24). On the contrary, DPD90+ volumes increased substantially in Russia (2012: 54, 2013: 89).
Consolidated risk cost for the full year amounted to HUF 272 billion (+7% y-o-y).
As a result the Group-level coverage improved further (2013: 84.4%, +4.4 ppts y-o-y).
Two subsidiaries posted outstanding coverage increase y-o-y, namely Russia (+14.3 ppts) and Serbia (+26.8 ppts), but OTP Core and DSK Bank also boosted the coverage by 3.3 ppts each.

OTP Core: the accounting profit dropped by 50%, however the adjusted after tax profit improved by 21% y-o-y; lower net interest margin and loan portfolio, significant drop in risk costs, further moderating portfolio deterioration

The adjusted after tax profit of **OTP Core** (basic activity in Hungary) in 2013 represented HUF 115 billion (+21% y-o-y). The accounting profit, however, dropped from HUF 68 billion to HUF 34 billion y-o-y. The stronger adjusted result was mainly due to lower risk cost (–40% y-o-y). The operating profit weakened by 8% y-o-y reasoned by lower net interest income (–7%) and higher operating expenses (+4%). Net interest margin (4.31%) melted down by 27 bps due to the lower base rate environment. It was positive, that portfolio deterioration slowed as a result of the stable forint and the mortgage borrowers' growing participation in the fixed exchange rate scheme. Despite risk cost eroding a lot y-o-y, the DPD90+ coverage ratio further increased and reached 85.2% (+3.3 ppts y-o-y).
The loan portfolio declined by 7% y-o-y on an FX-adjusted basis. Both retail mortgages and consumer loans contracted (–9% and –5%, respectively). The significant drop in the municipality exposure (–21%) was due to the Central Government's consolidation programme. By end-2013 municipality loans represented HUF 211 billion, of which HUF 102 billion was an exposure towards the Hungarian

State. Positive though, that OTP Bank's exposure to Hungarian companies[3] advanced by 8% y-o-y, whereas the volumes of the rest of the banking sector dropped by 8% y-o-y. As a result, OTP Group's market share in loans to Hungarian companies further improved and reached 12.4% (+1.8 ppts y-o-y).

The Bank managed to maintain strong market position within new retail loan flows: out of newly disbursed mortgages OTP captured 29% in 2013, whereas in case of cash loans its share represented 52% for the same period.

FX-adjusted deposits with retail bonds grew by 1% y-o-y. Retail deposits and bonds melted down by 11% to a great extend due to the lower yield environment and the crowding out effect of appealing investment alternatives (ie. government securities and mutual funds). This trend, however, was successfully off-set by stronger corporate deposit flows (+20% y-o-y). The net loan-to-deposit ratio dropped to 66% (–7 ppts y-o-y).

Merkantil Group posted HUF 2 billion after tax profit (without banking tax) in 2013, four times more than in 2012. The material improvement was mainly due to lower risk costs (–42% y-o-y). Operating income contracted by 20% y-o-y. The DPD90+ ratio (14.5%) declined substantially as a result of write-offs and non-performing portfolio sales with the provision coverage slightly declining to 92.0%. The FX-adjusted loan book declined further by 4% y-o-y despite new car financing loan volumes advancing by 19% y-o-y.

OTP Fund Management realized HUF 3.6 billion net profit in 2013 which underpins a robust, 76% y-o-y increase. Net fees and commissions expanded by 42% as a result of the popularity of investment fund products over other types of saving instruments. Total assets under management represented HUF 1,384 billion (+28% y-o-y). The company safeguarded its dominant market position (26.9%, +1 ppt y-o-y).

Foreign subsidiaries: excellent performance in Bulgaria and substantial improvement in the Ukraine, profitable operations in Croatia, Slovakia and Montenegro, massive profit decline in Russia, negative results in Romania and Serbia

The 2013 HUF 30.2 billion net profit at the **Bulgarian subsidiary** underpins a 25% y-o-y increase and was very close to the highest-ever profit of HUF 31 billion in 2008. With the operating profit falling short of 2012 level by 7% the key driver behind the strong results was the y-o-y 32% decline in risk cost. It was encouraging that amid slowing portfolio deterioration the DPD90+ coverage improved a lot (2013: 88.1%, +3.3 ppts y-o-y) despite risk costs being lower. Net interest income somewhat declined, but the net interest margin remained stable (5.5%). As for FX-adjusted loan volumes, there was a y-o-y 2% decline, only consumer loans could grow by a moderate 1%. Deposits on the other hand increased by 6% despite lower offered rates reflecting the safe operation and good reputation of the bank. The net loan-to-deposit ratio dropped below 90% showing a y-o-y 10 ppts improvement.

After an outstanding result in 2012 (HUF 47.2 billion) the **Russian subsidiary** posted a tiny profit of HUF 2.4 billion in 2013. The weak performance was almost exclusively due to elevating risk costs (+99% y-o-y) with loan portfolio deterioration accelerating: DPD90+ volumes grew by HUF 89 billion in 2013 versus HUF 54 billion in 2012 (adjusted for the FX-effect). Furthermore, the DPD90+ coverage had to be increased (4Q 2013: 106.6%, +14.3 ppts y-o-y) since on a yearly base the efficiency of the collection activity worsened. The DPD90+ rate increased only moderately y-o-y (from 16.6% to 18.1%), true, this level was influenced

[3] The estimate for volume changes is based on the balance sheet data provision to the National Bank of Hungary, calculated from the "Loans to non-financial and other-financials companies" line, adjusted for FX-effect.

by portfolio write-offs and sales in 4Q. Total income grew by 7% y-o-y, within that the net interest income advanced by 8% while fees and commission grew by 5%. With operating expenses increasing by 16%, the operating profit improved only by 2% y-o-y. The yearly net interest margin grew to 18.7% (+77 bps y-o-y). Against the massive expansion experienced in the last few years, in 2013 FX-adjusted consumer loans advanced only by 10%. It is the reflection of a shift in the management's focus: improving profitability and collection effectiveness instead of seeking volume growth. POS loan sales for the full year of 2013 reached RUB 68 billion (–6.3% y-o-y), while sales performance for the last quarter showed a significant slowdown (4Q 2013: RUB 17.8 billion, –29% y-o-y).

After a profit of HUF 0.5 billion in 2012, the **Ukrainian subsidiary** posted decent 2013 net earnings at HUF 6.7 billion. Operating profit advanced by 20% y-o-y supported by higher total income (+13%), while operating expenses grew moderately, by 5%. Risk costs came out 5% below the base period level. Consumer lending activity remained robust and the portfolio grew by 126% y-o-y. Within that cash loans leaped 6-fold and credit card loans advanced two and half times. The loan growth was financed by local deposits, mainly from the corporate sector. As a result of the high-margin consumer business annual net interest margin reached 8.40% (+1.47 ppts y-o-y). The DPD90+ ratio dropped to 34.6% by end-2013 (–1.8 ppts y-o-y), the provision coverage of DPD90+ loans increased to 79.6% (+0.7 ppt y-o-y).

The **Romanian subsidiary** managed to decrease its loss with the negative results of HUF 4.1 billion against –HUF 5.5 billion posted a year ago. The lower loss is partly due to the improving operating profit (+10%), but also to lower risk costs (–10% y-o-y). Weaker net interest income was the result of higher interest expenditures on significantly growing deposits. The net loan-to-deposit ratio improved by 47 ppts y-o-y. As for the lending activity, consumer loan growth was in the focus, their volume almost doubled y-o-y with cash loans growing by 104%. The strong lending activity and deposit collection was the main driver behind the substantial increase in fees and commissions (+35% y-o-y). Despite lower risk costs the DPD90+ coverage increased by 2.8 ppts.

The **Croatian subsidiary** remained profitable in 2013, though its net earnings of HUF 2.2 billion represented a y-o-y 41% decline.

The lower profit was due to weaker operating result (–7%), but higher risk costs (+37%) also took their toll. The latter is a reflection of the ailing macroeconomic performance and the higher DPD90+ ratio. Also, higher risk costs were reasoned by a precautionary provision set aside for ongoing litigations on Swiss franc mortgages. The FX-adjusted loan book increased on the back of strong lending activity towards the municipality sector.

The **Slovakian subsidiary** managed to turn its operation into profit: against a loss of HUF 1.2 billion in 2012, the bank posted the same amount of profit in 2013 (without banking tax). The major drivers behind the improvement on one hand were the higher operating profit (+19% y-o-y), and the declining risk costs on the other (–41%). Taking advantage of the improving macroeconomic environment the FX-adjusted loan book advanced by 14% y-o-y with deposits growing by 9%. In both cases the retail segment was the engine of growth: retail loans advanced by 17% and the deposits by 10%, respectively. The DPD90+ ratio moderated by 0.4 ppt y-o-y to 11.5%, the provision coverage stood at 58.1%.

After a loss of HUF 4.9 billion in 2012 the **Serbian subsidiary** posted a negative result of HUF 13.2 billion in 2013. The record level of this negative performance was related to elevated risk costs: their yearly burden jumped to HUF 13.6 billion with a sizeable portion made in 4Q (HUF 10.8 billion). One could have a more realistic picture about the bank's operation judged by its operating profit: it turned into positive (HUF 409 million versus –HUF 1.7 billion in the base period) supported by a meaningful increase in net interest income (+48% y-o-y) and lower operating expenses (–11%). The steady increase of the consumer lending portfolio (+26%) was a key driver behind the improving net interest margin (4.35%, +1.84 ppts y-o-y). The DPD90+ ratio dropped to

48.9% (–3.7 ppts), while the coverage jumped to 82.6% (+27 ppts y-o-y) due to the significant risk costs.

The **Montenegrin subsidiary** posted HUF 801 million profit in 2013 after three loss-making years. Such favourable turn-around was due to stronger operating profit (+24% y-o-y) and materially lower risk costs (–60%). FX-adjusted loan volumes started growing again and advanced by 9% y-o-y, within that the consumer book grew by 20%. The stable liquidity position of the bank did not require aggressive deposit collection, their volumes dropped by 9%. The DPD90+ ratio increased marginally, the coverage improved (81.2%) despite lower risk costs.

Consolidated and stand-alone capital adequacy ratio (in accordance with BASEL II)

By the end of December 2013 the consolidated capital adequacy ratio of OTP Group under IFRS was at 19.9% (+0.2 ppt y-o-y) with the Tier1 ratio (after deducting goodwill and intangible assets) at 17.4% and the Core Tier1 ratio (further deducting hybrid instruments) at 16% (+1.4 ppts y-o-y). The improvement of the consolidated Core Tier1 ratio y-o-y was supported by the continuous profit generation of the Group and declining risk weighted assets. OTP Bank's stand-alone capital adequacy ratio reached 23% by end-2013 showing a 2.5 ppts improvement y-o-y. At the Serbian bank subordinated debt (LT2) of EUR 40 million was converted into ordinary shares in January 2013. The Montenegrin bank obtained EUR 10 million subordinated capital from OTP Hungary in 2Q 2013, the conversion of this subdebt into ordinary shares was executed in 3Q. In November further EUR 7 million subdebt was provided for the subsidiary.

Credit rating, shareholder structure

As for the credit ratings assigned by Moody's, the following changes occured in 2013 related to OTP Bank and its subsidiaries: on 14 February 2013 Moody's Investors Services completed the rating review process started in December 2012. As a result while it confirmed the rating of OTP Bank and OTP Mortgage Bank at 'Ba1' with negative outlook, it downgraded both companies' BFSR rating from 'D+/ba1' into 'D/ba2'. Accordingly OTP Bank (Hungary)'s FX debt carries 'Ba1/BB' ratings, OTP Mortgage Bank's covered bonds are rated at 'Baa3'. On 15 February 2013 Moody's downgraded DSK Bank from 'Baa3' to 'Ba1' (negative outlook), whereas it left unchanged OTP Bank Russia's 'Ba2' rating (negative outlook). OTP Bank Ukraine's 'Caa1' rating was downgraded to 'Caa2' on 25 September following a similar move in case of the sovereign. The ratings were put on review for downgrade. OTP Bank Ukraine's credit ratings were further downgraded in 2014 (see: Post Balance Sheet events). At the end of 2013 the Bulgarian DSK Bank held an unsolicited rating of 'Ba1' from Moody's. The S&P and Fitch ratings of the rated Group members did not change in 2013. Regarding the ownership structure of the bank, the Hungarian National Asset Management Inc. holding pierced 5% in 2013 (5.1%). Furthermore, another four investors had more than 5% influence (beneficial ownership) in the Company, namely the Rahimkulov family (9%), MOL (the Hungarian Oil and Gas Company 8.68%), Groupama Group (8.4%) and Lazard Group (5.58%).

KEY POST BALANCE SHEET EVENTS

Hungary

- On 12 February 2014 EU court adviser gave non-binding opinion on Hungarian FX loans.
- On 14 February Hungarian Central Statistical Office announced that GDP for the last quarter 2013 rose by 2.7% from a year earlier, the strongest dynamics since the fourth quarter of 2006.
- In the last round of municipality debt consolidation, expected to take place on 28 February, the Hungarian central Government is going to take over all the remaining debt of Hungarian municipalities. As a result, at OTP Bank the negative impact on loan volumes is expected to be around HUF 64 billion and will be shown in first quarter of 2014. By end-December 2013 OTP Bank had HUF 211 billion municipality, state and public sector debt of which HUF 102 billion was a direct exposure to the Hungarian State. HUF 102 billion municipality exposure may be affected by consolidation, out of which HUF 64 billion is going to be repaid, while HUF 38 billion is going to be refinanced by a loan originated by OTP Bank for the Government Debt Management Agency.

Russia

- On 21 February 2014 the Russian finance minister announced that Russia will decide on the USD 15 billion financial aid package for Ukraine once a new government is in place, until then the USD 2 billion funding is suspended temporarily.
- On 3 March Central Bank of Russia decided to increase the key policy rate to 7% from 5.5% to protect the rouble.
- On 6 March 2014 OTP Bank Russia repaid RUB 5.7 billion out of a bond with total face value at RUB 6 billion one year before the maturity, due to execution of put option by investors.

Ukraine

- On 28 January 2014 S&P lowered its long- and short-term foreign currency sovereign credit ratings on Ukraine to 'CCC+/C', while affirmed the local currency ratings. The outlook is negative.
- On 31 January Moody's downgraded Ukraine's government bond rating to 'Caa2' from 'Caa1' and assigned a negative outlook.
- On 5 February following the sovereign rating action Moody's downgraded OTP Bank Ukraine's foreign currency long-term deposit rating to 'Caa3' from 'Caa2', and affirmed the local currency deposit rating. The outlook is negative.
- On 7 February Fitch downgraded Ukraine's Long-term foreign currency Issuer Default Ratings to 'CCC' from 'B–', and affirmed the Long-term local currency IDR at 'B–'. The outlook is negative.
- On 21 February S&P lowered Ukraine's long-term foreign currency sovereign credit rating 'CCC' from 'CCC+'. At the same time, S&P affirmed the short-term foreign currency sovereign rating at 'C'.
- On 22 February the Ukrainian parliament voted to oust President Viktor Yanukovych and hold early election on 25 May.
- The newly elected chairman of National Bank of Ukraine announced on 26 February that Ukraine asked a new financial aid program from the International Monetary Fund.
- On 28 February National Bank of Ukraine limited daily FX cash withdrawals from banks at UAH 15,000.

Bulgaria

- On 10 January 2014 Fitch affirmed Bulgaria's Long-term foreign currency Issuer Default Rating (IDR) at 'BBB–' and local currency IDR at 'BBB'. The outlooks are stable.

Romania

- On 8 January 2014 the National Bank of Romania cut minimum reserve requirements for leu liabilities to 12% from 15% and for foreign currency ones to 18% from 20%.

Slovakia

- On 31 January 2014 S&P affirmed Slovakia's 'A/A–1' long- and short-term foreign and local currency sovereign credit ratings. The outlook is stable.

Croatia

- On 24 January 2014 S&P lowered Croatia's long-term foreign and local currency sovereign credit ratings to 'BB' from 'BB+'. At the same time, affirmed the short-term ratings at 'B'. The outlook is stable.
- On 28 January the European Union launched an Excessive Deficit Procedure against Croatia. Accordingly, Croatia has to reduce the deficit to below the EU's ceiling by 2016.
- On 31 January OTP banka Hrvatska signed an agreement in Zagreb with the Italian Banco Popolare banking group on the purchase of its 98.37% ownership in its Croatian subsidiary.
- On 14 February Fitch revised the outlook Croatia's rating to Negative from Stable. Its Long-term foreign and local currency Issuer Default Ratings (IDR) have been affirmed at 'BB+' and 'BBB–' respectively.

Serbia

- On 17 January 2014 Fitch downgraded Serbia's Long-term foreign and local currency Issuer Default Ratings (IDRs) to 'B+' from 'BB–'. The outlook is stable.
- On 21 January the European Union began entry talks with Serbia.
- On 29 January Serb President Tomislav Nikolic called early elections for 16 March after his Progressive Party said it needs fresh support to overhaul the economy.
- On 26 February OTP Bank Plc. announced that capital increase in the amount of RSD 2.3 billion has been registered at the Serbian subsidiary.

CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[4]

	2012 HUF million	2013 HUF million	Change %/ppts
Consolidated after tax profit	**122,586**	**64,108**	**(48)**
Adjustments (total)	**(27,363)**	**(81,775)**	**199**
Dividend and total net cash transfers (consolidated)	(391)	(406)	4
Goodwill/investment impairment charges (after tax)	3,977	(29,440)	(840)
Special tax on financial institutions and one-timer payment compensating the underperformance of the financial transaction duty (after corporate income tax)	(29,174)	(43,219)	48
Fine imposed by the Hungarian Competition Authority (after tax)	0	(3,177)	
Corporate tax impact of the transfer of general risk reserves to retained earnings	0	(5,533)	
Impact of early repayment of FX mortgage loans in Hungary (after corporate income tax)	(1,775)	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**149,949**	**145,882**	**(3)**
Banks total without one-off items[1]	147,616	143,346	(3)
OTP CORE (Hungary)[2]	94,587	114,879	21
Corporate Centre (after tax)[3]	(7,089)	2,398	(134)
OTP Bank Russia[4]	47,158	2,356	(95)
CJSC OTP Bank (Ukraine)[5]	528	6,716	
DSK Bank (Bulgaria)[6]	24,214	30,223	25
OBR adj. (Romania)[7]	(5,530)	(4,143)	(25)
OTP banka Srbija (Serbia)[8]	(4,934)	(13,246)	168
OBH (Croatia)	3,714	2,210	(41)
OBS (Slovakia)[9]	(1,161)	1,153	(199)
CKB (Montenegro)	(3,872)	801	(121)
Leasing	2,051	2,286	11
Merkantil Bank + Car, adj. (Hungary)[10]	501	1,951	289
Foreign leasing companies (Slovakia, Croatia, Bulgaria, Romania)[11]	1,549	334	(78)
Asset Management	2,042	3,680	80
OTP Asset Management (Hungary)	2,041	3,596	76
Foreign Asset Management Companies (Ukraine, Romania)[12]	2	84	
Other Hungarian Subsidiaries	(934)	(3,442)	269
Other Foreign Subsidiaries (Slovakia, United Kingdom, Cyprus, Romania, Belize)[13]	(756)	(1,487)	97
Eliminations	(65)	1,499	
Total after tax profit of HUNGARIAN subsidiaries[14]	89,041	120,882	36
Total after tax profit of FOREIGN subsidiaries[15]	60,912	25,001	(59)
Share of foreign profit contribution, %	41%	17%	(24)

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

THE OTP GROUP'S CONSOLIDATED STATEMENT OF RECOGNIZED INCOME[5]

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
Consolidated after tax profit	**122,586**	**64,108**	**(48)**
Adjustments (total)	**(27,363)**	**(81,775)**	**199**
Dividends and net cash transfers (after tax)	(391)	(406)	4
Goodwill/investment impairment charges (after tax)	3,977	(29,440)	(840)
Special tax on financial institutions and one-timer payment compensating the underperformance of the financial transaction duty (after corporate income tax)	(29,174)	(43,219)	48
Fine imposed by the Hungarian Competition Authority (after tax)	0	(3,177)	
Corporate tax impact of the transfer of general risk reserves to retained earnings	0	(5,533)	
Impact of early repayment of FX mortgage loans in Hungary (after corporate income tax)	(1,775)	0	(100)
Consolidated adjusted after tax profit without the effect of adjustments	**149,949**	**145,882**	**(3)**
Before tax profit	**192,192**	**184,894**	**(4)**
Operating profit	**449,664**	**447,710**	**0**
Total income	**844,553**	**864,910**	**2**
Net interest income	**650,319**	**653,126**	**0**
Net fees and commissions	**151,570**	**166,936**	**10**
Other net non-interest income	**42,664**	**44,848**	**5**
Foreign exchange result, net	19,863	18,183	(8)
Gain/loss on securities, net	4,696	11,037	135
Net other non-interest result	18,105	15,627	(14)
Operating expenses	**(394,890)**	**(417,201)**	**6**
Personnel expenses	(188,953)	(204,277)	8
Depreciation	(47,420)	(47,199)	0
Other expenses	(158,517)	(165,725)	5
Total risk costs	**(253,692)**	**(272,459)**	**7**
Provision for loan losses	(242,695)	(262,541)	8
Other provision	(10,997)	(9,918)	(10)
Total one-off items	**(3,779)**	**9,643**	**(355)**
Revaluation result of FX swaps at OTP Core	(2,528)	715	(128)
Gain on the repurchase of own Upper and Lower Tier2 Capital	1,415	6,104	331
Result of the treasury share swap at OTP Core	(2,667)	2,824	(206)
Corporate taxes	**(42,243)**	**(39,012)**	**(8)**
Performance Indicators	**2012**	**2013**	**ppts**
ROE (adjusted)	10.2%	9.6%	(0.6)
ROA (adjusted)	1.5%	1.4%	(0.1)
Operating profit margin	4.43%	4.37%	(0.06)
Total income margin	8.31%	8.44%	0.13
Net interest margin	6.40%	6.37%	(0.03)
Net fee and commission margin	1.49%	1.63%	0.14
Net other non-interest income margin	0.42%	0.44%	0.02
Cost-to-asset ratio	3.89%	4.07%	0.18
Cost/income ratio	46.8%	48.2%	1.4
Risk cost for loan losses-to-average gross loans	3.11%	3.51%	0.40
Risk cost for loan losses-to-average FX adjusted gross loans	3.21%	3.52%	0.31
Total risk cost-to-asset ratio	2.50%	2.66%	0.16
Effective tax rate	22.0%	21.1%	(0.9)
Non-interest income/total income	23%	24%	1
EPS base (HUF) (from unadjusted net earnings)	457	241	(47)
EPS diluted (HUF) (from unadjusted net earnings)	457	240	(47)
EPS base (HUF) (from adjusted net earnings)	563	547	(3)
EPS diluted (HUF) (from adjusted net earnings)	563	546	(3)
Comprehensive Income Statement	**2012**	**2013**	**%**
Consolidated after tax profit	122,586	64,108	(48)
Fair value adjustment of securities available-for-sale (recognised directly through equity)	48,180	(1,721)	(104)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	532	531	0
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	4,978	(1,357)	(127)
Foreign currency translation difference	(54,104)	(33,159)	(39)
Change of actuarial losses (IAS 19)	0	(39)	
Net comprehensive income	**122,172**	**28,363**	**(77)**
o/w Net comprehensive income attributable to equity holders	121,990	29,379	(76)
Net comprehensive income attributable to non-controlling interest	182	(1,016)	(658)

[5] Adjustments on the consolidated Statement of recognized income are summarised in the Supplementary data section of this report.

Average exchange rate of the HUF	2012 HUF	2013 HUF	Change %
HUF/EUR	289	297	3
HUF/CHF	240	241	0
HUF/USD	225	224	(1)
HUF/100JPY	283	230	(19)

ASSET-LIABILITY MANAGEMENT

Similar to previous periods OTP Group maintained a strong and safe liquidity position…

The primary objective of OTP Group in terms of asset-liability management has not changed, that is 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 refinancing risk of maturing FX mortgage bonds is low. As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising, only refinancing loan of Funding for Growth Scheme was used in the amount of HUF 86.4 billion as at end-2013.

With total maturities of EUR 380 million in 2013 liquidity reserves of OTP Bank remained steadily above the safety level. As of 31 December 2013, the gross liquidity buffer was above EUR 6 billion equivalent, which is significantly higher than the maturing debt within one year (at EUR 205 million equivalent) and the reserves required to protect against possible liquidity shocks. The swiss franc and US dollar liquidity need of the Group stemming from its FX lending activity has further shrunk due to the steady decline of FX loan volumes. The Bank had to refinance only EUR 250 million long term FX-swaps to maintain its FX liquidity reserves at safe levels (by 31 December 2013 at EUR 1.1 billion).

The outstanding volume of issued securities (including retail bonds) dropped by 31% y-o-y. The volume decline was driven by the moderating Hungarian household-targeted bond issuances (HUF 160 billion annual volume decrease). Furthermore, Slovakian and Hungarian covered bonds became due with a face value of HUF 20 billion and further HUF 9.5 billion covered bonds were bought back from the market. The rouble devaluation caused remarkable negative effect on the forint value of rouble denominated bonds issued by the Russian subsidiary (HUF 9.6 billion). Those redemptions were partly off-set by the issuances of institutional investor-targeted Hungarian forint bonds: their outstanding volume reached HUF 92 billion by 2013 (+13% y-o-y).

The volume of Lower Tier2 and Upper Tier2 issues diminished by HUF 24 billion y-o-y. In 2013 the Group repurchased EUR 70.1 million from the Upper Tier2 Perpetual bonds, whereas EUR 12.5 million was repurchased and cancelled from the Lower Tier2 bond due in 2015.

… and kept its 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 forint 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. Consequently it has been reducing 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 maintains a closed interest-rate position in euro and swiss franc, consequently the recent yield volatility has not caused significant changes in the FX interest income.

Market Risk Exposure of OTP Group

At end-December 2013 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 44.5 billion in total, primarily due to the capital requirement of the FX risk exposure at HUF 31.4 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 for 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.

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 for 2 years) of the main foreign subsidiaries.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE OTP GROUP

Main components of balance sheet closing balances	2012 HUF million	2013 HUF million	Change %
TOTAL ASSETS	**10,113,466**	**10,381,047**	**3**
Cash and amount due from banks	602,521	539,125	(11)
Placements with other banks	356,866	273,479	(23)
Financial assets at fair value	222,874	415,605	86
Securities available-for-sale	1,411,177	1,637,255	16
Net customer loans	6,464,191	6,245,210	(3)
Net customer loans (FX adjusted)	**6,433,930**	**6,245,210**	**(3)**
Gross customer loans	7,618,367	7,480,844	(2)
Gross customer loans (FX adjusted)	**7,579,455**	**7,480,844**	**(1)**
o/w Retail loans	5,037,320	4,991,611	(1)
Retail mortgage loans (incl. home equity)	2,811,648	2,623,097	(7)
Retail consumer loans	1,766,094	1,916,282	9
SME loans	459,577	452,231	(2)
Corporate loans	2,178,439	2,177,149	0
Loans to medium and large corporates	1,872,292	1,904,700	2
Municipal loans*	306,147	272,449	(11)
Car financing loans	289,350	240,100	(17)
Bills and accrued interest receivables related to loans	74,346	71,984	(3)
Allowances for loan losses	(1,154,176)	(1,235,634)	7
Allowances for loan losses (FX adjusted)	(1,145,525)	(1,235,634)	8
Equity investments**	7,936	23,837	200
Securities held-to-maturity	429,303	580,051	35
Premises, equipment and intangible assets, net	489,142	455,244	(7)
o/w Goodwill, net	189,619	145,564	(23)
Premises, equipment and other intangible assets, net	299,523	309,680	3
Other assets	129,456	211,241	63
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,113,466**	**10,381,047**	**3**
Liabilities to credit institutions and governments	534,324	784,212	47
Customer deposits	6,550,708	6,866,606	5
Customer deposits (FX adjusted)	**6,536,735**	**6,866,606**	**5**
o/w Retail deposits	4,745,716	4,773,981	1
Household deposits	4,135,511	4,120,649	0
SME deposits	610,205	653,332	7
Corporate deposits	1,750,010	2,054,222	17
Deposits to medium and large corporates	1,458,870	1,700,799	17
Municipal deposits	291,140	353,422	21
Accrued interest payable related to customer deposits	41,009	38,403	(6)
Issued securities	643,123	445,218	(31)
o/w Retail bonds	230,626	70,447	(69)
Issued securities without retail bonds	412,497	374,771	(9)
Other liabilities	579,263	508,517	(12)
Subordinated bonds and loans	291,495	267,162	(8)
Total shareholders' equity	**1,514,553**	**1,509,332**	**0**
Indicators	**2012**	**2013**	**ppts**
Loan/deposit ratio (FX adjusted)	116%	109%	(7)
Net loan/(deposit + retail bond) ratio (FX adjusted)	95%	89%	(6)
90+ days past due loan volume	1,442,646	1,463,645	1
90+ days past due loans/gross customer loans	19.1%	19.8%	0.7
Total provisions/90+ days past due loans	80.0%	84.4%	4.4

* As of 31 December 2013 on consolidated level out of HUF 272 billion exposure to municipalities the exposure to the Hungarian State amounted to HUF 102 billion.

** According to the announcement of OTP Bank Plc. on 28 February 2014 it holds 46.69% indirect ownership in KITE Mezőgazdasági és Szolgáltató Ltd. through the following companies: Inga Kettő Ltd., Összehangoló Ltd., Stabilizáló Ltd. and Bank Center No. 1. Ltd.

Consolidated capital adequacy – Basel2	2012	2013	%/ppts
Capital adequacy ratio (consolidated, IFRS)	19.7%	19.9%	0.2
Tier1 ratio	16.0%	17.4%	1.4
Core Tier1 ratio	14.7%	16.0%	1.3
Leverage (Total Assets/Shareholder's Equity)	6.7x	6.9x	
Regulatory capital (consolidated)	1,473,525	1,440,962	(2)
o/w Tier1 Capital	1,203,019	1,264,286	5
o/w Core Tier1 Capital	1,098,882	1,164,261	6
Hybrid Tier1 Capital	104,136	100,025	(4)
Tier2 Capital	270,849	177,043	(35)
Deductions from the regulatory capital	(343)	(367)	7
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	7,496,894	7,255,192	(3)
o/w RWA (Credit risk)	6,015,748	5,784,649	(4)
RWA (Market & Operational risk)	1,481,146	1,470,543	(1)

Closing exchange rate of the HUF	2012	2013	Change
	HUF	HUF	%
HUF/EUR	291	297	2
HUF/CHF	241	242	0
HUF/USD	221	216	(2)
HUF/100JPY	257	205	(20)

OTP Core Statement of recognised income (segmented):

Main components of the Statement of recognised income	2012 HUF million	2013 HUF million	Change %
Adjusted after tax profit without the effect of adjustments	94,587	114,879	21
Corporate income tax	(22,933)	(28,957)	26
Pre-tax profit	117,520	143,836	22
Operating profit	211,355	194,390	(8)
Total income	394,243	384,587	(2)
Net interest income	292,570	273,276	(7)
Net fees and commissions	85,820	91,507	7
Other net non-interest income	15,853	19,804	25
Operating expenses	(182,888)	(190,197)	4
Total risk costs	(90,056)	(54,094)	(40)
Provisions for possible loan losses	(86,986)	(48,899)	(44)
Other provisions	(3,070)	(5,194)	69
Total one-off items	(3,779)	3,539	(194)
Revaluation result of FX swaps	(2,528)	715	(128)
Gain on the repurchase of own Upper and Lower Tier2 Capital	1,415	0	(100)
Revaluation result of the treasury share swap agreement	(2,667)	2,824	(206)
Revenues by Business Lines	**2012**	**2013**	**%**
RETAIL			
Total income	307,118	293,090	(5)
Net interest income	229,237	214,063	(7)
Net fees and commissions	74,692	75,599	1
Other net non-interest income	3,189	3,429	8
CORPORATE			
Total income	33,182	43,702	32
Net interest income	21,527	27,930	30
Net fees and commissions	10,723	14,770	38
Other net non-interest income	932	1,002	8
Treasury ALM			
Total income	49,061	44,426	(9)
Net interest income	41,806	31,283	(25)
Net fees and commissions	(63)	769	
Other net non-interest income	7,317	12,374	69
Performance Indicators	**2012**	**2013**	**ppts**
ROE	8.1%	9.4%	1.3
ROA	1.5%	1.8%	0.3
Operating profit margin (operating profit/avg. total assets)	3.3%	3.1%	(0.2)
Total income margin	6.17%	6.06%	(0.11)
Net interest margin	4.58%	4.31%	(0.27)
Net fee and commission margin	1.3%	1.4%	0.1
Net other non-interest income margin	0.2%	0.3%	0.1
Operating costs to total assets ratio	2.9%	3.0%	0.1
Cost/income ratio	46.4%	49.5%	3.1
Cost of risk/average gross loans	2.55%	1.56%	(0.99)
Cost of risk/average gross loans (FX adjusted)	2.58%	1.56%	(1.03)
Effective tax rate	19.5%	20.1%	0.6

- Accounting profit fell from 68 to 34 billion forint (–50% y-o-y), whereas adjusted after tax profit improved by 21% as a result of diminishing risk costs (–40%), gains on government bonds and one-off profits
- Slowing DPD90+ loan formation y-o-y, the annual increase in the DPD90+ ratio is the lowest since the beginning of the crisis, partly due to recoveries related to real-estates sold to the National Asset Management Company
- The provision coverage ratio increased further (2013: 85.2%, +3.3 ppts y-o-y)
- Due to strong deposit collection the net loan-to-deposit ratio fell further (2013: 66%)
- Corporate loans expanded partly as a result of the Funding for Growth Programme y-o-y (both SME and large company loans grew by 2% and 1%, respectively).

P&L developments

Without the effect of adjustment items[6] OTP Core posted a net profit of HUF 114.9 billion in 2013, underpinning a 21% y-o-y increase. Decelerating portfolio deterioration coupled with a 40% decline in risk cost played a key role in the improvement, in addition gains realised on the available-for-sale government bonds reached HUF 8.3 billion in 2013 (vs. HUF 2.2 billion a year before) boosting the non-interest income line. Furthermore, HUF 3.5 billion one-off profit was realised in 2013 in relation to the treasury share swap agreement and the revaluation of FX swaps. In the base period on the contrary, a loss of HUF 3.8 billion was recognised, mainly on the same items.

The operating profit for the full year deteriorated by 8%. On the income side the net interest result melted down by 7% in parallel with a 27 bps lowering in the net interest margin (2012: 4.58%, 2013: 4.31%). Key reasons behind the smaller net interest income were as follows: deposit margins narrowed amid the declining yield environment, the interest-bearing loan portfolio shrank and the regulatory ceiling for interest rates on loans had an unfavourable effect, too. Furthermore the fixed exchange rate scheme available for FX mortgage borrowers had a negative impact of HUF 2.2 billion on net interest income in 2013 (mostly recognised in the first quarter). By the end of December around 30% of eligible borrowers of OTP Bank, OTP Mortgage Bank and OTP Flat Lease concluded 36,422 FX protection contracts, as a result loan volumes under the FX protection scheme reached HUF 248 billion, an equivalent of 45% of the outstanding FX mortgage portfolio of these companies.[7] The yearly deterioration of the net interest income was partly offset by gains realised on the available-for-sale government bond portfolio in the amount of HUF 8.3 billion versus HUF 2.2 billion realized in 2012. As a result, other net non-interest income expanded by 25% y-o-y. Operating income was hit by operating costs increasing by 4% y-o-y – mostly on the back of rising personnel expenses.

The annual risk cost moderated by 40%.

In 2013 the portfolio deterioration was much slower than in 2012 (FX adjusted DPD90+ loan formation in HUF billion in 2012: 76, in 2013: 32). In 4Q 2013 DPD90+ volumes decreased by HUF 9 billion, that is the best reading since the onset of the crisis (2012 1Q: 20, 2Q: 34, 3Q: 12, 2013 1Q: 14, 2Q: 18, 3Q: 9, 4Q –9). Portfolio improvement of the last quarter of 2013 was induced mostly by declining non-performing mortgage loans partly in relation to recoveries from real estates sold to the National Asset Management Company. As an additional positive development, DPD90+ corporate and SME loans declined y-o-y, while the formation of DPD90+ consumer loans slowed from quarter to quarter in 2013. The overall DPD90+ ratio stood at 17.4% by end-2013 with the annual

[6] Special tax on financial institutions, one-timer extra payment of the financial transaction duty, goodwill/investment impairment charges, dividends/net cash transfers, the impact of early repayment of FX mortgage loans in Hungary, the fine imposed by the Hungarian Competition Authority and the tax impact of the transfer of general risk reserves to retained earnings.

[7] From November 2013 borrowers in more than 90 days of delay or participating in other financial relief programme of the banks or having a principal of over HUF 20 million equivalent at the initiation of the contract gained eligibility.

increase of the ratio being the lowest since 2008 (1.3% ppts), while showing the first time quarterly decline since the onset of the crisis (in 4Q 2013: –0.4 ppt q-o-q). The provision coverage of DPD90+ loans increased to 85.2% – up by 3.3 ppts y-o-y. Such high coverage is justified, because a project financing loan with principal amount at HUF 34 billion is expected to reach 90 days of delinquency in the first quarter of 2014. Should this default event materialise, ceteris paribus it would lower the provision coverage ratio of OTP Core by 5.1 ppts to 80.1% and the consolidated provision coverage by 1.9 ppts to 82.5%.

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

Main components of the balance sheet (closing balances)	2012 HUF million	2013 HUF million	Change %
Total Assets	6,229,359	6,454,938	4
Net customer loans	2,807,565	2,584,717	(8)
Net customer loans (FX adjusted)	**2,819,478**	**2,584,717**	**(8)**
Gross customer loans	3,234,343	3,034,469	(6)
Gross customer loans (FX adjusted)	**3,248,907**	**3,034,469**	**(7)**
Retail loans	2,186,423	2,017,466	(8)
Retail mortgage loans (incl. home equity)	1,626,829	1,479,182	(9)
Retail consumer loans	438,832	415,155	(5)
SME loans	120,762	123,129	2
Corporate loans	1,062,483	1,017,003	(4)
Loans to medium and large corporates	794,306	806,141	1
Municipal loans*	268,177	210,862	(21)
Provisions	(426,779)	(449,752)	5
Provisions (FX adjusted)	**(429,428)**	**(449,752)**	**5**
Deposits from customers + retail bonds	3,863,322	3,903,396	1
Deposits from customers + retail bonds (FX adjusted)	**3,869,974**	**3,903,396**	**1**
Retail deposits + retail bonds	2,571,768	2,345,633	(9)
Household deposits + retail bonds	2,260,959	2,004,269	(11)
o/w Retail bonds	230,626	70,447	(69)
SME deposits	310,809	341,364	10
Corporate deposits	1,298,206	1,557,763	20
Deposits of medium and large corporates	1,058,307	1,254,574	19
Municipal deposits	239,898	303,189	26
Liabilities to credit institutions	403,947	591,856	47
Issued securities without retail bonds	249,012	276,916	11
Total shareholders' equity	1,195,655	1,244,473	4
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume	521,062	527,591	1
90+ days past due loans/gross customer loans	16.1%	17.4%	1.3
Total provisions/90+ days past due loans	81.9%	85.2%	3.3
Market Share	**2012**	**2013**	**ppts**
Loans	19.0%	19.0%	0.0
Deposits	23.0%	23.7%	0.7
Total Assets	26.6%	26.9%	0.3
Performance Indicators	**2012**	**2013**	**ppts**
Net loans to (deposits + retail bonds) (FX adjusted)	73%	66%	(7)
Leverage (Shareholder's Equity/Total Assets)	19.2%	19.3%	0.1
Leverage (Total Assets/Shareholder's Equity)	5,2x	5,2x	
Capital adequacy ratio (OTP Bank, non-consolidated, HAS)	20.4%	23.0%	2.6
Tier1 ratio (OTP Bank, non-consolidated, HAS)	19.3%	23.0%	3.7

*As of 31 December 2013 out of HUF 211 billion exposure to municipalities the exposure to the Hungarian State amounted to HUF 102 billion.

Balance sheet trends

During 2013 FX-adjusted gross loans of OTP Core decreased by 7% y-o-y mainly as a result of further contraction in the mortgage portfolio (–9%) and shrinking consumer loan volumes (–5%).

It was encouraging, however that the Funding for Growth Programme initiated by the Hungarian National Bank gave boost to corporate loan expansion: the volume of OTP Bank's loans[8] to Hungarian companies expanded further (+8% y-o-y), while the portfolio of the Hungarian financial institutions excluding OTP dropped by 8%. Consequently, the market share of OTP Group in loans to Hungarian companies[9] increased to 12.4% (up by 1.8 ppts y-o-y). The 21% y-o-y drop in municipality loans was the result of the debt consolidation of Hungarian local governments[10].

During 2013 in the first phase of the Funding for Growth Programme OTP Group managed to conclude contracts with a principal value of HUF 91 billion. Out of that amount HUF 71 billion was originated under the first pillar, within that new placements represented 62%. The second phase of the Programme was opened for the clients from the beginning of October 2013. The initial size of funding available for banks was set at HUF 500 billion, however this time the funding will not be allocated to banks, but banks can withdraw funding in line with approved client applications.

The erosion of the mortgage loan book continued. Positive though, that mortgage loan applications[11] for the first time since 2010 showed a significant increase y-o-y reflecting the positive impact of the new State subsidized housing loan programme (application in HUF billion, 2012[12]: 74, 2013: 80, +8% y-o-y, loan origination: 2012[13]: 49, 2013: 55, +11% y-o-y).

In 2013 at OTP, applications for subsidised housing loans with the amount of HUF 24 billion represented 43% of total housing loan applications and 30% of total mortgage loan applications. OTP's market share in mortgage loan origination remained outstanding (2013: 29%).

Despite the dominant market share in new cash loan sales (2013: 52%) there was no expansion in the volume of these loans either. OTP Bank's sales performance remained close to previous year's level (in HUF billion: 2012: 46, 2013: 45), the cash loan portfolio slightly contracted. Thus the total consumer loan book was down by 5% y-o-y, too.

Deposits (including retail bonds) grew by 1% y-o-y. On an annual basis only retail deposits melted down to a great extent due to the lower yield environment and the crowding out effect of appealing investment alternatives (e.g. government bonds and mutual funds).

[8] The calculation is based on the supervisory balance sheet of the Hungarian National Bank: estimated FX adjusted change of the portfolio of "Loans to enterprises – Non-financial and other financial enterprises".

[9] Based on the balance sheet data provision to the Hungarian National Bank (MNB), calculated from the aggregated financials for the "Loans to non-financial companies, other-financials companies and non-profit organisations supporting households" line of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil Bank.

[10] By end-June 2013 out of the total debt of local governments with more than 5 thousands inhabitants HUF 41.5 billion equivalent was prepaid, while HUF 101.2 billion equivalent was refinanced by a loan originated by OTP Bank for the Government Debt Management Agency. The latter exposure continues to be recognised as a municipal loan in the balance sheet of OTP Bank.

[11] Without applications for refinancing forint loans under the early repayment programme of FX mortgage loans.

[12] Without applications for refinancing forint loans under the early repayment programme of FX mortgage loans.

[13] Without loans taken out for refinancing forint loans under the early repayment programme of FX mortgage loans.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfer and banking tax	2,040	3,596	76
Corporate income tax	(257)	(603)	135
Profit before income tax	2,297	4,200	83
Operating income	2,262	4,140	83
Total income	4,633	6,314	36
Net interest income	55	0	(100)
Net fee and commission income	4,516	6,393	42
Other net non-interest income	62	(78)	(226)
Operating expenses	(2,371)	(2,174)	(8)
Other provisions	35	59	69
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	6,617	9,014	36
Total shareholders' equity	5,092	6,808	34
Asset under management	**2012 HUF billion**	**2013 HUF billion**	**Change %**
Assets under management, total (w/o duplicates)	**1,077**	**1,384**	**28**
Retail investment funds (closing, w/o duplicates)	672	993	48
Volume of managed assets (closing, w/o duplicates)	405	391	(3)
Volume of investment funds (with duplicates)	**771**	**1,085**	**41**
money market	388	429	11
bond	139	318	129
mixed	11	17	55
security	94	83	(12)
guaranteed	89	105	18
other	50	133	166

In 2013 **OTP Fund Management** posted a y-o-y 76% higher, HUF 3.6 billion after tax profit, excluding the special banking tax on financial institutions. The y-o-y 83% improvement of operating income was induced by favourable dynamics in net fees (+42%) in line with the expanding volume of assets under management. Operating expenses were 8% lower compared to the base year.

The series of rate cuts started in August 2012 made investment funds soaring over the last 15 months. The asset of Hungarian investment funds expanded by 36% in the market, with bond funds attracting most of the fresh money, especially short-term constructions turned to be popular. The asset of money market funds – representing the largest fund category – expanded by 18% y-o-y, while private equity funds suffered capital withdrawal.

The volume of asset under management of OTP Fund Management increased by 28% y-o-y, nearly three times higher over the level of increase in the base period. Asset growth represented HUF 280 billion in 2013.

The indisputable winners of capital inflow were OTP Premium Money Market Fund, OTP Optima and OTP Supra. At the same time equity funds suffered further asset decline. The company's market share (without duplication) represented 26.9% by end-December 2013 (+1 ppt y-o-y).

The other two consolidated fund management companies within the Group (in Ukraine and Romania) posted HUF 84 million profits in 2013.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	501	1,951	289
Income tax	(11)	(58)	427
Profit before income tax	512	2,009	292
Operating profit	7,956	6,341	(20)
Total income	13,994	12,478	(11)
Net interest income	15,346	14,553	(5)
Net fees and commissions	(3,106)	(2,971)	(4)
Other net non-interest income	1,755	895	(49)
Operating expenses	(6,038)	(6,136)	2
Total risk costs	(7,444)	(4,332)	(42)
Provision for possible loan losses	(7,710)	(4,755)	(38)
Other provision	267	423	58
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	242,982	282,780	16
Gross customer loans	267,744	257,485	(4)
Gross customer loans (FX-adjusted)	268,578	257,485	(4)
Retail loans	4,042	6,524	61
Corporate loans	39,881	61,676	55
Car financing loans	224,655	189,284	(16)
Allowances for possible loan losses	(47,891)	(34,403)	(28)
Allowances for possible loan losses (FX-adjusted)	(47,925)	(34,403)	(28)
Deposits from customers	4,276	5,945	39
Deposits from customers (FX-adjusted)	4,276	5,945	39
Retail deposits	1,321	2,234	69
Corporate deposits	2,955	3,711	26
Liabilities to credit institutions	172,987	210,004	21
Total shareholders' equity	26,293	27,486	5
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	51,414	37,405	(27.2)
90+ days past due loans/gross customer loans (%)	19.2%	14.5%	(4.7)
Cost of risk/average gross loans (%)	2.69%	1.81%	(0.88)
Cost of risk/average gross loans (FX-adjusted) (%)	2.74%	1.81%	(0.93)
Total provisions/90+ days past due loans (%)	93.1%	92.0%	(1.1)
Performance Indicators	**2012**	**2013**	**ppts**
ROA	0.2%	0.7%	0.5
ROE	1.9%	7.3%	5.4
Net interest margin	5.97%	5.54%	(0.43)
Cost/income ratio	43.2%	49.2%	6.0

Merkantil Bank and Car's aggregated 2013 after tax result amounted to HUF 2 billion (excluding special tax on financial institutions), which is almost four times higher than a year ago. The y-o-y 20% decline in operating result was driven by decreasing total income, operating expenses rose by only 2% on yearly basis. In 2013 net interest income dropped by 5% compared to the base period. Net interest margin continued eroding: in 2013 it came down by 43 bps to 5.54%. The yearly setback of other revenues in 2013 stems from a one-off accounting entry.[14]
The ratio of DPD90+ loans decreased to 14.5% (–4.7 ppts y-o-y). The provision coverage ratio didn't change notably in 2013.
The FX-adjusted car financing loan book continued eroding: it contracted by 16% y-o-y. The relatively fast pace of the yearly decline is explained by write-off and sales of non-performing loan portfolios with a total amount of HUF 17.8 billion in the last 12 months – adjusted for this effect the reduction would have been only 8%. In 2013 new car financing loan disbursements kept on growing (+19% y-o-y). The 55% growth of corporate loan volumes y-o-y reflects new loan disbursements under the Funding for Growth Scheme.

[14] The yearly setback of other revenues in 2013 can be explained mainly by the sale of receivables 100% covered by provisions. The write-off of those receivables was booked on other revenues line, while the provision release affected other provisions.

IFRS reports of the main subsidiaries

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends and net cash transfer	24,214	30,223	25
Income tax	(3,329)	(3,536)	6
Profit before income tax	27,543	33,760	23
Operating profit	58,927	55,090	(7)
Total income	95,732	92,966	(3)
Net interest income	74,671	72,908	(2)
Net fees and commissions	16,875	18,208	8
Other net non-interest income	4,186	1,849	(56)
Operating expenses	(36,804)	(37,876)	3
Total provisions	(31,384)	(21,330)	(32)
Provision for possible loan losses	(31,153)	(20,723)	(33)
Other provision	(230)	(608)	164
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	1,292,031	1,343,595	4
Gross customer loans	1,143,861	1,138,014	(1)
Gross customer loans (FX-adjusted)	1,165,889	1,138,014	(2)
Retail loans	908,548	899,346	(1)
Corporate loans	257,342	238,668	(7)
Allowances for possible loan losses	(178,538)	(201,300)	13
Allowances for possible loan losses (FX-adjusted)	(181,934)	(201,300)	11
Deposits from customers	979,054	1,054,713	8
Deposits from customer (FX-adjusted)	996,850	1,054,713	6
Retail deposits	877,333	927,122	6
Corporate deposits	119,517	127,591	7
Liabilities to credit institutions	36,356	44,351	22
Subordinated debt	43,901	0	(100)
Total shareholders' equity	209,187	220,752	6
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	210,664	228,539	8
90+ days past due loans/gross customer loans (%)	18.4%	20.1%	1.7
Cost of risk/average gross loans (%)	2.63%	1.82%	(0.81)
Cost of risk/average (FX-adjusted) gross loans (%)	2.67%	1.80%	(0.87)
Total provisions/90+ days past due loans (%)	84.8%	88.1%	3.3
Performance Indicators	**2012**	**2013**	**ppts**
ROA	1.8%	2.3%	0.5
ROE	11.6%	14.1%	2.5
Total income margin	7.22%	7.05%	(0.17)
Net interest margin	5.63%	5.53%	(0.10)
Cost/income ratio	38.4%	40.7%	2.3
Net loans to deposits (FX-adjusted)	99%	89%	(10)
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/BGN (closing)	148.9	151.8	2
HUF/BGN (average)	148.0	151.8	3

- The after tax profit grew by 25% in 2013 as a result of lower operating result and smaller risk cost
- Due to weak demand the recovery of lending business is still to come, at the same time the portfolio deterioration slowed down (DPD90+ ratio: 20.1% –1.7 ppts y-o-y) and provision coverage increased further (2013: 88.1%)
- Increasing FX-adjusted deposit book and declining net loans resulted diminishing net loan-to-deposit ratio (2013: 89%, –10 ppts y-o-y)

DSK Group reached HUF 30.2 billion after tax profit in 2013 underpinning a 25% increase over the base period. Improving annual profitability was stemming mainly from the 32% lower risk cost while operating income deteriorated by 7%. On the income side net interest result melted down by 2% y-o-y. The change in interest accrual methodology starting from October 2012 played a key role in this setback (the Bank no longer accrues interest on DPD180+ loans and also terminated the related provisioning) and lower interest income was realized on diminishing loan book (–2% y-o-y), whereas net interest margin for the full year decreased to 5.53%.
Net fees grew across the board (+8% y-o-y). Other revenues fell by 56%, driven partly by the non-realized loss on government securities. Operating expenses grew by 3% on a yearly basis, owing mainly to personnel expenses. The development of other costs was determined mainly by higher deductible taxes and supervisory fees. As for the FX-adjusted formation of DPD90+ loan volumes, after the spike experienced in the second quarter of 2013 relating mainly to corporate loans, in the second half of the year it moderated significantly (quarterly change of DPD90+ loan volumes in HUF billion: 2Q: 9.1, 3Q: 2.9, 4Q: 0.1). Sale or write-down of non-performing loans (in the amount of HUF 1.6 billion) was booked only in the fourth quarter of the year, mainly corporate exposures were involved.
Parallel with the moderate pace of portfolio deterioration risk cost fell back by 32%, whereas the provision coverage ratio improved by 3.3 ppts, standing at 88% by end-2013.
The loan book contracted by 2% y-o-y (adjusted for FX-effect). Retail lending remained sluggish: the mortgage loan portfolio kept slowly eroding on yearly basis (–3%), despite strengthening sales. The new origination of consumer loans decreased gradually with slightly increasing lending rates from 2H.
The FX-adjusted deposit base – despite persistently lower interest rate versus market rate – increased by 3% q-o-q and by 6% y-o-y. In the retail segment the expansion of sight deposit base continued.
The capital position of DSK Bank remained strong: by end-December the capital adequacy ratio stood at 16.3%. The BGN 293 million subordinated loan with original maturity date of 2016 was paid back by DSK Bank to the mother company in the fourth quarter. The purpose of the transaction was to reduce liabilities to the mother company due to the improving liquidity position.
From mid-2013 DSK launched a project targeting SME and corporate clients with the aim of improving efficiency and potentially market share both in lending and deposit collection. That would include network rationalization, as well as product development and target-oriented customer segmentation. The project is to be completed by mid-2014.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	47,158	2,356	(95)
Income tax	(13,690)	(1,051)	(92)
Profit before income tax	60,849	3,409	(94)
Operating profit	121,541	124,223	2
Total income	193,273	207,493	7
Net interest income	170,001	184,041	8
Net fees and commissions	20,998	21,990	5
Other net non-interest income	2,273	1,462	(36)
Operating expenses	(71,732)	(83,270)	16
Total risk costs	(60,692)	(120,814)	99
Provision for possible loan losses	(59,567)	(121,310)	104
Other provision	(1,126)	496	(144)
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	1,027,763	940,320	(9)
Gross customer loans	843,424	833,223	(1)
Gross customer loans (FX-adjusted)	765,491	833,223	9
Retail and SME loans	730,480	792,928	9
Corporate loans	28,889	36,911	28
Car financing loans	6,122	3,384	(45)
Allowances for possible loan losses	(129,491)	(160,989)	24
Allowances for possible loan losses (FX-adjusted)	(117,150)	(160,989)	37
Deposits from customers	590,958	554,645	(6)
Deposits from customer (FX-adjusted)	542,864	554,645	2
Retail and SME deposits	432,160	429,805	(1)
Corporate deposits	110,703	124,840	13
Liabilities to credit institutions	75,112	56,343	(25)
Issued securities	118,063	101,969	(14)
Subordinated debt	16,399	15,728	(4)
Total shareholders' equity	191,883	177,906	(7)
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	140,239	150,982	7.7
90+ days past due loans/gross customer loans (%)	16.6%	18.1%	1.5
Cost of risk/average gross loans (%)	7.57%	14.47%	6.90
Cost of risk/average (FX-adjusted) gross loans (%)	8.46%	15.18%	6.72
Total provisions/90+ days past due loans (%)	92.3%	106.6%	14.3
Performance Indicators	**2012**	**2013**	**ppts**
ROA	5.0%	0.2%	(4.7)
ROE	28.0%	1.3%	(26.7)
Total income margin	20.39%	21.09%	0.70
Net interest margin	17.93%	18.70%	0.77
Cost/income ratio	37.1%	40.1%	3.0
Net loans to deposits (FX-adjusted)	119%	121%	2
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/RUB (closing)	7.26	6.55	(10)
HUF/RUB (average)	7.25	7.03	(3)

- Due to doubling risk cost y-o-y the HUF 2.4 billion net result for 2013 is only a fraction of previous year's profit
- 2013 total income grew by 7%
- Further portfolio deterioration, improving DPD90+ coverage (2013: 106.6%)
- Consumer loans grew by 21% y-o-y (adjusted for loan sale/write-off)
- Growing branch network and slightly higher cost/income ratio: 2013 40.1% (+3 ppts y-o-y)

After tax profit of **OTP Bank Russia** for 2013 amounted to HUF 2.4 billion which is a fraction of the 2012 profit. The significant drop in 2013 profits is attributable partly to higher risk cost due to methodology changes in provisioning, and also the weaker net interest income as a result of the higher provisions on interest on non-performing loans and write-off of interest related to non-performing loans. Combined after-tax effect of these methodological changes on 4Q results was about HUF 13 billion.
Total income in 2013 increased by 7%, within that net interest income grew by 8% while net fees were up by 5%. The increase in total income was fuelled by the growth of the loan portfolio, while net interest margin improved (2013: 18.7%, +0.8 ppt y-o-y) and net fee margin was stable. Net interest income could improve in 2013 despite the fact that non-accrued interest of non-performing loans more than doubled (+135% y-o-y in RUB terms) due to higher volume of non-performing loans and the newly introduced methodological changes to provisioning. Increase in net fees was driven by the still outstandingly strong dynamics of the credit card business. Operating expenses grew in 2013 (+16% y-o-y), mainly due to the stronger business activity, the cost of newly opened 54 branches (number of branches reached 200 by end-2013) and the advisory expenses related to the transformation project since 2Q 2013. In the course of the year number of employees grew by 843 to 6,020. The number of active sales points exceeded 32 thousand by end-2013. Accordingly, 2013 operating profit was higher by only 2% on yearly basis, cost/income ratio grew by 3 ppts to 40.1% y-o-y.
In 4Q the total loan portfolio deteriorated less than in the previous 2 quarters (2Q: +26, 3Q +23, 4Q +22 billion HUF increase in DPD90+ loans adjusted for sales, write-off and FX-effect), nevertheless, on yearly basis new formation of non-performing loans was substantial (2012: +54, 2013: +89 billion HUF).
Risk cost almost doubled y-o-y due to changes in provisioning methodology (effect of methodology changes on risk cost: about HUF 11.5 billion) and the deteriorating loan portfolio. In 2013 RUB 10.8 billion non-performing was sold or written-off which improved significantly the DPD90+ ratio and the coverage of the DPD90+ portfolio. DPD90+ ratio increased by 1.5 ppts to 18.1% y-o-y by the end of December, without the portfolio cleaning the ratio would have been 23.7%.
The DPD90+ ratio worsened in all segments but corporate loans. Due to the higher risk cost, coverage of DPD90+ loans improved significantly (2013: 106.6%, +14.3 ppts y-o-y).
Consumer loans remained the main products of the bank, however, total volumes are influenced by the effects of internal and external measures, that eventually result in portfolio shrinkage. In the course of 2H 2013 the Bank's main targets were the improvement of the profitability of consumer loan products and improvement of the risk profile of these portfolios. The new measures introduced by the supervisory authorities were aimed at cutting back market growth. The overall consumer lending market was less so characterised by the strong seasonal increase as in the previous years, consequently OTP Russia's consumer loan portfolio grew by 10% in 2013. Adjusted for sale and write-off of non-performing loans, this change was +21%.
In case of POS loan products, the 2013 disbursements were 7% below the last year's performance; but the bank still keeps its second position in the market. With regards to credit card business, the bank showed robust growth (+35% y-o-y adjusted for sales and write-offs). The kept its ranking on the market, currently being the seventh largest player in this segment. Cash loan disbursements were picking up; the adjusted portfolio growth was 42% compared to end-2012.
Other retail and SME lending products sale is still muted. Among the corporate banking products the Russian bank rather focuses on trade finance, bank guarantee, treasury products and documentary businesses.
In 2013 FX-adjusted total deposits grew by 2% y-o-y. Retail deposits grew by 3% y-o-y.
FX-adjusted net loan-to-deposit ratio increased by 2 ppts y-o-y to 121%. The Russian bank made no bond issuance in the last 12 months.
The capital adequacy ratio of the Russian bank stood at 14.2% at the end of December 2013, underpinning a 2 ppts decrease y-o-y.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L Account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends and net cash transfer	528	6,716	
Corporate income tax	(2,180)	(4,447)	104
Profit before income tax	2,708	11,163	312
Operating profit	33,511	40,285	20
Total income	64,510	72,811	13
Net interest income	49,586	53,385	8
Net fees and commissions	12,634	17,020	35
Other net non-interest income	2,289	2,406	5
Operating expenses	(30,998)	(32,526)	5
Total risk costs	(30,804)	(29,122)	(5)
Provision for possible loan losses	(30,597)	(27,431)	(10)
Other provision	(207)	(1,692)	717
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	653,603	617,730	(5)
Gross customer loans	683,478	666,425	(2)
Gross customer loans (FX-adjusted)	665,009	666,425	0
Retail loans	301,183	316,443	5
Corporate loans	328,332	313,536	(5)
Car financing loans	35,494	36,447	3
Allowances for possible loan losses	(196,132)	(183,559)	(6)
Allowances for possible loan losses (FX-adjusted)	(191,239)	(183,559)	(4)
Deposits from customers	243,132	240,843	(1)
Deposits from customer (FX-adjusted)	237,188	240,843	2
Retail and SME deposits	163,774	156,150	(5)
Corporate deposits	73,414	84,693	15
Liabilities to credit institutions	242,571	208,352	(14)
Subordinated debt	42,925	41,071	(4)
Total shareholders' equity	112,464	113,236	1
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	248,671	230,744	(7)
90+ days past due loans/gross customer loans (%)	36.4%	34.6%	(1.8)
Cost of risk/average gross loans (%)	4.13%	4.06%	(0.07)
Cost of risk/average (FX-adjusted) gross loans (%)	4.43%	4.12%	(0.31)
Total provisions/90+ days past due loans (%)	78.9%	79.6%	0.7
Performance Indicators	**2012**	**2013**	**ppts**
ROA	0.1%	1.1%	1.0
ROE	0.5%	6.0%	5.5
Total income margin	9.01%	11.45%	2.44
Net interest margin	6.93%	8.40%	1.47
Cost/income ratio	48.1%	44.7%	(3.4)
Net loans to deposits (FX-adjusted)	200%	200%	0
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/UAH (closing)	27.38	26.17	(4)
HUF/UAH (average)	27.85	27.43	(2)

- HUF 6.7 billion net profit boosted by y-o-y 20% higher operating results and by 5% lower risk costs
- Dynamic growth of consumer loans with accelerating cash loan and credit card disbursement due to outstanding sales performance and successful cross-sale activity
- The DPD90+ ratio decreased to 34.6% (–1.8 ppts y-o-y) along with stagnating FX-adjusted loan book and decelerating new DPD90+ volumes
- Amid expanding consumer lending the cost-to-income ratio improved (2013: 44.7%, –3.4% ppts y-o-y)

OTP Bank Ukraine posted HUF 6.7 billion after tax profit in 2013 against HUF 0.5 billion realized in 2012. The outstanding profitability improvement was boosted by strong operating results (+20% y-o-y), while risk costs moderated by 5%. In 4Q the bank reached HUF 1.8 billion net results thus it was already the 6th consecutive quarters when it made profit. As a result, in 2013 the bank's profit contribution to the consolidated earnings represented 5% versus 0.4% in 2012.

As for the main components of net earnings: in line with soaring disbursements of high-margin consumer loans – especially POS and cash loans – and parallel with the decline in interest expense attributable to lower interest rates on stagnating deposit volumes, net interest income grew. Also, in the corporate segment there was a shift into higher margin hryvnia loans, the overall volume of dollar-based loans declined amid lower lending rates. As a result, the yearly net interest margin improved by 1.47% ppts.

The remarkable y-o-y increase (35%) of net fee and commission income was related to the insurance fee income on consumer loans sold with payment protection policies. The overall volume of those loans increased substantially during 2013. Also, in 4Q there was a change in accounting methodology of those insurance fees: against the previous practice of booking those fees by 1 month after the disbursement of the loan, the bank started to recognise the fee income in the month of the disbursement. As a result in 4Q the bank practically recognised 4 months of such fees. Furthermore, stronger fee income was also supported by a pick-up in credit card related transactions.

The 5% y-o-y increase of operating expenses (FX-adjusted) was reasoned by higher costs related to enhanced consumer lending and stronger focus on agent-based distribution. Higher y-o-y other expenses were mainly due to higher collection-related legal advisory fees and supervisory fees related to deposit insurance. In the process of network rationalization 10 branches were closed in 2013, while the number of selling agents (own and contracted) increased further and reached 3.965 people. As a result of those developments the cost-to-income ratio improved by 3.4 ppts y-o-y to 44.7%.

The DPD90+ ratio (34.6%) declined by 1.8 ppts y-o-y supported by higher gross loan volumes, but also by slower portfolio deterioration (FX-adjusted quarterly DPD90+ loan formation in HUF billion: 1Q 2013: 4, 2Q: 18, 3Q: 0, 4Q: 2). The DPD90+ ratio of the consumer portfolio improved substantially (2013: 9.4% versus 11% in 2012) on the back of strong lending dynamics and falling default rates of new disbursements. The overall portfolio deterioration decelerated in 2H and DPD90+ volumes shrank due to portfolio write-offs and sales, risk costs decreased by 5% y-o-y. As a result, the coverage ratio of DPD90+ loans improved (79.6%).

The FX-adjusted loan portfolio stagnated on a yearly base. As a result of promotional campaigns and the development of the agent network the consumer portfolio showed a remarkable growth (+126% y-o-y), the share of consumer loans within the retail segment reached 28% (2012: 13%). Out of the total consumer book cash loans represented 40% by December, their volumes increased almost 6-folds y-o-y and especially disbursements for the fourth quarter were strong. Customer demand for POS-loans was more moderate, their book grew "only" by 24% y-o-y. Both the mortgage and the SME sector lacked recovery.

On the liability side the shift from interbank facilities towards deposit-based financing continued. The FX-adjusted deposit base – being the key source of the hryvnia liquidity for the growing need of consumer lending – grew by 2% on a yearly basis. The volume of retail deposits, representing the bulk of total deposit book, diminished further (–5% y-o-y) coupled with a slight decrease in the bank's market share. Corporate deposits, mainly in hryvnia, however kept growing by 15% y-o-y. As a result, the FX-adjusted net loan-to-deposit ratio stood at 200% by end-2013.

During 2013 the Ukrainian subsidiary paid back a substantial part of its intra-group funding in the amount of HUF 30 billion equivalent.

The capital adequacy of the bank reached 20.6% by end-2013.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	(5,530)	(4,143)	(25)
Income tax	579	0	(100)
Profit before income tax	(6,109)	(4,143)	(32)
Operating profit	6,495	7,147	10
Total income	19,811	20,375	3
Net interest income	15,916	14,254	(10)
Net fees and commissions	1,677	2,269	35
Other net non-interest income	2,218	3,852	74
Operating expenses	(13,317)	(13,228)	(1)
Total risk costs	(12,604)	(11,290)	(10)
Provision for possible loan losses	(12,440)	(11,109)	(11)
Other provision	(164)	(181)	10
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	461,458	449,789	(3)
Gross customer loans	392,608	407,380	4
Gross customer loans (FX-adjusted)	396,829	407,380	3
Retail loans	308,877	314,539	2
Corporate loans	87,952	92,841	6
Allowances for possible loan losses	(45,583)	(55,094)	21
Allowances for possible loan losses (FX-adjusted)	(46,026)	(55,094)	20
Deposits from customers	155,348	200,514	29
Deposits from customers (FX-adjusted)	157,090	200,514	28
Retail deposits	130,160	143,342	10
Corporate deposits	26,930	57,172	112
Liabilities to credit institutions	239,464	206,315	(14)
Total shareholders' equity	32,581	29,100	(11)
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	62,388	72,595	16
90+ days past due loans/gross customer loans (%)	15.9%	17.8%	1.9
Cost of risk/average gross loans (%)	3.16%	2.78%	(0.38)
Cost of risk/average gross loans (FX-adjusted) (%)	3.23%	2.76%	(0.47)
Total provisions/90+ days past due loans (%)	73.1%	75.9%	2.8
Performance Indicators	**2012**	**2013**	**ppts**
ROA	(1.2%)	(0.9%)	0.3
ROE	(18.2%)	(13.4%)	4.8
Total income margin	4.30%	4.47%	0.17
Net interest margin	3.45%	3.13%	(0.32)
Cost/income ratio	67.2%	64.9%	(2.3)
Net loans to deposits (FX-adjusted)	223%	176%	(47)
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/RON (closing)	65.7	66.3	1
HUF/RON (average)	65.0	67.2	3

OTP Bank Romania realized HUF 4.1 billion loss in 2013, 25% lower than in the base period. The annual operating result advanced by 10%, reflecting both the strict cost control pursued by the Bank and the 3% increase in total revenues. Within revenues, the net interest income showed a 10% setback over 2013, explained mainly by the elevated interest expenses on customer deposits. Furthermore, interest revenues were negatively influenced by the deterioration of loan quality. However, in line with the Bank's strategy, the weight of consumer loans (carrying higher interest rates) is gradually increasing in the balance sheet being supportive to the net interest revenues. After the gradual and trend-like decline in net interest margin in the last two years, in the second half of 2013 it showed a turnaround and started improving.

The 35% growth of annual net fee and commission income was mainly due to the strengthening business activity. The other net non-interest income was primarily driven by the improving FX result.

The operating expenses were under control, the 1% cost saving in 2013 reflects lower other expenses, while personnel expenses remained practically unchanged.

Although the ratio of loans with more than 90 days of delay increased further in 2013 (by 1.9 ppts to 17.8%), in the fourth quarter of 2013 it showed a quarterly drop for the first time in two years. The pace of DPD90+ loan formation moderated (adjusted for FX rate changes and loan sales and write-downs). The annual risk cost went down by 10%, still resulting in a 2.8 ppts rise in the provision coverage ratio (to 75.9%).

Gross loans expanded by 3% y-o-y adjusted for the FX-effect. In 2013 cash loans remained in the focus of sales efforts; thanks to disbursements growing to 2.5-fold cash loan volumes doubled in the last 12 months. Mortgage loan volumes kept on eroding (–5% y-o-y), while corporate loans grew by 6%.

Deposits grew by a remarkable 28% pace y-o-y. Household deposits expanded altogether by 17% in the course of 2013, however they stagnated in the second half of 2013. Parallel with general market trends, from the second quarter of 2013 the Bank started to lower household deposit rates. In addition to this, pricing steps have been made in order to bring down funding costs even in the corporate segment. Corporate deposits more than doubled on a yearly basis.

The Bank's capital adequacy ratio came down from 15.6% in December 2012 to 12.7% in December 2013. The number of branches declined by 5 units to 84.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	3,714	2,210	(41)
Income tax	(1,039)	(587)	(44)
Profit before income tax	4,754	2,797	(41)
Operating profit	8,497	7,910	(7)
Total income	22,550	22,697	1
Net interest income	16,220	16,010	(1)
Net fees and commissions	4,660	4,878	5
Other net non-interest income	1,670	1,808	8
Operating expenses	(14,052)	(14,787)	5
Total risk costs	(3,744)	(5,113)	37
Provision for possible loan losses	(2,988)	(5,142)	72
Other provision	(756)	29	(104)
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	519,570	538,112	4
Gross customer loans	351,410	379,177	8
Gross customer loans (FX-adjusted)	356,608	379,177	6
Retail loans	228,996	232,845	2
Corporate loans	126,802	145,935	15
Car financing loans	810	396	(51)
Allowances for possible loan losses	(23,740)	(29,213)	23
Allowances for possible loan losses (FX-adjusted)	(23,992)	(29,213)	22
Deposits from customers	407,754	421,276	3
Deposits from customer (FX-adjusted)	412,605	421,276	2
Retail deposits	365,764	375,582	3
Corporate deposits	46,841	45,694	(2)
Liabilities to credit institutions	37,832	40,944	8
Subordinated debt	1,489	1,521	2
Total shareholders' equity	59,813	62,880	5
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	38,892	47,493	22.1
90+ days past due loans/gross customer loans (%)	11.1%	12.5%	1.4
Cost of risk/average gross loans (%)	0.82%	1.41%	0.59
Cost of risk/average (FX-adjusted) gross loans (%)	0.84%	1.40%	0.56
Total provisions/90+ days past due loans (%)	61.0%	61.5%	0.5
Performance Indicators	**2012**	**2013**	**ppts**
ROA	0.7%	0.4%	(0.3)
ROE	6.3%	3.6%	(2.7)
Total income margin	4.30%	4.29%	(0.01)
Net interest margin	3.09%	3.03%	(0.06)
Cost/income ratio	62.3%	65.1%	2.8
Net loans to deposits (FX-adjusted)	81%	83%	2
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/HRK (closing)	38.59	38.94	1
HUF/HRK (average)	38.48	39.18	2

OTP banka Hrvatska posted HUF 2.2 billion after tax profit in 2013 against HUF 3.7 billion in the base period. The 7% lower operating result y-o-y and increasing risk costs (+37%) explain the diminishing net earnings.

In 2013 net interest income moderated by 1%. In spite of increasing gross loan book, the pricing of deposits didn't follow changes in reference rates to the same extent as for loans, thus the annual net interest margin shrank by 6 basis points.

Net fees improved by 5% y-o-y mainly due to higher utilization of deposit and money transfer services in the wake of the growing deposit book. Non-interest income increased by 8% compared to the base period. The operating costs in 2013 expanded moderately by 5% y-o-y. The share of loans with more than 90 days of delay reached 12.5% by the end of 2013, underpinning a y-o-y 1.4 ppts deterioration. Annual risk costs went up by 37% y-o-y, mainly due to ongoing litigations on

CHF mortgage loans (litigation related provisioning represented HUF 1.2 billion in 2013). Furthermore, the Croatian authorities prescribed stricter provisioning for banks, which also affected the risk costs of the corporate segment. In 2013 the coverage ratio of DPD90+ loans improved to 61.5%. The gross loan portfolio advanced by 6% y-o-y FX-adjusted. The yearly increase was mainly stemming from the municipal segment (+62% y-o-y) – the Bank places particular emphasis on lending to state-backed companies with guarantees and adequate collaterals. Retail loans stagnated due to sluggish demand. The capital adequacy ratio of the Bank reached 16% at the end of December.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance OTP Banka Slovensko*:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	(1,161)	1,153	(199)
Income tax	(182)	(351)	93
Profit before income tax	(979)	1,503	(254)
Operating profit	3,440	4,099	19
Total income	13,932	14,908	7
Net interest income	12,019	12,088	1
Net fees and commissions	2,930	3,101	6
Other net non-interest income	(1,017)	(280)	(72)
Operating expenses	(10,491)	(10,810)	3
Total risk costs	(4,420)	(2,595)	(41)
Provision for possible loan losses	(4,420)	(2,594)	(41)
Other provision	1	(2)	(331)
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	374,224	425,219	14
Gross customer loans	291,991	339,602	16
Gross customer loans (FX-adjusted)	297,590	339,602	14
Retail and SME loans	226,616	265,686	17
Corporate loans	70,444	73,497	4
Allowances for possible loan losses	(21,042)	(22,670)	8
Allowances for possible loan losses (FX-adjusted)	(21,448)	(22,670)	6
Deposits from customers	299,014	332,452	11
Deposits from customer (FX-adjusted)	304,624	332,452	9
Retail and SME deposits	280,000	308,624	10
Corporate deposits	24,625	23,827	(3)
Liabilities to credit institutions	6,074	25,821	325
Issued securities	28,296	24,881	(12)
Subordinated debt	8,464	8,627	2
Total shareholders' equity	26,993	27,028	0
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	34,823	39,044	12.1
90+ days past due loans/gross customer loans (%)	11.9%	11.5%	(0.4)
Cost of risk/average gross loans (%)	1.49%	0.82%	(0.67)
Cost of risk/average (FX-adjusted) gross loans (%)	1.51%	0.81%	(0.70)
Total provisions/90+ days past due loans (%)	60.4%	58.1%	(2.3)
Performance Indicators	**2012**	**2013**	**ppts**
ROA	(0.3%)	0.3%	0.6
ROE	(4.0%)	4.3%	8.3
Total income margin	3.66%	3.73%	0.07
Net interest margin	3.16%	3.02%	(0.14)
Cost/income ratio	75.3%	72.5%	(2.8)
Net loans to deposits (FX-adjusted)	91%	95%	(4)
FX rates	**2012 Ft**	**2013 Ft**	**Change %**
HUF/EUR (closing)	291.3	296.9	2
HUF/EUR (average)	289.3	297.0	3

*P&L account lines and indicators are adjusted for banking tax.

In 2013 **OTP Banka Slovensko** posted HUF 1.15 billion after tax profit without the banking tax, compared to the similar sized loss in the preceding year. Apart from the 19% improvement of operating income y-o-y, the material increase of the profit was due to the 41% drop in risk cost (without the one-off positive element on this line in 1Q 2013 the risk cost would still have decreased by 24% y-o-y). The special banking tax paid by the bank amounted to HUF 1.1 billion in 2013, which is treated as an adjustment in the consolidated results in this Report.

2013 total income grew by 7% y-o-y, fuelled by the growth of average assets, with total income margin slightly improving. The net interest margin moderated in line with market trends (2013: 3.02%, –14 bps y-o-y). Owing to the outstanding retail disbursement dynamics, net interest income grew by 1%. Net fees advanced by 6% y-o-y; while other net non-interest income showed HUF 737 million less loss compared to the base period. As a result of the stringent cost control, operating expenses grew only moderately. Consequently, operating profit increased by 19% in HUF terms in the course of 2013. Cost/income ratio showed substantial improvement (2013: 72.5%, –2.8 ppts y-o-y).

DPD90+ ratio improved by 0.4 ppt y-o-y, reasoned by the dynamic loan growth.

Risk cost for 2013 dropped by 41% y-o-y.

The provision coverage of DPD90+ loans stood at 58.1% (–2.3 ppts y-o-y).

FX-adjusted total loans grew substantially, by 14% y-o-y, fuelled by remarkable increase in consumer loans (+175%) and retail mortgage loans (+14%). In both segments average loan size increased during 2013. Corporate and municipal loan growth was more moderate (+4% y-o-y).

The deposit base grew by 9% y-o-y, majority of the growth was provided by retail and SME deposits (+10% y-o-y). Corporate and municipal deposits showed high volatility in 2013, the yearly decline in volumes was 3%. As a result of the significant lending activity in 2013, FX-adjusted net loan-to-deposit ratio grew to 95% by the end of 2013, representing a 5 ppts growth y-o-y.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends, net cash transfers and one-offs	(4,934)	(13,246)	168
Income tax	3	(11)	(467)
Profit before income tax	(4,937)	(13,235)	168
Operating profit	(1,708)	409	(124)
Total income	6,322	7,580	20
Net interest income	3,071	4,553	48
Net fees and commissions	1,604	1,671	4
Other net non-interest income	1,648	1,356	(18)
Operating expenses	(8,030)	(7,171)	(11)
Total risk costs	(3,228)	(13,644)	323
Provision for possible loan losses	(3,159)	(13,002)	312
Other provision	(69)	(642)	830
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	122,994	86,136	(30)
Gross customer loans	90,026	91,648	2
Gross customer loans (FX-adjusted)	91,320	91,648	0
Retail loans	38,866	43,010	11
Corporate loans	52,453	48,638	(7)
Allowances for possible loan losses	(26,404)	(36,989)	40
Allowances for possible loan losses (FX-adjusted)	(26,774)	(36,989)	38
Deposits from customers	38,268	43,614	14
Deposits from customers (FX-adjusted)	38,875	43,614	12
Retail deposits	30,175	36,559	21
Corporate deposits	8,699	7,054	(19)
Liabilities to credit institutions	17,088	6,984	(59)
Subordinated debt	37,561	8,349	(78)
Total shareholders' equity	25,171	24,050	(4)

Loan Quality	2012	2013	%/ppts
90+ days past due loan volume (in HUF million)	47,329	44,793	(5)
90+ days past due loans/gross customer loans (%)	52.6%	48.9%	(3.7)
Cost of risk/average gross loans (%)	3.50%	14.31%	10.81
Cost of risk/average gross loans (FX-adjusted) (%)	3.61%	14.21%	10.60
Total provisions/90+ days past due loans (%)	55.8%	82.6%	26.8
Performance Indicators	**2012**	**2013**	**ppts**
ROA	(4.0%)	(12.7%)	(8.7)
ROE	(18.7%)	(53.8%)	(35.1)
Total income margin	5.17%	7.25%	2.08
Net interest margin	2.51%	4.35%	1.84
Cost/income ratio	127.0%	94.6%	(32.4)
Net loans to deposits (FX-adjusted)	166%	125%	(41)
FX rates	**2012**	**2013**	**Change**
	HUF	**HUF**	**%**
HUF/RSD (closing)	2.56	2.59	1
HUF/RSD (average)	2.56	2.63	3

OTP banka Srbija posted HUF 13.2 billion net loss in 2013 against the negative result of HUF 4.9 billion last year.

The operating profit notably improved in 2013, the HUF 1.7 billion loss of base period was replaced by HUF 0.4 billion positive result.

The 2013 total revenues expanded by 20% y-o-y, fuelled by net interest income surging by 48%. The improvement of net interest income was caused by several factors: consumer loans expanded, the interest bearing subordinated loan within the bank's liabilities was converted into equity in 2013 (in the amount of RSD 4.5 billion). The performing loan volumes increased, furthermore with lending interest rate remaining stable deposit rates moderated remarkably. As a result, annual net interest margin improved by 1.8 ppts y-o-y.

Apart from the marginal increase of annual net fees, other net non-interest revenues sank by 18% y-o-y. The drop can be explained by lower suspended interest collection, in addition impairment on collaterals at the factoring company was booked on this line, too.

The 2013 operating expenses diminished by 11% y-o-y, mainly due to the base effect of costs related to litigations in 2012.

The DPD90+ ratio moderated to 48.9% (–3.7 ppts y-o-y), as a result of the write-down of non-performing loans. At end-2013 the Bank revised its provisioning policy and assessed the collaterals of non-performing loans and the expected recovery of loans by adopting statutory regulations conservatively.

The review generated notable increase in risk cost. The coverage ratio of DPD90+ loans improved to 82.6% (+26.8 ppts y-o-y).

Performing loans expanded by 10% y-o-y.

In the retail segment the Bank focused its lending activity on consumer loans that grew by 26% y-o-y (FX-adjusted) due to the success of new cash loan products introduced in April. Loans in other segments stagnated or eroded marginally y-o-y.

The capital adequacy ratio of the Bank stood at 37.8%.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account	2012 HUF million	2013 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(3,872)	801	(121)
Corporate income tax	(7)	0	(100)
Pre-tax profit	(3,865)	801	(121)
Operating profit	2,830	3,506	24
Total income	10,047	10,516	5
Net interest income	7,238	7,804	8
Net fees and commissions	2,489	2,475	(1)
Other net non-interest income	319	237	(26)
Operating expenses	(7,217)	(7,010)	(3)
Total risk costs	(6,695)	(2,705)	(60)
Provision for possible loan losses	(2,655)	(3,007)	13
Other provision	(4,039)	302	(107)
Main components of balance sheet closing balances	**2012**	**2013**	**%**
Total assets	208,633	196,209	(6)
Gross customer loans	147,244	164,124	11
Gross customer loans (FX-adjusted)	150,085	164,124	9
Retail loans	66,537	69,464	4
Corporate loans	83,548	94,660	13
Allowances for possible loan losses	(46,252)	(49,836)	8
Allowances for possible loan losses (FX-adjusted)	(47,144)	(49,836)	6
Deposits from customers	157,924	145,882	(8)
Deposits from customers (FX-adjusted)	160,736	145,882	(9)
Retail deposits	123,886	119,378	(4)
Corporate deposits	36,851	26,505	(28)
Liabilities to credit institutions	21,671	18,013	(17)
Subordinated debt	2,041	4,173	104
Total shareholders' equity	17,048	21,151	24
Loan Quality	**2012**	**2013**	**%/ppts**
90+ days past due loan volume (in HUF million)	60,034	61,339	2.2
90+ days past due loans/gross customer loans (%)	40.8%	37.4%	(3.4)
Cost of risk/average gross loans (%)	1.70%	1.93%	0.23
Cost of risk/average (FX-adjusted) gross loans (%)	1.72%	1.91%	0.19
Total provisions/90+ days past due loans (%)	77.0%	81.2%	4.2
Performance Indicators	**2012**	**2013**	**ppts**
ROA	(1.8%)	0.4%	2.2
ROE	(23.3%)	4.2%	27.5
Total income margin	4.55%	5.20%	0.65
Net interest margin	3.28%	3.86%	0.58
Cost/income ratio	71.8%	66.7%	(5.1)
Net loans to deposits (FX-adjusted)	64%	78%	14
FX rates	**2012 HUF**	**2013 HUF**	**Change %**
HUF/EUR (closing)	291.3	296.9	2
HUF/EUR (average)	289.3	297.0	3

The Montenegrin **CKB Bank** posted HUF 801 million after tax profit in 2013 versus a loss of HUF 3.9 billion a year ago. This improvement to a large extent was driven by improving operating profit (+24%) and the decline in risk cost, due to the higher base in 2012 caused by a one-off element. Operating profit for 2013 increased by 24% y-o-y, which is the result of advancing incomes and lower operating expenses. Regarding the income side net interest income increased by 8%, since the bank managed to pay lower interest on customer and interbank deposits in the course of the cutback of excess liquidity. Although net fees slightly decreased due to lower deposit base and decreasing number of card related and payment transactions, total income margin improved by 65 basis points y-o-y.

The 6% saving on operating expenses (y-o-y, FX-adjusted) was mainly driven by the 12%

saving on personnel expenses. The decline of personnel expenses was partly offset by the 7% y-o-y growth of general and administrative costs. Accordingly, the cost to income ratio of the bank improved by 5.1 ppts to 66.7% in 2013: while the branch network shrank by 2 branches (4Q: 29 branches) and number of active employees slightly increased (4Q 2013: 449 people, +27 people y-o-y).

The total loan book advanced by 9% y-o-y (FX-adjusted), reflecting partly the stronger consumer loan demand supported by successful sales campaigns. Also, there was a one-off loan book growth related to loans to the Montenegrin Government[15], which boosted the annual corporate loan dynamics. Throughout the whole year cash loan sales were spectacular with 31% y-o-y volume increase. The mortgage loan book kept shrinking (–6% y-o-y).

After a significant increase of FX-adjusted DPD90+ loan volumes in 2Q, the new formation was negative in 3Q and 4Q as well, as a result the DPD90+ ratio decreased to 37.4% by the end of December.

The deposit base decreased by 9% y-o-y mainly as a result of lower retail deposit volumes (–5% y-o-y). Due to the strong liquidity position of the bank, deposit rates were cut back in the course of 2013, which resulted in declining deposit volumes.

In order to comply with changes in local regulation, and maintain the stable capital position, CKB received EUR 10 million subordinated loan from OTP Bank in April 2013 (later converted into ordinary shares in 3Q), which was followed by an EUR 7 million subordinated loan from the mother company in 4Q. Accordingly, by the end of 2013 CKB's capital adequacy level grew to 14.4%.

[15] The loan origination to the Montenegrin Government is related to the executed state guarantees provided to the EUR 42 million loans of Podgorica Aluminium Factory (KAP). The KAP exposure was previously included in the loan book of OTP Bank (Hungary) and in 3Q 2013 it was fully repaid.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 37,893 as of 31 December 2013. During 2013 there was an increase in Russia and the Ukraine in the headcount of agents as consumer lending increased further in the wake of partnering up with new retail chains.

OTP Group provides services through 1,434 branches and close to 4,000 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 382 branches and 2,017 ATM terminals. The bank (Hungary) has around 52 thousands POS terminals at the same time.

	31/12/2013				31/12/2012			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	**382**	**2,017**	**51,683**	**8,615**	**380**	**1,956**	**49,385**	**8,507**
OTP Bank Russia (w/o employed agents)	200	222	3,038	6,020	146	255	2,697	5,177
DSK Group*	378	873	4,396	4,514	381	878	4,196	4,736
OTP Bank Ukraine (w/o employed agents)	140	158	353	3,282	150	164	358	3,052
OTP Bank Romania	84	122	1,185	930	89	122	1,323	970
OTP banka Hrvatska	102	223	1,526	993	103	222	1,261	984
OTP Banka Slovensko	68	123	187	655	70	113	193	639
OTP banka Srbija	51	119	2,371	663	51	151	2,959	660
CKB	29	82	4,688	449	31	79	4,272	422
Foreign subsidiaries, total	**1,052**	**1,922**	**17,744**	**17,506**	**1,021**	**1,984**	**17,259**	**16,640**
Other Hungarian and foreign subsidiaries				843				840
OTP Group total (w/o employed agents)				**26,964**				**25,987**
OTP Bank Russia – employed agents				8,593				8,339
OTP Bank Ukraine – employed agents				2,336				2,107
OTP Group total (aggregated)	**1,434**	**3,939**	**69,427**	**37,893**	**1,401**	**3,940**	**66,644**	**36,433**

* In case of DSK Group the ytd change of headcount reflects the impact of methodological change.

Footnotes to the table 'consolidated net 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 partially 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. Latter is a virtual segment.

(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) The profit impact of the repurchase from the perpetual EUR 500 million subordinated Notes series executed in 4Q 2013 was eliminated from the performance of both parties, OTP Bank (Hungary) and OTP Bank Russia, since the transaction had no direct impact on consolidated earnings.

(5) 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.

(6) From 3Q 2010, statements are based on the aggregated financials of DSK Group and the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC. DSK Group balance sheet contains the loans sold to the factoring company at before sale gross value and the related provisions as well.

(7) Net earnings are adjusted with the result of CIRS swap transactions executed with OTP Bank in relation to interbank financing. Before transfer balance sheet numbers are displayed.

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

(9) From 2011 on Balance Sheet contains consolidated data of OTP Banka Slovensko and OTP Faktor Slovensko s.r.o., adjusted for 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. From 2012 on P&L data and related indices are adjusted for the special banking tax.

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

(11) 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).
(12) LLC AMC OTP Capitol (Ukraine) and OTP Asset Management SAI S.A. (Romania).
(13) 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).
(14) Total Hungarian subsidiaries: sum of the after tax results of Hungarian group members including (Corporate Centre) and related eliminations.
(15) Total Foreign subsidiaries: sum of the after tax profits of foreign subsidiaries and one-off items (after tax).

Calculation of adjusted lines of ifrs profit and loss statements presented in the business report

In order to present Group level trends in a comprehensive way in the Business 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, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the under-performance of the financial transaction duty in 2013, the fine imposed by the Hungarian Competition Authority in 4Q 2013, the corporate tax impact of the transfer of general risk reserves to retained earnings, 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 administrative 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, Special tax on financial institutions and the one-timer payment compensating the underperformance of the financial transaction duty.
- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense in 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.
- In 3Q 2012 and in 2Q 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies' previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Tax deductible transfers paid by Hungarian group members in 2H 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (ie. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L. Thus these transfers had no material P&L effect in the adjusted P&L in 2H 2012.
- From 2012 credit institutions' contribution tax started to be recognised in the accounting P&L of OTP Group and OTP Core as OTP Core's burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction duty paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fees and commissions.
- The profit impact of the repurchase from the perpetual EUR 500 million subordinated Notes series executed in 4Q 2013 was eliminated from the performance of both parties, OTP Bank (Hungary) and OTP Bank Russia, since the transaction had no direct impact on consolidated earnings.
- 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 ON THE CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (IFRS)

in HUF million	2012	2013
Net interest income	**645,465**	**653,728**
(–) Agent fees paid to car dealers by Merkantil Group	(2,768)	(2,319)
(+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(442)	(2,206)
Net interest income (adj.) with one-offs	**647,791**	**653,841**
(–) Revaluation result of FX swaps at OTP Core (booked within net interest income)	(2,528)	715
Net interest income (adj.) without one-offs	**650,319**	**653,126**
Net fees and commissions	**154,337**	**201,757**
(+) Agent fees paid to car dealers by Merkantil Group	(2,767)	(2,318)
(+) Financial Transaction Duty	0	(32,503)
Net fees and commissions (adj.)	**151,570**	**166,936**
Foreign exchange result on Consolidated IFRS P&L	**3,171**	**18,279**
(–) Revaluation result of FX positions hedging the revaluation of FX provisions	(16,692)	96
Foreign exchange result (adj.) with one-offs	**19,863**	**18,183**
Foreign exchange result (adj.) without one-offs	**19,863**	**18,183**
Gain/loss on securities, net	**(235)**	**11,546**
Gain/loss on securities, net (adj.) with one-offs	**(235)**	**11,546**
(–) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj.) at OTP Core)	(4,932)	508
Gain/loss on securities, net (adj.) without one-offs	**4,696**	**11,038**
Gains and losses on real estate transactions	**1,131**	**1,552**
(+) Other non-interest income	**23,987**	**24,840**
(–) Received cash transfers	14	43
(–) Non-interest income from the release of pre-acquisition provisions	416	156
(+) Other non-interest expenses	(7,132)	(4,940)
(+) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	307	224
(+) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	1,657	254
Net other non-interest result (adj.) with one-offs	**19,520**	**21,731**
(–) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core and at the Corporate Centre)	1,415	6,104
Net other non-interest result (adj.) without one-offs	**18,105**	**15,627**
(+) Provision for impairment on loan and placement losses	(229,470)	(262,569)
(+) Gains/Losses on loans related to early repayment	2,490	0
Provision for possible loan losses	**(226,980)**	**(262,569)**
(+) Non-interest income from the release of pre-acquisition provisions	416	156
(–) Revaluation result of FX provisions	16,692	(96)
(–) Loss from early repayment of FX mortgage loans in Hungary	4,409	0
(–) Revaluation result on FX purchased from the National Bank of Hungary to cover the FX need of early repayments	(5,278)	0
(–) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	307	224
Provision for possible loan losses (adj.)	**(242,694)**	**(262,541)**
After tax dividends and net cash transfers	**(7,963)**	**(11,909)**
(–) Sponsorships, subsidies and cash transfers to public benefit organisations	(9,837)	(13,819)
(–) Dividend income of swap counterparty shares kept under the treasury share swap agreement	2,265	2,316
After tax dividends and net cash transfers	**(391)**	**(406)**
Depreciation	**(47,420)**	**(78,017)**
(–) Goodwill impairment charges (OTP Bank JSC [Ukraine])	0	(30,819)
Depreciation (adj.)	**(47,420)**	**(47,198)**
Income taxes	**(23,088)**	**(20,944)**
(–) Corporate tax impact of goodwill/investment impairment charges	3,977	1,379
(–) Corporate tax impact of the special tax on financial institutions	6,580	6,825
(–) Corporate tax impact of the loss from early repayment of FX mortgage loans in Hungary	(838)	0
(–) Corporate tax impact of the special banking tax refund	251	0
(–) Corporate tax impact of the revaluation of FX purchased from the National Bank of Hungary to cover the FX need of early repayments	1,003	0
(+) Tax deductible transfers	(8,182)	(11,562)
(–) Corporate tax impact of the one-timer payment compensating the underperformance of the Financial ransaction Duty Tax	0	3,091
(–) Corporate tax impact of the fine imposed by the Hungarian Competition Authority	0	745
(–) Corporate tax impact of the transfer of general risk reserves to retained earnings	0	(5,533)
Corporate income tax (adj.)	**(42,243)**	**(39,013)**

in HUF million	2012	2013
Other operating expense, net	**(35,033)**	**(39,795)**
(+) Provision on securities available-for-sale and securities held-to-maturity	**505**	**11**
(–) Other costs and expenses	(7,276)	(10,756)
(–) Other non-interest expenses	(17,912)	(19,366)
(–) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	1,657	254
Other provisions	**(10,997)**	**(9,916)**

Other administrative expenses	**(187,105)**	**(244,477)**
(+) Other costs and expenses	(7,276)	(10,756)
(+) Other non-interest expenses	(17,912)	(19,366)
(–) Paid cash transfers	(10,780)	(14,426)
(+) Film subsidies and cash transfers to public benefit organisations	(9,837)	(13,819)
(–) Other non-interest expenses	(7,132)	(4,939)
(–) Special tax on financial institutions	(35,754)	(36,867)
(–) Special banking tax refund	(1,323)	0
(–) Tax deductible transfers	(8,182)	(11,562)
(–) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(442)	(2,205)
(–) Financial Transaction DutyTax	0	(32,503)
(–) One-timer payment compensating the underperformance of the Financial Transaction DutyTax	0	(16,267)
(–) Fine imposed by the Hungarian Competition Authority	0	(3,922)
Other non-interest expenses	**(158,517)**	**(165,727)**

Statement of recognized income of OTP Bank Plc., according to Hungarian Accounting standards (unconsolidated, audited)

	2012 HUF million	2013 HUF million	Change %
Net interest income	**240,915**	**236,691**	**(2)**
Interest received and similar income	716,972	569,465	(21)
Interest paid and similar charges	(476,057)	(332,774)	(30)
Net fee and commission income	**91,433**	**130,819**	**43**
Commissions and fees received or due	117,844	158,788	35
Commissions and fees paid or payable	(26,411)	(27,969)	6
Other income	**43,870**	**96,704**	**120**
Income from securities	43,098	47,283	10
Net profit or net loss on financial operations	(44,488)	(4,268)	(90)
Other operating income	45,260	53,689	19
General administrative expenses	**(127,323)**	**(130,397)**	**2**
Depreciation	**(14,410)**	**(15,370)**	**7**
Other operating charges	**(164,750)**	**(151,416)**	**(8)**
Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**(63,342)**	**(51,706)**	**(18)**
Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**96,592**	**48,322**	**(50)**
Difference between formation and utilization of general risk provisions	**5,810**	**6,305**	**9**
Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**(21,625)**	**(9,831)**	**(55)**
Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**1,117**	**4,782**	**328**
Profit or loss on ordinary activities	**88,287**	**164,903**	**87**
Extraordinary profit or loss	(10,457)	(10,453)	0
Profit or loss before tax	**77,830**	**154,450**	**98**
Taxes on income	(25,257)	(32,265)	28
Profit or loss after tax	**52,573**	**122,185**	**132**
General reserve	(5,257)	(12,218)	132
Profit reserves used for dividends and profit-sharing	0	0	
Dividend and profit-sharing payable	(33,600)	(40,600)	21
Profit or loss for the financial year	**13,716**	**69,367**	**406**

Balance sheet of OTP Bank Plc., according to Hungarian Accounting Standards (unconsolidated, audited)

	2012 HUF million	2013 HUF million	Change %
Total assets	**6,471,393**	**6,600,634**	**2**
1. Liquid assets	245,099	140,312	(43)
2. Treasury bills and similar securities	1,233,169	1,838,166	49
3. Loans and advances to credit institutions	664,267	639,166	(4)
4. Loans and advances to customers	**2,283,207**	**2,140,217**	**(6)**
5. Debt securities, including fixed-income securities	1,091,490	883,338	(19)
6. Shares and other variable-yield securities	118,666	127,985	8
7. Shares and participations in corporations held as financial fixed assets	935	926	(1)
8. Shares and participating interests in affiliated companies	493,600	496,548	1
9. Intangible assets	121,278	128,552	6
10. Tangible assets	70,140	71,414	2
11. Own shares	4,934	6,731	36
12. Other assets	32,261	30,755	(5)
13. Prepayments and accrued income	112,347	96,524	(14)
Total liabilities	**6,471,393**	**6,600,634**	**2**
1. Amounts owed to credit institutions	823,633	910,780	11
2. Amounts owed to customers	**3,537,044**	**3,730,071**	**5**
3. Debts evidenced by certificates	380,218	215,550	(43)
4. Other liabilities	70,890	82,199	16
5. Accruals and deferred income	204,727	149,066	(27)
6. Provisions for liabilities and charges	91,245	58,314	(36)
7. Subordinated liabilities	327,152	324,656	(1)
8. Subscribed capital	1,036,484	1,129,998	9
Performance indicators			**ppts**
Loans and advances to customers/amounts owed to customers	65%	57%	(8)

Statement of recognized income of OTP Bank Plc., according to IFRS standards (consolidated, audited, accounting structure)

	2013 HUF million	2012 HUF million	Change %
Interest Income			
Loans	771,542	795,475	(3)
Placements with other banks	207,951	341,071	(39)
Securities available-for-sale	71,743	78,624	(9)
Securities held-to-maturity	33,002	20,204	63
Amounts due from banks and balances with the National Banks	4,207	6,749	(38)
Securities held for trading	924	1,827	(49)
Total Interest Income	1,089,369	1,243,950	(12)
Interest Expense			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	189,539	294,631	(36)
Deposits from customers	199,794	237,898	(16)
Liabilities from issued securities	34,896	54,033	(35)
Subordinated bonds and loans	11,412	11,923	(4)
Total Interest Expense	435,641	598,485	(27)
NET INTEREST INCOME	**653,728**	**645,465**	**1**
Provision for impairment on loan and placement losses	262,569	229,470	14
Gains on loans related to early repayment	0	(2,490)	
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	**391,159**	**418,485**	**(7)**
Income from fees and commissions	257,135	203,499	26
Expense from fees and commissions	55,378	49,162	13
Net profit from fees and commissions	**201,757**	**154,337**	**31**
Foreign exchange gains, net	18,279	3,171	476
Gains/(losses) on securities, net	11,546	(235)	(5,013)
Gains on real estate transactions	1,552	1,131	37
Dividend income	2,474	2,803	(12)
Release of provision on securities available-for-sale and securities held-to-maturity	11	505	(98)
Other operating income	24,840	23,987	4
Other operating expense	(39,795)	(35,033)	14
Net operating result	**18,907**	**(3,671)**	**(615)**
Personnel expenses	204,277	188,952	8
Depreciation and amortization	78,017	47,420	65
Other administrative expenses	244,477	187,105	31
Other administrative expenses	**526,771**	**423,477**	**24**
PROFIT BEFORE INCOME TAX	**85,052**	**145,674**	**(42)**
Income tax	(20,944)	(23,088)	(9)
NET PROFIT FOR THE PERIOD	**64,108**	**122,586**	**(48)**
From this, attributable to:			
Non-controlling interest	**(91)**	**896**	**(110)**
Owners of the company	**64,199**	**121,690**	**(47)**
Consolidated earnings per share (in HUF)			
Basic	**241**	**457**	**(47)**
Diluted	**240**	**457**	**(47)**

Statement of comprehensive income

(consolidated, based on IFRS, for the year ended 31 December 2013, in HUF million)

	2013	2012
NET PROFIT FOR THE PERIOD	**64,108**	**122,586**
Fair value adjustment of securities available-for-sale	(1,721)	48,180
Derivative financial instruments designated as cash-flow hedge	531	532
Net investment hedge in foreign operations	(1,357)	4,978
Foreign currency translation difference	(33,159)	(54,104)
Change of actuarial losses related to employee benefits	(39)	–
NET COMPREHENSIVE INCOME	**28,363**	**122,172**
From this, attributable to:		
Non-controlling interest	(1,016)	182
Owners of the company	29,379	121,990

Balance sheet of OTP Bank Plc., according to IFRS standards (Consolidated, audited)

	2013 HUF million	2012 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	539,125	602,521	(11)
Placements with other banks, net of allowance for placement losses	273,479	356,866	(23)
Financial assets at fair value through profit or loss	415,605	222,874	86
Securities available-for-sale	1,637,255	1,411,177	16
Loans, net of allowance for loan losses	6,245,210	6,464,191	(3)
Associates and other investments	23,837	7,936	200
Securities held-to-maturity	580,051	429,303	35
Property and equipment	261,523	251,393	4
Intangible assets	193,721	237,749	(19)
Other assets	211,241	129,456	63
TOTAL ASSETS	**10,381,047**	**10,113,466**	**3**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	784,212	534,324	47
Deposits from customers	6,866,606	6,550,708	5
Liabilities from issued securities	445,218	643,123	(31)
Financial liabilities at fair value through profit or loss	87,164	122,032	(29)
Other liabilities	421,353	457,231	(8)
Subordinated bonds and loans	267,162	291,495	(8)
TOTAL LIABILITIES	**8,871,715**	**8,598,913**	**3**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,532,164	1,534,572	0
Treasury shares	(55,599)	(53,802)	3
Non-controlling interest	4,767	5,783	(18)
TOTAL SHAREHOLDERS' EQUITY	**1,509,332**	**1,514,553**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,381,047**	**10,113,466**	**3**