OTP BANK PLC.

SEPARATE FINANCIAL
STATEMENTS IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY
THE EUROPEAN UNION

FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2013

CONTENTS

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

	Note	30 June 2013	31 December 2012	30 June 2012
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	158,625	245,548	235,841
Placements with other banks, net of allowance for placement losses	*5.*	797,608	665,417	974,497
Financial assets at fair value through profit or loss	*6.*	235,894	243,015	249,093
Securities available-for-sale	*7.*	1,754,300	1,953,871	1,952,413
Loans, net of allowance for loan losses	*8.*	2,262,522	2,356,291	2,504,706
Investments in subsidiaries	*9.*	659,651	661,352	643,735
Securities held-to-maturity	*10.*	518,472	371,992	69,925
Property and equipment	*11.*	77,461	78,052	72,506
Intangible assets	*11.*	31,780	31,597	31,109
Other assets	*12.*	39,827	32,686	48,994
TOTAL ASSETS		**6,536,140**	**6,639,821**	**6,782,819**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	*13.*	843,772	826,968	1,175,337
Deposits from customers	*14.*	3,508,543	3,500,790	3,289,546
Liabilities from issued securities	*15.*	233,484	335,963	400,181
Financial liabilities at fair value through profit or loss	*16.*	198,453	259,211	233,707
Other liabilities	*17.*	254,471	232,557	261,824
Subordinated bonds and loans	*18.*	317,403	303,750	307,438
TOTAL LIABILITIES		**5,356,126**	**5,459,239**	**5,668,033**
Share capital	*19.*	28,000	28,000	28,000
Retained earnings and reserves	*20.*	1,159,390	1,157,516	1,091,948
Treasury shares	*21.*	(7,376)	(4,934)	(5,162)
TOTAL SHAREHOLDERS' EQUITY		**1,180,014**	**1,180,582**	**1,114,786**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,536,140**	**6,639,821**	**6,782,819**

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

	Note	Six month period ended 30 June 2013	Six month period ended 30 June 2012	Year ended 31 December 2012
Interest Income:				
Loans		97,872	110,241	216,154
Placements with other banks, net of allowance for placement losses		153,624	180,309	364,039
Securities available-for-sale		56,262	61,345	117,914
Securities held-to-maturity		13,617	4,166	19,625
Amounts due from banks and balances with National Bank of Hungary		2,125	3,589	6,523
Securities held for trading		-	784	1,443
Total Interest Income		**323,500**	**360,434**	**725,698**
Interest Expense:				
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government		157,786	167,850	350,521
Deposits from customers		57,523	70,557	138,808
Liabilities from issued securities		8,731	13,612	27,330
Subordinated bonds and loans		8,419	8,643	16,872
Total Interest Expense		**232,459**	**260,662**	**533,531**
NET INTEREST INCOME		**91,041**	**99,772**	**192,167**
Provision for impairment on loan and placement losses	*5.,8.,22.*	9,659	20,614	53,394
Gains on loans related to early repayment	*22.*	-	(85)	(86)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**81,382**	**79,243**	**138,859**
Income from fees and commissions	*23.*	70,080	55,926	117,566
Expenses from fees and commissions	*23.*	11,802	10,250	22,493
Net profit from fees and commissions		**58,278**	**45,676**	**95,073**
Foreign exchange gains / (losses)		5,116	(5,409)	(3,769)
Gains / (losses) on securities, net		9,349	(9,944)	(6,872)
Dividend income		38,463	43,567	43,098
Other operating income	*24.*	1,358	2,635	5,087
Net other operating expenses	*24.*	(14,644)	(33,106)	(46,766)
-from this: provision for impairment on investments in subsidiaries	*9.*	*(10,454)*	*(32,012)*	*(35,584)*
Net operating income		**39,642**	**(2,257)**	**(9,222)**
Personnel expenses	*24.*	43,974	39,329	80,456
Depreciation and amortization	*24.*	10,490	10,376	20,959
Other administrative expenses	*24.*	84,925	56,720	90,272
Other administrative expenses		**139,389**	**106,425**	**191,687**
PROFIT BEFORE INCOME TAX		**39,913**	**16,237**	**33,023**
Income tax	*25.*	(1,144)	(6,690)	(5,379)
NET PROFIT FOR THE PERIOD		**41,057**	**22,927**	**38,402**
Earnings per share (in HUF)				
Basic	*35.*	148	83	138
Diluted	*35.*	148	83	138

The accompanying notes to separate financial statements on pages 8 to 83 form an integral part of these separate financial statements.

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

	Six month period ended 30 June 2013	Six month period ended 30 June 2012	Year ended 31 December 2012
NET PROFIT FOR THE PERIOD	**41,057**	**22,927**	**38,402**
Fair value adjustment of securities available-for-sale	(8,094)	13,779	64,202
NET COMPREHENSIVE INCOME	**32,963**	**36,706**	**102,604**

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

	Note	Six month period ended 30 June 2013	Six month period ended 30 June 2012	Year ended 31 December 2012
OPERATING ACTIVITIES				
Profit before income tax		39,913	16,237	33,023
Depreciation and amortization		10,490	10,376	20,959
Provision for impairment on loan and placement losses	*5.,8.,22*	9,659	20,529	53,308
Provision for impairment on investments in subsidiaries	*9.*	10,454	32,012	35,584
(Release of provision) / provision for impairment on other assets	*12.*	(37)	75	483
Provision / (release of provision) on off-balance sheet commitments and contingent liabilities	*17.*	209	(812)	495
Share-based payment	*28.*	2,881	2,540	4,584
Unrealised losses on fair value adjustment of securities available-for-sale and held for trading		(21)	(1,844)	(2,012)
Unrealised gains on fair value adjustment of derivative financial instruments		17,630	16,337	2,735
Net changes in assets and liabilities in operating activities				
Changes in financial assets at fair value through profit or loss		1,307	22,416	29,158
Changes in financial liabilities at fair value through profit or loss		12	(323)	(377)
Net decrease in loans, net of allowance for loan losses		11,893	91,312	245,786
(Increase) / decrease in other assets, excluding advances for investments and before provisions for losses		(6,572)	8,397	25,815
Net increase / (decrease) in deposits from customers		7,709	(126,998)	84,341
Increase / (decrease) in other liabilities		27,755	7,429	(28,675)
Net decrease / (increase) in the compulsory reserve established by the National Bank of Hungary		1,872	(656)	(395)
Dividend income		(38,463)	(43,567)	(43,098)
Income tax paid		(1,992)	(2,400)	(4,391)
Net cash provided by operating activities		**94,699**	**51,060**	**457,323**
INVESTING ACTIVITIES				
Net (increase) / decrease in placements with other banks before allowance for placement losses		(132,214)	(76,379)	232,701
Net decrease / (increase) in securities available-for-sale		185,163	(223,297)	(166,690)
Net increase in investments in subsidiaries		(8,753)	(24,038)	(45,227)
Dividend income		38,463	43,567	43,098
Net (increase) / decrease in securities held-to-maturity		(142,021)	49,818	(247,461)
Additions to property, equipment and intangible assets		(11,460)	(10,331)	(27,704)
Net (increase) / decrease in advances for investments included in other assets		(8)	46	40
Net cash used in investing activities		**(70,830)**	**(240,614)**	**(211,243)**

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

	Note	Six month period ended 30 June 2013	Six month period ended 30 June 2012	Year ended 31 December 2012
FINANCING ACTIVITIES				
Net increase / (decrease) in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		16,804	303,567	(44,802)
Cash received from issuance of securities		43,457	165,947	274,329
Cash used for redemption of issued securities		(146,191)	(223,782)	(403,096)
Increase / (decrease) in subordinated bonds and loans		13,653	(18,559)	(22,247)
Payments to ICES holders		(1,271)	(1,530)	(4,377)
Net change in Treasury shares		(1,811)	249	430
Dividend paid		(33,561)	(28,129)	(28,140)
Net cash (used in) / provided by financing activities		**(108,920)**	**197,763**	**(227,903)**
Net (decrease) / increase in cash and cash equivalents		**(85,051)**	**8,209**	**18,177**
Cash and cash equivalents at the beginning of the period		**164,385**	**146,208**	**146,208**
Cash and cash equivalents at the end of the period		**79,334**	**154,417**	**164,385**
Analysis of cash and cash equivalents:				
Cash, amounts due from banks and balances with the National Bank of Hungary		245,548	226,976	226,976
Compulsory reserve established by the National Bank of Hungary		(81,163)	(80,768)	(80,768)
Cash and cash equivalents at the beginning of the period		**164,385**	**146,208**	**146,208**
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	158,625	235,841	245,548
Compulsory reserve established by the National Bank of Hungary	*4.*	(79,291)	(81,424)	(81,163)
Cash and cash equivalents at the end of the period		**79,334**	**154,417**	**164,385**

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

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Total
Balance as at 1 January 2012		**28,000**	**52**	**6,216**	**1,130,859**	**(55,468)**	**(5,519)**	**1,104,140**
Net profit for the period		-	-	-	22,927	-	-	22,927
Other comprehensive income		-	-	-	13,779	-	-	13,779
Share-based payment	*28.*	-	-	2,540	-	-	-	2,540
Payments to ICES holders		-	-	-	(849)	-	-	(849)
Sale of treasury shares	*21.*	-	-	-	-	-	1,835	1,835
Loss on sale of treasury shares		-	-	-	(108)	-	-	(108)
Acquisition of treasury shares	*21.*	-	-	-	-	-	(1,478)	(1,478)
Dividend payable for 2011		-	-	-	(28,000)	-	-	(28,000)
Balance as at 30 June 2012		**28,000**	**52**	**8,756**	**1,138,608**	**(55,468)**	**(5,162)**	**1,114,786**
Balance as at 1 January 2013		**28,000**	**52**	**10,800**	**1,202,132**	**(55,468)**	**(4,934)**	**1,180,582**
Net profit for the period		-	-	-	41,057	-	-	41,057
Other comprehensive income		-	-	-	(8,094)	-	-	(8,094)
Share-based payment	*28.*	-	-	2,881	-	-	-	2,881
Payments to ICES holders		-	-	-	(1,001)	-	-	(1,001)
Sale of treasury shares	*21.*	-	-	-	-	-	7,786	7,786
Loss on sale of treasury shares		-	-	-	631	-	-	631
Acquisition of treasury shares	*21.*	-	-	-	-	-	(10,228)	(10,228)
Dividend for the year 2012		-	-	-	(33,600)	-	-	(33,600)
Balance as at 30 June 2013		**28,000**	**52**	**13,681**	**1,201,125**	**(55,468)**	**(7,376)**	**1,180,014**

The accompanying notes to separate financial statements on pages 8 to 83 form an integral part of these separate financial statements.

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

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

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

The Bank provides a full range of commercial banking services through a nationwide network of 380 branches in Hungary.

Number of the employees of the Bank:

	30 June 2013	**31 December 2012**
Number of employees	8,113	8,070
Average number of employees	8,051	8,012

1.2. Accounting

The Bank maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

The presentation currency of the Bank is the Hungarian Forint ("HUF").

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with the International Financial Reporting Standards ("IFRS"). Certain adjustments have been made to the Bank's Hungarian separate statutory accounts (see Note 38), in order to present the separate financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board ("IASB").

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

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

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

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

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

The adoption of the above presented Amendment had no significant impact on the separate financial statements of the Bank.

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

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

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

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the separate financial statements.

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

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

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

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the separate financial statements except of the application of IFRS 9 and IFRS 10 which might have significant impact on the Bank separate financial statements, the Bank will analyse the impact after the adoption of the standards by EU.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

The presentation of separate financial statements in conformity with IFRS requires the management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future separate financial statements.

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF, that is the presentation currency, at exchange rates quoted by the National Bank of Hungary ("NBH") as at the date of the separate financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded to the separate statement of recognized income.

2.3. Consolidated financial statements

These financial statements present the separate financial position and results of operations of the Bank. Consolidated financial statements are currently being prepared by the Bank and consolidated net profit for the year and shareholders' equity differs significantly from that presented in these separate financial statements. See Note 2.4 for the description of the method of accounting for investments in subsidiaries and associated companies in these separate financial statements. The consolidated financial statements and the separate financial statements will be published on the same date. As the ultimate parent, OTP Bank is preparing consolidated financial statement of OTP Group.

2.4. Investments in subsidiaries

Investments in subsidiaries comprise those investments where OTP Bank, through direct and indirect ownership interest, controls the financial and operating policies of the investee.

Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.
Impairment is determined based on the future economic benefits of the subsidiary and macroeconomic factors.

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

OTP Bank in its strategic plan has taken into consideration the cautious recovery of global economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities held-to-maturity

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

2.6. Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of recognized income for the period. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, securities issued by NBH, shares in non-financial commercial companies, shares in investment funds and shares in financial institutions.

2.6.2. Derivative financial instruments

In the normal course of business, the Bank is a party to contract for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Bank both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.
Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. OTP Bank adopts multi curve valuation approach for calculating the net present value of future cash flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as OTP Bank has almost all of its open derivative transactions collateralised. There is no other credit value (CVA), debit value (DVA) or funding value (FVA) adjustment applied. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the separate statement of recognized income for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
Certain derivative transactions, while providing effective economic hedges under risk management positions of the Bank, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the separate statement of recognized income.

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the separate statement of recognized income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the separate statement of recognized income.
The conditions of hedge accounting applied by the Bank are the following formally designed as hedge, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.
Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk are recognized as reserve in the shareholders' equity. Amounts deferred in equity are transferred to the separate statement of recognized income and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the separate statement of recognized and comprehensive income for the period. The ineffective element of the hedge is charged directly to the separate statement of recognized income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Available-for-sale securities are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognized in other comprehensive income, unless such available-for-sale security is part of an effective hedge. Such gains and losses will be reported when realised in profit or loss for the applicable period. Securities available-for-sale consist of Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, bonds issued by NBH and other securities.
The provision for impairment is calculated based on discounted cash flow methodology for debt instruments and calculated based on fair value on equity instruments, using the expected future cash flow and original effective interest rate if there is objective evidence of impairment.

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

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

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

Loans and placements with other banks are amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amounts outstanding. When a borrower is unable to meet payments as they fall due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired.

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

Allowance for losses on loans and placements with other banks represent management assessment for potential losses in relation to these activities.

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

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

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

2.10. Sale and repurchase agreements, security lending

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Property, equipment and intangible assets

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

Intangible assets	
Software	20-33.3%
Property rights	16.7%
Property	1-2%
Office equipments and vehicles	8-33.3%

Depreciation and amortization on properties, equipments and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

2.12. Financial liabilities

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

2.13. Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the separate statement of recognized income over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Payments made under operating leases are charged to the separate statement of recognized income on a straight-line basis over the life of the lease terms. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.14. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the separate statement of financial position at acquisition cost as a deduction from shareholders' equity. Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity in the treasury shares. Derecognition of treasury shares is based on the FIFO method.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.15. Interest income and interest expense

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

2.16. Fees and Commissions

Fees and commissions are recognised using effective interest method referring to provisions of IAS 39, when they relate and have to be included in the amortised cost model. Certain fees and commissions, that are not involved in the amortised cost model, are recognised in the separate statement of recognised income on an accrual basis based on IAS 18.

2.17. Dividend income

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

2.18. Income tax

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognized by the Bank for the amounts of income tax that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

2.19. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit and transactions with financial instruments. The provision on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.
The Bank recognizes a provision when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

2.20. Share-based payment

The Bank has applied the requirements of IFRS 2 Share-based Payment.
The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.21. Separate statement of cash flows

For the purposes of reporting cash flows, cash and cash equivalents include cash, due from banks and balances with the NBH. Cash flows from hedging activities are classified in the same category as the item being hedged. The unrealised gains and losses from the translation of monetary items to the closing foreign exchange rates and the unrealised gains and losses from derivative financial instruments are presented net in the statement of cash-flows for the monetary items which were being revaluated.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.22. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Bank are the business and geographical segments.
At separate level, the Management does not separate and makes decisions based on different segments, the segments are identified by the Bank only at consolidated level in line with IFRS 8 paragraph 4. At Group level the segments identified by the Bank are the business and geographical segments.
The Group's operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.23. Comparative figures

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

2.24. Measures related to FX based mortgage loans

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

The Hungarian Government announced the Country Protection Action Plan on 12 September 2011. The most significant arrangement, which directly affected OTP Bank, was *the opportunity of early repayment at fixed exchange rates.*

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

OTP Bank and OTP Mortgage Bank Ltd. ("OTP Mortgage Bank") made a guarantee contract about a facility in the amount of HUF 200 billion as well as OTP Bank and OTP Flat Lease Ltd. ("OTP Flat Lease") made a guarantee contract about a facility in the amount of HUF 2 billion. Based on these agreements OTP Bank compensated the loss of OTP Mortgage Bank and OTP Flat Lease on early repayment of FX based mortgage loans.
In accordance with the guarantee contract OTP Bank compensated the losses derived from the early repayment of OTP Mortgage Bank and OTP Flat Lease.
Investments in subsidiaries were raised with HUF 47,027 million – with the amount paid as compensation for OTP Mortgage Bank and OTP Flat Lease within the frames of guarantee contracts – as at 31 December 2011 and parallel with that provision for impairment was recognized on investments at the same amount. In 2012 correction occurred based on final realised loss related to early repayment as investments in subsidiaries were lowered with HUF 3,257 million and parallel with that provision for impairment was released at the same amount.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

Up to 31 December 2011 – together at OTP Bank, OTP Mortgage Bank and OTP Flat Lease – 21,146 customers paid back their FX mortgage loans. Therefore provision for impairment on loan losses in the amount of HUF 32,152 million was recognized at OTP Group. Provision for impairment on loan losses in the amount of HUF 2,962 million was recognized at OTP Bank relating to early repayment of OTP Bank's own customers.
In the year of 2012 – together at OTP Bank, OTP Mortgage Bank and OTP Flat Lease – additional 14,934 customers paid back their FX mortgage loans. Therefore provision for impairment on loan losses in the amount of HUF 32,901 million was recognized at OTP Group. Provision for impairment on loan losses in the amount of HUF 2,101 million was recognized at OTP Bank relating to early repayment of OTP Bank's own customers.

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

An analysis of main figures related to escrow account loan construction at OTP Bank:

	30 June 2013	31 December 2012
Number of escrow account loans (number of loans)	4,711	3,060
Number of new contracts made after 1 April 2012 (number of contracts)	4,643	2,988
Gross value of escrow account loans (in HUF mn)	196	79
Gross amount of fixed FX loans (in HUF mn)	19,374	13,444

An analysis of the effect of escrow account loan on financial statement at OTP Bank:

	30 June 2013	31 December 2012
Loss on interest from fixed exchange rate refunded by the State	102	60
Contribution paid for the State (50%)	89	30

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

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

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

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

Main figures of conversion into HUF denominated loans at OTP Bank:

	30 June 2013	31 December 2012
Number of DPD[1] 90+ loans (number of loans)	-	11
Loan losses (in HUF mn)	-	10

[1] DPD: day past due

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

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

3.1. Impairment on loans and placements

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

Provision is recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Bank is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 17.)
A provision is recognized by the Bank when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

	30 June 2013	31 December 2012
Cash on hand:		
In HUF	59,370	58,713
In foreign currency	5,984	13,044
	65,354	**71,757**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	74,693	128,210
In foreign currency	18,274	45,131
	92,967	**173,341**
Accrued interest	304	450
Total	**158,625**	**245,548**
Compulsory reserve	79,291	81,163
Rate of the compulsory reserve	2%	2%

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

	30 June 2013	31 December 2012
Within one year:		
In HUF	261,925	165,452
In foreign currency	406,147	369,171
	668,072	**534,623**
Over one year		
In HUF	55,000	15,000
In foreign currency	72,946	114,013
	127,946	**129,013**
Total placements	**796,018**	**663,636**
Accrued interest	1,613	1,781
Provision for impairment on placement losses	(23)	-
Total	**797,608**	**665,417**

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

	30 June 2013	31 December 2012
Balance as at 1 January	**-**	**138**
Provision for the period	23	-
Release of provision	-	(138)
Closing balance	**23**	**-**

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

Interest conditions of placements with other banks (%):

	30 June 2013	31 December 2012
Placements with other banks in HUF	5.29%-8.7%	4.8%-6.5%
Placements with other banks in foreign currency	0.73%-11.9%	0.002%-10.09%
Average interest of placements with other banks	2.91%	3.34%

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

	30 June 2013	31 December 2012
Securities held for trading:		
Corporate shares	86,448	90,431
Government bonds	4,387	1,331
Hungarian government interest bearing Treasury Bills	4,152	2,111
Hungarian government discounted Treasury Bills	873	2,098
Mortgage bonds	353	408
Securities issued by credit institutions	63	49
Securities issued by the NBH	-	1,333
Other securities	29	10
	96,305	**97,771**
Accrued interest	212	164
Subtotal	**96,517**	**97,935**
Derivative financial instruments classified as held for trading:		
CCIRS and mark-to-market CCIRS[1] classified as held for trading	78,981	54,480
Interest rate swaps classified as held for trading	43,990	73,199
Foreign currency swaps classified as held for trading	6,920	7,107
Other derivative transactions[2]	9,486	10,294
Subtotal	**139,377**	**145,080**
Total	**235,894**	**243,015**

Interest conditions and the remaining maturities of securities held for trading are as follows:

	30 June 2013	31 December 2012
Within five years:		
variable interest	2,245	2
fixed interest	6,959	7,072
	9,204	**7,074**
Over five years:		
variable interest	455	-
fixed interest	170	257
	625	**257**
Non-interest bearing securities	86,476	90,440
Total	**96,305**	**97,771**

[1] CCIRS: Cross Currency Interest Rate Swap (See Note 27)
[2] incl.: FX, equity and index futures; FX forward; commodity swap; FRA; FX option

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

	30 June 2013	31 December 2012
Securities held for trading denominated in HUF	99%	100%
Securities held for trading denominated in foreign currency	1%	0%
Securities held for trading total	**100%**	**100%**
Government securities denominated in HUF	92%	92%
Government securities denominated in foreign currency	8%	8%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading	3.5%-13%	3.5%-13%
Average interest on securities held for trading	4.86%	6.51%

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

	30 June 2013	31 December 2012
Mortgage bonds	853,147	968,048
Bonds issued by NBH	709,890	742,989
Government bonds	90,642	134,034
Other securities	72,882	70,401
- *listed securities*	*36,429*	*36,689*
in HUF	-	-
in foreign currency	*36,429*	*36,689*
- *non-listed securities*	*36,453*	*33,712*
in HUF	*33,552*	*31,632*
in foreign currency	*2,901*	*2,080*
	1,726,561	**1,915,472**
Accrued interest	27,739	38,399
Securities available-for-sale total	**1,754,300**	**1,953,871**

	30 June 2013	31 December 2012
Securities available-for-sale denominated in HUF	70%	75%
Securities available-for-sale denominated in foreign currency	30%	25%
Securities available-for-sale total	100%	100%
Interest rates on securities available-for-sale denominated in HUF	5.5%-11%	6.8%-12%
Interest rates on securities available-for-sale denominated in foreign currency	2.9%-10.5%	2.7%-10.5%
Average interest on securities available-for-sale denominated in HUF	7.01%	7.42%
Average interest on securities available-for-sale denominated in foreign currency	4.70%	4.77%

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

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

	30 June 2013	31 December 2012
Within five years:		
variable interest	439,050	427,295
fixed interest	1,040,745	1,222,305
	1,479,795	**1,649,600**
Over five years:		
fixed interest	206,909	228,018
	206,909	**228,018**
Non-interest bearing securities	39,857	37,854
Total	**1,726,561**	**1,915,472**

Certain securities are hedged against interest rate risk. (See Note 37.)

	30 June 2013	31 December 2012
Net loss reclassified from equity to statement of recognized income	44	552
Fair value of the hedged securities		
Corporate bonds	19,990	19,969
Total	**19,990**	**19,969**

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

	30 June 2013	31 December 2012
Short-term loans and trade bills (within one year)	788,468	941,215
Long-term loans and trade bills (over one year)	1,607,583	1,554,375
Loans gross total	**2,396,051**	**2,495,590**
Accrued interest	14,243	14,071
Provision of impairment on loan losses	(147,772)	(153,370)
Total	**2,262,522**	**2,356,291**

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

	30 June 2013	31 December 2012
In HUF	35%	38%
In foreign currency	65%	62%
Total	**100%**	**100%**

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

Interest rates of the loan portfolio are as follows (%):

	30 June 2013	31 December 2012
Loans denominated in HUF, with a maturity within one year	7.3%-32.4%	7.7%-32.4%
Loans denominated in HUF, with a maturity over one year	2.7%-24.8%	2.7%-24.8%
Loans denominated in foreign currency	1.8%-22.8%	1.8%-22.8%
Average interest on loans denominated in HUF	14.01%	14.56%
Average interest on loans denominated in foreign currency	4.15%	4.14%

	30 June 2013	31 December 2012
Gross loan portfolio on which interest to customers is not being accrued	10.05%	10.04%

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

	30 June 2013		31 December 2012	
Corporate loans	1,715,266	72%	1,753,015	71%
Consumer loans	327,839	14%	335,407	13%
Municipality loans	120,467	5%	263,519	11%
Municipality loans completed by the State	100,912	4%	-	-
Housing loans	79,854	3%	86,624	3%
Mortgage backed loans	51,713	2%	57,025	2%
Total	**2,396,051**	**100%**	**2,495,590**	**100%**

Through debt consolidation the central government provided a non-refundable subsidy to municipalities with less than five thousands inhabitants for the total repayment of their outstanding obligations (loans, bonds, bills of exchange) as at 12 December 2012. In case of OTP Bank HUF 28.8 billion total debt of 957 municipalities was repaid (at exchange rates as of 27 December 2012).

Furthermore the debt consolidation of municipalities with more than five thousands inhabitants was completed by end of June 2013, which was carried out from three sources: subsidy provided by the Hungarian Treasury, funds of the Government Debt Management Agency ("GDMA"), long-term loan originated by OTP Bank for the GDMA.

At OTP Bank the total amount of loans to 192 municipalities with more than five thousands inhabitants represented HUF 245 billion by end-2012. Out of this portfolio the debt consolidation covered volumes of HUF 142.6 billion equivalent (at exchange rates as of 31 December 2012). HUF 41.5 billion equivalent of debt was prepaid, while HUF 101.2 billion equivalent was refinanced by a loan originated by OTP Bank for the GDMA.

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

	30 June 2013	31 December 2012
Balance as at 1 January	**153,370**	**160,324**
Provision for the period	35,085	93,834
Release of provision	(40,683)	(100,788)
Closing balance	**147,772**	**153,370**

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

	30 June 2013	31 December 2012
Provision for impairment / (release of provision) on placement losses	23	(138)
Provision for impairment on loan losses	9,636	53,446
Total	**9,659**	**53,308**

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd. (See Note 29.)

NOTE 9: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

	30 June 2013	31 December 2012
Investments in subsidiaries:		
Controlling interest	934,125	925,362
Other	1,011	1,021
	935,136	**926,383**
Provision for impairment	(275,485)	(265,031)
Total	**659,651**	**661,352**

Significant subsidiaries

Investments in companies in which the Bank has a controlling interest are detailed below. All companies are incorporated in Hungary unless indicated otherwise:

	30 June 2013		31 December 2012	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	266,512	100%	266,513
DSK Bank EAD (Bulgaria)	100%	86,832	100%	86,832
OTP banka Srbija a.d. (Serbia)	96.79%	84,435	96.79%	84,433
OAO OTP Bank (Russia)	97.78%	74,283	97.78%	74,280
OTP banka Hrvatska d.d. (Croatia)	100%	72,940	100%	72,940
OTP Mortgage Bank Ltd.	100%	70,257	100%	70,257
OTP Bank Romania S.A. (Romania)	100%	57,638	100%	57,638
Crnogorska komercijalna banka a.d. (Montenegro)	100%	55,439	100%	55,439
OOO AlyansReserv (Russia)	100%	50,074	100%	50,074
OTP Factoring Ltd.	100%	27,425	100%	24,925
OTP Life Annuity Ltd.	100%	15,300	100%	15,300
OTP Banka Slovensko a.s. (Slovakia)	98.94%	13,611	98.94%	13,611
Bank Center No. 1. Ltd.	100%	13,063	100%	10,063
Air-Invest Ltd.	100%	9,698	100%	8,898
Monicomp Ltd.	100%	9,234	100%	9,234
Inga Two Ltd.	100%	5,892	100%	5,892
OTP Real Estate Ltd.	100%	4,777	100%	2,318
OTP Real Estate Leasing Ltd.	100%	3,178	100%	3,178
OTP Funds Servicing and Consulting Ltd.	100%	2,469	100%	2,469
OTP Holding Ltd. (Cyprus)	100%	2,000	100%	2,000
OTP Building Society Ltd.	100%	1,950	100%	1,950
OTP Fund Management Ltd.	100%	1,653	100%	1,653
Merkantil Bank Ltd.	100%	1,600	100%	1,600
OTP Real Estate Investment Fund Management Ltd.	100%	1,352	100%	1,352
CIL Babér Ltd.	100%	1,225	100%	1,225
OTP Financing Netherlands B.V. (Netherlands)	100%	481	100%	481
OTP Card Factory Ltd.	100%	450	100%	450
Portfolion Ltd.	100%	150	100%	150
HIF Ltd. (United Kingdom)	100%	81	100%	81
OTP Hungaro-Projekt Ltd.	100%	81	100%	81
TradeNova Ltd. "u.l."	100%	30	100%	30
OTP Facility Management Ltd.	100%	15	100%	15
Total		**934,125**		**925,362**

NOTE 9: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

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

	30 June 2013	31 December 2012
Balance as at 1 January	**265,031**	**229,448**
Provision for the period	10,454	35,583
Closing balance	**275,485**	**265,031**

The provision for impairment on OTP Bank JSC (Ukraine) was HUF 97,526 million, for OTP banka Srbija a.d. was HUF 56,803 million, for Crnogorska komercijalna banka a.d was HUF 26,714 million as at 30 June 2013. OTP Bank recognized provision for impairment in amount of HUF 9,232 million for OTP banka Hrvatska d.d., HUF 36,967 million for OTP banka Srbija a.d. and HUF 18,519 million for Crnogorska komercijalna banka a.d as at 30 June 2013.

Significant associates

The main figures of the Bank's indirectly owned associates, that are not consolidated using equity-method:

As at 30 June 2013

	Company for Cash Services LLC	Suzuki Pénzügyi Szolgáltató Ltd.	Agóra-Kapos Ltd.	Total
Assets	1,970	629	73	**2,672**
Liabilities	85	2	53	**140**
Shareholders' equity	1,885	627	20	**2,532**
Retained earnings and reserves	(20)	567	19	**566**
Total income	454	20	1	**475**
Profit before tax	19	11	-	**30**
Net profit	19	10	-	**29**

As at 31 December 2012

	Company for Cash Services LLC	Suzuki Pénzügyi Szolgáltató Ltd.	Agóra-Kapos Ltd.	Total
Assets	1,924	629	73	**2,626**
Liabilities	82	12	53	**147**
Shareholders' equity	1,842	617	20	**2,479**
Retained earnings and reserves	(59)	552	18	**511**
Total income	869	46	4	**919**
Profit before tax	44	27	1	**72**
Net profit	39	25	1	**65**

NOTE 9: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn) [continued]

As of 22 February 2013 the registered capital of OTP Real Estate Ltd. decreased from HUF 3,333 million to HUF 500,100,000. As a consequence the shareholder ratios were modified as follows: OTP Bank (49.89%), OTP Holding Ltd. (36.85%), Bank Center No. 1 Ltd. (13.26%). As of 13 June 2013, the share capital of OTP Real Estate Ltd. increased to HUF 501 million. As a consequence, the ownership ratios in OTP Real Estate Ltd. were modified as follows: OTP Bank (49.98%), OTP Holding Ltd. (36.79%), Bank Center No. 1 Ltd. (13.23%).
On 16 September 2013 the registered capital of the company has decreased to HUF 164 million.

In accordance with the resolution adopted by the board of directors in February 2013, capital settlement package of OTP Real Estate Ltd. and its subsidiaries was approved at group level. The purpose of the capital settlement is

1. to meet regulations applying to minimal capital criteria,
2. to guarantee the self-supporting financing structure,
3. to eliminate the subsidiaries' liabilities to the owners by theirs capital conversion
4. and to reduce unjustified high level of share capital by operation and size of the company

On 12 April 2013 the registered capital of Bank Center No. 1 Ltd. has increased to HUF 6,793,720,000. Accordingly, the ownership ratios have been modified as follows: OTP Bank Plc. 89.4%, INGA Kettő Ltd. 10.6%.

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

	30 June 2013	31 December 2012
Government bonds	501,098	355,595
Mortgage bonds	4,776	4,783
Hungarian government discounted Treasury bills	353	343
	506,227	**360,721**
Accrued interest	12,245	11,271
Total	**518,472**	**371,992**

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

	30 June 2013	31 December 2012
Within five years:		
variable interest	22,641	30,685
fixed interest	170,726	171,623
	193,367	**202,308**
Over five years:		
fixed interest	312,860	158,413
	312,860	**158,413**
Total	**506,227**	**360,721**

The distribution of the held-to-maturity securities by currency (%):

	30 June 2013	31 December 2012
Securities held-to-maturity denominated in HUF	100%	100%
Securities held-to-maturity total	**100%**	**100%**
Interest rates on securities held-to-maturity	5.5% - 9.5%	5.5% - 9.5%
Average interest on securities held-to-maturity denominated in HUF	6.34%	8.24%

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

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

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

For the six month period ended 30 June 2013

Cost	**Intangible assets**	**Property**	**Office equipments and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	**124,248**	**67,327**	**74,547**	**10,325**	**276,447**
Additions	11,611	1,369	1,743	3,416	18,139
Disposals	(4,711)	(272)	(2,710)	(3,835)	(11,528)
Closing balance	**131,148**	**68,424**	**73,580**	**9,906**	**283,058**
Depreciation and Amortization					
Balance as at 1 January	**92,651**	**15,622**	**58,525**	**-**	**166,798**
Charge for the period	6,987	870	2,633	-	10,490
Disposals	(270)	(66)	(3,135)	-	(3,471)
Closing balance	**99,368**	**16,426**	**58,023**	**-**	**173,817**
Net book value					
Balance as at 1 January	**31,597**	**51,705**	**16,022**	**10,325**	**109,649**
Closing balance	**31,780**	**51,998**	**15,557**	**9,906**	**109,241**

For the year ended 31 December 2012

Cost	**Intangible assets**	**Property**	**Office equipments and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	**110,219**	**64,804**	**72,566**	**7,304**	**254,893**
Additions	23,846	3,236	6,385	12,670	46,137
Disposals	(9,817)	(713)	(4,404)	(9,649)	(24,583)
Closing balance	**124,248**	**67,327**	**74,547**	**10,325**	**276,447**
Depreciation and Amortization					
Balance as at 1 January	**79,048**	**14,290**	**57,223**	**-**	**150,561**
Charge for the year	13,731	1,681	5,547	-	20,959
Disposals	(128)	(349)	(4,245)	-	(4,722)
Closing balance	**92,651**	**15,622**	**58,525**	**-**	**166,798**
Net book value					
Balance as at 1 January	**31,171**	**50,514**	**15,343**	**7,304**	**104,332**
Closing balance	**31,597**	**51,705**	**16,022**	**10,325**	**109,649**

NOTE 12: OTHER ASSETS (in HUF mn)

	30 June 2013	31 December 2012
Prepayments and accrued income	13,413	5,540
Receivables from investment services	6,563	1,604
Fair value of derivative financial instruments designated as fair value hedge	5,531	4,228
Trade receivables	3,385	7,956
Other advances	2,286	665
Due from Hungarian Government from interest subsidies	1,455	1,615
Inventories	1,311	980
Current income tax receivable	1,049	5,488
Advances for securities and investments	595	587
Receivables from OTP Mortgage Bank Ltd.[1]	164	761
Loans sold under deferred payment scheme	44	315
Other	5,462	4,578
	41,258	**34,317**
Accrued interest	10	10
Provision for impairment on other assets[2]	(1,441)	(1,641)
Total	**39,827**	**32,686**

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

	30 June 2013	31 December 2012
Interest rate swaps designated as fair value hedge	5,518	4,224
Other	13	4
Total	**5,531**	**4,228**

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

	30 June 2013	31 December 2012
Balance as at 1 January	**1,641**	**1,807**
Charge for the period	22	519
Release of provision	(233)	(682)
Use of provision	11	(3)
Closing balance	**1,441**	**1,641**

[1] The Bank, under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd.
[2] Provision for impairment on other assets mainly consists of provision for trade receivables and inventories.

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

	30 June 2013	31 December 2012
Within one year:		
In HUF	127,452	99,771
In foreign currency	565,457	528,749
	692,909	**628,520**
Over one year:		
In HUF	77,217	110,134
In foreign currency	71,076	85,632
	148,293	**195,766**
Subtotal	**841,202**	**824,286**
Accrued interest	2,570	2,682
Total	**843,772**	**826,968**

Interest rates on amounts due to banks and Hungarian Government, deposits from the NBH and other banks are as follows (%):

	30 June 2013	31 December 2012
Within one year:		
In HUF	0.91%-6.4%	0.17%-7.62%
In foreign currency	1.76%-5.07%	2.39%-4.73%
Over one year:		
In HUF	0.21%-6.65%	0.22%-7.12%
In foreign currency	2.72%-7.05%	0.12%-5.88%
Average interest on amounts due to banks in HUF	3.24%	4.30%
Average interest on amounts due to banks in foreign currency	2.15%	3.22%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2013	31 December 2012
Within one year:		
In HUF	2,809,119	2,811,316
In foreign currency	661,975	652,393
	3,471,094	**3,463,709**
Over one year:		
In HUF	26,384	26,551
In foreign currency	3	30
	26,387	**26,581**
Subtotal	**3,497,481**	**3,490,290**
Accrued interest	11,062	10,500
Total	**3,508,543**	**3,500,790**

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

Interest rates on deposits from customers are as follows (%):

	30 June 2013	31 December 2012
Within one year in HUF	0.01%-10%	0.1%-11%
Over one year in HUF	0.01%-6.3%	0.2%-7.8%
In foreign currency	0.01%-4.3%	0.01%-3.5%
Average interest on deposits from customers in HUF	3.33%	4.31%
Average interest on deposits from customers in foreign currency	1.49%	1.53%

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

	30 June 2013		31 December 2012	
Retail deposits	1,766,793	50%	1,855,388	53%
Corporate deposits	1,525,037	44%	1,423,202	41%
Municipality deposits	205,651	6%	211,700	6%
Total	**3,497,481**	**100%**	**3,490,290**	**100%**

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

	30 June 2013	31 December 2012
Within one year:		
In HUF	82,580	192,316
In foreign currency	46,399	39,289
	128,979	**231,605**
Over one year:		
In HUF	95,942	89,654
In foreign currency	4,175	5,120
	100,117	**94,774**
Subtotal	**229,096**	**326,379**
Accrued interest	4,388	9,584
Total	**233,484**	**335,963**

Interest rates on liabilities from issued securities are as follows (%):

	30 June 2013	31 December 2012
Issued securities denominated in HUF	0.25%-7%	0.25%-7%
Issued securities denominated in foreign currency	2%-5%	2.8%-5%
Average interest on issued securities denominated in HUF	5.03%	5.38%
Average interest on issued securities denominated in foreign currency	3.36%	3.50%

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

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

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
1	EUR_1_2013_XV	03/08/2012	03/08/2013	EUR	13.05	3,853	3.5	fixed	
2	EUR_1_2013_XXIV	07/12/2012	07/12/2013	EUR	10.29	3,038	3	fixed	
3	EUR_1_2013_XXIII	23/11/2012	23/11/2013	EUR	9.13	2,694	3	fixed	
4	EUR_1_2013_XVII	31/08/2012	31/08/2013	EUR	8.90	2,628	3.25	fixed	
5	EUR_1_2013_XVIII	14/09/2012	14/09/2013	EUR	8.42	2,484	3	fixed	
6	EUR_1_2013_XVI	17/08/2012	17/08/2013	EUR	7.63	2,251	3.25	fixed	
7	EUR_1_2013_XX	12/10/2012	12/10/2013	EUR	7.20	2,126	3	fixed	
8	DC_EUR 130829	31/05/2013	29/08/2013	EUR	6.89	2,033	3	fixed	hedged
9	DC_USD 130829	31/05/2013	29/08/2013	USD	7.92	1,790	3	fixed	hedged
10	EUR_1_2014_IX	10/05/2013	10/05/2014	EUR	5.93	1,751	2.25	fixed	
11	EUR_1_2013_XXI	26/10/2012	26/10/2013	EUR	5.79	1,708	3	fixed	
12	EUR_1_2013_XXII	09/11/2012	09/11/2013	EUR	5.27	1,555	3	fixed	
13	DC_EUR 130705	05/04/2013	05/07/2013	EUR	5.19	1,532	4.5	fixed	hedged
14	EUR_1_2013_XIV	13/07/2012	13/07/2013	EUR	4.76	1,406	3.5	fixed	
15	EUR_1_2013_XIX	28/09/2012	28/09/2013	EUR	4.61	1,362	3	fixed	
16	EUR_1_2013_XXV	21/12/2012	21/12/2013	EUR	4.20	1,240	3	fixed	
17	EUR_1_2014_IV	15/02/2013	15/02/2014	EUR	4.08	1,204	2.5	fixed	
18	EUR_1_2014_V	01/03/2013	01/03/2014	EUR	3.85	1,136	2.5	fixed	
19	EUR_1_2014_I	11/01/2013	11/01/2014	EUR	3.41	1,007	2.75	fixed	
20	DC_USD 130715	05/04/2013	05/07/2013	USD	4.40	995	5	fixed	hedged
21	EUR_1_2014_VI	22/03/2013	22/03/2014	EUR	3.22	950	2.5	fixed	
22	EUR_1_2014_VIII	19/04/2013	19/04/2014	EUR	3.04	899	2.25	fixed	
23	EUR_1_2014_III	01/02/2013	01/02/2014	EUR	2.73	807	2.5	fixed	
24	EUR_1_2014_XI	07/06/2013	07/06/2014	EUR	2.62	772	2	fixed	
25	EUR_1_2014_II	25/01/2013	25/01/2014	EUR	2.59	765	2.5	fixed	
26	EUR_1_2014_X	24/05/2013	24/05/2014	EUR	2.37	701	2	fixed	
27	EUR_1_2014_XII	21/06/2013	21/06/2014	EUR	2.21	653	2	fixed	
28	2015F	21/12/2012	16/11/2015	EUR	2.07	612	indexed	floating	hedged
29	2016C	22/04/2011	22/04/2016	EUR	1.56	460	indexed	floating	hedged
30	EUR_1_2014_XIII	28/06/2013	28/06/2014	EUR	1.40	412	2	fixed	
31	EUR_1_2014_VII	05/04/2013	05/04/2014	EUR	1.39	409	2.25	fixed	
32	2016D	22/12/2011	29/12/2016	EUR	1.25	368	indexed	floating	hedged
33	2015C	22/12/2010	29/12/2015	EUR	0.97	286	indexed	floating	hedged
34	EUR_2013_III	26/08/2011	26/08/2013	EUR	0.89	263	3	fixed	
35	2017F	19/06/2012	16/06/2016	EUR	0.78	229	indexed	floating	hedged
36	EUR_2013_IV	09/09/2011	09/09/2013	EUR	0.77	226	3	fixed	
37	EUR_2_2015_IX	10/05/2013	10/05/2015	EUR	0.74	218	2.75	fixed	
38	EUR_2013_VI	07/10/2011	07/10/2013	EUR	0.55	162	3	fixed	
39	EUR_2013_VII	21/10/2011	21/10/2013	EUR	0.51	150	3	fixed	
40	EUR_2013_V	23/09/2011	23/09/2013	EUR	0.49	145	3	fixed	
41	EUR_2_2014_XXI	26/10/2012	26/10/2014	EUR	0.47	139	3.25	fixed	
42	EUR_2_2014_XVII	31/08/2012	31/08/2014	EUR	0.46	135	3.5	fixed	
43	EUR_2_2014_IV	24/02/2012	24/02/2014	EUR	0.44	131	4	fixed	
44	EUR_2013_I	05/08/2011	05/08/2013	EUR	0.44	130	3	fixed	
45	EUR_2013_II	12/08/2011	12/08/2013	EUR	0.44	129	3	fixed	
46	EUR_2013_IX	18/11/2011	18/11/2013	EUR	0.42	123	3	fixed	
47	EUR_2_2014_XXIV	07/12/2012	07/12/2014	EUR	0.41	121	3.25	fixed	
48	EUR_2_2015_XI	07/06/2013	07/06/2015	EUR	0.39	115	2.5	fixed	
49	EUR_2_2015_VII	05/04/2013	05/04/2015	EUR	0.38	113	2.75	fixed	
50	EUR_2_2014_XXIII	23/11/2012	23/11/2014	EUR	0.37	110	3.25	fixed	
51	EUR_2_2014_XXV	21/12/2012	21/12/2014	EUR	0.36	108	3	fixed	
52	EUR_2_2015_X	24/05/2013	24/05/2015	EUR	0.36	107	2.5	fixed	
53	EUR_2_2014_IX	04/05/2012	04/05/2014	EUR	0.34	100	4	fixed	
54	EUR_2_2015_VIII	19/04/2013	19/04/2015	EUR	0.31	92	2.75	fixed	
55	EUR_2_2014_XVIII	14/09/2012	31/08/2014	EUR	0.31	90	3.25	fixed	
56	EUR_2_2014_XIX	28/09/2012	28/09/2014	EUR	0.28	84	3.25	fixed	
57	EUR_2_2015_XIII	28/06/2013	28/06/2015	EUR	0.27	81	2.5	fixed	
58	EUR_2013_VIII	07/11/2011	07/11/2013	EUR	0.26	78	3	fixed	
59	EUR_2_2015_V	01/03/2013	01/03/2015	EUR	0.26	78	2.75	fixed	
60	EUR_2_2014_VIII	20/04/2012	20/04/2014	EUR	0.25	74	4	fixed	
61	EUR_2_2014_III	10/02/2012	10/02/2014	EUR	0.24	72	4	fixed	
62	EUR_2_2014_XV	03/08/2012	03/08/2014	EUR	0.22	65	3.75	fixed	
	Subtotal					**49,555**			

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

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
63	EUR_2_2014_XX	12/10/2012	12/10/2014	EUR	0.22	64	3.25	fixed	
64	EUR_2_2015_XII	21/06/2013	21/06/2015	EUR	0.21	62	2.5	fixed	
65	EUR_2_2014_XXII	09/11/2012	09/11/2014	EUR	0.20	60	3.25	fixed	
66	EUR_2_2014_XIII	22/06/2012	22/06/2014	EUR	0.20	59	3.75	fixed	
67	EUR_2_2015_VI	22/03/2013	22/03/2015	EUR	0.20	58	2.75	fixed	
68	EUR_2_2014_II	27/01/2012	27/01/2014	EUR	0.19	57	4	fixed	
69	EUR_2_2014_XIV	13/07/2012	13/07/2014	EUR	0.18	54	3.75	fixed	
70	EUR_2_2014_XVI	17/08/2012	17/08/2014	EUR	0.18	54	3.5	fixed	
71	EUR_2013_XI	02/12/2011	02/12/2013	EUR	0.18	52	3.5	fixed	
72	EUR_2_2015_II	25/01/2013	25/01/2015	EUR	0.17	51	2.75	fixed	
73	EUR_2_2015_I	11/01/2013	11/01/2015	EUR	0.16	48	3	fixed	
74	EUR_2_2015_IV	15/02/2013	15/02/2015	EUR	0.16	47	2.75	fixed	
75	EUR_2_2015_III	01/02/2013	01/02/2015	EUR	0.16	47	2.75	fixed	
76	EUR_2013_XIII	29/12/2011	29/12/2013	EUR	0.15	44	4	fixed	
77	EUR_2_2014_VII	06/04/2012	06/04/2014	EUR	0.15	44	4	fixed	
78	EUR_2013_X	25/11/2011	25/11/2013	EUR	0.14	42	3	fixed	
79	EUR_2_2014_XII	08/06/2012	08/06/2014	EUR	0.13	38	3.75	fixed	
80	EUR_2_2014_VI	23/03/2012	23/03/2014	EUR	0.10	30	4	fixed	
81	EUR_2_2014_XI	25/05/2012	25/05/2014	EUR	0.10	30	3.75	fixed	
82	EUR_2_2014_V	09/03/2012	09/03/2014	EUR	0.10	28	4	fixed	
83	EUR_2013_XII	16/12/2011	16/12/2013	EUR	0.08	25	3.5	fixed	
84	EUR_2_2014_I	13/01/2012	13/01/2014	EUR	0.05	15	4	fixed	
85	EUR_2_2014_X	11/05/2012	11/05/2014	EUR	0.05	15	3.75	fixed	
	Subtotal issued securities in FX					**50,579**			
	Unamortized premium					-			
	Fair value hedge adjustment					(5)			
	Total					**50,574**			

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

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

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

On 9 July 2013 OTP Bank initiated term note program in the value of HUF 500 billion with the intention of issuing registered dematerialized bonds in public. The HFSA approved on 30 July 2013 the prospectus of Term Note Program and the disclosure as at 17 July 2013. The prospectus is valid for 12 months following the disclosure.
On 30 Augst and 27 September 2013 the HFSA approved the 1st and 2nd addition of the prospectus of the program.
The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange.

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

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

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

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
1	2013/XIV	20/07/2012	03/08/2012	20/07/2013	9,339	7	fixed	
2	TBSZ2013_I	26/02/2010	28/12/2010	30/12/2013	5,967	5.5	fixed	
3	2013/XV	10/08/2012	17/08/2012	10/08/2013	5,752	6.5	fixed	
4	2013/XIII	06/07/2012	13/07/2012	06/07/2013	5,676	7	fixed	
5	TBSZ2015_I	26/02/2010	17/12/2010	30/12/2015	5,580	5.5	fixed	
6	2015A	25/03/2010		30/03/2015	4,879	indexed	floating	hedged
7	2017A	01/04/2011		31/03/2017	4,830	indexed	floating	hedged
8	2017B	17/06/2011		20/06/2017	4,578	indexed	floating	hedged
9	2019D	22/03/2013		21/03/2019	4,500	indexed	floating	hedged
10	2018B	22/03/2012		22/03/2018	4,415	indexed	floating	hedged
11	2015B	28/06/2010		09/07/2015	4,390	indexed	floating	hedged
12	2013/XXI	12/11/2012	16/11/2012	12/11/2013	4,101	6	fixed	
13	2016A	11/11/2010		03/11/2016	4,091	indexed	floating	hedged
14	2013/XVII	07/09/2012	14/09/2012	07/09/2013	4,043	6.5	fixed	
15	2017E	21/12/2011		28/12/2017	3,835	indexed	floating	hedged
16	2018C	16/07/2012		18/07/2018	3,725	indexed	floating	hedged
17	2014B	05/10/2009		13/10/2014	3,629	indexed	floating	hedged
18	2013/XVIII	21/09/2012	28/09/2012	21/09/2013	3,593	6.5	fixed	
19	2014C	14/12/2009		19/12/2014	3,578	indexed	floating	hedged
20	2013/XVI	24/08/2012	31/08/2012	24/08/2013	3,576	6.5	fixed	
21	2019E	28/06/2013		24/06/2019	3,550	indexed	floating	hedged
22	2014/I	11/01/2013	25/01/2013	11/01/2014	3,466	5	fixed	
23	2017C	19/09/2011		25/09/2017	3,369	indexed	floating	hedged
24	2018E	28/12/2012		28/12/2018	3,250	indexed	floating	hedged
25	RA_2013_B	26/11/2010		03/12/2013	3,162	indexed	floating	hedged
26	2018D	29/10/2012		26/10/2018	3,130	indexed	floating	hedged
27	2016B	16/12/2010		19/12/2016	3,073	indexed	floating	hedged
28	2013/XXII	23/11/2012	03/12/2012	23/11/2013	2,988	5.5	fixed	
29	2014/III	01/03/2013	22/03/2013	01/03/2014	2,854	4.5	fixed	
30	2014A	25/06/2009		30/06/2014	2,781	indexed	floating	hedged
31	DNT_HUF 131007	05/04/2013		07/10/2013	2,741	indexed	floating	hedged
32	2013/XIX	05/10/2012	12/10/2012	05/10/2013	2,393	6.5	fixed	
33	2013/XX	19/10/2012	31/10/2012	19/10/2013	2,268	6.5	fixed	
34	TBSZ2014_I	14/01/2011	05/08/2011	15/12/2014	1,921	5.5	fixed	
35	2013/XXIII	07/12/2012	17/12/2012	07/12/2013	1,835	5.5	fixed	
36	2013/XXIV	21/12/2012		21/12/2013	1,567	5.5	fixed	
37	2014/IV	05/04/2013	19/04/2013	05/04/2014	1,561	4	fixed	
38	2014/II	01/02/2013	15/02/2013	01/02/2014	1,482	5	fixed	
39	RF_2020_C	11/11/2010		05/11/2020	1,476	indexed	floating	hedged
40	2014/VI	24/05/2013	31/05/2013	24/05/2014	1,292	3.5	fixed	
41	RF_2020_A	12/07/2010		20/07/2020	1,279	indexed	floating	hedged
42	DNT_HUF 131129	31/05/2013		29/11/2013	1,241	indexed	floating	hedged
43	OVK_2013_I	26/08/2011	28/12/2011	26/08/2013	1,238	5.75	fixed	
44	TBSZ2016_I	14/01/2011	05/08/2011	15/12/2016	1,205	5.5	fixed	
45	2014/V	26/04/2013	10/05/2013	26/04/2014	1,196	3.5	fixed	
46	2014E	17/06/2011		20/06/2014	1,163	indexed	floating	hedged
47	2014_RA_Bx	16/09/2011	23/09/2011	15/09/2014	1,126	indexed	floating	hedged
48	2018A	03/01/2012		09/01/2018	1,044	indexed	floating	hedged
49	RF_2020_B	12/07/2010		20/07/2020	965	indexed	floating	hedged
50	RA_2014_A	25/03/2011		24/03/2014	945	indexed	floating	hedged
51	RF_2021_B	20/10/2011		25/10/2021	925	indexed	floating	hedged
52	RF_2021_A	05/07/2011		13/07/2021	861	indexed	floating	hedged
53	2014/VII	14/06/2013	28/06/2013	14/06/2014	788	3	fixed	
54	2013B	26/11/2010		06/11/2013	785	indexed	floating	hedged
55	TBSZ2014_II	26/08/2011	29/12/2011	15/12/2014	733	5.5	fixed	
56	2016F	22/03/2013		24/03/2016	670	indexed	floating	hedged
57	TBSZ2016_II	26/08/2011	29/12/2011	15/12/2016	649	5.5	fixed	
58	2014D	01/04/2011		03/04/2014	521	indexed	floating	hedged
59	2017D	21/10/2011		19/10/2017	520	indexed	floating	hedged
60	TBSZ_4_2015_I	13/01/2012	22/06/2012	15/12/2015	477	6.5	fixed	
61	2015D	19/03/2012		23/03/2015	450	indexed	floating	hedged
62	2015G	08/11/2012		16/11/2015	435	indexed	floating	hedged
63	2013A	28/06/2010		08/07/2013	428	indexed	floating	hedged
64	2019B	05/10/2009	05/02/2010	14/10/2019	417	indexed	floating	hedged
65	2020B	28/06/2010		09/07/2020	415	indexed	floating	hedged
66	2013C	16/12/2010		19/12/2013	415	indexed	floating	hedged
	Subtotal				**165,127**			

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

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % p.a.)		Hedged
67	2021D	21/12/2011		27/12/2021	395	indexed	floating	hedged
68	2016E	28/12/2012		27/12/2016	395	indexed	floating	hedged
69	2023A	22/03/2013		24/03/2023	395	indexed	floating	hedged
70	2015E	16/07/2012		20/07/2015	390	indexed	floating	hedged
71	2021B	17/06/2011		21/06/2021	370	indexed	floating	hedged
72	2014F	20/10/2011		21/10/2014	366	indexed	floating	hedged
73	2019C	14/12/2009		20/12/2019	359	indexed	floating	hedged
74	2020A	25/03/2010		30/03/2020	355	indexed	floating	hedged
75	2022D	28/12/2012		27/12/2022	350	indexed	floating	hedged
76	2021A	01/04/2011		01/04/2021	330	indexed	floating	hedged
77	RF_2022_A	22/03/2012		23/03/2022	327	indexed	floating	hedged
78	2021_C	19/09/2011		24/09/2021	320	indexed	floating	hedged
79	2014G	21/12/2011		30/12/2014	320	indexed	floating	hedged
80	2022C	29/10/2012		28/10/2022	310	indexed	floating	hedged
81	2023B	28/06/2013		26/06/2023	295	indexed	floating	hedged
82	2019A	25/06/2009		01/07/2019	284	indexed	floating	hedged
83	2022A	22/03/2012		23/03/2022	280	indexed	floating	hedged
84	2022B	16/07/2012		18/07/2022	265	indexed	floating	hedged
85	2020C	11/11/2010		05/11/2020	259	indexed	floating	hedged
86	TBSZ_6_2017_I	13/01/2012	22/06/2012	15/12/2017	236	6.5	fixed	
87	2020D	16/12/2010		18/12/2020	235	indexed	floating	hedged
88	OVK_2014_I	31/01/2012	03/07/2012	27/01/2014	226	6.75	fixed	
89	OJK_2016_I	26/08/2011	21/12/2011	26/08/2016	200	5.75	fixed	
90	2015H	28/12/2012		27/12/2015	170	indexed	floating	hedged
91	TBSZ_4_2016_I	18/01/2013	15/02/2013	15/12/2016	158	5	fixed	
92	RF_2021_C	21/12/2011		30/12/2021	127	indexed	floating	hedged
93	RF_2022_B	22/03/2012		23/03/2022	113	indexed	floating	hedged
94	RF_2022_D	28/06/2012		28/06/2022	95	indexed	floating	hedged
95	RF_2021_D	21/12/2011		30/12/2021	91	indexed	floating	hedged
96	RF_2022_C	28/06/2012		28/06/2022	75	indexed	floating	hedged
97	RF_2022_E	29/10/2012		31/10/2022	50	indexed	floating	hedged
98	TBSZ_4_2015_II	21/12/2012		15/12/2015	48	6	fixed	
99	OJK_2017_I	27/01/2012	13/07/2012	27/01/2017	36	7	fixed	
100	RF_2022_F	28/12/2012		28/12/2022	28	indexed	floating	hedged
101	RF_2021_E	21/12/2011		30/12/2021	27	indexed	floating	hedged
102	RF_2023_A	22/03/2013		24/03/2023	17	indexed	floating	hedged
103	other	-	-	-	232			
	Subtotal issued securities in HUF				**173,656**			
	Unamortized premium				2,827			
	Fair value hedge adjustment				2,039			
	Total issued securities in HUF				**178,522**			
	Accrued interest				4,388			
	Total issued securities				**233,484**			

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

Negative fair value of financial liabilities at fair value through profit or loss classified as held for trading by deal types:

	30 June 2013	31 December 2012
CCIRS and mark-to-market CCIRS	121,692	168,702
IRS	63,983	75,835
Foreign currency swaps	5,054	5,884
Other derivative contracts[1]	7,724	8,790
Total	**198,453**	**259,211**

[1] incl.: FX, equity and index futures; FX forward; commodity swap; FRA; FX option

NOTE 17: OTHER LIABILITIES (in HUF mn)

	30 June 2013	31 December 2012
Financial liabilities from OTP-MOL share swap transaction[1]	84,953	89,308
Current income and other tax payable	37,543	5,502
Liabilities from investment services	33,652	26,263
Accrued expenses	25,579	22,299
Salaries and social security payable	24,669	21,023
HUF denominated liabilities from purchase of customers with cards	12,146	15,357
Provision on off-balance sheet commitments, contingent liabilities	5,581	5,373
Fair value of derivative financial instruments designated as fair value hedge	5,389	4,512
Giro clearing accounts	4,970	5,753
Deferred tax liabilities	4,845	11,655
Contingent liabilities	2,883	10,754
Accounts payable	2,367	8,422
Liabilities connected to loans for collection	1,008	1,006
Liabilities related to housing loans	116	177
Dividend payable	49	10
Other	8,721	5,143
Total	**254,471**	**232,557**

Negative fair value of derivative financial instruments designated as fair value hedge:

	30 June 2013	31 December 2012
Interest rate swap transactions designated as fair value hedge	5,389	4,512

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

	30 June 2013	31 December 2012
Provision for losses on off-balance sheet commitments and contingent liabilities related to lending	3,186	2,367
Provision for taxation	1,500	1,500
Provision for litigation	520	469
Provision for losses from software failure	34	500
Provision on other liabilities	341	537
Total	**5,581**	**5,373**

Movements in the provision for losses on commitments and contingent liabilities can be summarized as follows:

	30 June 2013	31 December 2012
Balance as at 1 January	**5,373**	**4,878**
Provision for the period	3,801	9,283
Release of provision	(3,593)	(8,788)
Closing balance	**5,581**	**5,373**

[1] On 16 April 2009, OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the loss of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity and a recognition of a corresponding liability. As at 30 June 2013 and 31 December 2012 HUF 84,953 and HUF 89,308 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

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

	30 June 2013	31 December 2012
In one year:		
In HUF	5,000	5,000
	5,000	**5,000**
Over one year:		
In foreign currency	301,076	295,337
	301,076	**295,337**
	306,076	**300,337**
Accrued interest	11,327	3,413
Total	**317,403**	**303,750**

Interest rates on subordinated bonds and loans are as follows (%):

	30 June 2013	31 December 2012
Subordinated bonds and loans denominated in HUF	2.4%	3.3%
Subordinated bonds and loans denominated in foreign currency	0.8%-5.9%	0.7%-5.9%
Average interest on subordinated bonds and loans denominated in HUF	1.47%	1.49%
Average interest on subordinated bonds and loans denominated in foreign currency	5.12%	4.95%

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

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

Subordinated loans and bonds are detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 30 June 2013
Subordinated bond	HUF 5 billion	20/12/1993	20/12/2013	100%	frequency of payment is based on the condition of interest of 2013/C credit consolidation government bonds	4.8%
Subordinated bond	EUR 105.95 million	04/03/2005	04/03/2015	100%	three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 473.2 million	07/11/2006	Perpetual bond callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	-
Subordinated bond (under EMTN[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	30 June 2013	31 December 2012
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

On 21 April 2007, the law on abolishment of "aranyrészvény" (special share assigning voting rights to the Hungarian State) came into force (Act XXVI of 2007). As a result of this, this special voting share with a face value of HUF 1,000 was transformed into 10 ordinary shares with a face value of HUF 100. Therefore, the registered capital of the Bank consists of 280,000,010 ordinary shares with a face value of HUF 100.

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

The reserves of the Bank under Hungarian Accounting Standards ("HAS"):
(The reserves under IFRS are detailed in statement of changes in shareholders'equity.)

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

The legal reserves (general reserve and tied-up reserve) are not available for distribution. Dividend was calculated on the bases of the separate annual net profit according to HAS.

In 2013 dividend of HUF 33,600 million were proposed by the management from the profit of the year 2012, which means 120 HUF payable dividend by share to the shareholders.

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	30 June 2013	31 December 2012
Nominal value (ordinary shares)	175	219
Carrying value at aquisition cost	7,376	4,934

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

NOTE 21: TREASURY SHARES (in HUF mn) [continued]

Change in number of shares:

	30 June 2013	31 December 2012
Number of shares as at 1 January	**2,185,337**	**2,644,784**
Additions	2,146,180	1,490,134
Disposals	(2,585,614)	(1,949,581)
Closing number of shares	**1,745,903**	**2,185,337**

Change in carrying value:

	30 June 2013	31 December 2012
Balance as at 1 January	**4,934**	**5,519**
Additions	10,228	5,757
Disposals	(7,786)	(6,342)
Closing balance	**7,376**	**4,934**

NOTE 22: PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES (in HUF mn)

	30 June 2013	31 December 2012
Provision for impairment on loan losses		
Provision for the period	35,085	93,834
-from this: release of provision for impairment on loan losses related to early repayment	-	*(2,164)*
Release of provision	(40,683)	(100,788)
Provision on loan losses	15,234	60,400
-from this: provision on loan losses related to early repayment	-	*2,078*
	9,636	**53,446**
Provision for impairment on placement losses		
Provision for the period	23	-
Release of provision	-	(138)
	23	**(138)**
Provision for impairment on loan and placement losses	**9,659**	**53,308**
Gains on loans related to early repayment	-	(86)
Losses from early repayment recognizing in interest income from loans	-	23
Total loss on loans related to the early repayment	**-**	**(63)**

NOTE 23: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

	30 June 2013	30 June 2012
Income from fees and commissions:		
Deposit and account maintenance fees and commissions	27,897	21,259
Fees and commission related to the issued bank cards	12,107	10,505
Fees related to the cash withdrawal	10,815	8,751
Fees and commissions related to security trading	9,328	6,252
Fees and commissions received from OTP Mortgage Bank Ltd.	2,808	2,619
Fees and commissions related to lending	2,678	2,572
Net fee income related to card insurance services and loan agreements	854	899
Other	3,593	3,069
Total	**70,080**	**55,926**

	30 June 2013	30 June 2012
Expenses from fees and commissions:		
Fees and commissions related to issued bank cards	2,958	2,503
Interchange fee	2,852	2,556
Fees and commissions related to lending	1,772	1,232
Insurance fees	866	761
Cash withdrawal transaction fees	737	753
Fees and commissions relating to deposits	379	383
Money market transaction fees and commissions	269	305
Postal fees	268	278
Fees and commissions related to security trading	254	275
Other	1,447	1,204
Total	**11,802**	**10,250**
Net profit from fees and commissions	**58,278**	**45,676**

NOTE 24: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

	30 June 2013	30 June 2012
Other operating income:		
Gains on transactions related to property activities	39	-
Other	1,319	2,635
Total	**1,358**	**2,635**

	30 June 2013	30 June 2012
Net other operating expenses:		
Provision for impairment on investments in subsidiaries	10,454	32,012
Financial aid for sport association and organization of public utility	2,527	-
Provision / (release of provision) for off-balance sheet commitments and contingent liabilities	209	(812)
(Release of provision) / provision for impairment on other assets	(37)	75
Other	1,491	1,831
Total	**14,644**	**33,106**

NOTE 24: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn) [continued]

Other administrative expenses:

	30 June 2013	30 June 2012
Personnel expenses:		
Wages	30,645	27,395
Taxes related to personnel expenses	9,545	8,397
Other personnel expenses	3,784	3,537
Subtotal	**43,974**	**39,329**
Depreciation and amortization:	**10,490**	**10,376**
Other administrative expenses:		
Taxes, other than income tax[1]	60,788	32,963
Administration expenses, including rental fees	10,303	10,103
Services	9,510	9,615
Advertising	2,479	2,152
Professional fees	1,845	1,887
Subtotal	**84,925**	**56,720**
Total	**139,389**	**106,425**

NOTE 25: INCOME TAX (in HUF mn)

The Bank is presently liable for income tax at a rate of 19% of taxable income.

A breakdown of the income tax expense is:

	30 June 2013	31 December 2012
Current tax expense	3,497	179
Deferred tax income	(4,641)	(5,558)
Total	**(1,144)**	**(5,379)**

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

	30 June 2013	31 December 2012
Balance as at 1 January	**(11,655)**	**(3,355)**
Deferred tax income /(expense)	4,641	5,558
Tax effect of fair value adjustment of available-for-sale securities recognized in other comprehensive income and ICES	2,169	(13,858)
Closing balance	**(4,845)**	**(11,655)**

[1] Based on the amendment of the act on the special tax of financial institutions approved on 22 July 2010, a new special financial institution tax was paid by OTP Bank Plc. The total tax amount for the six month period ended 30 June 2013, for the year 2012 and 2011 was HUF 12, 25 and 14 billion recognized as an expense thus decreased the corporate tax base. Based on the 2012 approved regulation financial institutions' obligation to pay this special tax was finalized. As one-off contribution of financial transaction tax HUF 16 billion was paid for the year 2013.

NOTE 25: INCOME TAX (in HUF mn) [continued]

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

	30 June 2013	31 December 2012
Repurchase agreements and security lending	4,537	4,191
Banking tax	2,314	-
One-off contribution of financial transaction tax	1,543	-
Tax accrual caused by negative taxable income	1,200	1,200
Fair value adjustment of derivative financial instruments	351	-
Difference in accounting for finance leases	327	412
Escrow account loan	21	-
Unused tax allowance	-	5,945
Deferred tax assets	**10,293**	**11,748**
Fair value adjustment of held for trading and available-for-sale securities	(5,266)	(7,113)
Effect of redemption of issued securities	(3,520)	(3,824)
Valuation of equity instrument (ICES)	(2,504)	(2,775)
Effect of using effective interest rate method	(1,985)	(1,976)
Difference in depreciation and amortization	(1,863)	(1,862)
Fair value adjustment of derivative financial instruments	-	(5,853)
Deferred tax liabilities	**(15,138)**	**(23,403)**
Net deferred tax liabilities	**(4,845)**	**(11,655)**

A reconciliation of the income tax expense is as follows:

	30 June 2013	31 December 2012
Profit before income tax	39,913	33,023
Income tax at statutory tax rate (19%)	7,583	6,274
Income tax adjustments due to permanent differencies are as follows:		
Differences in carrying value of subsidiaries	627	2,110
Share-based payment	547	871
Treasury share transaction	148	(36)
Accounting of equity instrument (ICES)	29	370
Reversal of statutory general provision	(193)	1,104
Revaluation of investments denominated in foreign currency to historical cost	(235)	(4,316)
OTP-MOL share swap transaction	-	871
Reclassification of direct charges to reserves (self-revision)	-	(96)
Deferred use of tax allowance	-	(5,945)
Dividend income	(7,250)	(8,189)
Other	(2,400)	1,603
Income tax	**(1,144)**	**(5,379)**
Effective tax rate	(2.9%)	(16.3%)

Effective tax rate is negative because income tax and income tax adjustments are altogether negative in both six month period ended 30 June 2013 and the year 2012.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

26.1. Credit risk

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

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

26.1.1 Analysis by loan types and risk classes

Classification into risk classes

Exposures with small amounts (retail and SME sector) are subject to collective valuation method which is a simplified assessment.

As of 31 December 2011, the classification and impairment methodology of the retail exposures – which are assessed using the collective valuation method – has changed. According to the new methodology, the expected loss of the different homogenous populations is determined using historical loss experience models instead of the old method which was using expert keys. The new expected loss percentages were determined based on these new models.

Instead of the earlier used risk classes, five valuation groups have been formed based on past due days (A: 0-30 days past due - DPD, B: 31-60 DPD, C: 61-90 DPD, D: 91-365 DPD, E: over 365 days past due). The five new groups do not match one by one to the earlier used risk classes, the composition of the classes has changed due to the different criteria.

Further regrouping is caused in provision for impairment that according to the new methodology the Bank takes into account the collateral at the collective valuation as well.
The consequence of the methodology change is that the loans, which has higher collateral value behind the loans are provided less than by using the previous methodology, and the loans with less collateral have in general more provision than in the previous model. The allocation of the impairment of the loans is more appropriate, the new model gives a more accurate impairment amount.

Every exposure with small amounts are subject to collective valuation method according to general rules. Exposures are classified into five risk classes (performing, to-be-monitored, below average, doubtful, bad).
A certain % degree belongs to these valuation groups based on past due days and based on this degree, provision for impairment is recognised on exposures classified into above risk classes.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.1 Analysis by loan types and risk classes [continued]

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

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

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

As at 30 June 2013

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,106,404	316,696	51,917	52,720	84,459	**1,612,196**
Allowance	-	*(11,271)*	*(12,586)*	*(31,720)*	*(69,955)*	***(125,532)***
Placements with other banks	795,995	-	-	-	23	**796,018**
Allowance	-	-	-	-	*(23)*	***(23)***
Retail loans	363,778	49,176	30,628	15,305	519	**459,406**
Allowance	-	*(3,095)*	*(7,563)*	*(7,565)*	*(514)*	***(18,737)***
Municipal loans	189,569	30,160	779	117	754	**221,379**
Allowance	-	*(523)*	*(152)*	*(48)*	*(801)*	***(1,524)***
SME loans	92,127	7,420	995	1,882	646	**103,070**
Allowance	-	*(89)*	*(111)*	*1,136*	*643*	***(1,979)***
Gross loan portfolio total	**2,547,873**	**403,452**	**84,319**	**70,024**	**86,401**	**3,192,069**
Allowance Total	**-**	***(14,978)***	***(20,412)***	***(40,469)***	***(71,936)***	***(147,795)***
Net loan portfolio total	**2,547,873**	**388,474**	**63,907**	**29,555**	**14,465**	**3,044,274**

Accrued interest	
Placements with other banks	1,613
Loans	14,243
Total accrued interest	**15,856**
Total placements with other banks	**797,608**
Total loans	**2,262,522**
Total	**3,060,130**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.1 Analysis by loan types and risk classes [continued]

As at 31 December 2012

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total carrying amount /allowance
Corporate loans	1,139,446	333,455	39,272	57,767	80,282	**1,650,222**
Allowance	-	*(11,898)*	*(10,985)*	*(35,897)*	*(66,419)*	***(125,199)***
Placements with other banks	663,636	-	-	-	-	**663,636**
Allowance	-	-	-	-	-	-
Retail loans	378,081	50,181	34,535	15,839	420	**479,056**
Allowance	-	*(2,980)*	*(8,795)*	*(8,254)*	*(403)*	***(20,432)***
Municipal loans	176,118	68,135	8,759	9,734	773	**263,519**
Allowance	-	*(765)*	*(1,212)*	*(2,973)*	*(773)*	***(5,723)***
SME loans	92,731	6,813	842	1,596	811	**102,793**
Allowance	-	*(83)*	*(104)*	*(1,018)*	*(811)*	***(2,016)***
Gross loan portfolio total	**2,450,012**	**458,584**	**83,408**	**84,936**	**82,286**	**3,159,226**
Allowance Total	**-**	***(15,726)***	***(21,096)***	***(48,142)***	***(68,406)***	***(153,370)***
Net loan portfolio total	**2,450,012**	**442,858**	**62,312**	**36,794**	**13,880**	**3,005,856**

Accrued interest	
Placements with other banks	1,781
Loans	14,071
Total accrued interest	**15,852**
Total placements with other banks	**665,417**
Total loans	**2,356,291**
Total	**3,021,708**

The Bank's loan portfolio increased by 1.28% in the six month period ended 30 June 2013. Analysing the contribution of loan types to the loan portfolio, the share of placements with other banks business line increased while the share of other business lines decreased. The qualification of the loan portfolio improved to a small extent, the ratio of the non-performing (doubtful and bad) loans compared to the gross loan portfolio decreased from 5.29% to 4.9%. Among the qualified gross loan portfolio, the loans classified to the risk class of "doubtful" lowered at the greatest level, by 17.56%.
The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on loans classified as doubtful or bad, the coverage was 94.5% in the six month period ended 30 June 2013.

Performing loan portfolio

An analysis of the credit classification of the gross value of the loans that are not impaired, not past due and past due is as follows:

As at 30 June 2013

Loan type	Not past due	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Corporate loans	1,089,537	16,259	468	49	91	1,106,404
Placements with other banks	795,995	-	-	-	-	796,018
Retail loans	291,011	66,083	1,110	1,925	3,649	363,778
Municipal loans	62,590	103,063	19,001	4,915	-	189,569
SME loans	79,351	12,767	9	-	-	92,127
Total	**2,318,484**	**198,172**	**20,588**	**6,886**	**3,740**	**2,547,873**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.1 Analysis by loan types and risk classes [continued]

As at 31 December 2012

Loan type	Not past due	Up to 90 days	91-180 days	181-365 days	Above 365 days	Total
Corporate loans	1,101,481	37,777	63	73	52	1,139,446
Placements with other banks	663,636	-	-	-	-	663,636
Retail loans	307,628	63,211	1,308	2,082	3,852	378,081
Municipal loans	119,766	56,352	-	-	-	176,118
SME loans	80,433	12,275	22	-	1	92,731
Total	**2,272,944**	**169,615**	**1,393**	**2,155**	**3,905**	**2,450,012**

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio increased from 71.95% to 72.63 % as at 30 June 2013 compared to 31 December 2012. The ratio of municipal loans business line compared to the portfolio decreased as at 30 June 2013, while one of the other lines increased.
The loans that are past due but not impaired are concentrated in the retail business line. During collective valuation method the Bank recognizes provision for impairment on loans over a 30 day delay. Loans past due over 30 days are considerably state guaranteed housing loans which are not impaired due to the guarantee.
The level of corporate loans past due but not impaired is possible because of endorsing collaterals considering during the individual evaluation. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Bank. Among the past due loans, the portfolio 91-180 days of delinquency increased at the greatest level as at 30 June 2013, while the loans more than 365 days of delinquency decreased by 4.23% compared to 31 December 2012.

Loans individually assessed for provision

The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.

As at 30 June 2013

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for losses on off-balance sheet contingent liabilities
Delay of repayment	46,903	26,894	2,155	255	3
Regularity of payment	460	215	31	-	-
Legal proceedings	45,262	37,073	1,550	710	456
Decrease of client classification	138,301	36,458	2,816	6,807	512
Loan characteristics	56,209	4,644	3,023	150	1
Business lines risks	42,109	4,178	1,752	4,095	195
Refinancing of subsidiaries portfolio	123,895	4,336	-	-	-
Cross default	14,626	6,753	35	6,675	249
Other	21,258	3,455	708	3,647	383
Corporate total	**489,023**	**124,006**	**12,070**	**22,339**	**1,799**
Delay of repayment	70	70	-	-	-
Legal proceedings	617	617	-	-	-
Decrease of client classification	5,510	158	-	8	-
Cross default	52	1	-	-	-
Other	19,032	477	-	6,559	122
Municipal total	**25,281**	**1,323**	**-**	**6,567**	**122**
Placements with other banks	**-**		**-**	**-**	**-**
Total	**514,304**	**125,329**	**12,070**	**28,906**	**1,921**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.1 Analysis by loan types and risk classes [continued]

As at 31 December 2012

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for losses on off-balance sheet contingent liabilities
Delay of repayment	66,216	49,105	1,938	-	-
Regularity of payment	530	246	39	-	-
Legal proceedings	6,716	5,540	777	52	47
Decrease of client classification	140,458	38,595	647	6,678	438
Loan characteristics	65,141	4,761	-	10	5
Business lines risks	53,103	8,041	1,975	4,565	191
Refinancing of subsidiaries portfolio	128,921	4,519	-	-	-
Cross default	8,935	6,356	5	746	120
Other	23,851	3,589	1,247	3,982	473
Corporate total	**493,871**	**120,752**	**6,628**	**16,033**	**1,274**
Delay of repayment	70	70	-	-	-
Legal proceedings	639	639	-	-	-
Decrease of client classification	18,288	1,381	-	433	68
Cross default	52	1	-	-	-
Other	31,755	2,907	-	6,287	402
Municipal total	**50,804**	**4,998**	**-**	**6,720**	**470**
Placements with other banks	**-**	**-**	**-**	**-**	**-**
Total	**544,675**	**125,750**	**6,628**	**22,753**	**1,744**

Regarding corporate business line in the individually rated portfolio the ratio of the carrying value of loans classified due to “legal proceedings classification” increased from 1.36%% to 9.26% due to clients under liquidation process who have with significant loan portfolio.

Refinancing of retail loans at the subsidiaries:
The gross value was HUF 123.9 billion as at 30 June 2013, the actual exposure of non-performing, past due loans is HUF 15.6 billion.

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

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.1 Analysis by loan types and risk classes [continued]

Loan portfolio by countries

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

Country	30 June 2013 The non-qualified gross loan portfolio	30 June 2013 The qualified gross loan portfolio	30 June 2013 Allowance	31 December 2012 The non-qualified gross loan portfolio	31 December 2012 The qualified gross loan portfolio	31 December 2012 Allowance
Hungary	1,709,458	378,163	92,264	1,563,126	439,070	97,564
Bulgaria	44,042	10,548	106	49,022	6,943	69
Croatia	26,662	319	192	24,727	314	190
Cyprus	249,773	46,413	2,654	273,710	45,939	1,825
Egypt	-	684	478	-	664	332
France	19,342	-	-	29,460	-	-
Germany	28,804	9	5	48,041	9	5
Luxembourg	25,643	-	-	11,361	-	-
Montenegro	-	54,369	36,316	49	56,743	37,385
Netherlands	171,872	123,895	4,337	195,733	128,921	4,520
Norway	2,599	-	-	1,970	-	-
Romania	35,991	14,276	6,974	38,700	15,202	7,090
Russia	85,735	3,106	2,796	86,288	3,043	2,737
Serbia	14,731	-	-	10,155	-	-
Seychelles	-	4,977	1,493	-	4,912	1,473
Slovakia	9,871	7,396	157	9,925	7,415	159
Switzerland	2,935	-	-	4,636	-	-
Ukraine	22,390	4	1	4,064	3	1
United Kingdom	64,264	3	1	85,570	2	1
United Stated of America	27,597	6	5	8,076	6	4
Other	6,164[1]	28[12]	16	5,399[2]	28[3]	15
Total	**2,547,873**	**644,196**	**147,795**	**2,450,012**	**709,214**	**153,370**

The non-performing loans connected to the OTP Financing Solutions B.V. (The Netherlands) are related to the refinancing of retail loans at the subsidiaries, the actual exposure of non-performing loans is HUF 15.6 billion as at 30 June 2013, from that HUF 4.12 billion is related to non-performing corporate loans and HUF 11.43 billion to retail ones.

[1] Austria, Denmark, Japan, Poland, Sweden
[2] Australia, Austria, Azerbaijan, Belgium, Canada, Czech Republik, Denmark, Estonia, Hongkong, Israel, Japan, Poland, Sweden, Turkey
[3] Australia, Austria, Canada, France, Israel, Libia, Luxembourg, Sweden

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.2 The total off-balance sheet liabilities connected to the lending activity by risk classes

As at 30 June 2013

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total off balance sheet items
Corporate loans	765,735	19,649	1,107	868	721	788,080
Placements with other banks	26,028	-	-	-	-	26,028
Retail loans	248,515	878	143	118	30	249,684
Municipal loans	61,202	6,469	106	-	-	67,777
SME loans	26,698	247	-	1	-	26,946
Total	**1,128,178**	**27,243**	**1,356**	**987**	**751**	**1,158,515**

As at 31 December 2012

Loan type	Performing	To-be-monitored	Below average	Doubtful	Bad	Total off balance sheet items
Corporate loans	757,487	14,315	495	803	425	773,525
Placements with other banks	25,817	-	-	-	-	25,817
Retail loans	247,105	866	86	106	14	248,177
Municipal loans	43,627	6,254	1,452	200	-	51,533
SME loans	26,082	202	-	12	1	26,297
Total	**1,100,118**	**21,637**	**2,033**	**1,121**	**440**	**1,125,349**

The off-balance sheet liabilities connected to the lending activity decreased by 2.95%, while the qualified gross loan portfolio decreased by 10.11% in the six month period ended 30 June 2013.

26.1.3 Collaterals

The collateral value held by the Bank by collateral types is as follows (**total collateral value**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	30 June 2013	31 December 2012
Mortgages	739,541	780,128
Guarantees and warranties	201,779	206,917
Deposit	50,380	54,235
from this: Cash	*45,049*	*46,478*
Securities	*4,366*	*7,022*
Other	*965*	*735*
Assignment	3,385	4,141
Other	69,335	75,279
Total	**1,064,420**	**1,120,700**

The collateral value held by the Bank by collateral types is as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collateral	30 June 2013	31 December 2012
Mortgage	316,261	315,970
Guarantees and warranties	130,764	130,480
Deposit	26,239	29,029
from this: Cash	*23,958*	*24,576*
Securities	*1,749*	*4,090*
Other	*532*	*363*
Assignment	743	1,103
Other	1,533	1,375
Total	**475,540**	**477,957**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.3 Collaterals [continued]

The coverage level of loan portfolio to the extent of the exposures decreased from 26.16% to 24.47% as at 30 June 2013, while coverage to the extent of the receivables decreased from 11.16% to 10.93%.

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

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

Types of collateral (total collateral value)	30 June 2013	31 December 2012
Retail loans	32,027	31,358
Corporate loans	10,713	11,315
SME loans	11,620	18,280
Municipal loans	363	16
Total	**54,723**	**60,969**

Types of collateral (to the extent of the exposures)	30 June 2013	31 December 2012
Retail loans	13,203	13,677
Corporate loans	6,435	8,591
SME loans	7,019	6,218
Municipal loans	310	8
Total	**26,967**	**28,494**

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

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.4 Financial instruments by rating categories[1]

Held-for-trading securities as at 30 June 2013

	A1		A3		Aa3		Ba1		Ba3		Not rated		Total
Corporate shares	12	100.0%	31	100.0%	9	100.0%	-	0.0%	-	0.55%	89,396[2]	99.74%	86,448
Securities issued by the NBH	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-
Government bonds	-	0.0%	-	0.0%	-	0.0%	4,387	46.37%	-	0.0%	-	0.0%	4,387
Mortgage bonds	-	0.0%	-	0.0%	-	0.0%	-	0.0%	154	91.12%	199	0.23%	353
Hungarian government discounted Treasury Bills	-	0.0%	-	0.0%	-	0.0%	873	9.23%	-	0.0%	-	0.0%	873
Hungarian government interest bearing Treasury Bills	-	0.0%	-	0.0%	-	0.0%	4,152	43.89%	-	0.0%	-	0.0%	4,152
Other securities	-	0.0%	-	0.0%	-	0.0%	48	0.51%	15	8.88%	29	0.03%	92
Total	**12**	**100.0%**	**31**	**100.0%**	**9**	**100.0%**	**9,460**	**100.0%**	**169**	**100.0%**	**86,624**	**100.0%**	**96,305**
Accrued interest													212
Total													**96,517**

Available-for-sale securities as at 30 June 2013

	Ba1		Baa3		Not rated		Total
Mortgage bonds	-	0.0%	421,648	100.0%	431,499[3]	100.0%	853,147
Government bonds	90,642	10.38%	-	0.0%	-	0.0%	90,642
Bonds issued by NBH	709,890	81.28%	-	0.0%	-	0.0%	709,890
Hungarian government discounted Treasury Bills	-	0.0%	-	0.0%	-	0.0%	-
Other securities	72,882	8.34%	-	0.0%	-	0.0%	72,882
Total	**873,414**	**100.0%**	**421,648**	**100.0%**	**431,499**	**100.0%**	**1,726,561**
Accrued interest							27,739
Total							**1,754,300**

[1] Moody's ratings
[2] Corporate shares listed on Budapest Stock Exchange
[3] From this HUF 416,490 million represents mortgage bonds issued by OTP Mortgage Bank Ltd. denominated in HUF

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.1. Credit risk [continued]

26.1.4 Financial instruments by rating categories [continued]

Held-to-maturity securities as at 30 June 2013

	Ba1		Not rated		Total
Government bonds	501,098	99.93%	-	0.0%	501,098
Mortgage bonds	-	0.0%	4,776	100.0%	4,776
Hungarian government discounted Treasury bills	353	0.07%	-	0.0%	353
Total	**501,451**	**100.0%**	**4,776**	**100.0%**	**506,227**
Accrued interest					12,245
Total					**518,472**

Credit assessments and the debt and deposit ratings of the Bank are as follows as at 30 June 2013:

Moody's ratings:
- the D standalone BFSR
- the Ba1 local currency long-term deposit ratings
- the Ba2 foreign currency long-term deposit ratings
- the Ba1 senior unsecured foreign currency long-term debt rating
- the Ba3 foreign currency long-term subordinated debt (Lower Tier2) rating
- the B1 foreign currency junior subordinated debt (Upper Tier2) rating

Standard & Poor's ratings:
- the long term local currency counterparty credit rating BB*
- the long term foreign currency counterparty credit rating BB*
- the short term local currency counterparty credit rating B
- the short term foreign currency counterparty credit rating B

An analysis of securities in a country breakdown is as follows:

Country	30 June 2013	31 December 2012
Hungary	2,297,361	2,342,970
Slovakia	15,009	14,869
Russia	7,402	7,715
Austria	6,305	6,223
Germany	115	107
Other	2,901	2,080
Total	**2,329,093**	**2,373,964**

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a 'Value-at-Risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk is detailed in Note 32.)

26.2.1 Market risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.
VaR methodologies are applied to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

The VaR of the trading portfolio can be summarized as follows (in HUF mn):

Historical VaR (99%, one-day) by risk type	**Average**	
	30 June 2013	**30 June 2012**
Foreign exchange	422	406
Interest rate	483	351
Equity instruments	22	9
Diversification	(267)	(203)
Total VaR exposure	**660**	**563**

While VaR captures the Bank's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Bank to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 26.2.2 below and, for interest rate risk, in Note 26.2.3 below.

26.2.2. Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to an increase and decrease in the HUF exchange rate against EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations was short, amounted to EUR 310 million as of 30 June 2013. High portion of strategic positions is considered as effective hedge of the net investment in foreign subsidiaries, and so FX risk affects the Bank's other comprehensive income and not its income. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk [continued]

26.2.2. Foreign currency sensitivity analysis [continued]

Probability	Effects to the P&L in 3 months period 30 June 2013 In HUF billion	30 June 2012 In HUF billion
1%	(13.2)	(12.7)
5%	(9)	(8.8)
25%	(3.7)	(3.6)
50%	(0.4)	(0.3)
25%	2.9	2.9
5%	7.3	7.2
1%	10.3	10.2

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) The HUF/EUR volatility increased slightly in the six month period ended 30 June 2013, so the probability of losses increased and the probability of further gains decreased.
(3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2012.

26.2.3. Interest rate sensitivity analysis

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

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

The simulation was prepared by assuming two scenarios:

1. 0.50% - 0.75% decrease in average HUF yields (probable scenario)
2. 1% - 1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period beginning with 1 July 2013 would be decreased by HUF 3,827 million (probable scenario) and HUF 7,767 million (alternative scenario) as a result of these simulations. This effect is counterbalanced by capital gains (HUF 1,185 million for probable scenario, HUF 1,636 million for alternative scenario) on the government bond portfolio held for hedging.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk [continued]

26.2.3. Interest rate sensitivity analysis [continued]

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

Description	30 June 2013 Effects to the net interest income (one-year period)	30 June 2013 Effects to equity (Price change of AFS government bonds)	31 December 2012 Effects to the net interest income (one-year period)	31 December 2012 Effects to equity (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(596)	248	(455)	592
EUR (0.1%) parallel shift	(175)	-	(356)	-
USD 0.1% parallel shift	(20)	-	(12)	-
Total	**(791)**	**248**	**(823)**	**592**

26.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Bank uses VaR calculation with 1 day holding period and 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.

The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. This scenario shows the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	30 June 2013	30 June 2012
VaR (99%, one day, million HUF)	22	9
Stress test (million HUF)	(77)	(23)

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]

26.2. Market risk [continued]

26.2.5. Capital management

Capital management

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

Capital adequacy

The capital adequacy of the Bank is supervised based on the financial statements data prepared in accordance with HAS applying the directives, rulings and indicators defined by the Basel Committee, that has been adopted in Hungary in 2008.
The Bank has entirely complied with the regulatory capital requirements in six month period ended 30 June 2013 as well as in 2012. The capital adequacy calculations of the Bank for the six month period ended 30 June 2013 are prepared based on the data of the audited financial statements prepared in accordance with HAS. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA) is applied since 31 December 2012.
The calculation of the Capital Adequacy ratio as at 30 June 2013 and 31 December 2012 is as follows:

	30 June 2013	**31 December 2012**
Core capital	1,008,756	938,969
Supplementary capital	274,109	276,700
Deductions	(461,422)	(466,563)
Deductions due to PIBB[1] investments	*(418,947)*	*(425,016)*
Deductions due to limit breaches	*(42,475)*	*(41,547)*
Regulatory capital	**821,443**	**749,106**
Credit risk capital requirement	233,493	228,434
Market risk capital requirement	35,298	37,483
Operational risk capital requirement	23,869	27,134
Total requirement regulatory capital	**292,660**	**293,051**
Surplus capital	**528,783**	**456,055**
Tier 1 ratio	21.3%	19.3%
Capital adequacy ratio	**22.5%**	**20.5%**

The positive components of the Core capital are: Issued capital, Capital reserve, Tied-up reserve, General reserve, Profit reserve, Profit for the year, General risk reserve.
The negative components of the Core capital are: Treasury shares, Intangible assets.
The positive components of the Supplementary capital are: Subsidiary loan capital, Subordinated loan capital.
Deductions: PIBB investments, limit breaches

[1] PIBB: Financial Institutions, Investing Entreprises, Insurance Companies

NOTE 27: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the statement of financial position and are referred to as off-balance sheet financial instruments. The following represents notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities and commitments

	30 June 2013	31 December 2012
Commitments to extend credit	721,870	711,078
Guarantees arising from banking activities	435,390	414,146
from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank	*125,897*	*93,254*
Legal disputes (disputed value)	49,865	49,044
Confirmed letters of credit	183	443
Other	4,601	3,541
Total	**1,211,909**	**1,178,252**

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.
Provision due to legal disputes were HUF 520 million and HUF 469 million as at 30 June 2013 and 31 December 2012 respectively. (See Note 17.)

Commitments to extend credit, guarantees and letter of credit

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

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

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

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

NOTE 27: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Guarantees, payment undertakings arising from banking activities

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

Under a syndication agreement with its wholly owned subsidiary, OTP Mortgage Bank Ltd., the Bank had guaranteed, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. The repurchase guarantee contract of non-performing loans between OTP Mortgage Bank Ltd. and OTP Bank Plc. was modified in 2010. According to the new arrangement the repurchase guarantee was cancelled and OTP Bank Plc. gives bail to the loans originated or purchased by the Bank.

Derivatives

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

Interst rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.

Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank's interest rate swap contracts can be hedging or held for trading contracts.

NOTE 27: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Derivatives [continued]

Cross-currency interest rate swaps

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

Forward rate agreements (FRA)

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

The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counter-parties. The Bank's forward rate agreements were transacted for management of interest rate exposures.

Foreign exchange options

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

NOTE 28: SHARE-BASED PAYMENT

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

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

NOTE 28: SHARE-BASED PAYMENT [continued]

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

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

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

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

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

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

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

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

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

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

NOTE 29: RELATED PARTY TRANSACTIONS

The Bank provides loans to subsidiaries, and collects deposits.

Transactions with related parties, other than increases in share capital, are summarized below:

a) *Loans provided to subsidiaries*

	30 June 2013	31 December 2012
OTP Mortgage Bank Ltd.	303,875	228,216
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	249,305	273,241
Merkantil Bank Ltd.	186,978	164,745
OTP Financing Netherlands B.V. (The Netherlands)	164,529	188,525
OTP Factoring Ltd.	160,666	146,463
OTP Financing Solutions B.V. (The Netherlands)	130,776	136,127
OAO OTP Bank (Russia)	59,397	59,087
OTP Real Estate Leasing Ltd.	30,047	33,376
OTP Leasing d.d. (Croatia)	20,225	21,272
Merkantil Lease Ltd.	17,207	19,299
DSK Leasing AD (Bulgaria)	14,758	15,147
Merkantil Car Ltd.	8,824	9,078
OTP banka Srbija a.d. (Serbia)	5,313	121
OTP banka Hrvatska Group (Croatia)	3,483	3,436
OTP Real Estate Ltd.	3,182	4,007
Szalamandra Real Estate Trading Ltd.	2,886	2,909
OTP Ingatlanpont Ltd. (previously OTP Factoring Trustee Ltd.)	1,529	2,049
Project 3. Commercial Real Estate Ltd.	1,514	1,714
Project 2003. Ltd.	1,170	1,180
Sasad-Beregszász Ltd.	953	1,045
Other	104	-
Total	**1,366,721**	**1,311,037**

b) *Deposits from subsidiaries*

	30 June 2013	31 December 2012
OAO OTP Bank (Russia)	128,688	77,248
DSK Bank EAD (Bulgaria)	127,841	93,300
OTP Mortgage Bank Ltd.	72,518	75,062
Crnogorska komercijalna banka a.d (Montenegro)	55,703	62,817
OTP Funds Servicing and Consulting Ltd.	33,538	24,901
OTP Building Society Ltd.	21,378	19,318
OTP Bank Romania S.A. (Romania)	12,674	15,901
Merkantil Bank Ltd.	9,477	12,030
Balansz Real Estate Fund	6,119	-
OTP banka Hrvatska d.d. (Croatia)	5,765	6,391
OTP Banka Slovensko a.s. (Slovakia)	4,962	8,796
OTP Factoring Ltd.	4,436	966
OTP Real Estate Leasing Ltd.	2,371	3,120
Merkantil Lease Ltd.	2,144	2,069
OTP Financing Netherlands B. V. (The Netherlands)	1,640	989
OTP Real Estate Ltd.	1,111	832
Air-Invest Ltd.	647	-
OTP banka Srbija a.d. (Serbia)	450	9,173
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	263	1,521
OTP Bank JSC (Ukraine)	50	37
Sasad-Beregszász Ltd.	48	51
Other	397	-
Total	**492,220**	**414,522**

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

c) Interests received by the Bank[1]

	30 June 2013	30 June 2012
OTP Mortgage Bank Ltd.	5,314	42,831
OTP Holding Ltd. (Cyprus)	4,854	5,340
OTP Financing Netherlands B.V. (The Netherlands)	3,788	4,887
OTP Financing Solutions B.V. (The Netherlands)	2,880	3,559
OTP Factoring Ltd.	2,586	3,551
Merkantil Bank Ltd.	2,530	2,836
OAO OTP Bank (Russia)	1,212	2,088
Merkantil Lease Ltd.	627	758
OTP Leasing d.d. (Croatia)	338	328
DSK Leasing AD (Bulgaria)	307	270
OTP Real Estate Leasing Ltd.	250	298
Merkantil Car Ltd.	181	229
Other	394	648
Total	**25,261**	**67,623**

d) Interests paid by the Bank[1]

	30 June 2013	30 June 2012
Crnogorska komercijalna banka a.d (Montenegro)	1,562	1,789
OAO OTP Bank (Russia)	1,310	2,046
DSK Bank EAD (Bulgaria)	1,273	1,962
Merkantil Lease Ltd.	883	1,027
OTP Funds Servicing and Consulting Ltd.	802	490
OTP Bank Romania S.A. (Romania)	438	166
OTP Mortgage Bank Ltd.	414	1,600
Balansz Real Estate Fund	103	-
Merkantil Bank Ltd.	97	248
OTP Banka Slovensko a.s. (Slovakia)	88	262
OTP Real Estate Leasing Ltd.	74	137
OTP banka Srbija a.d. (Serbia)	69	109
Other	70	209
Total	**7,183**	**10,045**

e) Commissions received by the Bank

	30 June 2013	30 June 2012
From OTP Fund Management Ltd. in relation to trading activity	3,809	2,933
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	1,095	1,093
From OTP Fund Management Ltd. in relation to custody activity	230	184
From OTP Bank JSC (Ukraine) in relation to lending activity	198	197
Total	**5,385**	**4,407**

f) Commissions paid by the Bank

	30 June 2013	30 June 2012
OTP Bank Romania S.A. (Romania) related to loan portfolio handling	142	204
Crnogorska komercijalna banka a.d. (Montenegro) related to loan portfolio handling	86	96
Total	**228**	**300**

[1] Derivatives and interest on securities are not included.

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

g) Transactions related to OTP Mortgage Bank Ltd.:

	30 June 2013	30 June 2012
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	2,605	1,725
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	860	1,393
The gross book value of the loans sold	859	1,392

h) Transactions related to OTP Factoring Ltd.:

	30 June 2013	30 June 2012
The gross book value of the loans	21,055	35,983
Provision for loan losses on the loans sold	9,806	18,854
Loans sold to OTP Factoring Ltd. without recourse (including interest)	7,307	12,278
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	3,942	4,851

The underlying mortgage rights were also transferred to OTP Factoring Ltd.

i) Transactions related to Crnogorska komercijalna banka a.d (Montenegro)

	30 June 2013	30 June 2012
The gross book value of the loans sold to Crnogorska komercijalna banka a.d.	-	1,980
The gross book value of the loans bought from Crnogorska komercijalna banka a.d.	-	1,430

j) Transactions related OTP Banka Slovensko a.s. (Slovakia)

	30 June 2013	30 June 2012
Securities issued by OTP Banka Slovensko a.s. (Slovakia) ("OBS") held by OTP Bank (nominal value in HUF million)	14,758	14,411

k) Related party transactions with key management

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

Compensations	**30 June 2013**	**31 December 2012**
Short-term employee benefits	3,020	3,232
Share-based payment	2,308	2,711
Long-term employee benefits	348	766
Total	**5,676**	**6,709**

	30 June 2013	31 December 2012
Loans provided to companies owned by the management (in the normal course of business)	35,131	35,792
Commitments to extend credit and bank guarantees	965	518
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at market conditions)	116	112

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned credit line "A" in the amount of HUF 133 and 131.8 million as at 30 June 2013 and 31 December 2012.

NOTE 29: RELATED PARTY TRANSACTIONS [continued]

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

	30 June 2013	31 December 2012
Members of Board of Directors and their close family members	18	15
Members of Supervisory Board	4	4

One member of the Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million as at 30 June 2013 and 31 December 2012, respectively.

Chief executive owned AMEX Gold loading card loan in the amount of HUF 1 million as at 30 June 2013 and 31 December 2012.

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

NOTE 30: TRUST ACTIVITIES

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

	30 June 2013	31 December 2012
Loans managed by the Bank as a trustee	42,237	43,191

NOTE 31: CONCENTRATION OF ASSETS AND LIABILITIES

	30 June 2013	31 December 2012
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	24%	21%
Securities issued by the OTP Mortgage Bank Ltd.	12.9%	14.43%

There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2013 or as at 31 December 2012.
OTP Bank continuously provides the HFSA with reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards OTP Bank.
Further to this obligatory reporting to the HFSA, OTP Bank pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.
The organisational unit of OTP Bank in charge of partner-risk management analyses the biggest partners on a constant basis and sets limits on OTP Bank's and the Group's exposure separately partner-by-partner. If necessary, it modifies partner-limits in due course thereby reducing the room for manoeuvring of the Treasury and other business areas.

NOTE 32: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

NOTE 32: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at 30 June 2013	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	158,625	-	-	-	-	158,625
Placements with other banks, net of allowance for placement losses	457,491	212,194	127,923	-	-	797,608
Financial assets at fair value through profit or loss	35,527	49,293	52,868	11,730	86,476	235,894
Securities available-for-sale	737,629	235,900	534,005	206,909	39,857	1,754,300
Loans, net of allowance for loan losses	192,832	609,879	928,543	531,268	-	2,262,522
Investments in subsidiaries	-	-	-	-	659,651	659,651
Securities held-to-maturity	182,971	22,641	-	312,860	-	518,472
Property and equipment	-	-	-	-	77,461	77,461
Intangible assets	-	-	-	-	31,780	31,780
Other assets	26,272	9,172	3,543	840	-	39,827
TOTAL ASSETS	**1,791,347**	**1,139,079**	**1,646,882**	**1,063,607**	**895,225**	**6,536,140**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	641,101	54,378	92,380	55,913	-	843,772
Deposits from customers	3,247,905	234,251	15,637	10,750	-	3,508,543
Liabilities from issued securities	45,289	88,078	53,532	46,585	-	233,484
Financial liabilities at fair value through profit or loss	21,325	51,490	115,866	9,772	-	198,453
Other liabilities	243,949	303	6,727	3,492	-	254,471
Subordinated bonds and loans	11,327	5,000	176,513	-	124,563	317,403
TOTAL LIABILITIES	**4,210,896**	**433,500**	**460,655**	**126,512**	**124,563**	**5,356,126**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,159,390	1,159,390
Treasury shares	-	-	-	-	(7,376)	(7,376)
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,180,014**	**1,180,014**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,210,896**	**433,500**	**460,655**	**126,512**	**1,304,577**	**6,536,140**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,419,549)**	**705,579**	**1,186,227**	**937,095**	**(409,352)**	**-**

NOTE 32: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at 31 December 2012	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	245,548	-	-	-	-	245,548
Placements with other banks, net of allowance for placement losses	344,944	191,460	129,013	-	-	665,417
Financial assets at fair value through profit or loss	22,054	58,594	51,179	20,748	90,440	243,015
Securities available-for-sale	789,405	306,471	592,123	228,018	37,854	1,953,871
Loans, net of allowance for loan losses	217,700	701,625	877,651	559,315	-	2,356,291
Investments in subsidiaries	-	-	-	-	661,352	661,352
Securities held-to-maturity	21,267	52,366	139,946	158,413	-	371,992
Property and equipment	-	-	-	-	78,052	78,052
Intangible assets	-	-	-	-	31,597	31,597
Other assets	11,474	17,344	2,653	1,215	-	32,686
TOTAL ASSETS	**1,652,392**	**1,327,860**	**1,792,565**	**967,709**	**899,295**	**6,639,821**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	447,227	183,975	92,048	103,718	-	826,968
Deposits from customers	3,274,757	198,063	18,307	9,663	-	3,500,790
Liabilities from issued securities	96,700	144,488	67,863	26,912	-	335,963
Financial liabilities at fair value through profit or loss	65,025	38,599	136,793	18,794	-	259,211
Other liabilities	216,018	400	13,709	2,430	-	232,557
Subordinated bonds and loans	3,413	5,000	173,810	-	121,527	303,750
TOTAL LIABILITIES	**4,103,140**	**570,525**	**502,530**	**161,517**	**121,527**	**5,459,239**
Share capital	-	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	-	1,157,516	1,157,516
Treasury shares	-	-	-	-	(4,934)	(4,934)
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**-**	**1,180,582**	**1,180,582**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,103,140**	**570,525**	**502,530**	**161,517**	**1,302,109**	**6,639,821**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,450,748)**	**757,335**	**1,290,035**	**806,192**	**(402,814)**	**-**

NOTE 33: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 30 June 2013

	USD	EUR	CHF	Others	Total
Assets[1]	379,936	1,364,261	600,497	142,496	2,487,190
Liabilities	(369,738)	(1,155,838)	(163,708)	(27,267)	(1,716,551)
Off-balance sheet assets and liabilities, net	34,508	(364,593)	(436,261)	(114,247)	(880,593)
Net position	**44,706**	**(156,170)**	**528**	**982**	**(109,954)**

As at 31 December 2012

	USD	EUR	CHF	Others	Total
Assets[1]	365,750	1,315,222	653,627	148,044	2,482,643
Liabilities	(256,441)	(1,253,275)	(129,033)	(28,804)	(1,667,553)
Off-balance sheet assets and liabilities, net	(39,502)	(198,174)	(533,891)	(106,181)	(877,748)
Net position	**69,807**	**(136,227)**	**(9,297)**	**13,059**	**(62,658)**

The table above provides an analysis of the Bank's main foreign currency exposures. The remaining foreign currencies are shown within 'Others'. Whilst the Bank monitors its foreign exchange position for compliance with the regulatory requirements of the NBH and own limit system established in respect of limits on open positions. The measurement of the Bank's open foreign currency position involves monitoring the 'Value-at-Risk' limit on the foreign exchange exposure of the Bank.

NOTE 34: INTEREST RATE RISK MANAGEMENT

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

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

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

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

[1] The assets category contains foreign currency investments in subsidiaries that are measured at cost, and are deducted from the net position calculation.

NOTE 34: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2013	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		
ASSETS	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**Total**
Cash, amounts due from banks and balances with the National Bank of Hungary	**74,693**	**18,274**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**59,674**	**5,984**	**134,367**	**24,258**	**158,625**
fixed interest	74,693	18,274	-	-	-	-	-	-	-	-	-	-	74,693	18,274	**92,967**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	59,674	5,984	59,674	5,984	**65,658**
Placements with other banks	**273,405**	**221,789**	**5,000**	**244,323**	**3,520**	**-**	**35,000**	**7,866**	**-**	**5,092**	**613**	**1,000**	**317,538**	**480,070**	**797,608**
fixed interest	107,680	114,799	-	18,935	3,520	-	35,000	7,866	-	5,092	-	-	146,200	146,692	**292,892**
variable interest	165,725	106,990	5,000	225,388	-	-	-	-	-	-	-	-	170,725	332,378	**503,103**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	613	1,000	613	1,000	**1,613**
Securities held for trading	**1,485**	**-**	**1,337**	**-**	**5,080**	**126**	**125**	**99**	**1,113**	**464**	**86,535**	**153**	**95,675**	**842**	**96,517**
fixed interest	1,485	-	1,337	-	2,465	40	125	99	1,113	464	-	-	6,525	603	**7,128**
variable interest	-	-	-	-	2,615	86	-	-	-	-	-	-	2,615	86	**2,701**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	86,535	153	86,535	153	**86,688**
Securities available-for-sale	**709,890**	**-**	**-**	**436,148**	**6,880**	**8,073**	**79,980**	**28,317**	**369,736**	**47,680**	**56,486**	**11,110**	**1,222,972**	**531,328**	**1,754,300**
fixed interest	709,890	-	-	-	6,880	8,073	79,980	28,317	369,736	47,680	-	-	1,166,486	84,070	**1,250,556**
variable interest	-	-	-	436,148	-	-	-	-	-	-	-	-	-	436,148	**436,148**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	56,486	11,110	56,486	11,110	**67,596**
Loans, net of allowance for loan losses	**655,134**	**676,485**	**139,212**	**588,219**	**10,968**	**140,860**	**3,498**	**2,621**	**12,509**	**33,016**	**-**	**-**	**821,321**	**1,441,201**	**2,262,522**
fixed interest	338	3	216	543	3,725	73,926	3,498	2,621	12,509	30,003	-	-	20,286	107,096	**127,382**
variable interest	654,796	676,482	138,996	587,676	7,243	66,934	-	-	-	3,013	-	-	801,035	1,334,105	**2,135,140**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held-to-maturity	**-**	**-**	**12,517**	**-**	**54,593**	**-**	**58,177**	**-**	**380,940**	**-**	**12,245**	**-**	**518,472**	**-**	**518,472**
fixed interest	-	-	-	-	44,469	-	58,177	-	380,940	-	-	-	483,586	-	**483,586**
variable interest	-	-	12,517	-	10,124	-	-	-	-	-	-	-	22,641	-	**22,641**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	12,245	-	12,245	-	**12,245**
Derivative financial instruments	**682,793**	**1,258,113**	**656,121**	**1,510,700**	**17,007**	**163,345**	**16,188**	**16,285**	**18,999**	**33,454**	**6**	**140**	**1,391,114**	**2,982,037**	**4,373,151**
fixed interest	274,543	566,899	8,693	227,621	16,655	160,656	16,188	16,285	18,999	33,454	-	-	335,078	1,004,915	**1,339,993**
variable interest	408,250	691,214	647,428	1,283,079	352	2,689	-	-	-	-	-	-	1,056,030	1,976,982	**3,033,012**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	6	140	6	140	**146**

NOTE 34: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2013	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
LIABILITIES	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**Total**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	**193,001**	**482,924**	**6,687**	**67,831**	**926**	**2,554**	**21**	**1,948**	**4,034**	**81,276**	**637**	**1,933**	**205,306**	**638,466**	**843,772**
fixed interest	106,873	410,417	3,668	687	926	2,554	21	1,948	4,034	81,276	-	-	115,522	496,882	**612,404**
variable interest	86,128	72,507	3,019	67,144	-	-	-	-	-	-	-	-	89,147	139,651	**228,798**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	637	1,933	637	1,933	**2,570**
Deposits from customers	**1,582,525**	**255,870**	**437,669**	**226,098**	**137,848**	**60,277**	**2,673**	**-**	**674,788**	**119,733**	**9,545**	**1,517**	**2,845,048**	**663,495**	**3,508,543**
fixed interest	1,187,488	249,320	430,201	226,098	137,848	60,277	2,673	-	5,554	-	-	-	1,763,764	535,695	**2,299,459**
variable interest	395,037	6,550	7,468	-	-	-	-	-	669,234	119,733	-	-	1,071,739	126,283	**1,198,022**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,545	1,517	9,545	1,517	**11,062**
Liabilities from issued securities	**15,962**	**3,956**	**17,304**	**17,462**	**44,966**	**25,028**	**12,912**	**2,200**	**87,378**	**1,928**	**3,549**	**839**	**182,071**	**51,413**	**233,484**
fixed interest	15,727	3,956	16,021	17,462	44,966	25,028	12,912	2,200	87,378	1,928	-	-	177,004	50,574	**227,578**
variable interest	235	-	1,283	-	-	-	-	-	-	-	-	-	1,518	-	**1,518**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	3,549	839	3,549	839	**4,388**
Derivative financial instruments	**154,924**	**1,766,939**	**93,676**	**2,042,564**	**36,071**	**144,293**	**118,381**	**25,241**	**15,340**	**34,537**	**16**	**106**	**418,408**	**4,013,680**	**4,432,088**
fixed interest	154,633	686,505	90,791	145,142	35,507	142,722	118,381	25,241	15,340	34,537	-	-	414,652	1,034,147	**1,448,799**
variable interest	291	1,080,434	2,885	1,897,422	564	1,571	-	-	-	-	-	-	3,740	2,979,427	**2,983,167**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	16	106	16	106	**122**
Subordinated bonds and loans	**-**	**-**	**5,000**	**24,322**	**-**	**-**	**-**	**-**	**-**	**276,754**	**-**	**11,327**	**5,000**	**312,403**	**317,403**
fixed interest	-	-	-	-	-	-	-	-	-	276,754	-	-	-	276,754	**276,754**
variable interest	-	-	5,000	24,322	-	-	-	-	-	-	-	-	5,000	24,322	**29,322**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	11,327	-	11,327	**11,327**
NET POSITION	**450,988**	**(335,028)**	**253,851**	**401,113**	**(121,763)**	**80,252**	**58,981**	**25,799**	**1,757**	**(394,522)**	**201,812**	**2,665**	**845,626**	**(219,721)**	**625,905**

NOTE 34: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2012	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
ASSETS	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	Total
Cash, amounts due from banks and balances with the National Bank of Hungary	**128,210**	**45,131**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**59,163**	**13,044**	**187,373**	**58,175**	**245,548**
fixed interest	128,210	45,131	-	-	-	-	-	-	-	-	-	-	128,210	45,131	**173,341**
variable interest	-	-	-	-	-	-	-	-	-	-	59,163	13,044	59,163	13,044	**72,207**
Placements with other banks	**180,452**	**296,100**	**-**	**161,515**	**-**	**12,384**	**-**	**10,315**	**-**	**2,870**	**559**	**1,222**	**181,011**	**484,406**	**665,417**
fixed interest	77,494	178,436	-	4,028	-	12,384	-	10,315	-	2,870	-	-	77,494	208,033	**285,527**
variable interest	102,958	117,664	-	157,487	-	-	-	-	-	-	-	-	102,958	275,151	**378,109**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	559	1,222	559	1,222	**1,781**
Securities held for trading	**1,635**	**-**	**1,731**	**10**	**2,839**	**52**	**536**	**43**	**452**	**34**	**90,493**	**110**	**97,686**	**249**	**97,935**
fixed interest	1,635	-	1,731	10	2,838	51	536	43	452	34	-	-	7,192	138	**7,330**
variable interest	-	-	-	-	1	1	-	-	-	-	-	-	1	1	**2**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	90,493	110	90,493	110	**90,603**
Securities available-for-sale	**742,989**	**-**	**8,016**	**427,295**	**88,674**	**-**	**-**	**9,690**	**568,407**	**32,547**	**67,239**	**9,014**	**1,475,325**	**478,546**	**1,953,871**
fixed interest	742,989	-	8,016	-	88,674	-	-	9,690	568,407	32,547	-	-	1,408,086	42,237	**1,450,323**
variable interest	-	-	-	427,295	-	-	-	-	-	-	-	-	-	427,295	**427,295**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	67,239	9,014	67,239	9,014	**76,253**
Loans, net of allowance for loan losses	**728,123**	**568,419**	**162,453**	**680,831**	**8,043**	**77,166**	**1,875**	**92,096**	**11,480**	**11,734**	**5,651**	**8,420**	**917,625**	**1,438,666**	**2,356,291**
fixed interest	9,534	327	47	1,720	1,432	2,723	1,875	92,096	11,480	11,734	-	-	24,368	108,600	**132,968**
variable interest	718,589	568,092	162,406	679,111	6,611	74,443	-	-	-	-	-	-	887,606	1,321,646	**2,209,252**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	5,651	8,420	5,651	8,420	**14,071**
Securities held-to-maturity	**13,350**	**-**	**9,161**	**-**	**54,888**	**-**	**-**	**-**	**283,322**	**-**	**11,271**	**-**	**371,992**	**-**	**371,992**
fixed interest	-	-	1,950	-	44,764	-	-	-	283,322	-	-	-	330,036	-	**330,036**
variable interest	13,350	-	7,211	-	10,124	-	-	-	-	-	-	-	30,685	-	**30,685**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	11,271	-	11,271	-	**11,271**
Derivative financial instruments	**919,552**	**1,065,690**	**768,810**	**1,417,272**	**31,161**	**159,798**	**27,230**	**8,192**	**29,813**	**33,488**	**80**	**1,677**	**1,776,646**	**2,686,117**	**4,462,763**
fixed interest	390,418	357,346	72,075	175,699	31,133	151,736	27,230	8,192	29,813	33,488	-	-	550,669	726,461	**1,277,130**
variable interest	529,134	708,344	696,735	1,241,573	28	8,062	-	-	-	-	-	-	1,225,897	1,957,979	**3,183,876**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	80	1,677	80	1,677	**1,757**

NOTE 34: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2012	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest -bearing		Total		
LIABILITIES	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**Total**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	**80,255**	**329,693**	**10,604**	**187,321**	**118,626**	**19,331**	**23**	**211**	**397**	**77,825**	**727**	**1,955**	**210,632**	**616,336**	**826,968**
fixed interest	79,619	281,656	2,730	48	542	18,642	23	211	397	77,825	-	-	83,311	378,382	**461,693**
variable interest	636	48,037	7,874	187,273	118,084	689	-	-	-	-	-	-	126,594	235,999	**362,593**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	727	1,955	727	1,955	**2,682**
Deposits from customers	**1,458,124**	**239,026**	**626,381**	**241,869**	**123,769**	**52,031**	**4,968**	**84**	**624,625**	**119,413**	**9,697**	**803**	**2,847,564**	**653,226**	**3,500,790**
fixed interest	1,062,703	231,825	609,344	241,869	123,769	52,031	4,968	84	5,351	-	-	-	1,806,135	525,809	**2,331,944**
variable interest	395,421	7,201	17,037	-	-	-	-	-	619,274	119,413	-	-	1,031,732	126,614	**1,158,346**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,697	803	9,697	803	**10,500**
Liabilities from issued securities	**30,406**	**3,924**	**51,849**	**4,107**	**71,226**	**30,928**	**17,466**	**1,775**	**112,768**	**1,930**	**9,120**	**464**	**292,835**	**43,128**	**335,963**
fixed interest	30,169	3,924	50,595	4,107	71,226	30,928	17,466	1,775	112,768	1,930	-	-	282,224	42,664	**324,888**
variable interest	237	-	1,254	-	-	-	-	-	-	-	-	-	1,491	-	**1,491**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,120	464	9,120	464	**9,584**
Derivative financial instruments	**103,114**	**1,925,289**	**43,868**	**2,107,516**	**33,570**	**152,279**	**14,961**	**18,691**	**140,113**	**34,688**	**1,679**	**1,408**	**337,305**	**4,239,871**	**4,577,176**
fixed interest	102,630	640,256	42,109	202,255	33,565	144,158	14,961	18,470	140,113	34,688	-	-	333,378	1,039,827	**1,373,205**
variable interest	484	1,285,033	1,759	1,905,261	5	8,121	-	221	-	-	-	-	2,248	3,198,636	**3,200,884**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,679	1,408	1,679	1,408	**3,087**
Subordinated bonds and loans	**-**	**-**	**5,000**	**26,001**	**-**	**-**	**-**	**-**	**-**	**269,336**	**-**	**3,413**	**5,000**	**298,750**	**303,750**
fixed interest	-	-	-	-	-	-	-	-	-	269,336	-	-	-	269,336	**269,336**
variable interest	-	-	5,000	26,001	-	-	-	-	-	-	-	-	5,000	26,001	**31,001**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	3,413	-	3,413	**3,413**
NET POSITION	**1,042,412**	**(522,592)**	**212,469**	**120,109**	**(161,586)**	**(5,169)**	**(7,777)**	**99,575**	**15,571**	**(422,519)**	**213,233**	**25,444**	**1,314,322**	**(705,152)**	**609,170**

NOTE 35: EARNINGS PER SHARE

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

	30 June 2013	31 December 2012
Net profit for the period attributable to ordinary shareholders (in HUF mn)	41,057	38,402
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	278,043,470	277,560,437
Basic Earnings per share (in HUF)	**148**	**138**
Separate net profit for the period attributable to ordinary shareholders (in HUF mn)	41,057	38,402
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	278,335,361	277,629,003
Diluted Earnings per share (in HUF)	**148**	**138**

	30 June 2013	31 December 2012
	number of share	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(1,956,540)	(2,439,573)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**278,043,470**	**277,560,437**
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares[1]	291,891	68,566
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**278,335,361**	**277,629,003**

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

[1] In 2012 dilutive effect is in connection with the Remuneration Policy.

NOTE 36: NET GAIN OR LOSS REALISED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 30 June 2013	Net interest income and expense	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	2,125	-	-	-
Placements with other banks, net of allowance for placement losses	10,538	-	(23)	-
Securities held for trading	506	161	-	-
Securities available-for-sale	56,262	8,515	-	29,897
Loans, net of allowance for loan losses	94,054	3,714	5,597	-
from this: Corporate loans	*42,812*			
Consumer loans	*42,137*			
Housing loans	*1,182*			
Municipality loans	*5,212*			
Mortgage backed loans	*2,711*			
Securities held-to-maturity	13,617	(49)	-	-
Derivative financial instruments	(6,802)	(582)	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(9,909)	-	-	-
Deposits from customers	(51,694)	43,894	-	-
Liabilities from issued securities	(8,731)	-	-	-
Subordinated bonds and loans	(8,419)	-	-	-
Total	**91,547**	**55,653**	**5,574**	**29,897**

As at 30 June 2012	Net interest income and expense	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	3,589	-	-	-
Placements with other banks, net of allowance for placement losses	13,884	-	138	-
Securities held for trading	784	(4,583)	-	-
Securities available-for-sale	61,345	(5,185)	-	2,625
Loans, net of allowance for loan losses	105,833	3,966	12,108	-
from this: Corporate loans	*46,914*			
Consumer loans	*43,164*			
Housing loans	*4,476*			
Municipality loans	*8,297*			
Mortgage backed loans	*2,982*			
Securities held-to-maturity	4,166	(87)	-	-
Derivative financial instruments	15,161	43	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(16,222)	-	-	-
Deposits from customers	(66,513)	34,319	-	-
Liabilities from issued securities	(13,612)	-	-	-
Subordinated bonds and loans	(8,643)	-	-	-
Total	**99,772**	**28,473**	**12,246**	**2,625**

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Bank in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Bank has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 37. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.

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

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

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

a) Fair value of financial assets and liabilities

	30 June 2013		31 December 2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Bank of Hungary	158,625	158,625	245,548	245,548
Placements with other banks, net of allowance for placement losses	797,608	811,939	665,417	668,014
Financial assets at fair value through profit or loss	235,894	235,894	243,015	243,015
Held for trading securities	96,517	96,517	*97,935*	*97,935*
Derivative financial instruments classified as held for trading	139,377	139,377	*145,080*	*145,080*
Securities available-for-sale	1,754,300	1,754,300	1,953,871	1,953,871
Loans, net of allowance for loan losses	2,262,522	2,645,147	2,356,291	2,594,948
Securities held-to-maturity	518,472	514,797	371,992	366,718
Derivative financial instruments designated as hedging instruments	5,531	5,531	4,228	4,228
FINANCIAL ASSETS TOTAL	**5,732,952**	**6,126,233**	**5,840,362**	**6,076,342**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	843,772	765,952	826,968	788,141
Deposits from customers	3,508,543	3,512,869	3,500,790	3,492,666
Liabilities from issued securities	233,484	233,715	335,963	316,668
Derivative financial instruments designated as hedging instruments	5,389	5,389	4,512	4,512
Financial liabilities at fair value through profit or loss	198,453	198,453	259,211	259,211
Financial liabilities from OTP-MOL transaction	84,953	84,953	89,308	89,308
Subordinated bonds and loans	317,403	257,967	303,750	253,523
FINANCIAL LIABILITIES TOTAL	**5,191,997**	**5,059,298**	**5,320,502**	**5,204,029**

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	43,990	73,199	49,094	49,566
Negative fair value of interest rate swaps classified as held for trading	(63,983)	(75,835)	(71,413)	(56,965)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	6,920	7,107	7,224	6,260
Negative fair value of foreign exchange swaps classified as held for trading	(5,054)	(5,884)	(5,266)	(5,874)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	5,518	4,224	(227)	(4,488)
Negative fair value of interest rate swaps designated in fair value hedge	(5,389)	(4,512)	2,125	589
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	73,930	53,573	75,314	51,875
Negative fair value of CCIRS classified as held for trading	(116,624)	(157,986)	(117,903)	(154,474)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	5,051	907	3,828	(201)
Negative fair value of mark-to-market CCIRS classified as held for trading	(5,068)	(10,716)	(5,151)	(12,595)
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	9,486	10,294	6,509	7,175
Negative fair value of other derivative contracts classified as held for trading	(7,724)	(8,790)	(5,516)	(5,897)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated in fair value hedge	13	4	(35)	(1)
Derivative financial assets total	**144,908**	**149,308**	**141,707**	**110,186**
Derivative financial liabilities total	**(203,842)**	**(263,723)**	**(203,124)**	**(235,216)**
Derivative financial instruments total	**(58,934)**	**(114,415)**	**(61,417)**	**(125,030)**

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

c) Hedge accounting

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

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

As at 30 June 2013

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

As at 31 December 2012

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

d) Fair value hedges

1. **Deposits from customers**

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

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

2. **Securities available-for-sale**

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

	30 June 2013	31 December 2012
Fair value of the hedging instruments	(1,311)	(1,267)

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value hedges [continued]

3. Loans to customers

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

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

4. Issued securities

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

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

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

d) Fair value hedges [continued]

As at 30 June 2013

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

As at 31 December 2012

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

NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]

e) Fair value classes

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

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

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

As at 30 June 2013	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	235,682	91,804	143,878	-
from this: securities held for trading	*96,305*	*91,782*	*4,523*	-
from this: positive fair value of derivative financial instruments classified as held for trading	*139,377*	*22*	*139,355*	-
Securities available-for-sale	1,726,561	749,996	976,565	-
Positive fair value of derivative financial instruments designated as fair value hedge	5,531	-	5,531	-
Financial assets measured at fair value total	**1,967,774**	**841,800**	**1,125,974**	**-**
Negative fair value of derivative financial instruments classified as held for trading	198,453	16	198,437	-
Negative fair value of derivative financial instruments designated as fair value hedge	5,389	-	5,389	-
Financial liabilities measured at fair value total	**203,842**	**16**	**203,826**	**-**

As at 31 December 2012	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	242,851	95,583	147,268	-
from this: securities held for trading	*97,771*	*95,556*	*2,215*	-
from this: positive fair value of derivative financial instruments classified as held for trading	*145,080*	*27*	*145,053*	-
Securities available-for-sale	1,915,472	867,828	1,047,644	-
Positive fair value of derivative financial instruments designated as fair value hedge	4,228	-	4,228	-
Financial assets measured at fair value total	**2,162,551**	**963,411**	**1,199,140**	**-**
Negative fair value of derivative financial instruments classified as held for trading	259,211	19	259,192	-
Negative fair value of derivative financial instruments designated as fair value hedge	4,512	-	4,512	-
Financial liabilities measured at fair value total	**263,723**	**19**	**263,704**	**-**

NOTE 38: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HAS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)

	Retained Earnings and Reserves 1 January 2013	Net profit for the six month period ended 30 June 2012	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 30 June 2013
Financial Statements in accordance with HAS	**1,008,484**	**96,541**	**(20,300)**	**(3,301)**	**1,081,424**
Reversal of statutory general provision	35,428	1,017	-	-	36,445
Premium and discount amortization of financial instruments measured at amortised cost	4,447	(116)	-	(248)	4,083
Effect of redemption of issued securities	20,124	(1,599)	-	-	18,525
Differences in carrying value of subsidiaries	34,115	(3,301)	-	3,301	34,115
Difference in accounting for finance leases	(2,168)	445	-	-	(1,723)
Effects of using effective interest rate method	5,955	410	-	-	6,365
Fair value adjustment of held for trading and available-for-sale financial assets	37,439	22	-	(9,745)	27,716
Fair value adjustment of derivative financial instruments	30,805	(32,654)	-	-	(1,849)
Reversal of statutory goodwill	40,596	-	-	-	40,596
Revaluation of investments denominated in foreign currency to historical cost	(16,726)	1,238	-	-	(15,488)
Difference in accounting of security lending	(22,065)	(1,816)	-	-	(23,881)
Treasury share transaction	-	(631)	-	631	-
Reclassification of direct charges to reserves (self-revision)	-	-	-	-	-
Share-based payment	-	(2,881)	-	2,881	-
Payments to ICES holders	14,605	(153)	-	(1,271)	13,181
OTP-MOL share swap transaction	(55,468)	-	-	-	(55,468)
Escrow account loan	-	(112)	-	-	(112)
One-off contribution of financial transaction tax	-	(8,119)	-	-	(8,119)
Banking tax	-	(12,175)	-	-	(12,175)
Deferred taxation	(11,655)	4,641	-	2,169	(4,845)
Dividend paid by Monicomp in advance	-	300	-	-	300
Dividend paid for 2012	33,600	-	(33,600)	-	-
Dividend payable in 2013	-	-	20,300	-	20,300
Financial Statements in accordance with IFRS	**1,157,516**	**41,057**	**(33,600)**	**(5,583)**	**1,159,390**

NOTE 39: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2013

1) Term Note Program

See details in Note 15.

2) Capital transactions in OTP Real Estate Ltd.

See details in Note 9.

3) Capital increase in Bank Center No. 1. Ltd.

See details in Note 9.

NOTE 40: POST BALANCE SHEET EVENTS

1) Capital transactions in OTP Real Estate Ltd.

See details in Note 9.

2) Term Note Program

See details in Note 15.

3) Subordinated bonds and loans

See details in Note 18.

NOTE 41: STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE BANK'S FINANCIALS (in HUF mn)

In the first half of 2013 the Hungarian macroeconomics showed improving figures. Disinflation remained in place, average rate of inflation was 2.3% in the six month period, making room for further monetary easing. Cut rates and the monetary easing already in place since August 2012 ended up in a record low level of 3.6% by September 2013. Due to the strong investor appetite local government bond yields dropped significantly, public debt refinancing is safe and on a sound track. The overall supportive international climate helped local Treasury auctions: foreigners' holding of Hungarian government securities reached all-time high at HUF 5.2 trillion by early July. The stable funding position made it possible for the NBH and the Hungarian State to repay its outstanding EUR 2.9 billion obligation to IMF ahead of the first quarter of 2014 original schedule.
Since headline inflation is well contained there is a good chance that real wages will increase sensibly having a positive impact on household consumption. Further positive effect on growth has the lending program initiated by NBH on 4 April. As a result the Hungarian GDP growth in 2013 may get close to 1%. By the end of June the unemployment rate moderated to 10.3%, the lowest reading in the last four years, whereas overall employment reached 51.5%. Due to the disciplined fiscal policy witnessed in recent 9 years on 21 June 2013 Ecofin decided to release Hungary out of the Excessive Deficit Procedure. The budget deficit in 2013 will probably be around 2.7% as the Government forecasts.

Funding for Growth Scheme

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

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

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

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

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