



## **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 2015

# OTP BANK PLC.

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**OTP BANK PLC.**  
**SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**  
(in HUF mn)

	Note	30 June 2015	31 December 2014	30 June 2014
Cash, amounts due from banks and balances with the National Bank of Hungary	4.	1,590,943	1,897,778	151,753
Placements with other banks, net of allowance for placement losses	5.	635,802	712,112	614,635
Financial assets at fair value through profit or loss	6.	313,503	351,753	287,200
Securities available-for-sale	7.	1,157,243	1,215,907	1,882,293
Loans, net of allowance for loan losses	8.	1,845,477	1,908,631	2,084,416
Investments in subsidiaries, associates and other investments	9.	623,425	604,209	607,112
Securities held-to-maturity	10.	827,606	662,947	664,046
Property and equipment	11.	65,162	68,114	80,071
Intangible assets	11.	32,030	36,091	26,010
Other assets	12.	<u>127,841</u>	<u>97,930</u>	<u>107,601</u>
<b>TOTAL ASSETS</b>		<b><u>7,219,032</u></b>	<b><u>7,555,472</u></b>	<b><u>6,505,137</u></b>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	13.	1,048,711	1,142,491	655,697
Deposits from customers	14.	4,077,449	4,235,256	3,745,917
Liabilities from issued securities	15.	160,857	162,667	165,195
Financial liabilities at fair value through profit or loss	16.	280,245	375,363	206,962
Other liabilities	17.	239,966	253,952	401,896
Subordinated bonds and loans	18.	<u>270,866</u>	<u>294,612</u>	<u>300,395</u>
<b>TOTAL LIABILITIES</b>		<b><u>6,078,094</u></b>	<b><u>6,464,341</u></b>	<b><u>5,476,062</u></b>
Share capital	19.	28,000	28,000	28,000
Retained earnings and reserves	20.	1,121,351	1,070,204	1,008,612
Treasury shares	21.	<u>(8,413)</u>	<u>(7,073)</u>	<u>(7,537)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>1,140,938</u></b>	<b><u>1,091,131</u></b>	<b><u>1,029,075</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>7,219,032</u></b>	<b><u>7,555,472</u></b>	<b><u>6,505,137</u></b>

**OTP BANK PLC.**  
**SEPARATE STATEMENT OF RECOGNIZED INCOME FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015 (in HUF mn)**

	Note	Six month period ended 30 June 2015	Six month period ended 30 June 2014	Year ended 31 December 2014
<i>Interest Income:</i>				
Loans		66,547	83,501	162,533
Placements with other banks, net of allowance for placement losses		104,157	81,243	128,444
Securities available-for-sale		26,255	40,103	72,056
Securities held-to-maturity		18,865	17,442	36,518
Amounts due from banks and balances with National Bank of Hungary		<u>17,722</u>	<u>1,257</u>	<u>15,556</u>
<b>Total Interest Income</b>		<b><u>233,546</u></b>	<b><u>223,546</u></b>	<b><u>415,107</u></b>
<i>Interest Expense:</i>				
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		103,895	78,382	127,809
Deposits from customers		18,652	26,215	52,544
Liabilities from issued securities		962	2,551	4,206
Subordinated bonds and loans		<u>8,205</u>	<u>8,318</u>	<u>16,825</u>
<b>Total Interest Expense</b>		<b><u>131,714</u></b>	<b><u>115,466</u></b>	<b><u>201,384</u></b>
<b>NET INTEREST INCOME</b>		<b><u>101,832</u></b>	<b><u>108,080</u></b>	<b><u>213,723</u></b>
Provision for impairment on loan and placement losses	5.,8.,22.	16,419	11,227	23,213
<b>NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES</b>		<b><u>85,413</u></b>	<b><u>96,853</u></b>	<b><u>190,510</u></b>
Income from fees and commissions	23.	95,988	82,803	169,041
Expenses from fees and commissions	23.	<u>11,678</u>	<u>10,393</u>	<u>22,495</u>
<b>Net profit from fees and commissions</b>		<b><u>84,310</u></b>	<b><u>72,410</u></b>	<b><u>146,546</u></b>
Foreign exchange gains		10,294	7,161	20,581
Gains on securities, net		17,458	5,281	8,752
Dividend income	9.	58,591	42,633	42,795
Other operating income	24.	1,054	1,730	3,294
Net other operating expenses	24.	(21,360)	(289,303)	(285,883)
-from this: provision for impairment on investments in subsidiaries	9.	(8,465)	(90,090)	(226,730)
-from this: release of provision / (provision) on contingent liabilities due to regulations related to customer loans	2.26, 24.	<u>33,351</u>	<u>(190,202)</u>	<u>(43,795)</u>
<b>Net operating income</b>		<b><u>66,037</u></b>	<b><u>(232,498)</u></b>	<b><u>(210,461)</u></b>
Personnel expenses	24.	42,519	43,110	87,458
Depreciation and amortization	24.	10,262	10,903	22,177
Other administrative expenses	24.	<u>80,872</u>	<u>78,233</u>	<u>134,793</u>
<b>Other administrative expenses</b>		<b><u>133,653</u></b>	<b><u>132,246</u></b>	<b><u>244,428</u></b>
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b><u>102,107</u></b>	<b><u>(195,481)</u></b>	<b><u>(117,833)</u></b>
Income tax expense / (benefit)	25.	<u>2,422</u>	<u>(45,186)</u>	<u>(43,364)</u>
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>		<b><u>99,685</u></b>	<b><u>(150,295)</u></b>	<b><u>(74,469)</u></b>
Earnings per share (in HUF)				
Basic	35.	<u>358</u>	<u>(540)</u>	<u>(268)</u>
Diluted	35.	<u>358</u>	<u>(540)</u>	<u>(267)</u>

The accompanying notes to separate financial statements on pages 8 to 86 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 2015 (in HUF mn)**

	<b>Six month period ended 30 June 2015</b>	<b>Six month period ended 30 June 2014</b>	<b>Year ended 31 December 2014</b>
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>	<b><u>99,685</u></b>	<b><u>(150,295)</u></b>	<b><u>(74,469)</u></b>
Fair value adjustment of securities available-for-sale	(5,931)	32,064	15,775
Deferred tax related to securities available-for-sale	<u>1,127</u>	<u>(6,093)</u>	<u>(2,998)</u>
<b>NET COMPREHENSIVE INCOME</b>	<b><u>94,881</u></b>	<b><u>(124,324)</u></b>	<b><u>(61,692)</u></b>

**OTP BANK PLC.**  
**SEPARATE STATEMENT OF CASH-FLOWS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015 (in HUF mn)**

	Note	Six month period ended 30 June 2015	Six month period ended 30 June 2014	Year ended 31 December 2014
<b>OPERATING ACTIVITIES</b>				
Interest received		214,944	223,222	420,581
Interest paid		(122,680)	(108,787)	(204,448)
Profit / (loss) before income tax		102,107	(195,481)	(117,833)
Depreciation and amortization		10,262	10,903	22,177
Provision for impairment on loan and placement losses	5.,8.,22	16,419	11,227	23,213
Provision for impairment on investments in subsidiaries	9.	8,465	90,090	226,730
Provision for impairment on other assets	12.	1,913	2,108	2,763
(Release of provision) / provision on off-balance sheet commitments and contingent liabilities	17.	(34,208)	188,906	42,683
Share-based payment	28.	1,905	2,059	4,393
Unrealised losses on fair value adjustment of securities available-for-sale and held for trading		(6,204)	(325)	(2,903)
Unrealised (losses) / gains on fair value adjustment of derivative financial instruments		(20,163)	7,924	5,401
<i>Net changes in assets and liabilities in operating activities</i>				
Changes in financial assets at fair value through profit or loss		(20,550)	113,757	219,463
Changes in financial liabilities at fair value through profit or loss		(3,392)	(278)	(1,990)
Net decrease in loans, net of allowance for loan losses		33,888	39,438	205,341
Net increase in other assets, excluding advances for investments and before provisions for losses		(31,230)	(25,667)	(14,009)
Net (decrease) / increase in deposits from customers		(157,817)	68,468	557,789
Increase / (decrease) in other liabilities		23,728	(17,650)	(17,335)
Net decrease / (increase) in the compulsory reserve established by the National Bank of Hungary		2,650	(42,886)	(57,365)
Dividend income		(58,591)	(42,633)	(42,795)
Income tax paid		(3,295)	-	(2,864)
<b>Net cash (used in) / provided by operating activities</b>		<b><u>(134,113)</u></b>	<b><u>209,960</u></b>	<b><u>1,052,859</u></b>
<b>INVESTING ACTIVITIES</b>				
Net decrease / (increase) in placements with other banks before allowance for placement losses		76,308	18,263	(79,217)
Increase in securities available-for-sale		(301,122)	(12,332,221)	(14,729,107)
Decrease in securities available-for-sale		356,676	12,475,555	15,525,643
Increase in investments in subsidiaries		(27,681)	(27,880)	(161,617)
Decrease in investments in subsidiaries		-	-	-
Dividend income		58,591	42,633	42,795
Increase in securities held-to-maturity		(229,113)	(146,129)	(154,743)
Decrease in securities held-to-maturity		67,922	11,387	20,663
Additions to property, equipment and intangible assets		(7,849)	(15,640)	(18,426)
Disposal to property, equipment and intangible assets		2,896	13,761	7,185
Net increase in advances for investments included in other assets		(1)	(27)	(36)
<b>Net cash (used in) / provided by investing activities</b>		<b><u>(3,373)</u></b>	<b><u>39,702</u></b>	<b><u>453,140</u></b>

**OTP BANK PLC.**  
**SEPARATE STATEMENT OF CASH-FLOWS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015 (in HUF mn) [continued]**

	Note	Six month period ended 30 June 2015	Six month period ended 30 June 2014	Year ended 31 December 2014
<b>FINANCING ACTIVITIES</b>				
Net (decrease) / increase in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		(93,780)	(247,047)	239,747
Cash received from issuance of securities		22,891	23,601	56,165
Cash used for redemption of issued securities		(24,977)	(34,441)	(69,387)
(Decrease) / increase in subordinated bonds and loans		(23,746)	22,154	16,371
Payments to ICES holders	20.	(1,003)	(1,017)	(4,159)
Increase in Treasury shares		15,348	17,472	27,180
Decrease in Treasury shares		(20,885)	(21,438)	(31,430)
Dividend paid		<u>(40,547)</u>	<u>(40,600)</u>	<u>(40,594)</u>
<b>Net cash (used in) / provided by financing activities</b>		<b>(166,699)</b>	<b>(281,316)</b>	<b>193,893</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(304,185)</b>	<b>(31,654)</b>	<b>1,699,892</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b><u>1,762,727</u></b>	<b><u>62,835</u></b>	<b><u>62,835</u></b>
<b>Cash and cash equivalents at the end of the period</b>		<b><u>1,458,542</u></b>	<b><u>31,181</u></b>	<b><u>1,762,727</u></b>
<i>Analysis of cash and cash equivalents:</i>				
Cash, amounts due from banks and balances with the National Bank of Hungary		1,897,778	140,521	140,521
Compulsory reserve established by the National Bank of Hungary		<u>(135,051)</u>	<u>(77,686)</u>	<u>(77,686)</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<b><u>1,762,727</u></b>	<b><u>62,835</u></b>	<b><u>62,835</u></b>
Cash, amounts due from banks and balances with the National Bank of Hungary	4.	1,590,943	151,753	1,897,778
Compulsory reserve established by the National Bank of Hungary	4.	<u>(132,401)</u>	<u>(120,572)</u>	<u>(135,051)</u>
<b>Cash and cash equivalents at the end of the period</b>		<b><u>1,458,542</u></b>	<b><u>31,181</u></b>	<b><u>1,762,727</u></b>

**OTP BANK PLC.**  
**SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015 (in HUF mn)**

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve	Treasury Shares	Total
<b>Balance as at 1 January 2014</b>		<u>28,000</u>	<u>52</u>	<u>16,504</u>	<u>1,214,503</u>	<u>(55,468)</u>	<u>(6,731)</u>	<u>1,196,860</u>
Net profit for the period		-	-	-	(150,295)	-	-	(150,295)
Other comprehensive income		-	-	-	25,971	-	-	25,971
Share-based payment	28.	-	-	2,059	-	-	-	2,059
Payments to ICES holders		-	-	-	(954)	-	-	(954)
Sale of treasury shares	21.	-	-	-	-	-	17,472	17,472
Loss on sale of treasury shares		-	-	-	(3,160)	-	-	(3,160)
Acquisition of treasury shares	21.	-	-	-	-	-	(18,278)	(18,278)
Dividend for the year 2013		-	-	-	(40,600)	-	-	(40,600)
<b>Balance as at 30 June 2014</b>		<u>28,000</u>	<u>52</u>	<u>18,563</u>	<u>1,045,465</u>	<u>(55,468)</u>	<u>(7,537)</u>	<u>1,029,075</u>
<b>Balance as at 1 January 2015</b>		<u>28,000</u>	<u>52</u>	<u>20,897</u>	<u>1,104,723</u>	<u>(55,468)</u>	<u>(7,073)</u>	<u>1,091,131</u>
Net loss for the period		-	-	-	99,685	-	-	99,685
Other comprehensive income		-	-	-	(4,804)	-	-	(4,804)
Share-based payment	28.	-	-	1,905	-	-	-	1,905
Payments to ICES holders		-	-	-	(842)	-	-	(842)
Sale of treasury shares	21.	-	-	-	-	-	15,348	15,348
Loss on sale of treasury shares		-	-	-	(4,197)	-	-	(4,197)
Acquisition of treasury shares	21.	-	-	-	-	-	(16,688)	(16,688)
Dividend for the year 2014		-	-	-	(40,600)	-	-	(40,600)
<b>Balance as at 30 June 2015</b>		<u>28,000</u>	<u>52</u>	<u>22,802</u>	<u>1,153,965</u>	<u>(55,468)</u>	<u>(8,413)</u>	<u>1,140,938</u>



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**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, Nádor 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 (%):

	<b>30 June 2015</b>	<b>31 December 2014</b>
Domestic and foreign private and institutional investors	97%	97%
Employees	2%	2%
Treasury shares	<u>1%</u>	<u>1%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

The Bank provides a full range of commercial banking services through a nationwide network of 378 branches in Hungary.

Number of the employees of the Bank:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Number of employees	7,957	8,016
Average number of employees	7,971	8,004

**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 standards. 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.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**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 2015**

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

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13, and IAS 40) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Entity’s accounting policies.

**1.2.2. New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective**

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

**1.2.3. Standards and Interpretations issued by IASB but not yet adopted by the EU**

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and 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 2016).

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

**1.2.3. Standards and Interpretations issued by IASB but not yet adopted by the EU [continued]**

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

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 which might have significant impact on the Bank separate financial statements, the Bank will analyse the impact after the adoption of the standard by EU.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**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 fair value based on 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.

**2.5.     Securities held-to-maturity**

Investments in securities, traded in active market (with fixed or determinable cash-flows) 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 receivables 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.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.6. Financial assets at fair value through profit or loss**

**2.6.1 Securities held for trading**

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. 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. The Bank mainly holds these securities to obtain short-term gains consequently realised and unrealised gains and losses are recognized in the net operating income since 31 December 2013. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, shares in non-financial commercial companies, shares in investment funds, shares in venture capital funds and shares in financial institutions.

**2.6.2. Derivative financial instruments**

In the normal course of business, the Bank is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract and their value depends on value of underlying asset and are settled in the future. 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 its entire open derivative transactions collateralised. 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. Each derivative deal is determined as asset when fair value is positive and as liability 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.

***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 spot 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 forward contracts.

Interest 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.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.6.2. Derivative financial instruments [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 is the mark-to-market CCIRS agreements. At this kind of deals the parties – in accordance with the foreign exchange prices – revalue the notional amount during lifetime of the transaction.

*Equity and commodity swaps*

Equity swaps obligate two parties to exchange more payments calculated with reference periodically reset rates of interest and performance of indexes. A specific notional principal amount is the base of the interest calculation. The payment of index return is calculated on the basis of current market price compared to the previous market price. In case of commodity swaps payments are calculated on the basis of the strike price of a predefined commodity compared to its average market price in a period.

*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 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. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

**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 other comprehensive income. 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.

The Bank terminates the hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Bank revokes the designation.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 2:       SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.8. Offsetting**

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the statement of financial position on a net basis. The Bank does not offset any financial assets and financial liabilities.

**2.9. Embedded derivatives**

Sometimes, a derivative may be a component of a combined financial instrument that includes a host contract and a derivative (the embedded derivative) affecting cash-flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative as a stand-alone instrument; and
- The host instrument is not measured at fair or is measured at fair value but changes in fair value are recognised in other comprehensive income.

**2.10. 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, except for interest and foreign exchange gains/losses on monetary items, 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 consists of Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds and venture capital funds, corporate bonds, foreign shares and foreign 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 based on significant or prolonged decrease on fair value. 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. Impairment losses recognised in profit or loss for equity AFS securities is not reversed through profit or loss.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 2:       SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

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

Loans and placements with other banks are accounted at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively. Transaction fees and charges should adjust the carrying amount at initial recognition and be included in effective interest calculation. Loans and placements with other banks are derecognised when the contractual rights to the cash-flows expire or they are transferred. Interest and amortised cost are accounted using effective interest rate method. 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 becomes impaired.

According to IAS 39, initially financial assets shall be recognized at fair value which is usually equal to transaction value of loans and receivables. Initial fair value of loans and receivables lent at interest below market conditions is lower than their transaction price. As a consequence the Bank is deferring the difference between the fair value at initial recognition and the transaction price relating to loans and receivables because input data for measuring the fair values is not available on observable markets.

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 collaterals, 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. Collective impairment losses of portfolios of loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date. The expected cash-flows for portfolios of similar assets are estimated based on historical loss experience. Historical loss experience is the basis for calculating the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio at the balance sheet date.

If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

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.

OTP Bank applies partial or full write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IAS 39. If OTP Bank has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially or fully at the time of emergence. A loan will be written off if it has overdued or was terminated by the Bank.

The gross amount and impairment loss of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged. In these cases there is no reasonable expectation from the clients to complete contractual cash-flows therefore OTP Bank does not accrue interest income in case of partial write-off.

Loan receivables legally demanded from clients are equal to the former gross amount of the loan before the partial write-off.



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.12. 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 the 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 does not recognize or derecognize the securities because it is believed that the transferor retains substantially all the risks and rewards of the ownership of the securities. Only a financial liability or financial receivable is recognized for the consideration amount.

**2.13. 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 calculated using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	15-33.3%
Property rights	16.7%
Property	1-2%
Office equipment and vehicles	9-33.3%

Depreciation and amortization on properties, equipment 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.

The Bank may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Bank.

Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.

In the case of effective hedge the realised profit or loss of hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognising the asset and it is tightly connecting to the purchasing.

**2.14. 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.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 2:       SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.15.   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.

**2.16.   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.

**2.17.   Interest income and interest expense**

Interest income and expenses are recognised in profit or loss in the period to which they relate, using the effective interest rate method. Interest from loans and deposits are accrued on a daily basis. Interest income and expenses include relevant transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. The Bank recognizes interest income when it is assumed that the interest associated with the transaction will flow to the Bank and the amount of the revenue can be reasonably 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.

**2.18.   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.

**2.19.   Dividend income**

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

**2.20.   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.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 2:       SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.21.   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.

**2.22.   Share-based payment and employee benefit**

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. The Bank has applied the requirement of IAS 19 Employee Benefits. IAS 19 requires to recognise employee benefits to be paid as a liability and as an expense in financial statements.

**2.23.   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.

**2.24.   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 Centre.

**2.25.   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 2014 have been restructured within the particular note to conform to the current year presentation but these amounts are not significant.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 2:       SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

**2.26.   Government measures related to customer loan contracts**

Based on the Act XXXVIII of 2014 on “Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to consumer loan agreements provided by financial institutions” (“Curia Law”) and the Act XL of 2014 on “Rules of the settlement and certain other issues put in Act XXXVIII of 2014 on Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to consumer loan agreements provided by financial institutions” (“Act on Settlement”) OTP Bank has met its settlement obligations as prescribed by law related to foreign currency loans.

**a)   Act on Settlement**

Based on these regulations expense in the amount of HUF 34 billion was recognised as amounts charged to clients related to consumer loans contracts were assumed unfair. Provision for impairment recognised as at 31 December 2014 was released in the amount of HUF 33.4 billion during the six month period ended 30 June 2015.

In accordance with the Act on Settlement related to HUF loans – in case of greater part of loans falling within the scope of the Act – amounts have been settled in the middle of August 2015. Due to settlement the OTP Bank recognized expenses in the amount of 6.018 in August and parallel relating provision for impairment was released in the same amount.

**b)   Act on Conversion into HUF**

Based on the Act LXXVII of 2014 on “Settlement of certain issues concerning the modification of the currency and interest conditions related to consumer loan agreements” OTP Bank completed the conversion of foreign currency consumer mortgage loans and relating amounts (accrued interests, provision for impairment) into HUF.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**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 judgements 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 an on-going basis. Revisions to accounting estimates are recognized in the period. Actual results could differ from those estimates. Significant areas of subjective judgements 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 Bank to make many subjective judgements in estimating the loss amounts. An impairment loss is incurred when there is objective evidence of impairment due to one or more events that occurred after the initial recognition of the asset ('a loss event'), when the loss has a reliably measurable impact on the expected future cash flows from the financial asset or group of financial assets. Future cash flows are assessed by the Bank on the basis of estimates based on historical parameters. The adopted methodology used for estimating impairment allowances will be developed in line with the further possibilities of accumulations of historic impairment data from the existing information systems and applications. As a consequence, acquiring new data by the Bank could affect the level of impairment allowances in the future.

**3.2.     Valuation of instruments without direct quotations**

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

IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

**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.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Cash on hand:		
In HUF	73,349	65,059
In foreign currency	<u>6,331</u>	<u>5,579</u>
	<b><u>79,680</u></b>	<b><u>70,638</u></b>
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	1,487,421	1,795,868
In foreign currency	<u>23,141</u>	<u>30,640</u>
	<b><u>1,510,562</u></b>	<b><u>1,826,508</u></b>
Accrued interest	<u>701</u>	<u>632</u>
<b>Total</b>	<b><u>1,590,943</u></b>	<b><u>1,897,778</u></b>
Compulsory reserve	132,401	135,051
Rate of the compulsory reserve	3%	3%

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within one year:		
In HUF	411,052	294,712
In foreign currency	<u>140,962</u>	<u>302,186</u>
	<b><u>552,014</u></b>	<b><u>596,898</u></b>
Over one year		
In HUF	-	5,000
In foreign currency	<u>83,468</u>	<u>108,586</u>
	<b><u>83,468</u></b>	<b><u>113,586</u></b>
<b>Total placements</b>	<b><u>635,482</u></b>	<b><u>710,484</u></b>
Accrued interest	<u>348</u>	<u>1,654</u>
Provision for impairment on placement losses	<u>(28)</u>	<u>(26)</u>
<b>Total</b>	<b><u>635,802</u></b>	<b><u>712,112</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Balance as at 1 January</b>	<b>26</b>	<b>22</b>
Provision for the period	<u>2</u>	<u>4</u>
<b>Closing balance</b>	<b><u>28</u></b>	<b><u>26</u></b>

Interest conditions of placements with other banks (%):

	<b>30 June 2015</b>	<b>31 December 2014</b>
Placements with other banks in HUF	2.3%-6.42%	3%-6.6%
Placements with other banks in foreign currency	(0.058%)-13.15%	0.58%-13%
Average interest of placements with other banks	1.65%	2.19%

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
<i>Securities held for trading:</i>		
Shares	73,001	58,559
Government bonds	20,849	13,777
Hungarian government interest bearing Treasury Bills	2,832	4,175
Hungarian government discounted Treasury Bills	974	288
Mortgage bonds	46	71
Securities issued by credit institutions	-	67
Other securities	<u>298</u>	<u>216</u>
<b>Subtotal</b>	<b><u>98,000</u></b>	<b><u>77,153</u></b>
Accrued interest	<u>473</u>	<u>434</u>
<b>Total</b>	<b><u>98,473</u></b>	<b><u>77,587</u></b>
<i>Derivative financial instruments:</i>		
CCIRS and mark-to-market CCIRS <sup>1</sup>	131,708	152,540
Interest rate swaps	34,855	43,538
Foreign currency swaps	30,590	60,833
Other derivative transactions <sup>2</sup>	<u>17,877</u>	<u>17,255</u>
<b>Subtotal</b>	<b><u>215,030</u></b>	<b><u>274,166</u></b>
<b>Total</b>	<b><u>313,503</u></b>	<b><u>351,753</u></b>
Interest conditions and the remaining maturities of securities held for trading are as follows:		
	<b>30 June 2015</b>	<b>31 December 2014</b>
Within five years:		
variable interest	1,422	1,125
fixed interest	<u>12,162</u>	<u>13,878</u>
	<b><u>13,584</u></b>	<b><u>15,003</u></b>
Over five years:		
variable interest	267	6
fixed interest	<u>11,111</u>	<u>3,566</u>
	<b><u>11,378</u></b>	<b><u>3,572</u></b>
Non-interest bearing securities	<u>73,038</u>	<u>58,578</u>
<b>Total</b>	<b><u>98,000</u></b>	<b><u>77,153</u></b>
	<b>30 June 2015</b>	<b>31 December 2014</b>
Securities held for trading denominated in HUF	93.90%	97.65%
Securities held for trading denominated in foreign currency	<u>6.10%</u>	<u>2.35%</u>
<b>Securities held for trading total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>
Government bonds denominated in HUF	73%	90%
Government bonds denominated in foreign currency	<u>27%</u>	<u>10%</u>
<b>Government securities total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>
Interest rates on securities held for trading	1.48%-10%	1.74%-10%
Average interest on securities held for trading	2.63%	2.48%

<sup>1</sup> CCIRS: Cross Currency Interest Rate Swap (See Note 2.6.2)

<sup>2</sup> incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option (See Note 2.6.2)

**OTP BANK PLC.**  
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**NOTE 7: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Mortgage bonds	596,214	741,567
Government bonds	458,630	375,040
Other securities	82,864	64,593
- <u>listed securities</u>	<u>31,589</u>	<u>31,535</u>
<i>in HUF</i>	-	
<i>in foreign currency</i>	31,589	31,535
- <u>non-listed securities</u>	<u>51,275</u>	<u>33,058</u>
<i>in HUF</i>	45,214	27,397
<i>in foreign currency</i>	6,061	5,661
<b>Subtotal</b>	<b><u>1,137,708</u></b>	<b><u>1,181,200</u></b>
Accrued interest	<u>19,535</u>	<u>34,707</u>
<b>Securities available-for-sale total</b>	<b><u>1,157,243</u></b>	<b><u>1,215,907</u></b>

	<b>30 June 2015</b>	<b>31 December 2014</b>
Securities available-for-sale denominated in HUF	63%	67%
Securities available-for-sale denominated in foreign currency	<u>37%</u>	<u>33%</u>
<b>Securities available-for-sale total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Interest rates on securities available-for-sale denominated in HUF	2.5%-11%	3.5%-11%
Interest rates on securities available-for-sale denominated in foreign currency	0.65%-6%	1.99%-5.88%
Average interest on securities available-for-sale	6.79%	4.67%

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within five years:		
variable interest	330,136	320,729
fixed interest	<u>561,368</u>	<u>571,816</u>
	<b><u>891,504</u></b>	<b><u>892,545</u></b>
Over five years:		
variable interest	20,550	4,587
fixed interest	<u>195,731</u>	<u>251,803</u>
	<b><u>216,281</u></b>	<b><u>256,390</u></b>
Non-interest bearing securities	<u>29,923</u>	<u>32,265</u>
<b>Total</b>	<b><u>1,137,708</u></b>	<b><u>1,181,200</u></b>

Certain fixed-rate mortgage bonds and other securities are hedged against interest rate risk. (See Note 37.)

	<b>30 June 2015</b>	<b>31 December 2014</b>
Net gain reclassified from equity to statement of recognized income	4,400	2,995
Fair value of the hedged securities:		
Mortgage bonds	322,826	-
Government bonds	405,433	261,608
Corporate bonds	<u>24,584</u>	<u>24,736</u>
<b>Total</b>	<b><u>752,843</u></b>	<b><u>286,344</u></b>



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 8: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Short-term loans and promissory notes (within one year)	1,035,176	1,014,363
Long-term loans and promissory notes (over one year)	<u>898,038</u>	<u>972,626</u>
<b>Loans gross total</b>	<b><u>1,933,214</u></b>	<b><u>1,986,989</u></b>
Accrued interest	<u>6,541</u>	<u>7,039</u>
Provision for impairment on loan losses	<u>(94,278)</u>	<u>(85,397)</u>
<b>Total</b>	<b><u>1,845,477</u></b>	<b><u>1,908,631</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
In HUF	47%	43%
In foreign currency	<u>53%</u>	<u>57%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Loans denominated in HUF, with a maturity within one year	4.9%-35%	5.6%-28.8%
Loans denominated in HUF, with a maturity over one year	1.4%-18.5%	2.1%-18.5%
Loans denominated in foreign currency	1.2%-10.2%	1.8%-14%
Average interest on loans denominated in HUF	11.47%	11.72%
Average interest on loans denominated in foreign currency	2.8%	3.91%
	<b>30 June 2015</b>	<b>31 December 2014</b>
Gross loan portfolio on which interest to customers is not being accrued	12.97%	11.3%

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

	<b>30 June 2015</b>		<b>31 December 2014</b>	
<b>Retail loans</b>	<b>505,917</b>	<b>26%</b>	<b>518,058</b>	<b>26%</b>
Retail mortgage backed loans <sup>1</sup>	94,291	5%	112,358	5%
Retail consumer loans	284,874	15%	291,497	15%
Micro and small enterprises loans	126,752	6%	114,203	6%
<b>Corporate loans</b>	<b>1,427,297</b>	<b>74%</b>	<b>1,468,931</b>	<b>74%</b>
Loans to medium and large corporates	1,396,489	72%	1,420,631	71%
Municipality loans	26,481	1%	28,471	2%
Loans to the State	<u>4,327</u>	<u>1%</u>	<u>19,829</u>	<u>1%</u>
<b>Total</b>	<b><u>1,933,214</u></b>	<b><u>100%</u></b>	<b><u>1,986,989</u></b>	<b><u>100%</u></b>

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).

<sup>1</sup> incl. housing loans

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 8:        LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn) [continued]**

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Balance as at 1 January</b>	<b>85,397</b>	<b>150,513</b>
Provision for the period	31,199	52,096
Release of provision	(22,318)	(54,793)
Partial write-off <sup>1</sup>	<u>-</u>	<u>(62,419)</u>
<b>Closing balance</b>	<b><u>94,278</u></b>	<b><u>85,397</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Provision for impairment on placement losses	2	4
Provision for impairment on loan losses	<u>16,417</u>	<u>23,209</u>
<b>Total</b>	<b><u>16,419</u></b>	<b><u>23,213</u></b>

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:        INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND  
OTHER INVESTMENTS (in HUF mn)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Investments in subsidiaries:		
Controlling interest	1,176,361	1,147,839
Other investments	<u>681</u>	<u>681</u>
<b>Subtotal</b>	<b><u>1,177,042</u></b>	<b><u>1,148,520</u></b>
Provision for impairment	<u>(553,617)</u>	<u>(544,311)</u>
<b>Total</b>	<b><u>623,425</u></b>	<b><u>604,209</u></b>

Other investments contain certain securities accounted at cost. These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

<sup>1</sup> See Note 2.11.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 9: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND OTHER INVESTMENTS (in HUF mn) [continued]**

**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 2015		31 December 2014	
	% Held (direct and indirect)	Gross book value	% Held (direct and indirect)	Gross book value
OTP Bank JSC (Ukraine)	100%	280,343	100%	279,469
OTP Mortgage Bank Ltd.	100%	126,839	100%	126,839
OTP banka Srbija a.d. (Serbia)	97.91%	91,156	97.90%	91,153
DSK Bank EAD (Bulgaria)	100%	86,832	100%	86,832
JSC "OTP Bank" (Russia)	97.87%	74,319	97.86%	74,318
OTP Bank Romania S.A. (Romania)	100%	73,448	100%	61,081
OTP banka Hrvatska d.d. (Croatia)	100%	72,940	100%	72,940
OTP Factoring Ltd.	100%	61,032	100%	60,192
Crnogorska komercijalna banka a.d. (Montenegro)	100%	58,484	100%	58,484
LLC Alliance Reserve (Russia)	100%	50,074	100%	50,074
OTP Holding Malta Ltd. (Malta)	100%	32,359	100%	32,359
Balansz Real Estate Institute Fund	100%	24,813	100%	18,520
Merkantil Bank Ltd.	100%	18,426	100%	18,426
Inga Kettő Ltd.	100%	17,892	100%	17,892
OTP Banka Slovensko a.s. (Slovakia)	99.21%	17,125	99.26%	16,706
Bank Center No. 1. Ltd.	100%	16,063	100%	16,063
OTP Life Annuity Ltd.	100%	15,300	100%	15,300
Air-Invest Ltd.	100%	9,698	100%	9,698
OTP Real Estate Ltd.	100%	9,520	100%	9,520
Monicom Ltd.	100%	9,234	100%	9,234
OTP Real Estate Leasing Ltd.	100%	9,118	100%	9,118
R.E. Four d.o.o. (Serbia)	85.13%	4,357	-	-
OTP Venture Capital Fund	100%	3,000	-	-
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
Fordulat Venture Capital Fund	50%	1,555	50%	1,555
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. (the Netherlands)	100%	481	100%	481
OTP Card Factory Ltd.	100%	450	100%	450
OTP Financing Cyprus Company Limited (Cyprus)	100%	301	-	-
Portfolion Ltd.	100%	150	100%	150
HIF Ltd. (United Kingdom)	100%	81	100%	81
OTP Financing Malta Ltd. (Malta)	100%	31	100%	31
Other	-	291	-	224
<b>Total</b>		<b><u>1,176,361</u></b>		<b><u>1,147,839</u></b>

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

	30 June 2015	31 December 2014
<b>Balance as at 1 January</b>	<b>544,311</b>	<b>317,581</b>
Provision for the period	<u>9,306</u>	<u>226,730</u>
<b>Closing balance</b>	<b><u>553,617</u></b>	<b><u>544,311</u></b>

**OTP BANK PLC.**  
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**NOTE 9: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND  
OTHER INVESTMENTS (in HUF mn) [continued]**

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

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

An analysis of the provision for impairment by significant subsidiaries is as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
OTP Bank JSC (Ukraine)	252,411	252,411
OTP Mortgage Bank Ltd.	99,838	99,838
OTP banka Srbija a.d. (Serbia)	63,233	63,233
OTP Factoring Ltd.	59,621	58,781
Crnogorska komercijalna banka a.d. (Montenegro)	26,714	26,714
Merkantil Bank Ltd.	16,826	16,826
OTP banka Hrvatska d.d. (Croatia)	9,232	9,232
OTP Real Estate Leasing Ltd.	8,949	8,949
<b>Total</b>	<b><u>536,824</u></b>	<b><u>535,984</u></b>

Dividend income from significant subsidiaries and shares held-for-trading is as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
DSK Bank EAD (Bulgaria)	43,821	25,054
OTP Fund Management Ltd.	5,343	3,024
OTP Holding Ltd. (Cyprus)	3,700	3,355
OTP Building Society Ltd.	900	2,100
OTP Mortgage Bank Ltd.	-	5,097
Other	2,314	1,134
<b>Subtotal</b>	<b><u>56,078</u></b>	<b><u>39,764</u></b>
Dividend from shares held-for-trading	2,513	3,031
<b>Total</b>	<b><u>58,591</u></b>	<b><u>42,795</u></b>

**Significant associates**

The main figures of the Bank's indirectly owned associates that are not consolidated using equity-method at cost<sup>1</sup>:

**As at 30 June 2015**

	<b>KITE Mezőgazdasági Szolgáltató és Kereskedelmi Ltd.</b>	<b>D-ÉG Thermoset Ltd.</b>	<b>Company for Cash Services LLC</b>	<b>Suzuki Pénzügyi Szolgáltató Ltd.</b>	<b>Total</b>
Assets	128,274	5,678	2,360	585	<b>136,897</b>
Liabilities	93,634	4,624	263	1	<b>98,522</b>
Shareholders' equity	34,640	1,054	2,097	584	<b>38,375</b>
Total income	134,315	2,923	579	8	<b>137,825</b>

<sup>1</sup> Based on unaudited financial statements.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 9: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND  
OTHER INVESTMENTS (in HUF mn) [continued]**

As at 31 December 2014

	<b>KITE Mezőgazdasági Szolgáltató és Kereskedelmi Ltd.</b>	<b>D-ÉG Thermoset Ltd.</b>	<b>Company for Cash Services LLC</b>	<b>Suzuki Pénzügyi Szolgáltató Ltd.</b>	<b>Total</b>
Assets	56,717	5,758	2,292	587	<b>65,354</b>
Liabilities	23,637	4,465	106	3	<b>28,211</b>
Shareholders' equity	33,080	1,293	2,186	584	<b>37,143</b>
Total income	245,370	7,268	1,144	21	<b>253,803</b>

On 21 January 2015 OTP Bank announces that the Romanian Court of Registration registered a capital increase at OTP Bank Romania SA., the Romanian subsidiary of OTP Bank. Accordingly, the registered capital of OTP Bank Romania was increased to RON 958,252,800 from RON 782,908,800 and the ownership ratio of OTP Bank represents 99.99% currently.

On 15 May 2015 OTP Bank announces that the Ukrainian Court of Registration registered a capital increase at OTP Bank JSC (Ukraine), the Ukrainian subsidiary of OTP Bank. Accordingly, the registered capital of OTP Bank JSC was increased to UAH 3,668,186,135 from UAH 2,868,190,521.

On 12 June 2015 OTP Bank announces that OTP banka Srbija signed an agreement with the Italian specialist bank Findomestic Banca S.p.A regarding the purchase of 100 percent of the shares of Findomestic Banka of Serbia. The transaction will increase the current 1.4 percent market share of OTP banka Srbija to 1.9 percent, which is another step towards achieving its optimum market size.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Government bonds	807,972	641,645
Mortgage bonds	4,750	4,756
Hungarian government discounted Treasury bills	<u>349</u>	<u>346</u>
<b>Subtotal</b>	<b><u>813,071</u></b>	<b><u>646,747</u></b>
Accrued interest	<u>14,535</u>	<u>16,200</u>
<b>Total</b>	<b><u>827,606</u></b>	<b><u>662,947</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within five years:		
variable interest	5,009	6,677
fixed interest	<u>336,925</u>	<u>352,702</u>
	<b><u>341,934</u></b>	<b><u>359,379</u></b>
Over five years:		
fixed interest	<u>471,137</u>	<u>287,368</u>
	<b><u>471,137</u></b>	<b><u>287,368</u></b>
<b>Total</b>	<b><u>813,071</u></b>	<b><u>646,747</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Securities held-to-maturity denominated in HUF	<u>100%</u>	<u>100%</u>
<b>Securities held-to-maturity total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>
Interest rates on securities held-to-maturity	3%-9.5%	2.5%-9.5%
Average interest on securities held-to-maturity denominated in HUF	5.21%	6.3%

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.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

As at 30 June 2015

<u>Cost</u>	Intangible assets	Property	Office equipment and vehicles	Construction in progress	Total
Balance as at 1 January	154,053	70,828	69,984	2,005	296,870
Additions	5,178	907	1,453	962	8,500
Disposals	(2,643)	(347)	(2,603)	(2,355)	(7,948)
Closing balance	<u>156,588</u>	<u>71,388</u>	<u>68,834</u>	<u>612</u>	<u>297,422</u>

**Depreciation and Amortization**

Balance as at 1 January	117,962	18,932	55,771	-	192,665
Charge for the period	6,708	921	2,633	-	10,262
Disposals	(112)	(143)	(2,442)	-	(2,697)
Closing balance	<u>124,558</u>	<u>19,710</u>	<u>55,962</u>	<u>-</u>	<u>200,230</u>

**Net book value**

Balance as at 1 January	<u>36,091</u>	<u>51,896</u>	<u>14,213</u>	<u>2,005</u>	<u>104,205</u>
Closing balance	<u>32,030</u>	<u>51,678</u>	<u>12,872</u>	<u>612</u>	<u>97,192</u>

A at 31 December 2014

<u>Cost</u>	Intangible assets	Property	Office equipment and vehicles	Construction in progress	Total
Balance as at 1 January	137,349	69,829	73,012	16,815	297,005
Additions	25,133	1,562	4,681	5,541	36,917
Disposals	(8,429)	(563)	(7,709)	(20,351)	(37,052)
Closing balance	<u>154,053</u>	<u>70,828</u>	<u>69,984</u>	<u>2,005</u>	<u>296,870</u>

**Depreciation and Amortization**

Balance as at 1 January	105,795	17,246	56,963	-	180,004
Charge for the period	14,416	1,846	5,915	-	22,177
Disposals	(2,249)	(160)	(7,107)	-	(9,516)
Closing balance	<u>117,962</u>	<u>18,932</u>	<u>55,771</u>	<u>-</u>	<u>192,665</u>

**Net book value**

Balance as at 1 January	<u>31,554</u>	<u>52,583</u>	<u>16,049</u>	<u>16,815</u>	<u>117,001</u>
Closing balance	<u>36,091</u>	<u>51,896</u>	<u>14,213</u>	<u>2,005</u>	<u>104,205</u>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 12: OTHER ASSETS<sup>1</sup> (in HUF mn)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Prepayments and accrued income	40,233	17,974
Deferred tax assets <sup>2</sup>	35,281	33,557
Fair value of derivative financial instruments designated as fair value hedge	14,720	14,041
Receivables from card operations	11,997	9,615
Receivables from investment services	6,866	5,923
Current income tax receivable	4,027	2,561
Variation margin	3,831	3,970
Trade receivables	3,225	4,162
Other advances	3,068	1,283
Inventories	791	632
Due from Hungarian Government from interest subsidies	758	837
Advances for securities and investments	635	634
Receivables from OTP Mortgage Bank Ltd. <sup>3</sup>	332	773
Other	<u>8,429</u>	<u>6,407</u>
<b>Subtotal</b>	<b><u>134,193</u></b>	<b><u>102,369</u></b>
Provision for impairment on other assets <sup>4</sup>	<u>(6,352)</u>	<u>(4,439)</u>
<b>Total</b>	<b><u>127,841</u></b>	<b><u>97,930</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Interest rate swaps designated as fair value hedge	14,705	14,032
Other	<u>15</u>	<u>9</u>
<b>Total</b>	<b><u>14,720</u></b>	<b><u>14,041</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Balance as at 1 January</b>	<b>4,439</b>	<b>1,676</b>
Charge for the period	2,048	3,589
Release of provision	<u>(135)</u>	<u>(826)</u>
<b>Closing balance</b>	<b><u>6,352</u></b>	<b><u>4,439</u></b>

<sup>1</sup> Other assets – except income tax receivable and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Income tax receivable will be enforced in the tax return for the year 2015. Unrealised gains/losses on derivative financial instruments are recovering in accordance with their maturity.

<sup>2</sup> See Note 25.

<sup>3</sup> The Bank, under a syndication agreement administered mortgage loans with recourse to OTP Mortgage Bank Ltd.

<sup>4</sup> Provision for impairment on other assets mainly consists of provision for trade receivables and inventories.



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within one year:		
In HUF	468,248	321,228
In foreign currency	<u>283,387</u>	<u>685,318</u>
	<b><u>751,635</u></b>	<b><u>1,006,546</u></b>
Over one year:		
In HUF	104,749	92,169
In foreign currency	<u>189,833</u>	<u>42,961</u>
	<b><u>294,582</u></b>	<b><u>135,130</u></b>
<b>Subtotal</b>	<b><u>1,046,217</u></b>	<b><u>1,141,676</u></b>
Accrued interest	<u>2,494</u>	<u>815</u>
<b>Total<sup>1</sup></b>	<b><u>1,048,711</u></b>	<b><u>1,142,491</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within one year:		
In HUF	0.5%-3.02%	2.21%-5.24%
In foreign currency	0.76%-3.02%	4.18%-7%
Over one year:		
In HUF	0.1%-4.18%	0.08%-3.08%
In foreign currency	0.1%-3.07%	0.1%-4.48%
Average interest on amounts due to banks in HUF	2.3%	1.7%
Average interest on amounts due to banks in foreign currency	0.61%	1.09%

**NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within one year:		
In HUF	3,334,706	3,600,806
In foreign currency	<u>707,244</u>	<u>599,127</u>
	<b><u>4,041,950</u></b>	<b><u>4,199,933</u></b>
Over one year:		
In HUF	<u>31,810</u>	<u>31,419</u>
	<b><u>31,810</u></b>	<b><u>31,419</u></b>
<b>Subtotal</b>	<b><u>4,073,760</u></b>	<b><u>4,231,352</u></b>
Accrued interest	<u>3,689</u>	<u>3,904</u>
<b>Total</b>	<b><u>4,077,449</u></b>	<b><u>4,235,256</u></b>

<sup>1</sup> It contains the loans lent among the frame of Funding for Growth Scheme, which are accounted as government grant regulated by IAS 20 Standard. See details in Note 41.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within one year in HUF	0.01%-8%	0.01%-10.3%
Over one year in HUF	0.01%-2.5%	0.01%-3.1%
In foreign currency	0.01%-2.9%	0.01%-6.6%
Average interest on deposits from customers in HUF	0.9%	1.23%
Average interest on deposits from customers in foreign currency	0.45%	0.9%

An analysis of deposits from customers by type, not included accrued interest, is as follows:

	<b>30 June 2015</b>		<b>31 December 2014</b>	
<b>Retail deposits</b>	<b>2,344,244</b>	<b>58%</b>	<b>2,242,240</b>	<b>53%</b>
Household deposits	1,938,485	48%	1,860,109	44%
Deposits to micro and small enterprises	405,759	10%	382,131	9%
<b>Corporate deposits</b>	<b>1,729,516</b>	<b>42%</b>	<b>1,989,112</b>	<b>47%</b>
Deposits to medium and large corporates	1,427,228	35%	1,659,484	39%
Municipality deposits	<u>302,288</u>	<u>7%</u>	<u>329,628</u>	<u>8%</u>
<b>Total</b>	<b><u>4,073,760</u></b>	<b><u>100%</u></b>	<b><u>4,231,352</u></b>	<b><u>100%</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within one year:		
In HUF	13,910	24,280
In foreign currency	<u>49,412</u>	<u>39,024</u>
	<b><u>63,322</u></b>	<b><u>63,304</u></b>
Over one year:		
In HUF	84,865	86,781
In foreign currency	<u>7,169</u>	<u>10,061</u>
	<b><u>92,034</u></b>	<b><u>96,842</u></b>
<b>Subtotal</b>	<b><u>155,356</u></b>	<b><u>160,146</u></b>
Accrued interest	<u>5,501</u>	<u>2,521</u>
<b>Total</b>	<b><u>160,857</u></b>	<b><u>162,667</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Issued securities denominated in HUF	0.01%-7%	0.1%-7%
Issued securities denominated in foreign currency	0.8%-2.25%	1.1%-3%
Average interest on issued securities denominated in HUF	1.04%	2.66%
Average interest on issued securities denominated in foreign currency	1.6%	2.24%

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

Issued securities denominated in foreign currency as at 30 June 2015 (in HUF mn):

	Name	Date of issuance	Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % actual)	Hedged
1	OTP EUR 1 2016/III	20/03/2015	03/04/2016	EUR	13.07	4,118	0.94 fixed	
2	OTP EUR 1 2015/XX	03/10/2014	17/10/2015	EUR	13.04	4,107	1.25 fixed	
3	OTP EUR 1 2015/XVIII	29/08/2014	12/09/2015	EUR	10.40	3,276	1.25 fixed	
4	OTP EUR 1 2016/VI	29/05/2015	12/06/2016	EUR	10.30	3,244	0.83 fixed	
5	OTP EUR 1 2016/VII	30/06/2015	14/07/2016	EUR	10.24	3,226	0.83 fixed	
6	OTP EUR 1 2016/I	30/01/2015	13/02/2016	EUR	10.18	3,208	1.14 fixed	
7	OTP EUR 1 2015/XXV	19/12/2014	02/01/2016	EUR	9.36	2,947	1 fixed	
8	OTP EUR 1 2016/II	20/02/2015	06/03/2016	EUR	8.38	2,641	1.04 fixed	
9	OTP EUR 1 2015/XXI	22/10/2014	05/11/2015	EUR	8.24	2,595	1 fixed	
10	OTP EUR 1 2016/IV	10/04/2015	24/04/2016	EUR	7.22	2,275	0.94 fixed	
11	OTP_VK_USD_2_2016/1	28/11/2014	28/11/2016	USD	6.82	1,928	1.1 floating	hedged
12	OTP EUR 1 2015/XXIII	14/11/2014	28/11/2015	EUR	5.44	1,713	1 fixed	
13	OTP EUR 1 2015/XIX	12/09/2014	26/09/2015	EUR	5.24	1,651	1.25 fixed	
14	OTP EUR 1 2015/XXIV	28/11/2014	12/12/2015	EUR	5.01	1,580	1 fixed	
15	OTP EUR 1 2015/XXVI	09/01/2015	23/01/2016	EUR	4.34	1,366	1.14 fixed	
16	OTP EUR 1 2015/XVI	30/07/2014	13/08/2015	EUR	3.67	1,157	1.5 fixed	
17	OTP EUR 1 2016/V	24/04/2015	08/05/2016	EUR	3.61	1,137	0.94 fixed	
18	OTP EUR 1 2015/XVII	08/08/2014	22/08/2015	EUR	3.20	1,008	1.25 fixed	
19	OTP EUR 1 2015/XXII	31/10/2014	14/11/2015	EUR	3.12	982	1 fixed	
20	OTP EUR 1 2015/XIV	04/07/2014	18/07/2015	EUR	2.61	822	1.25 fixed	
21	OTP EUR 2 2015/XXI	31/10/2013	31/10/2015	EUR	2.31	728	2.25 fixed	
22	OTP EUR 1 2015/XIII	20/06/2014	04/07/2015	EUR	2.24	705	1.5 fixed	
23	OTP 2015/Fx	21/12/2012	23/12/2015	EUR	2.07	653	indexed floating	hedged
24	OTP EUR 2 2016/XIX	03/10/2014	03/10/2016	EUR	1.92	605	1.25 fixed	
25	OTP EUR 1 2015/XV	18/07/2014	01/08/2015	EUR	1.75	551	1.25 fixed	
26	OTP_VK_USD_1_2016/1	24/04/2015	24/04/2016	USD	1.78	504	0.85 floating	hedged
27	OTP EUR 2 2016/XV	30/07/2014	30/07/2016	EUR	1.58	497	1.5 fixed	
28	OTP EUR 2 2015/XXIV	20/12/2013	20/12/2015	EUR	1.55	488	2 fixed	
29	OTP 2016/Cx	22/04/2011	22/04/2016	EUR	1.42	449	indexed floating	hedged
30	OTP EUR 2 2016/XVII	29/08/2014	29/08/2016	EUR	1.32	414	1.5 fixed	
31	OTP EUR 2 2015/XXIII	29/11/2013	29/11/2015	EUR	1.21	382	2 fixed	
32	OTP EUR 2 2015/XXII	15/11/2013	15/11/2015	EUR	1.16	364	2.25 fixed	
33	OTP 2016/Dx	22/12/2011	29/12/2016	EUR	1.08	341	indexed floating	hedged
34	OTP EUR 2 2016/XVIII	12/09/2014	12/09/2016	EUR	0.99	311	1.5 fixed	
35	OTP EUR 2 2016/III	14/02/2014	14/02/2016	EUR	0.95	298	2 fixed	
36	OTP EUR 2 2016/I	17/01/2014	17/01/2016	EUR	0.90	282	2 fixed	
37	OTP 2015/Cx	27/12/2010	29/12/2015	EUR	0.85	267	indexed floating	hedged
38	OTP EUR 2 2016/II	31/01/2014	31/01/2016	EUR	0.83	261	2 fixed	
39	OTP 2017/Fx	19/06/2012	16/06/2017	EUR	0.78	245	indexed floating	hedged
40	OTP EUR 2 2016/V	14/03/2014	14/03/2016	EUR	0.72	228	1.8 fixed	
41	OTP EUR 2 2016/VII	11/04/2014	11/04/2016	EUR	0.72	225	1.8 fixed	
42	OTP EUR 2 2015/XVI	16/08/2013	16/08/2015	EUR	0.68	213	2.25 fixed	
43	OTP EUR 2 2016/IV	28/02/2014	28/02/2016	EUR	0.65	206	1.9 fixed	
44	OTP EUR 2 2016/XI	06/06/2014	06/06/2016	EUR	0.64	201	1.8 fixed	
45	OTP EUR 2 2016/XII	20/06/2014	20/06/2016	EUR	0.64	201	1.5 fixed	
46	OTP EUR 2 2015/XV	26/07/2013	26/07/2015	EUR	0.63	199	2.25 fixed	
47	OTP 2018/Fx	19/12/2013	21/12/2018	EUR	0.62	195	indexed floating	hedged
48	OTP EUR 2 2016/IX	09/05/2014	09/05/2016	EUR	0.61	193	1.8 fixed	
49	OTP EUR 2 2016/X	23/05/2014	23/05/2016	EUR	0.60	189	1.8 fixed	
50	OTP EUR 2 2015/XVIII	13/09/2013	13/09/2015	EUR	0.57	178	2.25 fixed	
51	OTP EUR 2 2015/XIX	27/09/2013	27/09/2015	EUR	0.51	159	2.25 fixed	
52	OTP EUR 2 2016/XIII	04/07/2014	04/07/2016	EUR	0.46	146	1.5 fixed	
53	OTP EUR 2 2015/XVII	30/08/2013	30/08/2015	EUR	0.42	133	2.25 fixed	
54	OTP EUR 2 2016/XVI	08/08/2014	08/08/2016	EUR	0.37	116	1.5 fixed	
55	OTP EUR 2 2016/XIV	18/07/2014	18/07/2016	EUR	0.31	99	1.5 fixed	
56	OTP EUR 2 2015/XX	11/10/2013	11/10/2015	EUR	0.30	94	2.25 fixed	
57	OTP_VK_USD_2_2017/1	10/04/2015	10/04/2017	USD	0.33	94	1 floating	hedged
58	OTP EUR 2 2016/VI	21/03/2014	21/03/2016	EUR	0.21	66	1.8 fixed	
59	OTP EUR 2 2016/VIII	18/04/2014	18/04/2016	EUR	0.20	63	1.8 fixed	
60	OTP EUR 2 2015/XIV	12/07/2013	12/07/2015	EUR	0.12	39	2.25 fixed	
	<b>Total</b>					<b>56,563</b>		
	Unamortized premium					(70)		
	Fair value hedge adjustment					88		
	<b>Total issued securities in FX</b>					<b>56,581</b>		

**OTP BANK PLC.**  
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**30 JUNE 2015**

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

**Term Note Program in the value of HUF 500 billion for the year of 2014/2015**

On 8 July 2014 OTP Bank initiated term note program in the value of HUF 500 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 29 July 2014 the prospectus of Term Note Program and the disclosure as at 25 July 2014. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange without any obligation.

**Term Note Program in the value of HUF 200 billion for the year of 2015/2016**

On 30 June 2015 OTP Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 14 August 2015 the prospectus of Term Note Program and the disclosure as at 12 August 2015. The prospectus is valid for 12 months following the disclosure.

The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange without any obligation.

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. In certain cases amount of the structure is hedged by options which give the owner the right to get amount of the structure which is equal to the structure 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, resulted a decrease in the interest rate and foreign exchange exposure of issued securities.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

Issued securities denominated in HUF as at 30 June 2015 (in HUF mn)

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % actual)		Hedged
1	OTP TBSZ2015/I	26/02/2010	28/12/2010	30/12/2015	5,376	5.5	fixed	
2	OTP 2019/Dx	22/03/2013		21/03/2019	4,185	indexed	floating	hedged
3	OTP 2017/Ax	01/04/2011		31/03/2017	4,150	indexed	floating	hedged
4	OTP 2017/Bx	17/06/2011		20/06/2017	4,046	indexed	floating	hedged
5	OTP 2015/Bx	28/06/2010		09/07/2015	4,000	indexed	floating	hedged
6	OTP 2020/Ex	18/06/2014		22/06/2020	3,975	indexed	floating	hedged
7	OTP 2018/Bx	22/03/2012		22/03/2018	3,935	indexed	floating	hedged
8	OTP 2016/Ax	11/11/2010		03/11/2016	3,585	indexed	floating	hedged
9	OTP 2020/Fx	10/10/2014		16/10/2020	3,481	indexed	floating	hedged
10	OTP 2018/Cx	18/07/2012		18/07/2018	3,436	indexed	floating	hedged
11	OTP 2017/Ex	21/12/2011		28/12/2017	3,308	indexed	floating	hedged
12	OTP 2019/Ex	28/06/2013		24/06/2019	3,269	indexed	floating	hedged
13	OTP 2017/Cx	19/09/2011		25/09/2017	3,084	indexed	floating	hedged
14	OTP 2020/Gx	15/12/2014		21/12/2020	2,951	indexed	floating	hedged
15	OTP 2018/Ex	28/12/2012		28/12/2018	2,874	indexed	floating	hedged
16	OTP 2018/Dx	29/10/2012		26/10/2018	2,850	indexed	floating	hedged
17	OTP 2020/RF/C	11/11/2010		05/11/2020	2,712	indexed	floating	hedged
18	OTP 2016/Bx	16/12/2010		19/12/2016	2,691	indexed	floating	hedged
19	OTP 2020/RF/A	12/07/2010		20/07/2020	2,559	indexed	floating	hedged
20	OTP 2021/RF/B	20/10/2011		25/10/2021	2,233	indexed	floating	hedged
21	OTP 2021/RF/A	05/07/2011		13/07/2021	2,226	indexed	floating	hedged
22	OTP 2022/RF/A	22/03/2012		23/03/2022	1,234	indexed	floating	hedged
23	OTP 2020/RF/B	12/07/2010		20/07/2020	1,208	indexed	floating	hedged
24	OTP TBSZ2016/I	14/01/2011	05/08/2011	15/12/2016	1,167	5.5	fixed	
25	OTP 2016/Fx	22/03/2013		24/03/2016	670	indexed	floating	hedged
26	OTP TBSZ2016/II	26/08/2011	29/12/2011	15/12/2016	633	5.5	fixed	
27	OTP 2018/Ax	03/01/2012		09/01/2018	611	indexed	floating	hedged
28	OTP TBSZ 4 2015/I	13/01/2012	22/06/2012	15/12/2015	469	6.5	fixed	
29	OTP 2017/Dx	20/10/2011		19/10/2017	445	indexed	floating	hedged
30	OTP 2021/RF/C	21/12/2011		30/12/2021	442	indexed	floating	hedged
31	OTP 2022/RF/E	29/10/2012		31/10/2022	412	indexed	floating	hedged
32	OTP 2022/RF/B	22/03/2012		23/03/2022	405	indexed	floating	hedged
33	OTP 2024/Bx	10/10/2014		16/10/2024	400	indexed	floating	hedged
34	OTP 2023/Ax	22/03/2013		24/03/2023	395	indexed	floating	hedged
35	OTP 2021/Dx	21/12/2011		27/12/2021	365	indexed	floating	hedged
36	OTP 2019/Bx	05/10/2009	05/02/2010	14/10/2019	355	indexed	floating	hedged
37	OTP 2020/Bx	28/06/2010		09/07/2020	347	indexed	floating	hedged
38	OTP 2023/RF/A	22/03/2013		24/03/2023	333	indexed	floating	hedged
39	OTP 2021/Bx	17/06/2011		21/06/2021	332	indexed	floating	hedged
40	OTP 2020/Ax	25/03/2010		30/03/2020	328	indexed	floating	hedged
41	OTP 2022/Dx	28/12/2012		27/12/2022	328	indexed	floating	hedged
42	OTP 2024/Cx	15/12/2014		20/12/2024	320	indexed	floating	hedged
43	OTP 2015/Ex	18/07/2012		20/07/2015	315	indexed	floating	hedged
44	OTP 2016/Ex	28/12/2012		27/12/2016	315	indexed	floating	hedged
45	OTP 2022/RF/F	28/12/2012		28/12/2022	309	indexed	floating	hedged
46	OTP 2021/Cx	19/09/2011		24/09/2021	300	indexed	floating	hedged
47	OTP 2019/Cx	14/12/2009		20/12/2019	294	indexed	floating	hedged
48	OTP 2021/RF/D	21/12/2011		30/12/2021	294	indexed	floating	hedged
49	OTP 2021/Ax	01/04/2011		01/04/2021	289	indexed	floating	hedged
50	OTP 2022/Cx	29/10/2012		28/10/2022	283	indexed	floating	hedged
51	OTP 2023/Bx	28/06/2013		26/06/2023	280	indexed	floating	hedged
52	OTP 2024/Ax	18/06/2014		21/06/2024	270	indexed	floating	hedged
53	OTP 2019/Ax	25/06/2009		01/07/2019	264	indexed	floating	hedged
54	OTP 2022/Ax	22/03/2012		23/03/2022	264	indexed	floating	hedged
55	OTP 2022/Bx	18/07/2012		18/07/2022	240	indexed	floating	hedged
56	OTP TBSZ6 2017/I	13/01/2012	22/06/2012	15/12/2017	233	6.5	fixed	
57	OTP 2020/Dx	16/12/2010		18/12/2020	215	indexed	floating	hedged
58	OTP 2020/Cx	11/11/2010		05/11/2020	206	indexed	floating	hedged
59	OTP 2022/RF/D	28/06/2012		28/06/2022	172	indexed	floating	hedged
60	OTP TBSZ 4 2016/I	18/01/2013	15/02/2013	15/12/2016	157	5	fixed	
	<b>Subtotal</b>				<b>86,825</b>			

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

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % actual)		Hedged
61	OTP 2015/Hx	28/12/2012		27/12/2015	152	indexed	floating	hedged
62	OTP 2022/RF/C	28/06/2012		28/06/2022	135	indexed	floating	hedged
63	OTP OJK 2016/I	26/08/2011	21/12/2011	26/08/2016	72	6.14	fixed	
64	OTP TBSZ 4 2015/II	21/12/2012		15/12/2015	46	6	fixed	
65	OTP 2021/RF/E	21/12/2011		30/12/2021	44	indexed	floating	hedged
66	OTP OJK 2017/I	27/01/2012	13/07/2012	27/01/2017	17	7	fixed	
67	Other	-	-	-	231			
	<b>Subtotal</b>				<b><u>697</u></b>			
	<b>Subtotal issued securities in HUF</b>				<b><u>87,522</u></b>			
	Unamortized premium				(2,388)			
	Fair value hedge adjustment				<u>13,641</u>			
	<b>Total issued securities in HUF</b>				<b><u>98,775</u></b>			
	Accrued interest				<u>5,501</u>			
	<b>Total issued securities</b>				<b><u>160,857</u></b>			

**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 2015	31 December 2014
CCIRS and mark-to-market CCIRS	218,232	236,743
IRS	34,449	63,670
Foreign currency swaps	14,885	60,110
Other derivative contracts <sup>1</sup>	<u>12,679</u>	<u>14,840</u>
<b>Total</b>	<b><u>280,245</u></b>	<b><u>375,363</u></b>

<sup>1</sup> incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option

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**NOTE 17: OTHER LIABILITIES<sup>1</sup> (in HUF mn)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Financial liabilities from OTP-MOL share swap transaction <sup>2</sup>	70,721	56,445
Accrued expenses	35,047	32,353
Salaries and social security payable	23,378	17,266
Current income tax payable	22,145	7,789
Provision on other liabilities, off-balance sheet commitments, contingent liabilities	20,547	55,596
Liabilities from investment services	19,427	41,853
Short term liabilities due to repurchase agreement transactions	13,764	6,980
Accounts payable	10,691	11,479
Fair value of derivative financial instruments designated as fair value hedge (interest rate swap transactions)	6,637	3,463
HUF denominated liabilities from purchase of customers with cards	5,964	4,992
Giro clearing accounts	3,283	5,671
Suspended liabilities	1,554	1,852
Liabilities connected to loans for collection	921	909
Liabilities related to housing loans	101	216
Other	<u>5,786</u>	<u>7,088</u>
<b>Total</b>	<b><u>239,966</u></b>	<b><u>253,952</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Provision on contingent liabilities due to regulations related to customer loans <sup>3</sup>	10,776	44,127
Provision on promissory obligation	4,137	3,525
Provision for losses on other off-balance sheet commitments and contingent liabilities	2,986	3,365
Provision for taxation	1,000	1,000
Provision for litigation	777	998
Provision for retirement pension and severance pay	-	426
Provision on other liabilities	<u>871</u>	<u>2,155</u>
<b>Total</b>	<b><u>20,547</u></b>	<b><u>55,596</u></b>

<sup>1</sup> Other liabilities – except financial liabilities from OTP-MOL share swap transaction, deferred tax liabilities and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealised gains/losses on OTP-MOL share swap transaction is settled in June of each year until the maturity date. The fair value adjustment of swap transaction is HUF 430 million as at 30 June 2015. Unrealised gains/losses on derivative financial instruments is recovering in accordance with their maturity.

<sup>2</sup> 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 with the amount of HUF 55.5 billion and a recognition of a corresponding liability. As at 30 June 2015 and 31 December 2014 HUF 70,721 and HUF 56,445 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.

<sup>3</sup> See Note 2.26.

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

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Balance as at 1 January</b>	<b>55,596</b>	<b>12,913</b>
Provision for the period	2,030	50,923
Release of provision	(37,692)	(7,724)
Provision for promissory obligation	<u>613</u>	<u>(516)</u>
<b>Closing balance</b>	<b><u>20,547</u></b>	<b><u>55,596</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within one year		
In foreign currency	<u>-</u>	<u>29,375</u>
	<u>-</u>	<u>29,375</u>
Over one year:		
In foreign currency	<u>264,882</u>	<u>263,843</u>
	<u>264,882</u>	<u>263,843</u>
<b>Subtotal</b>	<b><u>264,882</u></b>	<b><u>293,218</u></b>
Accrued interest	<u>5,984</u>	<u>1,394</u>
<b>Total</b>	<b><u>270,866</u></b>	<b><u>294,612</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Subordinated bonds and loans denominated in foreign currency	5.3%-5.9%	0.6%-5.9%
Average interest on subordinated bonds and loans denominated in foreign currency	5.40%	5.41%



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

Subordinated loans and bonds are detailed as follows as at 30 June 2015:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 30 June 2015
Subordinated bond	EUR 353.1 million	07/11/2006	Perpetual bond	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 <sup>1</sup> program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN <sup>1</sup> program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%

<sup>1</sup> European Medium Term Note Program

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**NOTE 19: SHARE CAPITAL (in HUF mn)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
<u>Authorized, issued and fully paid:</u>		
Ordinary shares	<u>28,000</u>	<u>28,000</u>

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

The reserves of the Bank under Hungarian Accounting Standards ("HAS")<sup>1</sup>:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Capital reserve	52	52
General reserve	121,055	112,217
Retained earnings	818,600	814,399
Tied-up reserve	<u>9,898</u>	<u>8,558</u>
<b>Total</b>	<b><u>949,605</u></b>	<b><u>935,226</u></b>

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.

Capital reserve is the amount that the entity receives from the owners without obligation to repay it. According to HAS general reserve can be established of profit after tax and in case of loss after tax general reserve shall be used up to amount of loss or general reserve. Retained earnings are total sum of net profit or loss from previous years. Tied-up reserve contains cost of treasury shares and book value of experimental development reclassified from retained earnings in accordance with regulations of HAS.

In 2015 the Bank paid dividend of HUF 40,600 million from the profit of the year 2014, which means 145 HUF payable dividends 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 discretionary 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)**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Nominal value (ordinary shares)	147	161
Carrying value at acquisition cost	8,413	7,073

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

<sup>1</sup> The reserves under IFRS are detailed in statement of changes in shareholders' equity.

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

Change in number of shares:	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Number of shares as at 1 January</b>	<b>1,605,311</b>	<b>1,402,369</b>
Additions	3,127,234	6,474,942
Disposals	<u>(3,260,488)</u>	<u>(6,272,000)</u>
<b>Number of shares at the end of the period</b>	<b><u>1,472,057</u></b>	<b><u>1,605,311</u></b>

Change in carrying value:	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Balance as at 1 January</b>	<b>7,073</b>	<b>6,731</b>
Additions	16,688	27,522
Disposals	<u>(15,348)</u>	<u>(27,180)</u>
<b>Closing balance</b>	<b><u>8,413</u></b>	<b><u>7,073</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Provision for impairment on loan losses</b>		
Provision for the period	31,199	52,096
Release of provision	(22,318)	(54,793)
Provision on loan losses	<u>7,536</u>	<u>25,906</u>
	<b><u>16,417</u></b>	<b><u>23,209</u></b>
<b>Provision for impairment on placement losses</b>		
Provision for the period	<u>2</u>	<u>4</u>
	<b><u>2</u></b>	<b><u>4</u></b>
<b>Provision for impairment on loan and placement losses</b>	<b><u>16,419</u></b>	<b><u>23,213</u></b>

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
<b>Income from fees and commissions:</b>		
Deposit and account maintenance fees and commissions	36,534	36,889
Fees and commissions received from OTP Mortgage Bank Ltd.	14,915	2,985
Fees and commissions related to the issued bank cards	13,434	12,788
Fees and commissions related to security trading	12,833	11,250
Fees related to the cash withdrawal	10,408	11,152
Fees and commissions related to lending	3,730	2,840
Net fee income related to card insurance services and loan agreements	740	917
Other	<u>3,394</u>	<u>3,982</u>
<b>Total</b>	<b><u>95,988</u></b>	<b><u>82,803</u></b>
	<b>30 June 2015</b>	<b>30 June 2014</b>
<b>Expenses from fees and commissions:</b>		
Fees and commissions related to issued bank cards	3,962	3,354
Fees and commissions related to lending	2,116	1,474
Interchange fee	1,708	1,602
Money market transaction fees and commissions	960	331
Cash withdrawal transaction fees	551	599
Fees and commissions related to security trading	513	310
Fees and commissions relating to deposits	422	384
Insurance fees	125	674
Postal fees	125	109
Other	<u>1,196</u>	<u>1,556</u>
<b>Total</b>	<b><u>11,678</u></b>	<b><u>10,393</u></b>
<b>Net profit from fees and commissions</b>	<b><u>84,310</u></b>	<b><u>72,410</u></b>

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
<b>Other operating income:</b>		
Income from non-financing services	4	560
Gains on transactions related to property activities	63	34
Other	<u>987</u>	<u>1,136</u>
<b>Total</b>	<b><u>1,054</u></b>	<b><u>1,730</u></b>
	<b>30 June 2015</b>	<b>30 June 2014</b>
<b>Net other operating expenses:</b>		
Expenses from regulations related to customer loans <sup>1</sup>	34,038	-
Provision for impairment on investments in subsidiaries	8,465	90,090
Financial support for sport association and organization of public utility	7,328	5,643
Provision for impairment and loan losses on other assets	2,000	2,098
Expenses from promissory obligation to OTP Financing Solutions B.V.	946	460
Release of provision for off-balance sheet commitments and contingent liabilities	(857)	(1,296)
(Release of provision) / provision on contingent liabilities due to regulations related to customer loans <sup>1</sup>	(33,351)	190,202
Other	<u>2,791</u>	<u>2,106</u>
<b>Total</b>	<b><u>21,360</u></b>	<b><u>289,303</u></b>

<sup>1</sup> See Note 2.26.

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

**Other administrative expenses:**

	<b>30 June 2015</b>	<b>30 June 2014</b>
<b>Personnel expenses:</b>		
Wages	28,908	29,254
Taxes related to personnel expenses	9,422	9,592
Other personnel expenses	<u>4,189</u>	<u>4,264</u>
<b>Subtotal</b>	<b><u>42,519</u></b>	<b><u>43,110</u></b>
<b>Depreciation and amortization:</b>	<b><u>10,262</u></b>	<b><u>10,903</u></b>
<b>Other administrative expenses:</b>		
Taxes, other than income tax <sup>1</sup>	54,187	53,973
Administration expenses, including rental fees	10,873	10,666
Services	10,115	9,211
Advertising	1,980	2,128
Professional fees	<u>3,717</u>	<u>2,255</u>
<b>Subtotal</b>	<b><u>80,872</u></b>	<b><u>78,233</u></b>
<b>Total</b>	<b><u>133,653</u></b>	<b><u>132,246</u></b>

**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:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Current tax expense	2,858	2,284
Deferred tax income	<u>(436)</u>	<u>(45,648)</u>
<b>Total</b>	<b><u>2,422</u></b>	<b><u>(43,364)</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>Balance as at 1 January</b>	<b>33,557</b>	<b>(9,672)</b>
Deferred tax income	436	45,648
Tax effect of fair value adjustment of available-for-sale securities recognized in other comprehensive income and ICES	<u>1,288</u>	<u>(2,419)</u>
<b>Closing balance</b>	<b><u>35,281</u></b>	<b><u>33,557</u></b>

<sup>1</sup> Special tax of financial institutions was paid by OTP Bank in the amount of HUF 24 billion for the year 2015 and 2014, recognized as an expense thus decreased the corporate tax base. In the six month period ended 30 June 2015 financial transaction duty was paid by the Bank in the amount of HUF 22 billion.

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

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Refundable tax in accordance with Acts on Customer Loans <sup>1</sup>	28,439	30,596
Unused tax allowance	10,374	6,794
Goodwill	9,367	10,705
Repurchase agreements and security lending	4,112	4,176
Banking tax	2,469	-
Tax accrual caused by negative taxable income	1,521	1,517
Difference in accounting for finance leases	151	166
Amounts unenforceable by tax law	101	182
Provision for conversion to HUF of customer loans	<u>84</u>	<u>-</u>
<b>Deferred tax assets</b>	<b><u>56,618</u></b>	<b><u>54,136</u></b>
Fair value adjustment of held for trading and available-for-sale securities	(10,797)	(11,048)
Fair value adjustment of derivative financial instruments	(3,434)	(1,902)
Effect of redemption of issued securities	(2,335)	(2,681)
Difference in depreciation and amortization	(1,957)	(1,957)
Effect of using effective interest rate method	(1,642)	(1,658)
Valuation of equity instrument (ICES)	<u>(1,171)</u>	<u>(1,333)</u>
<b>Deferred tax liabilities</b>	<b><u>(21,336)</u></b>	<b><u>(20,579)</u></b>
<b>Net deferred tax asset</b>	<b><u>35,281</u></b>	<b><u>33,557</u></b>

A reconciliation of the income tax expense is as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
Profit / (loss) before income tax	102,107	(117,833)
Income tax at statutory tax rate (19%)	19,400	(22,388)
<i><u>Income tax adjustments due to permanent differences are as follows:</u></i>		
Tax adjustment in accordance with Acts on Customer Loans	655	(22,189)
Share-based payment	362	835
Amounts unenforceable by tax law	81	584
Differences in carrying value of subsidiaries	11	14,982
Accounting of equity instrument (ICES)	(29)	(211)
OTP-MOL share swap transaction	(82)	(80)
Revaluation of investments denominated in foreign currency to historical cost	(457)	(185)
Treasury share transaction	(985)	(917)
Deferred use of tax allowance	(3,579)	(6,335)
Use of tax allowance in the current year	(3,757)	(2,479)
Dividend income	(11,132)	(8,115)
Other	<u>1,934</u>	<u>3,134</u>
<b>Income tax</b>	<b><u>2,422</u></b>	<b><u>(43,364)</u></b>
Effective tax rate <sup>2</sup>	2.4%	36.8%

<sup>1</sup> See Note 2.26.

<sup>2</sup> Effective tax rate has changed due to deferred tax receivable recognized in relation to the expecting tax receivable based on act on settlement and considering the contribution provided to the subsidiaries.

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**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 sublimit 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**

**Classification into risk classes**

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

**Exposures with small amounts** are subject to **collective valuation** method, which is a simplified assessment. The exposures subject to collective valuation method are classified into five valuation groups which have been formed based on past due days from which there classes were presented (A: 0-90 days past due - DPD, B: 91-360 DPD, C: over 360 days past due).

The Bank intends – where enough large number of items and enough long experiences are available – applying models on statistical bases. The impairment is calculated according to the possibility of listing the loan into default categories examined on the base of objective valuation criteria (delay of payment, change of exchange) and the expected recovery from the collecting. If the loss of the exposure can't be modelled reliably, the impairment is determined by expert keys.

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.

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

**26.1. Credit risk [continued]**

**26.1.1 Analysis by loan types [continued]**

The expected future losses of the individually assessed item are determined by taking into considerations the above listed objective valuation aspects. The expected loss, the volume of the necessary reserve is defined by taking into account the value of the collaterals, comparing with the value of the collaterals relating to the exposure. The expected recovery is calculated by applying the effective interest rate method and the discounted cash-flow method. The impairment accounted for the item before should be completed to this level by increasing the amount of the impairment or by releasing the provision accounted before.

An analysis of the gross loan portfolio by loan types and DPD categories is as follows:

As at 30 June 2015

Loan type	DPD 0-90	DPD 91-360	DPD 360+	Total carrying amount /allowance
Placements with other banks	<u>635,482</u>	-	-	<u>635,482</u>
<b>Total placements with other banks</b>	<b><u>635,482</u></b>	<b>-</b>	<b>-</b>	<b><u>635,482</u></b>
<i>Allowance on placements with other banks</i>	<i>(28)</i>	<i>-</i>	<i>-</i>	<i>(28)</i>
Consumer loans	275,083	6,364	3,427	<b>284,874</b>
Mortgage and housing loans	79,524	3,075	11,692	<b>94,291</b>
Micro and small enterprises loans	125,071	1,416	265	<b>126,752</b>
Loans to medium and large corporates	1,338,990	1,866	55,633	<b>1,396,489</b>
Municipal loans	<u>30,406</u>	<u>338</u>	<u>64</u>	<b><u>30,808</u></b>
<b>Gross loan portfolio total</b>	<b><u>1,849,074</u></b>	<b><u>13,059</u></b>	<b><u>71,081</u></b>	<b><u>1,933,214</u></b>
<i>Allowance on loans</i>	<i><u>(42,351)</u></i>	<i><u>(4,319)</u></i>	<i><u>(47,608)</u></i>	<i><u>(94,278)</u></i>
<b>Net portfolio total</b>	<b><u>2,442,177</u></b>	<b><u>8,740</u></b>	<b><u>23,473</u></b>	<b><u>2,474,390</u></b>
<b>Accrued interest</b>				
Placements with other banks				348
Loans				<u>6,541</u>
<b>Total accrued interest</b>				<b><u>6,889</u></b>
<b>Total placements with other banks</b>				<b>635,802</b>
<b>Total loans</b>				<b><u>1,845,477</u></b>
<b>Total</b>				<b><u>2,481,279</u></b>



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

**26.1. Credit risk [continued]**

**26.1.1 Analysis by loan types [continued]**

**As at 31 December 2014**

Loan type	DPD 0-90	DPD 91-360	DPD 360+	Total carrying amount /allowance
Placements with other banks	710,484	-	-	<b>710,484</b>
<b>Total placements with other banks</b>	<b>710,484</b>	<b>-</b>	<b>-</b>	<b>710,484</b>
<i>Allowance on placements with other banks</i>	<i>(26)</i>	<i>-</i>	<i>-</i>	<i>(26)</i>
Consumer loans	281,923	7,888	1,686	<b>291,497</b>
Mortgage and housing loans	90,467	6,749	15,142	<b>112,358</b>
Micro and small enterprises loans	112,970	928	305	<b>114,203</b>
Loans to medium and large corporates	1,363,904	12,918	43,809	<b>1,420,631</b>
Municipal loans	48,220	28	52	<b>48,300</b>
<b>Gross loan portfolio total</b>	<b>1,897,484</b>	<b>28,511</b>	<b>60,994</b>	<b>1,986,989</b>
<i>Allowance on loans</i>	<i>(37,088)</i>	<i>(15,613)</i>	<i>(32,696)</i>	<i>(85,397)</i>
<b>Net portfolio total</b>	<b>2,570,854</b>	<b>12,898</b>	<b>28,298</b>	<b>2,620,743</b>
<b>Accrued interest</b>				
Placements with other banks				1,654
Loans				7,039
<b>Total accrued interest</b>				<b>8,693</b>
<b>Total placements with other banks</b>				<b>712,112</b>
<b>Total loans</b>				<b>1,908,631</b>
<b>Total</b>				<b>2,620,743</b>

The Bank's gross loan portfolio decreased by 4.8% in the six month period ended 30 June 2015. Analysing the contribution of loan types to the loan portfolio, the share of several business lines hardly changed. The ratio of the DPD090<sup>-</sup> loans compared to the gross loan portfolio increased slightly from 96.68% to 96.72% as at 30 June 2015, while the ratio of DPD90<sup>+</sup> loans in gross loan portfolio decreased from 3.32% to 3.28%.

The Bank has a prudent provisioning policy, although the coverage of loans by provision for impairment on DPD90<sup>+</sup> loans increased from 53.97% to 61.71% in the six month period ended 30 June 2015.

**Not impaired 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 2015**

Loan type	Not past due	DPD 0-90	DPD 91-360	DPD 360+	Total
Placements with other banks	635,454	-	-	-	635,454
Consumer loans	202,826	54,390	50	101	257,367
Mortgage and housing loans	29,170	3,514	1,472	3,198	37,354
Micro and small enterprises loans	121,789	842	2	-	122,633
Loans to medium and large corporates	1,153,241	467	15	37	1,153,760
Municipal loans	25,873	-	30	39	25,942
<b>Total</b>	<b>2,168,353</b>	<b>59,213</b>	<b>1,569</b>	<b>3,375</b>	<b>2,232,510</b>

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

**26.1. Credit risk [continued]**

**26.1.1 Analysis by loan types [continued]**

**As at 31 December 2014**

<b>Loan type</b>	<b>Not past due</b>	<b>DPD 0-90</b>	<b>DPD 91-360</b>	<b>DPD 360+</b>	<b>Total</b>
Placements with other banks	710,458	-	-	-	710,458
Consumer loans	221,734	38,324	109	37	260,204
Mortgage and housing loans	55,858	7,592	2,089	5,423	70,962
Micro and small enterprises loans	109,552	706	22	-	110,280
Loans to medium and large corporates	1,151,217	272	47	5	1,151,541
Municipal loans	<u>48,455</u>	<u>263</u>	<u>19</u>	<u>34</u>	<u>48,771</u>
<b>Total</b>	<b><u>2,297,274</u></b>	<b><u>47,157</u></b>	<b><u>2,286</u></b>	<b><u>5,499</u></b>	<b><u>2,352,216</u></b>

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio decreased from 85.16% to 84.41% as at 30 June 2015 compared to 31 December 2014. The loans that are neither past due nor impaired are concentrated in the corporate business line. The ratio of the gross value of the loans past due not impaired compared to the whole portfolio increased from 2.04% to 2.5%. 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. Those loans which are guaranteed by state and are past due 30 days not impaired due to the state 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 share of certain loan types changed insignificantly as at 30 June 2015 compared to 31 December 2014. The ratio of consumer loans in past due loan portfolio increased from 70% to 85% in the six month period ended 30 June 2015.

**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 2015**

<b>Considered factors</b>	<b>Carrying value</b>	<b>Allowance for impairment</b>	<b>Collateral value</b>	<b>Off-balance sheet commitments</b>	<b>Provision for losses on off balance sheet contingent liabilities</b>
Delay of repayment	24,255	18,684	6,160	-	-
Regularity of payment	80	21	155	-	-
Legal proceedings	98,118	89,310	18,020	107	52
Decrease of client classification	72,092	17,223	23,190	1,940	56
Loan characteristics	35,234	2,579	24,570	-	-
Business lines risks	39,809	5,474	7,209	8,990	539
Refinancing of subsidiaries portfolio	-	-	-	131,030	4,137
Cross default	18,245	6,197	5,652	603	53
Other	<u>9,176</u>	<u>1,932</u>	<u>5,037</u>	<u>4,139</u>	<u>98</u>
<b>Corporate total</b>	<b><u>297,009</u></b>	<b><u>141,420</u></b>	<b><u>89,993</u></b>	<b><u>146,809</u></b>	<b><u>4,935</u></b>
Delay of repayment	-	-	-	-	-
Regularity of payment	-	-	-	-	-
Legal proceedings	4	4	-	-	-
Decrease of client classification	150	1	-	68	1
Cross default	-	-	-	-	-
Other	<u>976</u>	<u>10</u>	<u>-</u>	<u>748</u>	<u>7</u>
<b>Municipal total</b>	<b><u>1,130</u></b>	<b><u>15</u></b>	<b><u>-</u></b>	<b><u>816</u></b>	<b><u>8</u></b>
<b>Placements with other banks</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total</b>	<b><u>298,139</u></b>	<b><u>141,435</u></b>	<b><u>89,993</u></b>	<b><u>147,625</u></b>	<b><u>4,943</u></b>

**OTP BANK PLC.**  
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**NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**26.1. Credit risk [continued]**

**26.1.1 Analysis by loan types [continued]**

**As at 31 December 2014**

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	73,344	61,928	17,941	-	-
Regularity of payment	429	162	394	-	-
Legal proceedings	45,467	37,774	14,099	84	47
Decrease of client classification	88,896	15,971	53,294	12,300	592
Loan characteristics	39,370	1,975	27,341	-	-
Business lines risks	44,219	5,052	8,454	16,004	508
Refinancing of subsidiaries portfolio	-	-	-	120,664	3,525
Cross default	13,250	3,781	5,708	441	51
Other	<u>10,066</u>	<u>2,082</u>	<u>5,228</u>	<u>4,925</u>	<u>183</u>
<b>Corporate total</b>	<b><u>315,041</u></b>	<b><u>128,725</u></b>	<b><u>132,459</u></b>	<b><u>154,418</u></b>	<b><u>4,906</u></b>
Delay of repayment	-	-	-	-	-
Regularity of payment	-	-	-	-	-
Legal proceedings	4	4	-	-	-
Decrease of client classification	-	-	-	3	-
Cross default	-	-	-	-	-
Other	<u>96</u>	<u>1</u>	<u>-</u>	<u>381</u>	<u>4</u>
<b>Municipal total</b>	<b><u>100</u></b>	<b><u>5</u></b>	<b><u>-</u></b>	<b><u>384</u></b>	<b><u>4</u></b>
<b>Placements with other banks</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total</b>	<b><u>315,141</u></b>	<b><u>128,730</u></b>	<b><u>132,459</u></b>	<b><u>154,802</u></b>	<b><u>4,910</u></b>

Regarding corporate business line in the individually rated portfolio the ratio of the carrying value of loans classified due to "Delay of repayment" decreased significantly as at 30 June 2015 compared to 31 December 2014, while the carrying value of loans classified due to "Legal proceedings" increased by more than 100% as at 30 June 2015.

Refinancing of retail loans at the subsidiaries:

The gross value was HUF 131.03 billion as at 30 June 2015, the actual exposure of non-performing loans is HUF 18.3 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 accused by the financial crisis (vehicle industry, building industry, real estate services, metal processing and financial services).

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

**26.1. Credit risk [continued]**

**26.1.1 Analysis by loan types [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 2015		31 December 2014	
	Gross loan and placement with other banks portfolio	Allowance	Gross loan and placement with other banks portfolio	Allowance
Hungary	1,758,414	49,970	1,837,626	38,764
Bulgaria	69,118	702	66,575	750
Croatia	30,368	431	33,339	639
Cyprus	46,823	10,239	47,276	10,443
France	9,852	-	5,237	-
Germany	10,389	1	10,109	4
Montenegro	42,581	18,062	51,932	20,561
the Netherlands	4,868	-	90,122	1
Norway	1,658	-	4,405	-
Poland	7,288	-	1,426	-
Romania	267,771	6,198	104,882	6,363
Russia	60,434	2,940	100,562	2,611
Serbia	13,987	-	9,777	2
Seychelles	4,887	4,844	4,877	4,855
Slovakia	21,876	135	32,768	148
Switzerland	1,277	118	3,065	149
Ukraine	135,179	638	165,150	42
United Kingdom	75,850	-	118,514	26
United States of America	2,921	28	2,376	44
Other	3,155 <sup>1</sup>	-	7,455 <sup>1</sup>	21
<b>Total</b>	<b><u>2,568,696</u></b>	<b><u>94,306</u></b>	<b><u>2,697,473</u></b>	<b><u>85,423</u></b>

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 18.3 billion as at 30 June 2015, from that HUF 2.8 billion is related to non-performing corporate loans and HUF 15.5 billion to retail ones.

<sup>1</sup> Austria, Belgium, Czech Republic, Denmark, Italy, Malta, Sweden, Turkey and other

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

**26.1. Credit risk [continued]**

**26.1.2 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.

<b>Types of collateral</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Mortgages	695,350	716,079
Guarantees and warranties	209,426	217,022
Deposit	51,536	59,587
<i>from this: Cash</i>	34,523	41,966
<i>Securities</i>	13,759	16,492
<i>Other</i>	3,254	1,129
Assignment	884	1,886
Other	<u>735</u>	<u>861</u>
<b>Total</b>	<b><u>957,931</u></b>	<b><u>995,435</u></b>

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.

<b>Types of collateral</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Mortgage	311,119	326,062
Guarantees and warranties	125,479	132,803
Deposit	23,999	26,179
<i>from this: Cash</i>	17,996	18,927
<i>Securities</i>	3,524	6,529
<i>Other</i>	2,479	723
Assignment	391	527
Other	<u>646</u>	<u>793</u>
<b>Total</b>	<b><u>461,634</u></b>	<b><u>486,364</u></b>

The coverage level of loan portfolio to the extent of the exposures decreased from 18.03% to 17.97% as at 30 June 2015, while coverage to the total collateral value improved from 36.9% to 37.29%.

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

**26.1. Credit risk [continued]**

**26.1.3 Restructured loans**

	<b>30 June 2015</b>		<b>31 December 2014</b>	
	Gross portfolio	Allowance	Gross portfolio	Allowance
Retail loans	16,184	1,533	13,027	1,286
Loans to medium and large corporates <sup>1</sup>	47,643	9,144	88,715	20,761
Micro and small enterprises loans	1,738	25	2,005	32
Municipality loans	<u>3</u>	<u>-</u>	<u>21</u>	<u>-</u>
<b>Total</b>	<b><u>65,568</u></b>	<b><u>10,702</u></b>	<b><u>103,768</u></b>	<b><u>22,079</u></b>

**Restructured portfolio definition**

Restructured portfolio for **retail business line** contains every loan which is relevant restructured and less than 91 days delinquent. Loan is considered as relevant restructured if:

- it was restructured in the last 12 months, or
- it was restructured more than 12 months ago, but the connected preferential period is not expired or expired in the last 12 months.

Hungarian FX mortgage loans in the fixed exchange rate scheme are not included.

In case of loans that have been restructured more than once the last restructuring is considered.

Restructured portfolio for **corporate / micro and small enterprises / municipal business line** contains every loan which is relevant restructured and less than 91 days delinquent. Loan is considered as relevant restructured if:

- independently from the date of the restructuring the following restructuring tool was applied:
  - o cancellation of principal outstanding (cancelled or partially cancelled principal receivables);
- it was restructured in the last 12 months or the loan was restructured more than 12 months ago, but the connected preferential period is not expired or expired in the last 12 months, and any of the following restructuring tools were applied:
  - o cancellation of interest rate (final or temporary reduction of the interest margin, cancellation of due interest), or
  - o restructuring of interest payments (postponement of the interest payment, capitalisation of the interest), or
  - o restructuring of principal repayment (partial or full postponement of repayment of a given instalment, rescheduling one or more instalments within the original term or with extension of the term simultaneously).

Other modifications of contract not mentioned above are not considered as restructuring (i.e. modifying the collateral structure, modification of the credit purpose).

In case of loans that have been restructured more than once the last restructuring is considered.

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<sup>1</sup> incl.: project and syndicated loans

**OTP BANK PLC.**  
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**NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**26.1. Credit risk [continued]**

**Financial instruments by rating categories<sup>1</sup>**

**Held-for-trading securities as at 30 June 2015**

	<b>A1</b>	<b>A2</b>	<b>A3</b>	<b>Aa3</b>	<b>Ba1</b>	<b>Ba3</b>	<b>Baa1</b>	<b>Baa2</b>	<b>Not rated</b>	<b>Total</b>
Shares	76	26	46	67	16	-	21	-	72,749 <sup>2</sup>	73,001
Government bonds	-	-	-	-	19,978	871	-	-	-	20,849
Mortgage bonds	-	-	-	-	-	-	-	46	-	46
Hungarian government discounted Treasury Bills	-	-	-	-	974	-	-	-	-	974
Hungarian government interest bearing Treasury Bills	-	-	-	-	2,832	-	-	-	-	2,832
Other securities	-	-	-	-	-	-	-	-	298	298
<b>Total</b>	<b><u>76</u></b>	<b><u>26</u></b>	<b><u>46</u></b>	<b><u>67</u></b>	<b><u>23,800</u></b>	<b><u>871</u></b>	<b><u>21</u></b>	<b><u>46</u></b>	<b><u>73,047</u></b>	<b><u>98,000</u></b>
Accrued interest										473
<b>Total</b>										<b><u>98,473</u></b>

**Available-for-sale securities as at 30 June 2015**

	<b>Ba1</b>	<b>Baa2</b>	<b>Not rated</b>	<b>Total</b>
Mortgage bonds	-	593,682 <sup>3</sup>	2,532	596,214
Government bonds	458,630	-	-	458,630
Other securities	-	-	82,864	82,864
<b>Total</b>	<b><u>458,630</u></b>	<b><u>593,682</u></b>	<b><u>85,396</u></b>	<b><u>1,137,708</u></b>
Accrued interest				19,535
<b>Total</b>				<b><u>1,157,243</u></b>

<sup>1</sup> Moody's ratings

<sup>2</sup> Corporate shares listed on Budapest Stock Exchange

<sup>3</sup> Mainly issued by OTP Mortgage Bank Ltd.

**OTP BANK PLC.**  
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**30 JUNE 2015**

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

**26.1. Credit risk [continued]**

**Held-to-maturity securities as at 30 June 2015**

	<b>Ba1</b>	<b>Baa2</b>	<b>Total</b>
Government bonds	807,972	-	807,972
Mortgage bonds	-	4,750	4,750
Hungarian government discounted Treasury bills	<u>349</u>	<u>-</u>	<u>349</u>
<b>Subtotal</b>	<b><u>808,321</u></b>	<b><u>4,750</u></b>	<b><u>813,071</u></b>
Accrued interest			<u>14,535</u>
<b>Total</b>			<b><u>827,606</u></b>

An analysis of securities (held for trading, available-for-sale and held-to-maturity) in a country breakdown is as follows:

<b>Country</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Hungary	2,031,793	1,883,103
Slovakia	2,532	7,908
Austria	7,248	7,055
Luxembourg	6,061	5,660
United States of America	987	1,235
Germany	<u>158</u>	<u>139</u>
<b>Total</b>	<b><u>2,048,779</u></b>	<b><u>1,905,100</u></b>

**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 ("VaR") 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):

<b>Historical VaR (99%, one-day) by risk type</b>	<b>Average</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>
Foreign exchange	218	176
Interest rate	213	97
Equity instruments	3	10
Diversification	<u>(167)</u>	<u>(64)</u>
<b>Total VaR exposure</b>	<b><u>267</u></b>	<b><u>219</u></b>



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

**26.2. Market risk [continued]**

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 and USD, 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 (kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries) and long amounted to USD 314 million (related to hedge the FX exposure of Ukrainian OTP Bank JSC, LLC OTP Leasing and OTP Factoring Ukraine LLC) as of 30 June 2015. 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 and the USD. For a weakening of the HUF against the EUR and USD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	Effects to the P&L in 3 months period	
	30 June 2015	30 June 2014
	In HUF billion	In HUF billion
1%	(9.9)	(11.6)
5%	(6.9)	(8.7)
25%	(2.8)	(3.5)
50%	0.5	(0.6)
25%	3.8	2.3
5%	9.0	6.2
1%	13.2	8.9

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 volatility remained at its long term average, so potential losses or gains have not changed significantly.
- (3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2014.

**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 was prepared by assuming only the adverting 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 sensitivity of interest income to changes in BUBOR is analysed.

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

**26.2. Market risk [continued]**

The simulation was prepared by assuming two scenarios:

1. HUF base rate and BUBOR decreases gradually to 1% (probable scenario)
2. HUF base rate and BUBOR decreases gradually to 0.5% (alternative scenario)

The net interest income in a one year period beginning with 1 July 2015 would be decreased by HUF 1,145 million (probable scenario) and HUF 2,781 million (alternative scenario) as a result of these simulations. This effect is counterbalanced by capital gains (HUF 426 million for probable scenario, HUF 1,667 million for alternative scenario) on the government bond portfolio held for hedging (economic).

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 2015		30 June 2014	
	Effects to the net interest income (one-year period)	Effects to OCI (Price change of AFS government bonds)	Effects to the net interest income (one-year period)	Effects to OCI (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(376)	295	(297)	345
EUR (0.1%) parallel shift	(305)	-	52	-
EUR 0.1% parallel shift	305	-	(59)	-
USD 0.1% parallel shift	<u>(156)</u>	<u>-</u>	<u>(203)</u>	<u>-</u>
<b>Total</b>	<b><u>(532)</u></b>	<b><u>295</u></b>	<b><u>(507)</u></b>	<b><u>345</u></b>

**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 2015	30 June 2014
VaR (99%, one day, million HUF)	3	10
Stress test (million HUF)	(41)	(53)

**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 continuous 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.

**OTP BANK PLC.**  
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**NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn) [continued]**

**26.2. Market risk [continued]**

**Capital adequacy**

The Capital Requirements Directive package (CRDIV/CRR) transposes the new global standards on banking regulation (commonly known as the Basel III agreement) into the EU legal framework. The new rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business. The capital adequacy of the Bank is supervised based on the financial statements data prepared in accordance with HAS applying the current directives, rulings and indicators from 1 January 2014.

The Bank has entirely complied with the regulatory capital requirements in the six month period ended 30 June 2015 as well as in 2014.

The capital adequacy calculations of the Bank in accordance with HAS are prepared based on the Basel III as at 30 June 2015 and 31 December 2014. 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 2015 and 31 December 2014 is as follows:

	<b>30 June 2015</b>	<b>31 December 2014</b>
	<b>Basel III</b>	<b>Basel III</b>
Tier 1 capital	960,451	525,849
<i>Common equity Tier 1 capital (CET1)</i>	960,451	525,849
<i>Additional Tier 1 capital (AT1)</i>	-	-
Tier 2 capital	160,876	146,471
<b>Regulatory capital</b>	<b><u>1,121,327</u></b>	<b><u>672,320</u></b>
Credit risk capital requirement	248,306	217,891
Market risk capital requirement	45,270	43,188
Operational risk capital requirement	<u>22,238</u>	<u>22,650</u>
<b>Total requirement regulatory capital</b>	<b><u>315,814</u></b>	<b><u>283,729</u></b>
<b>Surplus capital</b>	<b><u>805,513</u></b>	<b><u>388,591</u></b>
CET 1 ratio	24.33%	14.83%
<b>Capital adequacy ratio</b>	<b><u>28.40%</u></b>	<b><u>18.96%</u></b>

**Basel II:** 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.

**Basel III:** Common equity Tier 1 capital (CET1): Issued capital, Capital reserve, useable part of Tied-up reserve, General reserve, Profit reserve, Profit for the year, Treasury shares, Intangible assets, deductions due to investments, adjustments due to temporary disposals

Tier 2 capital: Subsidiary loan capital, Subordinated loan capital, deductions due to repurchased loan capital and Subordinated loan capital issued by the OTP Bank, adjustments due to temporary disposals

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**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**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Commitments to extend credit	828,770	753,152
Guarantees arising from banking activities	387,713	366,756
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>124,000</i>	<i>102,133</i>
Promissory obligation to OTP Financing Solutions B.V.	131,030	120,664
Legal disputes (disputed value)	53,159	53,729
Contingent liabilities ordered by law related to customer loans <sup>1</sup>	17,833	44,127
Confirmed letters of credit	62	108
Other	<u>48,395</u>	<u>33,428</u>
<b>Total</b>	<b><u>1,466,962</u></b>	<b><u>1,371,964</u></b>

**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 was HUF 777 million and HUF 998 million as at 30 June 2015 and 31 December 2014 and, 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.

<sup>1</sup> See Note 2.26.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**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.

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**NOTE 28: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn)**

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in 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 Supervisory Board<sup>1</sup> 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 Supervisory Board, 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 a decision was made to cancel the share-based payment in referred countries.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies. In case of the jubilee benefits both standards contain regulations.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

The parameters for the share-based payment relating to the year 2010-2014 were determined by Board of Directors and relating to years from 2015 by Supervisory Board for periods of each year as follows:

Year	Exercise		Exercise		Exercise		Exercise		Exercise	
	price per share	Maximum earnings per share	price per share	Maximum earnings per share	price per share	Maximum earnings per share	price per share	Maximum earnings per share	price per share	Maximum earnings per share
	<b>for the year 2010</b>		<b>for the year 2011</b>		<b>for the year 2012</b>		<b>for the year 2013</b>		<b>for the year 2014</b>	
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	2,522	2,500	-	-
2015	-	-	1,870	4,000	2,886	3,000	2,522	3,000	3,930	2,500
2016	-	-	-	-	2,886	3,500	2,522	3,500	3,930	3,000
2017	-	-	-	-	-	-	2,522	3,500	3,930	3,000
2018	-	-	-	-	-	-	-	-	3,930	3,000

<sup>1</sup> Until the end of 2014 Board of Directors

**OTP BANK PLC.**  
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**NOTE 28: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]**

Based on parameters accepted by Board of Directors, relating to the year **2010** effective pieces are follows as at 30 June 2015:

	Effective pieces	Approved pieces of shares	Exercised until 30 June 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share-purchasing period started in 2011	-	340,950	11,622	5,731	329,328
Share-purchasing period started in 2012	-	735,722	714,791	4,593	20,931
Share-purchasing period started in 2013	-	419,479	31,789	4,808	387,690
Share-purchasing period started in 2014	320,619	497,451	176,832	5,778	-

Effective pieces are follows in exercise periods of each year relating to the year **2011** as at 30 June 2015:

	Effective pieces	Approved pieces of shares	Exercised until 30 June 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share-purchasing period started in 2012	-	471,240	464,753	3,758	6,487
Share-purchasing period started in 2013	-	1,267,173	1,256,529	4,886	10,644
Share-purchasing period started in 2014	32,400	609,137	576,737	4,757	-
Share-purchasing period started in 2015	375,977	608,118	232,141	5,403	-

Effective pieces are follows in exercise periods of each year relating to the year **2012** as at 30 June 2015:

	Effective pieces	Approved pieces of shares	Exercised until 30 June 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share-purchasing period started in 2013	-	450,861	445,671	4,413	5,190
Share-purchasing period started in 2014	43,977	1,156,631	1,112,754	4,952	-
Share-purchasing period started in 2015	368,747	555,845	187,098	5,403	-
Share-purchasing period starting in 2016	688,990	-	-	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2013** as at 30 June 2015:

	Effective pieces	Approved pieces of shares	Exercised until 30 June 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share-purchasing period started in 2014	-	406,044	404,263	4,369	1,781
Share-purchasing period started in 2015	226,024	804,469	578,445	5,409	-
Share-purchasing period starting in 2016	495,340	-	-	-	-
Share-purchasing period starting in 2017	549,909	-	-	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2014** as at 30 June 2015:

	Effective pieces	Approved pieces of shares	Exercised until 30 June 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share-purchasing period started in 2015	162,115	176,459	14,344	5,474	-
Share-purchasing period starting in 2016	366,669	-	-	-	-
Share-purchasing period starting in 2017	214,392	-	-	-	-
Share-purchasing period starting in 2018	237,013	-	-	-	-

Effective pieces relating to the periods starting in 2016-2018 settled during valuation of performance of year 2012-2014, can be modified based on 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 1,906 million was recognized as expense as at 30 June 2015.

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**NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn)**

The Bank provides loans to related parties, and collects deposits.

Transactions with related parties (subsidiaries), other than increases in share capital or dividend received, are summarized below:

*a) Loans provided to related parties*

	<b>30 June 2015</b>	<b>31 December 2014</b>
OTP Mortgage Bank Ltd.	314,327	300,562
OTP Financing Malta Ltd. (Malta)	298,463	-
Merkantil Bank Ltd.	170,146	159,847
OTP Factoring Ltd.	144,857	174,422
OTP Financing Solutions B.V. (the Netherlands)	131,029	120,664
OTP Real Estate Leasing Ltd.	24,346	27,518
Merkantil Lease Ltd.	19,967	21,356
OTP Leasing Ukraine	19,424	17,744
Inga Kettő Ltd.	10,281	10,281
OTP Financing Netherlands B.V. (the Netherlands)	7,813	82,453
Bank Center Ltd.	6,000	6,000
JSC "OTP Bank" (Russia)	4,474	68,625
OTP banka Hrvatska Group (Croatia)	3,709	3,716
D-ÉG Thermoset Ltd. <sup>1</sup>	2,715	2,886
Merkantil Car Ltd.	548	1,040
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	314	149,086
OTP Leasing d.d. (Croatia)	-	26,591
DSK Leasing AD (Bulgaria)	-	17,319
OTP Factoring Slovensko a.s. (Slovakia)	-	10,506
OTP Bank JSC (Ukraine)	-	7,750
Other	1,101	848
<b>Total</b>	<b><u>1,159,514</u></b>	<b><u>1,209,214</u></b>

*b) Deposits from related parties*

	<b>30 June 2015</b>	<b>31 December 2014</b>
DSK Bank EAD (Bulgaria)	245,695	330,829
OTP Mortgage Bank Ltd.	91,555	148,124
OTP Banka Slovensko a.s. (Slovakia)	63,922	63,001
OTP Building Society Ltd.	38,161	33,312
OTP Funds Servicing and Consulting Ltd.	37,466	26,369
OTP Bank Romania S.A. (Romania)	26,776	24,114
JSC "OTP Bank" (Russia)	23,044	19,126
OTP banka Hrvatska d.d. (Croatia)	17,851	19,225
Crnogorska komercijalna banka a.d (Montenegro)	14,381	15,876
OTP Financing Malta Ltd. (Malta)	5,860	1,679
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	4,024	2,591
Balanz Real Estate Institute Fund	3,699	2,436
OTP Life Annuity Ltd.	3,241	3,195
OTP Factoring Ltd.	2,996	13,438
OTP Real Estate Leasing Ltd.	2,600	5,700
Bank Center Ltd.	2,577	2,506
OTP banka Srbija a.d. (Serbia)	1,728	3,922
Inga Kettő Ltd.	1,678	1,518
Monicom Ltd.	901	1,292
OTP Financing Netherlands B. V. (the Netherlands)	730	1,384
Merkantil Bank Ltd.	140	13,018
Other	2,646	2,183
<b>Total</b>	<b><u>591,671</u></b>	<b><u>734,838</u></b>

<sup>1</sup> Associate company



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]**

*c) Interests received by the Bank<sup>1</sup>*

	<b>30 June 2015</b>	<b>30 June 2014</b>
OTP Mortgage Bank Ltd.	2,997	2,994
OTP Financing Solutions B.V. (the Netherlands)	2,659	2,847
OTP Financing Malta Ltd. (Malta)	2,072	-
Merkantil Bank Ltd.	1,647	2,632
OTP Factoring Ltd.	1,437	2,140
OTP Leasing Ukraine	540	447
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	431	4,621
JSC "OTP Bank" (Russia)	363	756
Merkantil Lease Ltd.	335	406
OTP Real Estate Leasing Ltd.	285	214
Inga Kettő Ltd.	178	256
OTP Financing Netherlands B.V. (the Netherlands)	134	1,141
Bank Center Ltd.	104	148
OTP banka Hrvatska Group (Croatia)	89	94
OTP Leasing d.d. (Croatia)	86	255
D-ÉG Thermoset Ltd. <sup>2</sup>	66	79
DSK Leasing AD (Bulgaria)	53	178
Merkantil Car Ltd.	6	69
OTP Banka Slovensko a.s. (Slovakia)	-	163
OTP Factoring Slovensko a.s. (Slovakia)	-	156
Other	<u>135</u>	<u>431</u>
<b>Total</b>	<b><u>13,617</u></b>	<b><u>20,027</u></b>

*d) Interests paid by the Bank<sup>1</sup>*

	<b>30 June 2015</b>	<b>30 June 2014</b>
DSK Bank EAD (Bulgaria)	2,845	1,115
OTP Mortgage Bank Ltd.	1,770	763
OTP Banka Slovensko a.s. (Slovakia)	654	29
Merkantil Lease Ltd.	515	668
OTP Building Society Ltd.	318	316
OTP Funds Servicing and Consulting Ltd.	306	417
OTP Bank Romania S.A. (Romania)	245	94
JSC "OTP Bank" (Russia)	189	253
OTP banka Hrvatska d.d. (Croatia)	145	-
Crnogorska komercijalna banka a.d (Montenegro)	88	129
OTP Factoring Ltd.	46	41
OTP Life Annuity Ltd.	30	56
Bank Center Ltd.	20	50
OTP banka Srbija a.d. (Serbia)	10	12
OTP Faktoring Slovensko a.s. (Slovakia)	-	156
Merkantil Bank Ltd.	-	48
Merkantil Car Ltd.	<u>-</u>	<u>5</u>
<b>Total</b>	<b><u>7,181</u></b>	<b><u>4,152</u></b>

<sup>1</sup> Derivatives and interest on securities are not included.

<sup>2</sup> Associate company

**OTP BANK PLC.**  
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**NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]**

<i>e) Commissions received by the Bank</i>	<b>30 June</b>	<b>30 June</b>
	<b>2015</b>	<b>2014</b>
From OTP Fund Management Ltd. in relation to trading activity	5,358	4,821
From OTP Bank JSC (Ukraine) in relation to lending activity	815	686
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	608	1,453
From OTP Real Estate Investment Fund Management Ltd. in relation to trading activity	427	-
From OTP Funds Servicing and Consulting Ltd. in relation to banking	204	-
From OTP Fund Management Ltd. in relation to custody activity	<u>25</u>	<u>177</u>
<b>Total</b>	<b><u>7,437</u></b>	<b><u>7,137</u></b>
 <i>f) Commissions paid by the Bank</i>	 <b>30 June</b>	 <b>30 June</b>
	<b>2015</b>	<b>2014</b>
OTP Bank Romania S.A. (Romania) related to loan portfolio handling	107	124
Crnogorska komercijalna banka a.d. (Montenegro) related to loan portfolio handling	<u>-</u>	<u>63</u>
<b>Total</b>	<b><u>107</u></b>	<b><u>187</u></b>
 <i>g) Transactions related to OTP Mortgage Bank Ltd.:</i>	 <b>30 June</b>	 <b>30 June</b>
	<b>2015</b>	<b>2014</b>
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	14,916	3,022
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	869	675
The gross book value of the loans sold	869	675
 <i>h) Transactions related to OTP Factoring Ltd.:</i>	 <b>30 June</b>	 <b>30 June</b>
	<b>2015</b>	<b>2014</b>
The gross book value of the loans sold	6,464	17,040
Provision for loan losses on the loans sold	2,092	8,823
Loans sold to OTP Factoring Ltd. without recourse (including interest)	1,717	4,894
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	2,655	3,323
The underlying mortgage rights were also transferred to OTP Factoring Ltd.		
 <i>i) Transactions related to OTP Banka Slovensko a.s. (Slovakia)</i>	 <b>30 June</b>	 <b>30 June</b>
	<b>2015</b>	<b>2014</b>
Securities issued by OTP Banka Slovensko a.s. (Slovakia) held by OTP Bank (nominal value in HUF million)	2,676	10,859
 <i>j) Transactions related to OTP Financing Malta Ltd. (Malta)</i>	 <b>30 June</b>	 <b>30 June</b>
	<b>2015</b>	<b>2014</b>
The gross book value of the loans sold	313,781	-
The selling price of the loans sold (including interest and premium)	314,737	-

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]**

*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:

<b>Compensations</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
Short-term employee benefits	533	3,453
Share-based payment	73	2,937
Long-term employee benefits (on the basis of IAS 19)	<u>569</u>	<u>443</u>
<b>Total</b>	<b><u>1,175</u></b>	<b><u>6,833</u></b>

	<b>30 June 2015</b>	<b>31 December 2014</b>
Loans provided to companies owned by the Management (in the normal course of business)	17,248	11,854
Commitments to extend credit and bank guarantees	15,605	15,545
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at market conditions)	134	136

The members of the Board of Directors and their close family members in the amount of HUF 90.8 million, a member of the Supervisory Board in the amount of HUF 3 million and chief executives in the amount of HUF 45 million owned credit line "A" as at 30 June 2015.

**An analysis of credit limit related to MasterCard Gold is as follows (in HUF mn):**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Members of Board of Directors and their close family members	18	18
Members of Supervisory Board	2	4
Chief executive	2	2

The family member of a member of the Board of Directors owned AMEX Blue credit card loan in the amount of HUF 0.6 million as at 30 June 2015.

Chief executives owned AMEX Gold loading card loan in the amount of HUF 3.5 million as at 30 June 2015.

Members of Board of Directors in the amount of HUF 15 million, a member of Supervisory Board in the amount of HUF 5 million and chief executives with their close family members in the amount of HUF 28.8 million owned AMEX Platinum credit card loan as at 30 June 2015.

**An analysis of payment to chief executives related to their activity in Board of Directors and Supervisory Board is as follows (in HUF mn):**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Members of Board of Directors	590	539
Members of Supervisory Board	<u>36</u>	<u>73</u>
<b>Total</b>	<b><u>626</u></b>	<b><u>612</u></b>

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.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 30: TRUST ACTIVITIES (in HUF mn)**

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Loans managed by the Bank as a trustee	37,999	39,618

**NOTE 31: CONCENTRATION OF ASSETS AND LIABILITIES**

	<b>30 June 2015</b>	<b>31 December 2014</b>
<b>In the percentage of the total assets</b>		
Receivables from, or securities issued by the Hungarian Government or the NBH <sup>1</sup>	39%	44%
Securities issued by the OTP Mortgage Bank Ltd.	8.29%	9.77%

There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2015 or 31 December 2014.

OTP Bank continuously provides the Authority 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 Authority, 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.

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<sup>1</sup> Securities issued by the NBH were changed into two-weeks NBH deposit during the year ended 31 December 2014.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 32: MATURITY ANALYSIS 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 essential of the liquidity risk management strategy is to identify all relevant systemic and idiosyncratic sources of liquidity risk and to measure the probability and severity of such events. During liquidity risk management the Bank considers the effect of liquidity risk events caused by reasons arising in the bank business line (deposit withdrawal), the national economy (exchange rate shock, yield curve shock) and the global financial system (capital market shock).

In line with the Bank's risk management policy liquidity risks are measured and managed on multiply hierarchy levels and applying integrated unified VaR based methodology. The basic requirement is that the Bank must keep high quality liquidity reserves by means it can fulfil all liabilities when they fall due without material additional costs.

The liquidity reserves can be divided to two parts. There are separate decentralized liquid asset portfolios at subsidiary level and a centralized flexible liquidity pool at Group's level. The reserves at subsidiary levels are held to cover the relevant shocks of the subsidiaries which may arise in local currencies (deposit withdrawal, local capital market shock, unexpected business expansion), while the centralized liquidity pool is held to cover the OTP Bank's separate shocks (deposit-, yield curve- and exchange rate shocks) and all group member's potential shocks that may arise in foreign currencies (deposit withdrawal, capital market shock).

The recalculation of shocks is made at least quarterly while the recalibration of shock measurement models and review of the risk management methodology is an annual process. The monitoring of liquidity reserves for both centralized and decentralized liquid asset portfolio has been built in the daily reporting process.

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Bank increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of risk liquidity risk exposure by high quality liquid assets is in all-time record highs. In 2014 there were no material changes in liquidity risk management process.

The following tables provide an analysis of liabilities about the non-discounted cash-flow 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.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash-flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash-flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash-flows are exchanged; gross loan commitments.

Such undiscounted cash-flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash-flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

As at 30 June 2015	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	683,035	70,186	271,107	36,986	-	1,061,314
Deposits from customers	3,799,214	244,510	19,683	13,932	-	4,077,339
Liabilities from issued securities	29,795	46,655	21,642	60,430	-	158,522
Other liabilities <sup>1</sup>	128,253	38,328	48,037	-	-	214,618
Subordinated bonds and loans	<u>5,984</u>	<u>-</u>	<u>157,386</u>	<u>-</u>	<u>122,336</u> <sup>2</sup>	<u>285,706</u>
<b>TOTAL LIABILITIES</b>	<b><u>4,646,281</u></b>	<b><u>399,679</u></b>	<b><u>517,855</u></b>	<b><u>111,348</u></b>	<b><u>122,336</u></b>	<b><u>5,797,499</u></b>
Receivables from derivative financial instruments classified as held for trading	889,023	735,413	649,487	5,933	-	2,279,856
Liabilities from derivative financial instruments classified as held for trading	<u>(937,065)</u>	<u>(857,832)</u>	<u>(742,091)</u>	<u>(18,907)</u>	<u>-</u>	<u>(2,555,895)</u>
<b>Net notional value of financial instruments classified as held for trading</b>	<b><u>(48,042)</u></b>	<b><u>(122,419)</u></b>	<b><u>(92,604)</u></b>	<b><u>(12,974)</u></b>	<b><u>-</u></b>	<b><u>(276,039)</u></b>
Receivables from derivative financial instruments designated as fair value hedge	1	241	15,698	597	-	16,537
Liabilities from derivative financial instruments designated as fair value hedge	<u>(2)</u>	<u>(830)</u>	<u>(25,390)</u>	<u>(486)</u>	<u>-</u>	<u>(26,708)</u>
<b>Net notional value of financial instruments designated as fair value hedge</b>	<b><u>(1)</u></b>	<b><u>(589)</u></b>	<b><u>(9,692)</u></b>	<b><u>111</u></b>	<b><u>-</u></b>	<b><u>(10,171)</u></b>
<b>Net notional value of derivative financial instruments total</b>	<b><u>(48,043)</u></b>	<b><u>(123,008)</u></b>	<b><u>(102,296)</u></b>	<b><u>(12,863)</u></b>	<b><u>-</u></b>	<b><u>(286,210)</u></b>
Commitments to extend credit	99,778	584,625	144,209	158	-	828,770
Bank guarantees	<u>38,993</u>	<u>79,451</u>	<u>45,433</u>	<u>223,836</u>	<u>-</u>	<u>387,713</u>
<b>Off-balance sheet commitments</b>	<b><u>138,771</u></b>	<b><u>664,076</u></b>	<b><u>189,642</u></b>	<b><u>223,994</u></b>	<b><u>-</u></b>	<b><u>1,216,483</u></b>

<sup>1</sup> Derivative financial instruments designated as fair value hedge are not included.

<sup>2</sup> See Note 18.

**OTP BANK PLC.**  
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**NOTE 32: MATURITY ANALYSIS OF LIABILITIES AND LIQUIDITY RISK**  
**(in HUF mn) [continued]**

As at 31 December 2014	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	950,833	56,734	85,328	61,561	-	1,154,456
Deposits from customers	3,952,755	251,993	17,039	13,208	-	4,234,995
Liabilities from issued securities	22,705	41,355	57,667	29,174	-	150,901
Other liabilities <sup>1</sup>	215,057	102,572	-	-	-	317,629
Subordinated bonds and loans	<u>30,820</u>	-	<u>168,481</u>	-	<u>111,191</u> <sup>2</sup>	<u>310,492</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,172,170</u></b>	<b><u>452,654</u></b>	<b><u>328,515</u></b>	<b><u>103,943</u></b>	<b><u>111,191</u></b>	<b><u>6,168,473</u></b>
Receivables from derivative financial instruments classified as held for trading	2,202,779	968,403	566,209	5,578	-	3,742,969
Liabilities from derivative financial instruments classified as held for trading	<u>(2,334,158)</u>	<u>(1,086,572)</u>	<u>(668,861)</u>	<u>(19,340)</u>	-	<u>(4,108,931)</u>
<b>Net notional value of financial instruments classified as held for trading</b>	<b><u>(131,379)</u></b>	<b><u>(118,169)</u></b>	<b><u>(102,652)</u></b>	<b><u>(13,762)</u></b>	<b>-</b>	<b><u>(365,962)</u></b>
Receivables from derivative financial instruments designated as fair value hedge	-	202	16,050	3,273	-	19,525
Liabilities from derivative financial instruments designated as fair value hedge	<u>(1)</u>	<u>(710)</u>	<u>(19,518)</u>	<u>(3,898)</u>	-	<u>(24,127)</u>
<b>Net notional value of financial instruments designated as fair value hedge</b>	<b><u>(1)</u></b>	<b><u>(508)</u></b>	<b><u>(3,468)</u></b>	<b><u>(625)</u></b>	<b>-</b>	<b><u>(4,602)</u></b>
<b>Net notional value of derivative financial instruments total</b>	<b><u>(131,380)</u></b>	<b><u>(118,677)</u></b>	<b><u>(106,120)</u></b>	<b><u>(14,387)</u></b>	<b>-</b>	<b><u>(370,564)</u></b>
Commitments to extend credit	220,283	434,835	66,152	31,882	-	753,152
Bank guarantees	<u>44,380</u>	<u>76,055</u>	<u>42,793</u>	<u>203,528</u>	-	<u>366,756</u>
<b>Off-balance sheet commitments</b>	<b><u>264,663</u></b>	<b><u>510,890</u></b>	<b><u>108,945</u></b>	<b><u>235,410</u></b>	<b>-</b>	<b><u>1,119,908</u></b>

<sup>1</sup> Derivative financial instruments designated as fair value hedge are not included.

<sup>2</sup> See Note 18.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 33: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK**  
**(in HUF mn)**

**As at 30 June 2015**

	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>Others</b>	<b>Total</b>
Assets <sup>1</sup>	848,245	1,529,043	643,159	(89,336)	2,931,111
Liabilities	(763,173)	(1,677,871)	(640,029)	92,072	(2,989,001)
Off-balance sheet assets and liabilities, net	<u>212,466</u>	<u>(269,547)</u>	<u>(218,612)</u>	<u>(3,159)</u>	<u>(278,852)</u>
<b>Net position</b>	<b><u>297,538</u></b>	<b><u>(418,375)</u></b>	<b><u>(215,482)</u></b>	<b><u>(423)</u></b>	<b><u>(336,742)</u></b>

**As at 31 December 2014**

	<b>USD</b>	<b>EUR</b>	<b>CHF</b>	<b>Others</b>	<b>Total</b>
Assets <sup>1</sup>	279,394	1,105,039	476,074	99,485	1,959,992
<i>from this: loans concerned in conversion into HUF<sup>2</sup></i>	-	820	46,338	49	47,207
Liabilities	(191,873)	(1,186,305)	(92,377)	(69,823)	(1,540,378)
<i>from this: provision for loans concerned in conversion into HUF<sup>2</sup></i>	-	(118)	(6,833)	(401)	(7,352)
Off-balance sheet assets and liabilities, net	<u>(40,738)</u>	<u>(56,494)</u>	<u>(277,512)</u>	<u>(13,483)</u>	<u>(388,227)</u>
<b>Net position</b>	<b><u>46,783</u></b>	<b><u>(137,760)</u></b>	<b><u>106,185</u></b>	<b><u>16,179</u></b>	<b><u>31,387</u></b>

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 VaR limit on the foreign exchange exposure of the Bank.

**NOTE 34: INTEREST RATE RISK MANAGEMENT (in HUF mn)**

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

The majority of the 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.

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

<sup>2</sup> Loans were converted into HUF at foreign exchange rates applied in conversion due to Acts on Customer loans so these do not bear further foreign currency risk or exposure. Loans denominated in JPY are included by others.



**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

As at 30 June 2015	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		Total
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
<b>ASSETS</b>															
<b>Cash, amounts due from banks and balances with the National Bank of Hungary</b>	<b>1,488,122</b>	<b>23,141</b>	-	-	-	-	-	-	-	-	<b>73,349</b>	<b>6,331</b>	<b>1,561,471</b>	<b>29,472</b>	<b>1,590,943</b>
<i>fixed interest</i>	1,488,122	23,141	-	-	-	-	-	-	-	-	-	-	1,488,122	23,141	1,511,263
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	73,349	6,331	73,349	6,331	79,680
<b>Placements with other banks</b>	<b>346,013</b>	<b>121,993</b>	<b>5,001</b>	<b>101,541</b>	<b>60,010</b>	<b>23</b>	-	<b>489</b>	-	<b>384</b>	<b>305</b>	<b>43</b>	<b>411,329</b>	<b>224,473</b>	<b>635,802</b>
<i>fixed interest</i>	34,990	15,542	1	1,722	60,010	23	-	489	-	384	-	-	95,001	18,160	113,161
<i>variable interest</i>	311,023	106,451	5,000	99,819	-	-	-	-	-	-	-	-	316,023	206,270	522,293
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	305	43	305	43	348
<b>Securities held for trading</b>	<b>1,196</b>	-	<b>378</b>	-	<b>3,820</b>	<b>241</b>	<b>99</b>	<b>66</b>	<b>13,763</b>	<b>5,400</b>	<b>73,174</b>	<b>336</b>	<b>92,430</b>	<b>6,043</b>	<b>98,473</b>
<i>fixed interest</i>	1,023	-	177	-	2,621	124	99	66	13,763	5,400	-	-	17,683	5,590	23,273
<i>variable interest</i>	173	-	201	-	1,199	117	-	-	-	-	-	-	1,573	117	1,690
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	73,174	336	73,174	336	73,510
<b>Securities available-for-sale</b>	-	<b>322,826</b>	<b>20,550</b>	<b>2,532</b>	<b>99,290</b>	<b>21,312</b>	<b>3,272</b>	<b>12,674</b>	<b>572,962</b>	<b>52,367</b>	<b>40,955</b>	<b>8,503</b>	<b>737,029</b>	<b>420,214</b>	<b>1,157,243</b>
<i>fixed interest</i>	-	-	-	-	99,290	21,312	3,272	12,674	572,962	52,367	-	-	675,524	86,353	761,877
<i>variable interest</i>	-	322,826	20,550	2,532	-	-	-	-	-	-	-	-	20,550	325,358	345,908
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	40,955	8,503	40,955	8,503	49,458
<b>Loans, net of allowance for loan losses</b>	<b>459,220</b>	<b>265,812</b>	<b>189,622</b>	<b>632,530</b>	<b>139,670</b>	<b>33,576</b>	<b>29,303</b>	<b>6,675</b>	<b>70,596</b>	<b>11,932</b>	<b>4,719</b>	<b>1,822</b>	<b>893,130</b>	<b>952,347</b>	<b>1,845,477</b>
<i>fixed interest</i>	2,198	496	5,652	8,220	29,144	26,280	29,303	6,675	70,596	11,932	-	-	136,893	53,603	190,496
<i>variable interest</i>	457,022	265,316	183,970	624,310	110,526	7,296	-	-	-	-	-	-	751,518	896,922	1,648,440
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	4,719	1,822	4,719	1,822	6,541
<b>Securities held-to-maturity</b>	-	-	<b>5,358</b>	-	<b>12,682</b>	-	<b>49,063</b>	-	<b>745,968</b>	-	<b>14,535</b>	-	<b>827,606</b>	-	<b>827,606</b>
<i>fixed interest</i>	-	-	349	-	12,682	-	49,063	-	745,968	-	-	-	808,062	-	808,062
<i>variable interest</i>	-	-	5,009	-	-	-	-	-	-	-	-	-	5,009	-	5,009
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	14,535	-	14,535	-	14,535
<b>Derivative financial instruments</b>	<b>762,237</b>	<b>1,177,919</b>	<b>551,373</b>	<b>1,532,187</b>	<b>76,523</b>	<b>257,542</b>	<b>156,904</b>	<b>81,193</b>	<b>25,846</b>	<b>44,422</b>	<b>2</b>	<b>6,692</b>	<b>1,572,885</b>	<b>3,099,955</b>	<b>4,672,840</b>
<i>fixed interest</i>	204,584	946,636	122,946	461,352	75,928	257,500	156,821	81,193	25,846	44,422	-	-	586,125	1,791,103	2,377,228
<i>variable interest</i>	557,653	231,283	428,427	1,070,835	595	42	83	-	-	-	-	-	986,758	1,302,160	2,288,918
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	2	6,692	2	6,692	6,694

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

As at 30 June 2015	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		Total
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
<b>LIABILITIES</b>															
<b>Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks</b>	<b>311,271</b>	<b>452,864</b>	<b>7,741</b>	<b>6,696</b>	<b>23,927</b>	<b>3,190</b>	<b>166,074</b>	<b>4,656</b>	<b>63,984</b>	<b>5,814</b>	<b>2,215</b>	<b>279</b>	<b>575,212</b>	<b>473,499</b>	<b>1,048,711</b>
<i>fixed interest</i>	275,266	371,681	7,513	3,764	23,927	3,150	166,074	4,656	63,984	5,814	-	-	536,764	389,065	925,829
<i>variable interest</i>	36,005	81,183	228	2,932	-	40	-	-	-	-	-	-	36,233	84,155	120,388
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	2,215	279	2,215	279	2,494
<b>Deposits from customers</b>	<b>1,804,551</b>	<b>247,236</b>	<b>236,476</b>	<b>204,058</b>	<b>112,516</b>	<b>41,483</b>	<b>4,828</b>	<b>-</b>	<b>1,208,145</b>	<b>214,467</b>	<b>3,222</b>	<b>467</b>	<b>3,369,738</b>	<b>707,711</b>	<b>4,077,449</b>
<i>fixed interest</i>	1,309,971	229,823	236,462	203,480	112,516	41,483	4,828	-	6,612	-	-	-	1,670,389	474,786	2,145,175
<i>variable interest</i>	494,580	17,413	14	578	-	-	-	-	1,201,533	214,467	-	-	1,696,127	232,458	1,928,585
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	3,222	467	3,222	467	3,689
<b>Liabilities from issued securities</b>	<b>1,652</b>	<b>1,831</b>	<b>2,042</b>	<b>8,565</b>	<b>3,797</b>	<b>39,910</b>	<b>14,530</b>	<b>6,080</b>	<b>76,754</b>	<b>195</b>	<b>374</b>	<b>5,127</b>	<b>99,149</b>	<b>61,708</b>	<b>160,857</b>
<i>fixed interest</i>	1,652	1,831	2,042	8,565	3,797	36,953	14,530	6,080	76,754	195	-	-	98,775	53,624	152,399
<i>variable interest</i>	-	-	-	-	-	2,957	-	-	-	-	-	-	-	2,957	2,957
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	374	5,127	374	5,127	5,501
<b>Derivative financial instruments</b>	<b>442,136</b>	<b>1,520,376</b>	<b>752,996</b>	<b>1,384,754</b>	<b>67,196</b>	<b>262,106</b>	<b>7,035</b>	<b>226,548</b>	<b>18,915</b>	<b>43,400</b>	<b>-</b>	<b>2,322</b>	<b>1,288,278</b>	<b>3,439,506</b>	<b>4,727,784</b>
<i>fixed interest</i>	438,558	701,282	230,788	354,841	67,005	262,083	6,952	226,548	18,915	43,400	-	-	762,218	1,588,154	2,350,372
<i>variable interest</i>	3,578	819,094	522,208	1,029,913	191	23	83	-	-	-	-	-	526,060	1,849,030	2,375,090
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	2,322	-	2,322	2,322
<b>Subordinated bonds and loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>153,638</b>	<b>-</b>	<b>111,244</b>	<b>-</b>	<b>5,984</b>	<b>-</b>	<b>270,866</b>	<b>270,866</b>
<i>fixed interest</i>	-	-	-	-	-	-	-	153,638	-	111,244	-	-	-	264,882	264,882
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	5,984	-	5,984	5,984
<b>NET POSITION</b>	<b>497,178</b>	<b>-310,616</b>	<b>-226,973</b>	<b>664,717</b>	<b>184,559</b>	<b>-33,995</b>	<b>46,174</b>	<b>-289,825</b>	<b>61,337</b>	<b>-260,615</b>	<b>201,228</b>	<b>9,548</b>	<b>763,503</b>	<b>-220,786</b>	<b>542,717</b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

As at 31 December 2014	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		Total
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	
<b>ASSETS</b>															
<b>Cash, amounts due from banks and balances with the National Bank of Hungary</b>	<b>1,795,868</b>	<b>30,640</b>	-	-	-	-	-	-	-	-	<b>65,691</b>	<b>5,579</b>	<b>1,861,559</b>	<b>36,219</b>	<b>1,897,778</b>
<i>fixed interest</i>	1,795,868	30,640	-	-	-	-	-	-	-	-	-	-	1,795,868	30,640	<b>1,826,508</b>
<i>variable interest</i>	-	-	-	-	-	-	-	-	-	-	65,691	5,579	65,691	5,579	<b>71,270</b>
<b>Placements with other banks</b>	<b>244,689</b>	<b>155,569</b>	<b>5,023</b>	<b>241,423</b>	<b>50,000</b>	<b>13,754</b>	-	-	-	-	<b>1,293</b>	<b>361</b>	<b>301,005</b>	<b>411,107</b>	<b>712,112</b>
<i>fixed interest</i>	9,504	41,481	23	89,459	50,000	798	-	-	-	-	-	-	59,527	131,738	<b>191,265</b>
<i>variable interest</i>	235,185	114,088	5,000	151,964	-	12,956	-	-	-	-	-	-	240,185	279,008	<b>519,193</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	1,293	361	1,293	361	<b>1,654</b>
<b>Securities held for trading</b>	<b>251</b>	-	<b>1,362</b>	<b>66</b>	<b>3,894</b>	<b>124</b>	<b>94</b>	<b>64</b>	<b>11,488</b>	<b>1,232</b>	<b>58,671</b>	<b>341</b>	<b>75,760</b>	<b>1,827</b>	<b>77,587</b>
<i>fixed interest</i>	165	-	1,241	66	3,080	16	94	64	11,488	1,232	-	-	16,068	1,378	<b>17,446</b>
<i>variable interest</i>	86	-	121	-	814	108	-	-	-	-	-	-	1,021	108	<b>1,129</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	58,671	341	58,671	341	<b>59,012</b>
<b>Securities available-for-sale</b>	-	<b>153,169</b>	-	<b>171,458</b>	<b>64,475</b>	<b>21,475</b>	<b>162,483</b>	<b>9,493</b>	<b>539,770</b>	<b>26,612</b>	<b>56,956</b>	<b>10,016</b>	<b>823,684</b>	<b>392,223</b>	<b>1,215,907</b>
<i>fixed interest</i>	-	-	-	3,897	64,475	21,475	162,483	9,493	539,770	26,612	-	-	766,728	61,477	<b>828,205</b>
<i>variable interest</i>	-	153,169	-	167,561	-	-	-	-	-	-	-	-	-	320,730	<b>320,730</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	56,956	10,016	56,956	10,016	<b>66,972</b>
<b>Loans, net of allowance for loan losses</b>	<b>562,470</b>	<b>389,547</b>	<b>157,059</b>	<b>617,098</b>	<b>28,882</b>	<b>40,575</b>	<b>23,298</b>	<b>5,650</b>	<b>63,678</b>	<b>13,335</b>	<b>4,085</b>	<b>2,954</b>	<b>839,472</b>	<b>1,069,159</b>	<b>1,908,631</b>
<i>fixed interest</i>	1,752	396	4,287	1,408	25,805	32,701	23,298	5,650	63,678	13,335	-	-	118,820	53,490	<b>172,310</b>
<i>variable interest</i>	560,718	389,151	152,772	615,690	3,077	7,874	-	-	-	-	-	-	716,567	1,012,715	<b>1,729,282</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	4,085	2,954	4,085	2,954	<b>7,039</b>
<b>Securities held-to-maturity</b>	-	-	<b>63,374</b>	-	<b>346</b>	-	<b>36,271</b>	-	<b>546,756</b>	-	<b>16,200</b>	-	<b>662,947</b>	-	<b>662,947</b>
<i>fixed interest</i>	-	-	56,697	-	346	-	36,271	-	546,756	-	-	-	640,070	-	<b>640,070</b>
<i>variable interest</i>	-	-	6,677	-	-	-	-	-	-	-	-	-	6,677	-	<b>6,677</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	16,200	-	16,200	-	<b>16,200</b>
<b>Derivative financial instruments</b>	<b>892,417</b>	<b>1,380,421</b>	<b>899,135</b>	<b>2,425,913</b>	<b>136,282</b>	<b>812,239</b>	<b>8,578</b>	<b>19,996</b>	<b>31,973</b>	<b>41,671</b>	-	<b>1,300</b>	<b>1,968,385</b>	<b>4,681,540</b>	<b>6,649,925</b>
<i>fixed interest</i>	514,405	1,148,879	147,078	1,009,941	85,034	809,065	8,578	19,996	31,973	41,671	-	-	787,068	3,029,552	<b>3,816,620</b>
<i>variable interest</i>	378,012	231,542	752,057	1,415,972	51,248	3,174	-	-	-	-	-	-	1,181,317	1,650,688	<b>2,832,005</b>
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	1,300	-	1,300	<b>1,300</b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

As at 31 December 2014	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		
	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	HUF	foreign currency	Total
<b>LIABILITIES</b>															
<b>Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks</b>	<b>488,536</b>	<b>465,214</b>	<b>26,437</b>	<b>15,430</b>	<b>37,198</b>	<b>5,875</b>	<b>5,109</b>	<b>3,646</b>	<b>88,368</b>	<b>5,863</b>	<b>429</b>	<b>386</b>	<b>646,077</b>	<b>496,414</b>	<b>1,142,491</b>
<i>fixed interest</i>	488,536	301,144	24,964	12,386	9,371	5,834	5,109	3,646	88,368	5,863	-	-	616,348	328,873	945,221
<i>variable interest</i>	-	164,070	1,473	3,044	27,827	41	-	-	-	-	-	-	29,300	167,155	196,455
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	429	386	429	386	815
<b>Deposits from customers</b>	<b>2,026,492</b>	<b>216,669</b>	<b>318,340</b>	<b>122,814</b>	<b>146,518</b>	<b>98,188</b>	<b>4,056</b>	<b>-</b>	<b>1,136,819</b>	<b>161,456</b>	<b>3,473</b>	<b>431</b>	<b>3,635,698</b>	<b>599,558</b>	<b>4,235,256</b>
<i>fixed interest</i>	1,564,995	210,633	307,855	122,220	146,518	98,188	4,056	-	5,607	-	-	-	2,029,031	431,041	2,460,072
<i>variable interest</i>	461,497	6,036	10,485	594	-	-	-	-	1,131,212	161,456	-	-	1,603,194	168,086	1,771,280
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	3,473	431	3,473	431	3,904
<b>Liabilities from issued securities</b>	<b>6,082</b>	<b>3,827</b>	<b>5,544</b>	<b>5,230</b>	<b>11,397</b>	<b>31,069</b>	<b>13,862</b>	<b>8,520</b>	<b>74,176</b>	<b>439</b>	<b>174</b>	<b>2,347</b>	<b>111,235</b>	<b>51,432</b>	<b>162,667</b>
<i>fixed interest</i>	6,082	3,827	5,544	5,230	11,397	30,707	13,862	8,520	74,176	439	-	-	111,061	48,723	159,784
<i>variable interest</i>	-	-	-	-	-	362	-	-	-	-	-	-	-	362	362
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	174	2,347	174	2,347	2,521
<b>Derivative financial instruments</b>	<b>618,118</b>	<b>1,696,937</b>	<b>675,674</b>	<b>2,636,782</b>	<b>286,480</b>	<b>732,283</b>	<b>6,698</b>	<b>19,847</b>	<b>23,515</b>	<b>41,313</b>	<b>26</b>	<b>2,871</b>	<b>1,610,511</b>	<b>5,130,033</b>	<b>6,740,544</b>
<i>fixed interest</i>	617,938	1,043,376	152,869	1,023,806	283,456	701,466	6,698	19,847	23,515	41,313	-	-	1,084,476	2,829,808	3,914,284
<i>variable interest</i>	180	653,561	522,805	1,612,976	3,024	30,817	-	-	-	-	-	-	526,009	2,297,354	2,823,363
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	26	2,871	26	2,871	2,897
<b>Subordinated bonds and loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>263,843</b>	<b>-</b>	<b>1,394</b>	<b>-</b>	<b>294,612</b>	<b>294,612</b>
<i>fixed interest</i>	-	-	-	-	-	-	-	-	-	263,843	-	-	-	263,843	263,843
<i>variable interest</i>	-	-	-	29,375	-	-	-	-	-	-	-	-	-	29,375	29,375
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	1,394	-	1,394	1,394
<b>NET POSITION</b>	<b>356,467</b>	<b>(273,301)</b>	<b>99,958</b>	<b>646,327</b>	<b>(197,714)</b>	<b>20,752</b>	<b>200,999</b>	<b>3,190</b>	<b>(129,213)</b>	<b>(390,064)</b>	<b>198,794</b>	<b>13,122</b>	<b>529,291</b>	<b>20,026</b>	<b>549,317</b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

**NOTE 35: EARNINGS PER SHARE**

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Net profit / (loss) for the period attributable to ordinary shareholders (in HUF mn)	99,685	(74,469)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	278,311,853	278,355,195
<b>Basic Earnings per share (in HUF)</b>	<b><u>358</u></b>	<b><u>(268)</u></b>
Separate net (loss) / profit for the period attributable to ordinary shareholders (in HUF mn)	99,685	(74,469)
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	278,607,078	278,643,335
<b>Diluted Earnings per share (in HUF)</b>	<b><u>358</u></b>	<b><u>(267)</u></b>
	<b>30 June 2015</b>	<b>31 December 2014</b>
	number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(1,688,157)	(1,644,815)
<b>Weighted average number of ordinary shares outstanding during the year for calculating basic EPS</b>	<b>278,311,853</b>	<b>278,355,195</b>
Dilutive effect of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares <sup>1</sup>	295,225	288,140
<b>The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS</b>	<b>278,607,078</b>	<b>278,643,335</b>

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.

<sup>1</sup> In 2015 and 2014 dilutive effect is in connection with the Remuneration Policy.

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

<b>As at 30 June 2015</b>	<b>Net interest income and expense</b>	<b>Net non- interest gain and loss</b>	<b>Provision for impairment</b>	<b>Other comprehensive income</b>
Cash, amounts due from banks and balances with the National Bank of Hungary	17,722	-	-	-
Placements with other banks, net of allowance for placement losses	5,498	-	(2)	-
Securities held for trading	178	1,098	-	-
Securities available-for-sale	26,255	16,125	-	49,595
Loans, net of allowance for loan losses	65,513	16,529	(8,887)	-
Securities held-to-maturity	18,865	-	-	-
Derivative financial instruments	3,689	3	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(9,472)	-	-	-
Deposits from customers	(17,071)	53,733	-	-
Liabilities from issued securities	(962)	-	-	-
Subordinated bonds and loans	<u>(8,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>102,010</u></b>	<b><u>87,488</u></b>	<b><u>(8,889)</u></b>	<b><u>49,595</u></b>

<b>As at 31 December 2014</b>	<b>Net interest income and expense</b>	<b>Net non- interest gain and loss</b>	<b>Provision for impairment</b>	<b>Other comprehensive income</b>
Cash, amounts due from banks and balances with the National Bank of Hungary	15,556	-	-	-
Placements with other banks, net of allowance for placement losses	14,689	-	(4)	-
Securities held for trading	-	4,283	-	-
Securities available-for-sale	72,056	4,947	-	51,404
Loans, net of allowance for loan losses	153,501	9,280	2,696	-
Securities held-to-maturity	36,518	-	-	-
Derivative financial instruments	3,636	(67)	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(14,779)	-	-	-
Deposits from customers	(46,423)	108,737	-	-
Liabilities from issued securities	(4,206)	-	-	-
Subordinated bonds and loans	<u>(16,825)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>213,723</u></b>	<b><u>127,180</u></b>	<b><u>2,692</u></b>	<b><u>51,404</u></b>

**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:

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

- 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 amortised 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.

Classes of assets and liabilities not measured at fair value in the statement of financial position, income approach was used to convert future cash-flows to a single current amount. Fair value of current assets is equal to carrying amount, fair value of liabilities from issued securities and other bond-type classes of assets and liabilities not measured at fair value measured based on Reuters market rates, fair value of other classes not measured at fair value of the statement of financial position measured at discounted cash-flow method. Fair value of loans, net of allowance for loan losses measured at discount rate adjustment technique, the discount rate is derived from observed rates of return for comparable assets or liabilities that are traded in the market. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2 of the fair value hierarchy.

a) **Fair value of financial assets and liabilities**

	<b>30 June 2015</b>		<b>31 December 2014</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,590,943	1,591,276	1,897,778	1,897,778
Placements with other banks, net of allowance for placement losses	635,802	658,191	712,112	746,469
Financial assets at fair value through profit or loss	313,503	313,503	351,753	351,753
<i>Held for trading securities</i>	98,473	98,473	77,587	77,587
<i>Derivative financial instruments classified as held for trading</i>	215,030	215,030	274,166	274,166
Securities available-for-sale	1,157,243	1,157,243	1,215,907	1,215,907
Loans, net of allowance for loan losses	1,845,477	2,149,895	1,908,631	2,277,701
Securities held-to-maturity	827,606	875,323	662,947	721,436
Derivative financial instruments designated as hedging instruments	<u>14,720</u>	<u>14,720</u>	<u>14,041</u>	<u>14,041</u>
<b>FINANCIAL ASSETS TOTAL</b>	<b><u>6,385,294</u></b>	<b><u>6,760,151</u></b>	<b><u>6,763,169</u></b>	<b><u>7,225,085</u></b>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	1,048,711	1,048,113	1,142,491	1,128,655
Deposits from customers	4,077,449	4,023,241	4,235,256	4,242,841
Liabilities from issued securities	160,857	186,375	162,667	171,909
Derivative financial instruments designated as hedging instruments	6,637	6,637	3,463	3,463
Financial liabilities at fair value through profit or loss	280,245	280,245	375,363	375,363
Financial liabilities from OTP-MOL transaction	70,721	70,721	56,445	56,445
Subordinated bonds and loans	<u>270,866</u>	<u>282,415</u>	<u>294,612</u>	<u>292,746</u>
<b>FINANCIAL LIABILITIES TOTAL</b>	<b><u>5,915,486</u></b>	<b><u>5,897,747</u></b>	<b><u>6,270,297</u></b>	<b><u>6,271,422</u></b>

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**b) *Fair value of derivative instruments***

	Fair value		Notional value, net	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
<b>Interest rate swaps classified as held for trading</b>				
Positive fair value of interest rate swaps classified as held for trading	34,855	43,538	37,754	46,128
Negative fair value of interest rate swaps classified as held for trading	(34,449)	(63,670)	(37,236)	(66,510)
<b>Foreign exchange swaps classified as held for trading</b>				
Positive fair value of foreign exchange swaps classified as held for trading	30,590	60,833	31,472	57,280
Negative fair value of foreign exchange swaps classified as held for trading	(14,885)	(60,110)	(13,891)	(55,697)
<b>Interest rate swaps designated as fair value hedge</b>				
Positive fair value of interest rate swaps designated in fair value hedge	14,705	14,032	6,934	8,539
Negative fair value of interest rate swaps designated in fair value hedge	(6,637)	(3,463)	(10,172)	(4,602)
<b>CCIRS classified as held for trading</b>				
Positive fair value of CCIRS classified as held for trading	131,708	152,540	130,975	144,886
Negative fair value of CCIRS classified as held for trading	(212,267)	(227,167)	(211,657)	(222,373)
<b>Mark-to-market CCIRS classified as held for trading</b>				
Positive fair value of mark-to-market CCIRS classified as held for trading	-	-	-	-
Negative fair value of mark-to-market CCIRS classified as held for trading	(5,965)	(9,576)	(6,116)	(9,856)
<b>Other derivative contracts classified as held for trading</b>				
Positive fair value of other derivative contracts classified as held for trading	17,877	17,255	12,427	14,088
Negative fair value of other derivative contracts classified as held for trading	(12,679)	(14,840)	(7,139)	(11,526)
<b>Other derivative contracts designated as fair value hedge</b>				
Positive fair value of other derivative contracts designated in fair value hedge	15	9	10	4
Negative fair value of other derivative contracts designated in fair value hedge	-	-	-	-
<b>Derivative financial assets total</b>	<b><u>229,750</u></b>	<b><u>288,207</u></b>	<b><u>219,572</u></b>	<b><u>270,925</u></b>
<b>Derivative financial liabilities total</b>	<b><u>(286,882)</u></b>	<b><u>(378,826)</u></b>	<b><u>(286,211)</u></b>	<b><u>(370,564)</u></b>
<b>Derivative financial instruments total</b>	<b><u>(57,132)</u></b>	<b><u>(90,619)</u></b>	<b><u>(66,639)</u></b>	<b><u>(99,639)</u></b>



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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**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. Net investment hedge in foreign operations is not applicable in separate financial statements.

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

**As at 30 June 2015**

<b>Types of the hedges</b>	<b>Description of the hedging instrument</b>	<b>Fair value of the hedging instrument</b>	<b>The nature of the risk being hedged</b>
1) Cash-flow hedges	-	-	-
2) Fair value hedges	IRS/ Index option	HUF 8,083 million	Interest rate

**As at 31 December 2014**

<b>Types of the hedges</b>	<b>Description of the hedging instrument</b>	<b>Fair value of the hedging instrument</b>	<b>The nature of the risk being hedged</b>
1) Cash-flow hedges	-	-	-
2) Fair value hedges	IRS/ Index option	HUF 10,578 million	Interest rate

**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 HUF/EUR 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.

	<b>30 June 2015</b>	<b>31 December 2014</b>
Fair value of the hedging instruments	116	107

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

OTP Bank holds fixed interest rate securities denominated in foreign currencies and fixed interest rate government bonds denominated in HUF within the available-for-sale portfolio. These fixed interest rate securities and bonds 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 and the risk from the cash-flows of the bonds are swapped to payments linked to 6 month BUBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	<b>30 June 2015</b>	<b>31 December 2014</b>
Fair value of the hedging instruments	(5,539)	(2,570)

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**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.

	<b>30 June 2015</b>	<b>31 December 2014</b>
Fair value of the hedging instruments	(228)	(417)

**4. Issued securities**

The cash-flows of the fixed rate securities issued by OTP Bank are exposed to the change in the HUF/EUR 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, resulted a decrease in the interest rate and foreign exchange exposure of issued securities.

Certain structured bonds are hedged by options which give the owner the right to get amount of the structure which is equal to the structure of the hedged bond.

	<b>30 June 2015</b>	<b>31 December 2014</b>
Fair value of the hedging IRS instruments	13,719	13,449
Fair value of the hedging index option instruments	15	9

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**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 37: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

**d) Fair value hedges [continued]**

**As at 30 June 2015**

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 752,843 million	HUF (5,539) million	HUF 2,969 million	HUF (2,969) million
Loans to customers	IRS	HUF 8,449 million	HUF (228) million	HUF (189) million	HUF 189 million
Deposits from customers	IRS	HUF 1,602 million	HUF 116 million	HUF (9) million	HUF 9 million
Liabilities from issued securities	IRS	HUF 77,205 million	HUF 13,719 million	HUF (270) million	HUF 270 million
Liabilities from issued securities	Index option	HUF 659 million	HUF 15 million	HUF (6) million	HUF 6 million

**As at 31 December 2014**

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 286,344 million	HUF (2,570) million	HUF 1,691 million	HUF (1,691) million
Loans to customers	IRS	HUF 12,158 million	HUF (417) million	HUF (101) million	HUF 101 million
Deposits from customers	IRS	HUF 1,627 million	HUF 107 million	HUF (6) million	HUF 6 million
Liabilities from issued securities	IRS	HUF 88,309 million	HUF 13,449 million	HUF (5,070) million	HUF 5,070 million
Liabilities from issued securities	Index option	HUF 651 million	HUF 9 million	HUF 3 million	HUF (3) million

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**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. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- 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:

<b>As at 30 June 2015</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss	313,030	91,592	221,438	-
<i>from this: securities held for trading</i>	98,000	90,474	7,526	-
<i>from this: positive fair value of derivative financial instruments classified as held for trading</i>	215,030	1,118	213,912	-
Securities available-for-sale	1,137,708	401,397	736,311	-
Positive fair value of derivative financial instruments designated as fair value hedge	<u>14,720</u>	<u>-</u>	<u>14,720</u>	<u>=</u>
<b>Financial assets measured at fair value total</b>	<b><u>1,465,458</u></b>	<b><u>492,989</u></b>	<b><u>972,469</u></b>	<b><u>=</u></b>
Negative fair value of derivative financial instruments classified as held for trading	280,245	1,111	279,134	-
Negative fair value of derivative financial instruments designated as fair value hedge	<u>6,637</u>	<u>-</u>	<u>6,637</u>	<u>=</u>
<b>Financial liabilities measured at fair value total</b>	<b><u>286,882</u></b>	<b><u>1,111</u></b>	<b><u>285,771</u></b>	<b><u>=</u></b>
<b>As at 31 December 2014</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss	351,319	73,090	278,229	-
<i>from this: securities held for trading</i>	77,153	72,634	4,519	-
<i>from this: positive fair value of derivative financial instruments classified as held for trading</i>	274,166	456	273,710	-
Securities available-for-sale	1,181,200	342,629	838,571	-
Positive fair value of derivative financial instruments designated as fair value hedge	<u>14,041</u>	<u>-</u>	<u>14,041</u>	<u>=</u>
<b>Financial assets measured at fair value total</b>	<b><u>1,546,560</u></b>	<b><u>415,719</u></b>	<b><u>1,130,841</u></b>	<b><u>=</u></b>
Negative fair value of derivative financial instruments classified as held for trading	375,363	478	374,885	-
Negative fair value of derivative financial instruments designated as fair value hedge	<u>3,463</u>	<u>-</u>	<u>3,463</u>	<u>=</u>
<b>Financial liabilities measured at fair value total</b>	<b><u>378,826</u></b>	<b><u>478</u></b>	<b><u>378,348</u></b>	<b><u>=</u></b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

	Retained Earnings and Reserves 1 January 2015	Net loss for the period ended 30 June 2015	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 30 June 2015
<b>Financial Statements in accordance with HAS</b>	<b>940,826</b>	<b>88,378</b>	<b>(23,100)</b>	<b>(59)</b>	<b>1,006,045</b>
Premium and discount amortization of financial instruments measured at amortised cost	2,797	(8)	-	(351)	2,438
Effect of redemption of issued securities	14,111	(1,821)	-	-	12,290
Differences in carrying value of subsidiaries	34,115	(59)	-	59	34,115
Difference in accounting for finance leases	(873)	80	-	-	(793)
Effects of using effective interest rate method	5,934	269	-	-	6,203
Fair value adjustment of held for trading and available-for-sale financial assets	58,141	4,261	-	(3,692)	58,710
Fair value adjustment of derivative financial instruments	10,011	8,064	-	(1,888)	16,187
Reversal of statutory goodwill	40,596	-	-	-	40,596
Revaluation of investments denominated in foreign currency to historical cost	(32,671)	2,404	-	-	(30,267)
Difference in accounting of security lending	(21,981)	340	-	-	(21,641)
Treasury share transaction	-	4,197	-	(4,197)	-
Share-based payment	-	(1,905)	-	1,905	-
Payments to ICES holders	7,014	154	-	(1,003)	6,165
OTP-MOL share swap transaction	(54,067)	430	-	-	(53,637)
Transaction duty	-	(823)	-	-	(823)
Banking tax	-	(12,175)	-	-	(12,175)
Provision for exchange of customer loans to HUF	(7,906)	7,463	-	-	(443)
Deferred taxation	33,557	436	-	1,288	35,281
Dividend paid for 2014	40,600	-	(40,600)	-	-
Dividend payable in 2015	-	-	23,100	-	23,100
<b>Financial Statements in accordance with IFRS</b>	<b><u>1,070,204</u></b>	<b><u>99,685</u></b>	<b><u>(40,600)</u></b>	<b><u>(7,938)</u></b>	<b><u>1,121,351</u></b>

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
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**NOTE 39:      SIGNIFICANT EVENTS DURING THE PERIOD ENDED 30 JUNE 2015**

**1) Government measures related to customer loan contracts**

See details in Note 2.26.

**2) Capital increase at OTP Bank Romania**

See details in Note 9.

**3) Capital increase at OTP Bank JSC**

See details in Note 9.

**4) Purchase of Findomestic Banka**

See details in Note 9.

**5) Term Note Program**

See details in Note 15.

**NOTE 40:      POST BALANCE SHEET EVENTS**

**Settlement of customer loans contracts denominated in HUF**

See details in Note 2.26.

**OTP BANK PLC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED**  
**30 JUNE 2015**

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

In the first half of 2015, Hungary's economy was shaped by intensifying external demand, the positive terms-of-trade shock caused by the plunging oil price, the bond purchase programme launched in Europe and the fading out of the one-off items that had fuelled growth in 2014. The Eurozone's growth was surprisingly robust in the first quarter, largely owing to the falling oil prices and the weakening euro; this was followed by a very slight pause in the core member states in the second quarter (simultaneously with the general pick-up in periphery countries, for the first time after a long while). Growth was modest as these factors faded away while fears surrounding Greece's future intensified, while the European Central Bank's long-awaited quantitative easing programme, launched in March, could only partly counterbalance these effects.

Hungary's economy grew by 3.1% in the first half of 2015 (according to the preliminary data for second quarter), after the 3.6% increase in 2014. Hungary's gross domestic product increased by 2.7% on a yearly basis and by 0.5% on a quarterly basis in the second quarter – these are eight-quarter and nine-quarter lows respectively. The deceleration of growth and the rate of slowing match our previous expectations, but its structure is somewhat different: investment activity slowed more intensively while net export's contribution to growth was stronger than we had assumed. With the 2014 investment boom is coming to an end, households' consumption becomes the engine of growth; it can rise by more than 3% this year.

As a combined effect of the election year and the ending seven-year EU budget cycle, public investments grew extremely fast in 2014, and based on first quarter data the public sector further boosted activity. Meanwhile the private sector's investments started to contract again. A strong divergence is seen in constructions: while production that satisfies mostly public demands did not decrease below its 2014 peak, the sector's orders stock fell by almost 50% since last summer.

Following the stagnation in 2013 and the 1.7% increase in 2014, household consumption expenditure may be up 3.5% in 2015, as suggested by the retail sales of durable goods, data on domestic tourism, and new car registrations. The growth rate caught up with the rate of increase in real incomes; therefore a substantial acceleration from this level seems unlikely. There was only modest improvement on the labour market this year. The persistently low interest rates (in line with the NBH's plans) and the robust increase in real incomes led to a turnaround in households' investments, thus housing-related lending and housing investments also picked up. On the real property market, the number of transactions with existing homes increased in the first half of the year but the orders stock of new homes or occupancy permits do not point to an imminent recovery.

Following the 0.2% level in 2014, inflation can inch up modestly (to 0.2%) this year and is likely to remain below the NBH's target in 2016. Energy prices, the lower-than-expected growth in food prices and the low level of imported inflation are likely to tame inflation, while inflation in demand-driven product groups is accelerating this year.

The very low inflation and public debt financing, which increasingly leans on domestic sectors, help the central bank to uphold the current loose monetary conditions. Furthermore, the European Central Bank's liquidity expansion also played a role in long-term government bond yields' oscillating near all-time lows (after hitting rock bottom in the first quarter).

#### **Funding for Growth Scheme**

In Hungary under the second phase of the Funding for Growth Scheme available from early October 2013 OTP Group already contracted in the amount of more than HUF 180 billion by the end of June (together with the first phase total disbursements reached HUF 270 billion), moreover loan applications in the pipeline exceeded HUF 30 billion. According to the NBH by the end of July 2015 the total contracted amount in the second phase reached HUF 826 billion.

On 16 March 2015 the National Bank of Hungary announced the launch of Funding for Growth Scheme Plus accordingly NBH will improve access to credit for small and medium sized enterprises that have not been able to participate in the Funding for Growth Scheme so far. By the end of July OTP Bank disbursed HUF 1.3 billion and applications with HUF 5 billion are in the pipeline.