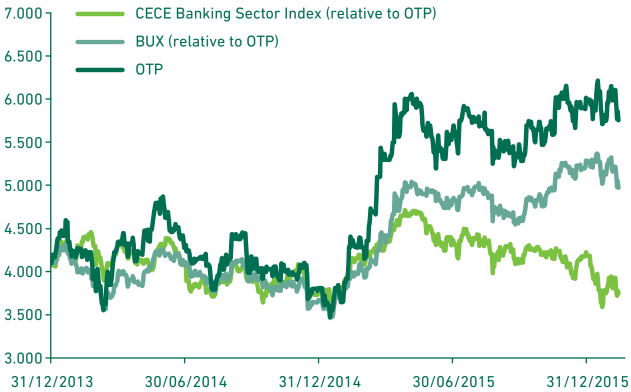
Management analysis of the 2015 results of the OTP Group

CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA*

Main components of the Statement of recognised income	2014 HUF million	2015 HUF million	Change %
Consolidated after tax profit	**(102,258)**	**63,171**	**(162)**
Adjustments (total)	**(220,272)**	**(57,074)**	**(74)**
Consolidated adjusted after tax profit without the effect of adjustments	**118,014**	**120,245**	**2**
Pre-tax profit	142,341	146,057	3
Operating profit	414,534	362,594	(13)
Total income	826,061	754,912	(9)
Net interest income	636,172	553,659	(13)
Net fees and commissions	169,579	167,250	(1)
Other net non-interest income	20,309	34,003	67
Operating expenses	(411,527)	(392,318)	(5)
Total risk costs	(274,749)	(220,709)	(20)
One off items	2,556	4,172	63
Corporate taxes	(24,327)	(25,812)	6
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	10,971,052	10,718,848	(2)
Total customer loans (net, FX-adjusted)	**5,828,583**	**5,409,967**	**(7)**
Total customer loans (gross, FX-adjusted)	**6,964,289**	**6,423,588**	**(8)**
Allowances for possible loan losses (FX-adjusted)	(1,135,705)	(1,013,621)	(11)
Total customer deposits (FX-adjusted)	**7,624,295**	**7,984,579**	**5**
Issued securities	267,084	239,376	(10)
Subordinated loans	281,968	234,784	(17)
Total shareholders' equity	1,264,166	1,233,659	(2)
Indicators based on one-off adjusted earnings	**2014**	**2015**	**ppts**
ROE (from adjusted net earnings)	8.5%	9.6%	1.1
ROA (from adjusted net earnings)	1.1%	1.1%	0.0
Operating profit margin	3.88%	3.34%	(0.54)
Total income margin	7.74%	6.96%	(0.78)
Net interest margin	5.96%	5.11%	(0.85)
Cost-to-asset ratio	3.85%	3.62%	(0.23)
Cost/income ratio	49.8%	52.0%	2.20
Risk cost to average gross loans	3.68%	3.18%	(0.50)
Total risk cost-to-asset ratio	2.57%	2.04%	(0.53)
Effective tax rate	17.1%	17.7%	0.6
Net loan/(deposit+retail bond) ratio (FX-adjusted)	75%	67%	(8)
Capital adequacy ratio (consolidated, IFRS) – Basel3	17.5%	16.2%	(1.3)
Tier1 ratio – Basel3	14.1%	13.3%	(0.8)
Common Equity Tier1 ('CET1') ratio – Basel3	14.1%	13.3%	(0.8)
Share Data	**2014**	**2015**	**%**
EPS diluted (HUF) (from unadjusted net earnings)	(382)	242	(163)
EPS diluted (HUF) (from adjusted net earnings)	441	458	4
Closing price (HUF)	3,811	6,000	57
Highest closing price (HUF)	4,875	6,065	24
Lowest closing price (HUF)	3,555	3,479	(2)
Market Capitalization (EUR billion)	3.4	5.4	59
Book Value Per Share (HUF)	4,515	4,406	(2)
Tangible Book Value Per Share (HUF)	3,948	3,840	(3)
Price/Book Value	0.8	1.4	75
Price/Tangible Book Value	1.0	1.6	60
P/E (trailing, from accounting net earnings)	(10.4)	26.6	(356)
P/E (trailing, from adjusted net earnings)	9.0	14.0	56
Average daily turnover (EUR million)	14	15	7
Average daily turnover (million share)	1.1	0.9	(18)

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

Share price performance



MOODY'S RATINGS	
OTP Bank	
Foreign currency long-term deposits	Ba2
OTP Mortgage Bank	
Covered mortgage bond	Baa2
OTP Bank Russia	
Foreign currency long-term deposits	Ba3
STANDARD & POOR'S RATING	
OTP Bank and OTP Mortgage Bank	
Long-term credit rating	BB
FITCH'S RATING	
OTP Bank Russia	
Long-term credit rating	BB

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2015 RESULTS OF OTP GROUP

2015 macroeconomic trends in Hungary turned to be the most favourable since the onset of the financial crisis in 2008. Despite some moderation, according to preliminary figures and as a result of the strong 4Q GDP growth (+3.2% y-o-y), the economy grew by 2.9% y-o-y. Balance indicators remained consistently favourable: supported by stronger than expected tax revenues the fiscal deficit was kept below 2% of GDP and the public debt was reduced to below 76% of GDP, too. Within that both the share of external debts and non-residents' holding contracted massively. Simultaneously, funding conditions improved a lot and the vulnerability of the economy moderated substantially.

As a result of a roughly 3 year continuous monetary easing the base rate dropped to 1.35% by July 2015. Besides, the central bank has been using other non-conventional tools too, steadily and effectively supporting the balanced and sustainable growth of the economy. The central bank's toolset is fairly rich: apart from the new phases of Funding for Growth Scheme it also includes the Self Financing Programme which encourages banks to increase their government securities purchases and also the reform of the monetary policy instruments.

From macroprudential perspective it was of great importance that with the conversion of FX-denominated mortgages, car loans and consumer credits a major systemic risk factor was eliminated, and the settlement was completed with practically all affected clients by end-2015. Simultaneously, the massive operational burden induced by the settlement and conversion vanished.

In December 2015 the Government decided about a substantial reduction of the banking tax starting from 2016. Also, a new legislation was approved regarding the reasonable handling and burden-sharing of the losses stemming from the brokerage scandals in early 2015.

It was equally important that the Government significantly eased the conditions of purchasing new and used flats and widened the range of eligible families within the framework of the Housing Subsidy for Families (the so-called CSOK). Also, from 1 January 2016 applicable VAT level on newly built houses was scaled back from 27% to 5%. Those changes might exert positive impact on mortgage loan demand, too. Based on those favourable regulatory changes and macroeconomic developments there is a strong chance that Hungary will be re-gaining its investment-grade status in 2016 with the major rating agencies.

With regard to 2016 economic outlook OTP Bank's forecasts are fairly confident: the bank expects 2.5% GDP growth, 1.7% fiscal deficit, 0.7% inflation, further easing public indebtedness and 2% real wage increase. Local consumption has been gradually becoming the key engine of growth. New loan disbursements are expected to keep increasing dynamically, however loan stocks might increase first of all in the SME and corporate segments; as for the households it is difficult to give any ballpark estimation regarding the potential impact of the recent Government measures.

According to the preliminary GDP data published in February 2016 most of the CEE countries with OTP presence enjoyed a fairly positive backdrop: the Croatian economy apparently left behind the recession and the newly formed government submitted an ambitious consolidation programme.

The overall Bulgarian, Romanian and Slovakian macro indicators were equally good. Furthermore, in certain countries – Croatia, Serbia and Romania – either as a result of mandatory conversions or under schemes initiated by the subsidiary – the settlement and conversion of CHF-based mortgages is either underway or practically completed. With their de-facto completion the banking community might again focus on business activity.

For the last two years Ukraine and Russia have been struggling with different challenges, though a moderate consolidation is going on. The Ukrainian GDP contracted by 10% in 2015 and for 2016 the central bank forecasts only a moderate 1.1% growth. Official headline inflation is expected to remain well above 10% in 2016 after exceeding 49% in 2015. The promised structural reforms and the anti-corruption fight is progressing slowly, and the IMF raised concern in this respect suggesting the temporary suspension of the next round of financial aid what Ukraine otherwise needs a lot.

As for Russia the most important risk factors are the low oil price and the weak rouble, as they fall short of the levels used for making the 2016 budget. Potential expenditure cuts might take their toll through hampering domestic demand; ability to pay might deteriorate both in the corporate and household sectors. Due to the high inflation induced by the weaker RUB the central bank left the base rate in its January rate-setting meeting at 11%, unchanged since June 2015. In line with the inflation moderating to single digit the base rate might be cut in 2H 2016. According to the official forecast of the central bank the Russian economy will recover from the recession only in 2017; for 2016 as a whole the CBR expects 2% GDP contraction.

On 3 February 2016 OTP Bank announced the purchase of AXA Bank Hungary's (predominantly) mortgage portfolio. According to the plans, following the closing of the transaction the integration process can be completed at the end of 2016.

Legislative acts and decisions affecting OTP Group's operation in Hungary

1. Settlement and conversion of FX-based consumer contracts into HUF

According to legislations passed in 2014 the settlement of the existing and matured (or prepaid) FX mortgage and consumer loan contracts at OTP Bank and OTP Mortgage Bank was completed in March 2015. In 1Q 2015 the conversion of FX mortgage loans into HUF has been completed (except for OTP Flat Lease). In 2Q 2015 the settlement with Merkantil and OTP Flat Lease clients has been executed, clients' obligations arising from FX lease contracts were converted into HUF. In 3Q 2015 the settlement of existing and matured HUF consumer contracts at OTP Bank, OTP Mortgage Bank, Merkantil and Flat Lease has been completed.

According to the Act No. CXLV of 2015 approved on 22 September 2015 the conversion of FX car and consumer loans has been completed by 1 December 2015 (the portfolio held by OTP Factoring Ltd. has been converted as of January 1, 2016). The applied FX rates were the prevailing ones on 19 August 2015 (official FX rates published by the central bank: 287.2 HUF/CHF and 309.2 HUF/EUR). Pursuant to the Act customers enjoyed a benefit which equals to the difference between the FX rates applied for converting the FX mortgage loans (256.5 HUF/CHF, 309.0 HUF/EUR) and the official FX rate quoted by the central bank on 19 August 2015. This difference was born jointly by the banks and the State.

2. Banking tax

On 15 December 2015 the Parliament amended the Act No. CCXVII of 2015 on the banking tax as a result of continuous conciliation between the government and the Hungarian Banking Association. The Act came into force partly on 23 December 2015 and 1 January 2016. Accordingly, for 2016 the banking tax rate is going to be 0.15% for the tax base not exceeding HUF 50 billion and 0.24% above that threshold. The tax base will be the adjusted total assets in 2009. The Act abolished certain concessions stipulated by previously approved legislations, such as the potential bank tax refund of maximum HUF 5 billion on sector-level for those banks that suffered losses in Ukraine, and also the maximum HUF 10 billion sector-level bank tax break related to corporate loan growth. As a result, in 2016 the Hungarian members of OTP Group will be paying HUF 16.1 billion in banking tax (HUF 13.2 billion after tax) against HUF 34.9 billion paid in 2015 (HUF 28.6 billion after tax).

According to the announcement of the Ministry of National Economy on 10 December 2015 the Government plans to submit the relevant banking tax legislation valid for 2017 in the first half of 2016.

3. Deposit Protection Fund, Investor Protection Fund and Resolution Fund

According to the new regulation effective from 1 January 2016 the rate of the annual contribution paid by member institutions into the Deposit Protection Fund (OBA) was raised to 0.175% (2015: 0.14%).

Effective from 1 January 2016 the rate of the normal contribution payable into the Investor Protection Fund (Beva) was increased to 0.175% versus 0.045% in 2015. Simultaneously, the compensation threshold changed to EUR 100,000 from the previous EUR 20,000 level.

In 2014 OTP Core (the economic unit for measuring the result of core business activity of OTP Group in Hungary) paid in total HUF 3.6 billion towards OBA, Beva and the Resolution Fund, and HUF 6.6 billion in 2015. The annual contribution in 2016 is expected to go up to around HUF 10 billion. Those paid-in amounts are booked amongst operational expenses, not among adjustment items on consolidated level.

4. Quaestor

On 17 November 2015 the Constitutional Court made a decision on motions regarding the Act on the indemnification of Quaestor victims (Act No. XXXIX of 2015). Accordingly the Constitutional Court ruled that certain paragraphs of the Act were unconstitutional. On 15 December the Parliament approved a new law (Act No. CCXI of 2015 on compensation measures aimed at strengthening the stability of local capital markets) which took into account the Constitutional Court's ruling. The Act came into force on 1 January 2016. Simultaneously the previous "Quaestor" Act (Act No. XXXIX of 2015 on establishing a compensation fund) being effective from April 2015 lost effect.

The new Act enlarged the range of clients eligible for the compensation with the victims of Hungarian Securities Ltd., however reduced the maximum amount of compensation each clients can receive. Accordingly, returns realized since 1 January 2008 must be deducted from the due compensation. Furthermore, above HUF 3 million 11% co-payment by clients was introduced.

The compensation will be handled technically by a newly established Fund which can take a bridge loan from the central bank with unconditional payment guarantee by the state for servicing the payments. The bridge loan will be serviced from the Beva-members' contributions; however the sector-level total annual contribution can't exceed HUF 7 billion. The contributions are deductible on sub-consolidated level from different tax obligations (banking tax, corporate tax, contribution tax, financial transaction tax) in the year of the payment. The first payments are due in March 2017.

The deadline for submitting compensation claims is 15 February 2016 and payments will start from May 2016. Since the total amount of those claims is not yet known, OTP Bank's share is not calculable either.

5. Legislative changes related to the Hungarian housing market

With a Government decree (455/2015) published on 29 December 2015 and effective from 1 January 2016 the range and scale of the Housing Subsidy for Families (CSOK) was further enlarged. Modifications in February (government decrees No. 16/2016 and 17/2016, both published on 10 February 2016) made some fine-tunings.

Accordingly:

- Customers can apply for a non-refundable state subsidy, the so-called CSOK (originally introduced on 1 July 2015) from 1 January 2016 with more favourable terms. Conditions are determined by the above government decrees. Under the current scheme the amount of the state subsidy for building or purchasing new flats is linked to the number of (existing or undertaken) children: the subsidy is HUF 0.6 million after 1 child, HUF 2.6 million after 2 and 10 million after 3 or more. For used-flat purchase or enlargement the subsidy varies between HUF 0.6 and 2.75 million, depending on the number of children.
- Those families granted CSOK with 3 or more children are also eligible – under certain criteria – for maximum HUF 10 million subsidized loan. The interest rate of these loans paid by the client is fixed at 3% for the first 25 years. The formula for calculating the total maximum interest rate chargeable by banks is as follows: 3 month average of the 5 year Government bond yield × 1.3+3%. Therefore, the interest subsidy by the state equals to the difference between the interest rate paid by the client and the total interest rate charged by the bank.
- For those clients building a new house or flat a tax refund capped at HUF 5 million became available under certain conditions stipulated by the legislation.

Furthermore, according to Act No. CCXII of 2015 the VAT on newly built houses was reduced from 27% to 5% from 1 January 2016 (under certain limitations for the maximum ground-space of those properties).

Changes related to FX mortgage loans affecting foreign subsidiaries

1. Romania

In November 2015 OTP Bank approved a conversion programme to be offered by the Romanian subsidiary to its retail CHF mortgage borrowers.

The CHF mortgage loan conversion programme started on 9 December 2015. By the end of January 2016 more than 10,000 eligible clients were notified about the bank's offer. Out of those around 80% showed interest towards the scheme, and 3% turned down the conversion offer. According to recent experiences the originally expected conversion ratio seems to be achievable. The conversions de facto have been started on 25 January 2016.

2. Croatia

Based on the amendments to the Act on Credit institutions and Customer Lending approved by the Croatian Parliament on 30 September 2015 the Croatian subsidiary of OTP Bank announced a conversion programme (from CHF into EUR) for its retail CHF borrowers. Due to amendments to the technical details the de facto conversion was postponed to 1Q 2016.

3. Ukraine

In early July 2015 the Ukrainian Parliament approved an Act on the conversion of retail FX mortgages into UAH, however the President did not sign the Act and it did not become effective. At the end of January 2016 the Parliament voted on the presidential veto, as a result the Act was taken off the agenda. In early September 2015 another draft legislation was published aiming at providing relief to FX denominated residential mortgage holders. The draft was prepared by the central bank with the involvement and agreement of the local commercial banks. Since the actual version of the draft is currently under discussion, it has not been submitted to the Parliament yet.

Consolidated earnings: HUF 120.2 billion adjusted after-tax profit, declining income margin and net interest margin, moderating risk costs, decelerating portfolio quality deteriorating from 2H, improving DPD90+ ratio and provision coverage

The consolidated accounting profit for the last 12 months was HUF 63.2 billion versus a loss of HUF 102.3 billion in the base period. The material y-o-y change was related mainly to the adjustment items.

In 2015 the total volume of adjustments amounted to HUF –57 billion after tax, which is materially lower than HUF –220 billion booked in the base period. In 2015 the following adjustment items were presented:

- The special banking tax in the amount of HUF –29.4 billion (after tax);
- In 2Q and 4Q 2015 impairment was booked in relation to the Ukrainian investment under Hungarian Accounting Standards. Though under IFRS these impairments had no direct effect either on the consolidated balance sheet or on the P&L, there was a related positive tax shield of altogether HUF 6.7 billion that added to the Group's IFRS accounting profit;
- The Hungarian Competition Authority imposed a HUF 4 billion fine on the Banking Association in its January 2016 ruling. According to HCA's reasoning the Banking Association operated a banking database in a way that could hamper market competition. The Association has contested the ruling at the court. For the potential payment obligations by OTP Group's affected group members HUF 813 million other risk cost was made (HUF 662 million after tax);
- The one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary was HUF +7.6 billion (after tax);
- In 2015 the Bank made additional provisions for its East Ukrainian and Crimean exposures, resulting in an after-tax negative effect of altogether HUF 2.4 billion;
- The business model of OTP Life Annuity Ltd. was affected by a modification of Act 2003 LX, accordingly from January 2015 only insurance companies are eligible to conclude reverse mortgage contracts. Consequently provisions were made on the Company's portfolio which had a negative impact of HUF 5.5 billion (after tax);
- The positive impact of badwill related to the acquisition of Banca Millennium reached HUF 1.6 billion (after tax);
- The expected one-off negative impact of the Romanian CHF mortgage loan conversion programme is around HUF 25.5 billion (after tax), assuming that all eligible clients will participate;
- The expected one-off negative impact of regulatory changes related to CHF consumer contracts in Croatia is HUF 6.3 billion after tax;
- In Serbia the central bank made several decisions on 24 February 2015 related to FX loans. As a result of these decisions and also due to subsequent fine-tuning of the refund calculation methodology the Serbian subsidiary saw an after-tax negative result of HUF 211 million presented among adjustment items on consolidated level;
- The after tax impact of dividends and net cash transfers amounted to HUF +144 million.

On 2 November 2015 Visa Inc. and Visa Europe Limited reached an agreement on the purchase of the shares of Visa Europe (owned by European banks) by Visa Inc. According to the deal the purchase price will be transferred by cash and Visa Inc."C-type" preferential shares with limited marketability, after the settlement of the transaction (after receiving all the necessary approvals). In addition, the framework terms of the transaction provide for a deferred earn-out payment, which will be paid in cash after sixteen quarters from the date of the transaction settlement (if the relevant criteria of the earn-out component are reached). According to the notification of Visa sent in mid-December 2015, the expected amount of cash is about EUR 34.2 million (around HUF 10.8 billion, which was calculated with the closing official exchange rate of NBH as at 31 December 2015). Prior to the transaction the book value of OTP's share in Visa Europe was close to zero, but at the end of 2015 it was revaluated, which has been recognized on the of Fair value adjustment of available for sale securities line in the Consolidated Statement of Comprehensive Income. The above said cash component of the purchase price will be booked in the Consolidated Statement of Recognized Income at the settlement of the transaction, and shown presumably in the second quarter of 2016. For the time being the value of the earn-out component cannot be reliably measured.

OTP Group posted HUF 120.2 billion adjusted profit in 2015 which underpins a y-o-y 2% increase against the base period. The corporate tax burden grew by HUF 1.5 billion y-o-y, as a result, profit before tax advanced by 3% y-o-y. The operating income dropped by 13%; the negative impact was off-set by lower risk costs (–20% y-o-y) and higher one-off revenue items.

As for individual performances, 2015 to a great extent resembles 2014: it was again OTP Core with HUF 123.4 billion and DSK Bank with HUF 52.5 billion contributing the most to consolidated adjusted earnings. Other Group members in the CEE region except for Serbia were profitable, too and in total posted HUF 5.9 billion profit. Ukraine and Russia, on the contrary, remained still in red (with HUF 40.3 billion and HUF 15.1 billion adjusted loss), still their combined negative result was slightly lower than in 2014. Starting from 2015 the performance of the Russian online bank, Touch Bank was presented separately, though legally it is part of the Russian operation; in 2015 it posted HUF 4.8 billion negative result.

The annual total income represented HUF 755 billion, by 9% less y-o-y. Within that net interest income shrunk by 13%: OTP Core suffered a y-o-y 6% decline, more significant was the drop in Russia and Ukraine (–38% and –36% respectively); at the same time the Bulgarian, Romanian, Croatian and Slovakian subsidiaries managed to increase their net interest income. The material set-back in Russia and Ukraine was partly reasoned by the FX-effect: in RUB the Russian NII erosion was 18%, whereas the Ukrainian NII remained flat in UAH terms. Also, the erosion of performing loan volumes in both countries took their toll, too.

The net fee and commission income decreased marginally (–1% y-o-y). The annual other net non-interest income surged by 66% y-o-y, to a great extent attributable to the 4Q 2014 base effect. Furthermore, at OTP Core there was a higher annual gain realized on the AFS securities portfolio, and a significant FX gain was booked in Ukraine in 1Q 2015.

The annual operating expenses melted down by 5% y-o-y.

The consolidated total income margin (6.98%) eroded by 78 bps in 2015, whereas the net interest margin (5.11%) shrunk by 85 bps.

The FX-adjusted consolidated loan portfolio declined by 8% y-o-y. Since there have been significant write offs during 2014, the changes in the performing DPD0–90 loan volumes would draw a better picture on real trends. Accordingly, the performing (DPD0–90) book eroded by 5% y-o-y. Regarding the FX-adjusted DPD0–90 volume changes, the most significant erosion was booked at the Russian and Ukrainian subsidiaries (26% in each case), whereas OTP Core suffered an 8% y-o-y set-back. Within the performing retail book mortgages declined by 6% and consumer loans by 8% respectively. The SME book, on the opposite, advanced steadily (+16% y-o-y). Large corporate volumes dropped by 3% y-o-y.

As for individual performances, in 2015 the Romanian and Serbian subsidiaries managed to increase their FX-adjusted loan volumes the fastest (+25% and 17% respectively); the remarkable y-o-y increase for all product segments in Romania was related mainly to the acquisition. The previously dynamically expanding Russian consumer book eroded by 26% y-o-y and in Ukraine by 28% respectively.

The mortgage portfolio eroded at all banks, but at the Romanian subsidiary (+20%). As for the corporate volumes, the Romanian and Serbian subsidiaries posted remarkable increase (+36% and 31%, respectively). At OTP Core the SME DPD0–90 book grew by 14% y-o-y supported also by the Lending for Growth Programme of the NBH.

The FX-adjusted deposit volumes kept advancing dynamically (+5% y-o-y). The biggest growth was achieved in Bulgaria and Romania (+16% and 51% y-o-y).

The consolidated net loan to (deposit+retail bonds) ratio dropped to 67% (–9 ppts y-o-y on an FX-adjusted basis). All subsidiaries, but the Romanian and Serbian were below 100%.

The volume of issued securities eroded by 10% y-o-y mainly due to redemptions at OTP Core and OTP Bank Russia. The y-o-y 17% decline of the subordinated debt was reasoned by a maturity in March 2015 with original face value of EUR 125 million (the outstanding amount was only EUR 93 million at redemption); no redemption or buy-back took place in 2015.

By end-2015 the gross liquidity reserves of the Group were close to EUR 8.6 billion equivalent.

Similar to 2014 the Group used again the partial write-off method. In 2015 within the framework of partial write offs around net HUF 78 billion non-performing exposure was written off on consolidated level. In Russia exclusively consumer exposures were involved (HUF 50 billion), in Ukraine primarily retail exposures (HUF 19 billion), whereas at DSK Bank loans to companies were written off partially (almost HUF 6 billion) and corporate volumes were affected at OTP Core (roughly HUF 4 billion). Mainly thanks to the partial write offs the DPD90+ ratio declined by 2.3 ppts to 17%.

DPD90+ loan volume changes adjusted for FX rate movements and the effect of loan sales and write-offs demonstrated a favourable picture: against the record level of inflow in 2014 (HUF 254 billion), the new DPD90+ formation in 2015 comprised only HUF 133 billion, of which 4Q 2015 represented HUF 4 billion only.

The y-o-y improving trend was valid for almost all Group members. In Russia the annual inflow was almost identical with the previous year's level (HUF 110 billion), in 2H there was a major deceleration (1H 2015: HUF 70 billion, 2H: HUF 40 billion). In Ukraine the 2014 new DPD90+ formation comprised HUF 60 billion, but dropped to HUF 11 billion in 2015 (adjusted for FX changes, write-offs and sales).

Consolidated risk costs reached HUF 221 billion (–20% y-o-y). By the end of 2015 the provision coverage ratio of DPD90+ loans stood at 93.4% underpinning a y-o-y 9.1 ppts increase. At individual levels the provision coverage edged up significantly at OTP Core (+9.3 ppts y-o-y), Ukraine (+21.3 ppts) and DSK Bank (+4.3 ppts).

OTP Core: adjusted after-tax profit declined by 10% y-o-y, moderate erosion of net interest margin and FX-adjusted loan book, further moderating portfolio deterioration, higher DPD90+ coverage

The adjusted after tax profit of **OTP Core** (basic activity in Hungary) reached HUF 123.4 billion in 2015, underpinning a 10% y-o-y decline. The key driver behind the lower annual profit was the y-o-y weaker net interest income (–6%) and increasing risk costs (+9%). The operating profit without one-off revenue items eroded by 6%. Total income moderated by 2%, whereas operating expenses grew by the same magnitude.

The yearly net interest margin (3.62%) eroded by 30 bps y-o-y mainly due to the lower interest rate environment; also, within the loan book corporate exposures with typically lower margins gained ground.

It was positive that the FX-adjusted DPD90+ volume formation kept on demonstrating a trend-like moderation. In 2014 the DPD90+ loan growth (FX-adjusted, without sales and write-offs) comprised HUF 48 billion, in 2015 it decreased by HUF 11 billion.

The coverage of the DPD90+ portfolio increased (85.8%, +9.3 ppts y-o-y). The DPD90+ ratio (12.1%) dropped by 5.4 ppts. Risk costs increased by 9% in 2015 and the annual risk cost rate grew, too (from 0.73% to 0.84%).

The FX-adjusted gross loan portfolio declined by 13% y-o-y, mainly as a result of the FX mortgage loan settlement and conversion. Within the gross retail book mortgages sank by 19%, whereas consumer loans eroded by 17% y-o-y. The corporate portfolio decline was due to the municipality book erosion (–58% y-o-y) as a result of the prepayment of previously assumed debt by the State. Medium and large corporate exposures declined by 3% y-o-y due to the prepayment by a few big clients. Positive though that partly being supported by the Funding for Growth Scheme the SME loan portfolio of OTP Bank grew by 11% y-o-y.

Despite further erosion in mortgage volumes in 2015, quarterly developments already demonstrated a decelerating pace of decline. The improving financial position of households, as well as the increasing property prices generated decent loan demand in 2015: at OTP Core the volume of applications grew by 24% y-o-y and disbursements by 33%, respectively.

The FX-adjusted deposit book with retail bonds expanded by 2%. Despite the popularity of alternative saving forms (government securities and mutual funds), retail deposits increased by 11% y-o-y. As a result, the net loan to deposit ratio dropped to new lows (47%, –6 ppts y-o-y, FX-adjusted).

Merkantil Bank and Merkantil Car posted HUF 1.6 billion adjusted profit in 2014 versus HUF 1.5 billion loss in the base period. The improving performance was the result of a y-o-y higher operating income (+13%) and significantly lower risk costs (–32% y-o-y). The DPD90+ ratio was 10.7%, due to sales and write offs it dropped by 2.7 ppts y-o-y, the coverage advanced by 33 ppts and reached 122.5% as a result of the settlement and conversion. In 2015 car loan origination soared by 36% y-o-y.

In 2015 **OTP Fund Management** posted HUF 4.8 billion after-tax profit, underpinning a 22% y-o-y decline. Net fees and commissions eroded by 14% y-o-y, operational expenses grew by 9%. The volume of total assets under management shrank by 9% y-o-y and stood at HUF 1,204 billion. The company retained its market leading position with 23.6% market share by end-2015.

Foreign subsidiaries' performance: all-time high profit in Bulgaria, y-o-y significantly improving Croatian, Romanian, Slovakian and Montenegrin performance, moderate loss in Serbia, significant negative results in Ukraine and Russia

The **Bulgarian subsidiary** posted HUF 52.5 billion after-tax profit in 2015, by 34% more than in the base period. The excellent performance was due to strong core banking revenues, but also to moderating risk costs (–21% y-o-y). The net interest income advanced by 12% driven by lower funding costs, whereas net fees and commissions expanded by 14% y-o-y. The annual net interest margin remained stable (5.24%, –12 bps y-o-y).

Despite lower risk costs and due to the favourable credit quality trends the coverage of the DPD90+ volumes improved substantially (95.8%, +4.3 ppts y-o-y). Those were mainly portfolio sales and write-offs that led to the y-o-y decline of the DPD90+ ratio.

The FX-adjusted gross loan portfolio increased by 1% y-o-y, within that the retail portfolio marginally moderated, however the corporate book demonstrated a healthy y-o-y growth (+5%); the bank's corporate loan market share also improved. Due to the excellent performance and strong name recognition of the bank its FX-adjusted deposits advanced by 16% enabling DSK to implement efficient deposit pricing measures and reduce the average cost of funding. The net loan to deposit ratio dropped by 11 ppts y-o-y (FX-adjusted) and reached 67%. Both the profitability and efficiency indicators are excellent at DSK Bank: its annual ROE was 21%, the cost-to-income ratio stood at 36.1%.

The **Russian subsidiary** remained loss-making in 2015; without Touch Bank it posted HUF 15.1 billion negative result (+4% y-o-y). The loss was induced mainly by eroding operating income (–36% y-o-y in HUF terms); it could be only partially off-set by lower risk costs (–30%). As a result of the 26% decrease of the performing portfolio, net interest income suffered a y-o-y 38% set-back. This line was also negatively affected by the higher liability costs induced by the sharp rate hike by the RCB at the end of 2014. The P&L figures were substantially distorted by the y-o-y 25% depreciation of RUB against HUF: the operating income in RUB terms dropped "only" by 16%, while the net interest income by 18% and operating expenses by 17%, respectively. As a result, the annual loss was by 43% higher y-o-y in RUB terms.

In the bank's 2015 activity special attention was paid to cost control and more efficient collection. In that respect there were some favourable developments: the DPD90+ inflow demonstrated a significant decline from 2Q 2015 (1H 2015: HUF 70 billion, 2H: HUF 40 billion). Also, operational expenses dropped by 38% y-o-y (–17% in RUB terms) as a result of the layoffs and closure of branches during the course of the year.

In general the lending activity remained cautious and selective: the bank focused mainly on POS lending. In 4Q seasonality also gave boost to new disbursement, still volumes suffered a y-o-y 17% set-back. Cash loan origination was fairly moderate, whereas cross-sale of credit cards was practically stopped. Overall volumes were also affected by almost RUB 18 billion non-performing portfolio sales and write offs executed in the course of 2015.

It was positive, however that in line with the management's target the risk cost rate of POS loans (representing 43% of DPD0–90 volumes) moderated to close to 10% in 2015 and improvement was observed in case of cash loans, too. Unfortunately, credit card loans' risk profile still remained weak coupled with elevating risk cost rates. With all those changes the overall risk profile of the consumer book somewhat improved. The DPD90+ ratio increased by 4.7 ppts y-o-y to 19.4%; its coverage remained stable (115.2%).

The annual net interest margin (15.6%) eroded by 3.2% y-o-y in HUF terms.

The FX-adjusted deposit book declined by 15% y-o-y. As a result, the net loan-to-deposit ratio dropped to 99% by the end of 2015.

Touch Bank, the online platform of the Russian bank is legally part of the Russian subsidiary, but operates as an independent business line. Touch Bank is presented as a virtual entity, and its performance was shown separately from the Russian bank. In 2015 it posted HUF 4.8 billion loss, mainly related to operational expenses. The client base already consists of around 20,000 people; by the end of 2015 the bank collected about HUF 4.3 billion deposits through online channels – bulk of it in 4Q.

The **Ukrainian subsidiary** posted HUF 40.3 billion adjusted loss in 2015, 4% less than a year ago. The after-tax effect of risk costs made for the Crimean and East Ukrainian (Donetsk and Luhansk) exposures represented HUF 2.4 billion and were booked amongst the adjustment items on consolidated level.

Bottom-line quarterly earnings demonstrated substantial volatility throughout 2015 reasoned primarily by risk cost developments: in 1Q the depreciating hryvnia induced higher provisions, while in 2Q the case was the opposite. Whereas in 3Q the bank made additional provisions mostly for the legacy corporate exposure, while in 4Q elevated risk costs were mainly related to the USD-based mortgages at the local Factoring unit. Portfolio deterioration moderated substantially y-o-y.

Given the massive weakening of UAH against HUF, it is more accurate to analyse earning developments in local currency terms: operating income improved by 46% y-o-y with net interest income remaining flat y-o-y, whereas net fee and commission income increased by 19% y-o-y and other income improved considerably (partially driven by base effect). Total revenues went up by 22% in 2015; operational expenses at the same time moderated by 3%.

Despite the FX-adjusted formation of DPD90+ volumes decelerated substantially (without sales and write-offs in HUF billion: 2014: 61, 2015: 11), the DPD90+ ratio increased by 2.4 ppts y-o-y to 48.6% despite loan sales and write-offs. The mortgage DPD90+ ratio exceeded 76%. At the same time the corporate book representing around 70% of the total performing portfolio remained fairly stable and its DPD90+ ratio remained below 17%. Risk costs advanced by 35% y-o-y (in UAH terms).

As a result, the coverage ratio of DPD90+ loans advanced by 21.3 ppts y-o-y and jumped to 118.5%.

The FX-adjusted DPD0–90 loan volumes contracted by 26% y-o-y, the performing retail book suffered a meaningful 36% decline, whereas the corporate book's erosion was more moderate (–22%). Lending activity in general remained moderate and conservative. It is positive that deposits have been steadily growing, the deposit portfolio advanced by 2% y-o-y (FX-adjusted), demonstrating clients' trust in the bank. Within overall deposits corporate deposits grew by 9%, whereas retail deposits shrank by 2% y-o-y. As a result, the net loan to deposit ratio dropped to 85% (–63 ppts y-o-y, FX-adjusted), reflecting a significant balance sheet adjustment. Parallel, the net group funding (including subordinated debt) declined substantially in the last 12 months, by around USD 250 million. By the end of 2015 the intragroup financing to the Ukrainian operation (including subordinated loans) represented HUF 107 billion equivalent.

The **Romanian subsidiary** realized close to HUF 1.5 billion profit in 2015, almost twice as much as in the base period. The balance sheet and P&L lines to a great extent were influenced by the consolidation of Banca Millennium S.A. in 1Q 2015. Higher full-year total income (+18% y-o-y) was off-set by higher operating costs (+59%), as a result operating result dropped by 38% y-o-y. Risk costs halved in 2015.

The FX-adjusted gross loan book advanced by 23% y-o-y due to the acquisition. Cash loans increased by 9%, mortgages grew by 19% over the last 12 months. The corporate exposure increased by an even bigger magnitude (+30%). The deposit dynamics remained strong (+51% y-o-y).

The net-loan-to-deposit ratio shrank to 142% (–30 ppts y-o-y, FX-adjusted).

The DPD90+ ratio moderated to 16.7%, its coverage remained stable (79.1%).

The **Croatian subsidiary** posted around HUF 3 billion profit in 2015, a material improvement against the base period (2014: HUF 104 million). The operating income increased dynamically y-o-y as well (+44%) easily off-setting the negative impact of higher risk costs over the same periods (+32% y-o-y). The annual net interest margin improved (3.12%). The FX-adjusted loan portfolio marginally increased, while deposits eroded by 2% y-o-y. As a result, the net loan-to-deposit ratio somewhat increased (84%). Portfolio quality demonstrated improving trend, the DPD90+ ratio was 13.1% (–0.2 ppt y-o-y), its coverage improved (70.9%).

The **Slovakian subsidiary's** HUF 900 million adjusted 2015 profit underpins a substantial increase over the moderate HUF 32 million positive earnings realized in 2014.

The improvement was the joint result of higher operating income (+12% y-o-y) and moderating risk costs (–6%). The net interest margin remained stable (3.18%). Supported by favourable macroeconomic conditions the FX-adjusted loan portfolio grew by 4% y-o-y, deposits increased by 3%. The DPD90+ ratio shrank by 0.6 ppt to 9.7% y-o-y; its coverage improved (61.2%).

The **Serbian subsidiary** could not repeat its profit-making performance, in 2015 the bank posted around HUF 400 million loss (of that 4Q represented HUF –759 million). The operating income weakened a bit (–5% y-o-y), whereas risk costs went up by 28%.

The FX-adjusted gross loan portfolio increased by 9% y-o-y, both the retail and corporate sector enjoyed material volume growth. The DPD90+ ratio dropped further (39.3%), its coverage was stable (74.9%). After 2013 and 2014 the **Montenegrin subsidiary** remained profitable and posted HUF 909 million after-tax results in 2015, more than twice as much as in the base period. The operating income dropped by 17% as a result of lower total income (–9%), since the effective cost management could only partially mitigate that. The main driver of bottom-line earnings was the y-o-y 35% lower risk costs.

FX-adjusted loan volumes eroded by 5% y-o-y, however deposits grew by 4%. The DPD90+ ratio only modestly grew (42.7%), its coverage improved (83%).

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

By the end of 2015 the consolidated Common Equity Tier1 ratio under IFRS was 13.3%. Neither the net earning was included (because of the lack of audit), nor was the dividend amount accrued in 2015 deducted from the capital when calculating the IFRS consolidated capital adequacy ratios. OTP Bank's stand-alone Common Equity Tier1 ratio stood at 22.6% in 4Q 2015.
During the course of 2015 the following regulatory dispositions were published about future capital buffer requirements:

- Pursuant to the Act on Credit institutions the capital conservation buffer (CCB) will amount to 0.625% in 2016, and it will gradually rise to 2.5% by 2019. OTP Bank has to comply with this buffer both on consolidated and standalone level.
- On 18 November 2015 the Hungarian central bank announced that it will introduce the systemic risk buffer (SRB) of between 0–2% for the Hungarian banks, effective from 1 January 2017 (according to available information the buffer will be introduced only on consolidated level). The SRB rate is to be calculated from 3Q 2016 data based on the ratio of problematic project loans to the domestic Pillar 1 capital requirement. The expected level of this buffer for OTP Group is 0%.
- According to the announcement published by the National Bank of Hungary on 15 December 2015 the countercyclical buffer (CB) applicable on standalone level was set at zero effective from 1 January 2016. The effective buffer on consolidated level will be the weighted average of the applicable rates at group members. The central bank will set the countercyclical capital buffer rate quarterly in a decree, which will be determined based on cyclical and vulnerability indicators. Normally the CB can vary between 0–2.5%, for details see Act on Credit institutions paragraph 298, section 2. In its press release the National Bank of Hungary stated that that no change should be expected in the CB rate within the next 1 year.
- On 30 December 2015 the National Bank of Hungary announced the expected O–SII buffers for the identified 9 'other systemically important financial institutions', ranging from 0.5% to 2%. In case of OTP Group the rate of the O-SII buffer is expected to be 2% from 1 January 2017, and OTP Bank will have to comply with it on consolidated level. (Actual capital buffer requirements will be set in form of central bank decrees in 3Q 2016, based on audited data for the end of 2015.)

Calculation of the sum of the buffers: CCB+CB+max(SRB; O–SII).

Credit rating, shareholder structure

On 17 March 2015 Moody's placed the long- and short-term local currency deposit ratings of OTP Bank and OTP Mortgage Bank under review for upgrade, while the BFSRs of both banks were withdrawn. On 26 March 2015 Moody's downgraded OTP Bank Ukraine's local currency deposit rating to "Caa2" from "Caa1", with a negative outlook, and affirmed the foreign currency deposit rating at "Ca". On 18 May 2015 Standard & Poor's improved the outlook of OTP Bank and OTP Mortgage Bank from stable to positive; their rating of "BB" remained unchanged. On 29 May 2015 Moody's upgraded OTP Bank's and OTP Mortgage Bank's long-term HUF deposit rating from "Ba1" to "Baa3" and changed the outlook to stable, while it affirmed the long-term FX deposit ratings. On 3 July 2015 Moody's downgraded DSK Bank's unsolicited long-term BGN deposit rating from "Ba1" to Ba2", with stable outlook. Moody's withdrew the solicited rating of OTP Bank Ukraine (on 20 July) and DSK Bank (on 24 September) for its own business reasons. On 11 November 2015 Moody's improved the outlook on OTP Bank's and OTP Mortgage Bank's long-term FX deposit rating of "Ba2" from stable to positive.
Regarding the ownership structure of the bank, by 31 December 2015 the following investors had more than 5% influence (beneficial ownership) in the Company: the Rahimkulov family (8.96%), MOL (the Hungarian Oil and Gas Company, 8.69%), the Groupama Group (8.27%). The Hungarian National Asset Management Inc. sold its holding of over 5% on 29 October 2015.

POST BALANCE SHEET EVENTS

Hungary

- On 22 January 2016 OTP Bank Plc. announced that in accordance with the decision of the Board of Directors of the Bank, effective from 25 January 2016 Mr. András Tibor Johancsik is going to run the IT and Operations Division as the Head of it and after obtaining the necessary approvals as Deputy CEO.
- On 3 February 2016 AXA Bank Europe SA and OTP Bank signed an agreement on purchasing the business unit of AXA Bank Hungary. The purchase agreement includes the take-over of the retail credits and savings, as well as the corporate portfolio and the employees of AXA Bank. After the completion of the purchase OTP Bank's mortgage portfolio will increase by almost 25%. According to the plans the integration process can be completed at the end of 2016 after obtaining all the necessary supervisory approvals.
- From 10 February 2016 the asset management company established by the central bank (MARK, Hungarian Restructuring and Debt Management Ltd.) can start its operation following the decision of the European Union. The asset management company is allowed to start to buy distressed assets related to real estate financing.

Serbia

- On January 15 2016 Standard & Poor's Ratings Services revised its outlook on the Republic of Serbia to stable from negative. The 'BB-/B' long- and short-term foreign and local currency sovereign credit ratings on Serbia were affirmed.

CONSOLIDATED AFTER TAX PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)*

	2014 HUF million	2015 HUF million	Change %/ppts
Consolidated after tax profit	**(102,258)**	**63,171**	**(162)**
Adjustments (total)	**(220,272)**	**(57,074)**	**(74)**
Dividend and total net cash transfers (consolidated)	191	144	(25)
Goodwill/investment impairment charges (after tax)	(5,015)	6,683	(233)
Special tax on financial institutions (after corporate income tax)	(30,193)	(29,383)	(3)
Risk cost created in relation to the decision of the Hungarian Competition Authority (after tax)	0	(662)	
Effect of acquisitions (after tax)	4,131	1,550	(62)
One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary (after tax)	(155,908)	4,594	(103)
Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia (after tax)	0	(6,331)	
One-off impact of regulatory changes related to FX consumer contracts in Serbia (after tax)	0	(211)	
Expected one-off impact of the CHF mortgage loan conversion programme in Romania (after tax)	0	(25,492)	
Risk cost created toward Crimean exposures from 2Q 2014 (after tax)	(7,943)	(169)	(98)
Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 (after tax)	(25,536)	(2,258)	(91)
Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (after tax)	0	(5,539)	
Consolidated adjusted after tax profit without the effect of adjustments	**118,014**	**120,245**	**2**
Banks total without one-off items[1]	119,013	117,253	(1)
OTP CORE (Hungary)[2]	137,418	123,359	(10)
Corporate Centre (after tax)[3]	(1,210)	(4,286)	254
OTP Bank Russia[4]	(14,541)	(15,101)	4
Touch Bank (Russia)[5]	–	(4,840)	
OTP Bank Ukraine[6]	(43,166)	(40,312)	(7)
DSK Bank (Bulgaria)[7]	39,170	52,537	34
OBR (Romania)[8]	765	1,480	94
OTP banka Srbija (Serbia)[9]	50	(385)	(864)
OBH (Croatia)[10]	104	2,968	
OBS (Slovakia)[11]	32	924	
CKB (Montenegro)[12]	391	909	132
Leasing	(1,587)	1,786	(213)
Merkantil Bank + Merkantil Car, adj. (Hungary)[13]	(1,518)	1,625	(207)
Foreign leasing companies (Croatia, Bulgaria, Romania)[14]	(69)	161	(334)
Asset Management	5,530	2,713	(51)
OTP Asset Management (Hungary)	6,139	4,817	(22)
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[15]	(609)	(2,104)	245
Other Hungarian Subsidiaries	(2,220)	(323)	(85)
Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Croatia, Belize)[16]	(2,894)	352	(112)
Eliminations	171	(1,535)	(998)
Total adjusted after tax profit of HUNGARIAN subsidiaries[17]	138,780	123,656	(11)
Total adjusted after tax profit of FOREIGN subsidiaries[18]	(20,766)	(3,411)	(84)
Share of foreign profit contribution	(18%)	(3%)	15

* Belonging footnotes are in the Supplementary data section of the Report.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME*

Main components of the Statement of recognized income	2014 HUF million	2015 HUF million	Change %
Consolidated after tax profit	**(102,258)**	**63,171**	**(162)**
Adjustments (total)	**(220,272)**	**(57,074)**	**(74)**
Dividends and net cash transfers (after tax)	191	144	(25)
Goodwill/investment impairment charges (after tax)	(5,015)	6,683	(233)
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Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 (after tax)	(25,536)	(2,258)	(91)
Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (after tax)	0	(5,539)	
Consolidated adjusted after tax profit without the effect of adjustments	**118,014**	**120,245**	**2**
Before tax profit	**142,341**	**146,057**	**3**
Operating profit	**414,534**	**362,594**	**(13)**
Total income	**826,061**	**754,912**	**(9)**
Net interest income	**636,172**	**553,659**	**(13)**
Net fees and commissions	**169,579**	**167,250**	**(1)**
Other net non-interest income	**20,309**	**34,003**	**67**
Foreign exchange result, net	11,287	18,476	64
Gain/loss on securities, net	6,489	9,198	42
Net other non-interest result	2,534	6,329	150
Operating expenses	**(411,527)**	**(392,318)**	**(5)**
Personnel expenses	(206,335)	(187,806)	(9)
Depreciation	(43,721)	(45,463)	4
Other expenses	(161,470)	(159,049)	(1)
Total risk costs	**(274,749)**	**(220,709)**	**(20)**
Provision for loan losses	(263,511)	(211,663)	(20)
Other provision	(11,237)	(9,046)	(19)
Total one-off items	**2,556**	**4,172**	**63**
Revaluation result of FX-swaps at OTP Core	(824)	(680)	(18)
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	
Result of the treasury share swap at OTP Core	3,380	4,852	44
Corporate taxes	**(24,327)**	**(25,812)**	**6**
Performance Indicators	**2014**	**2015**	**%/ppts**
ROE (adjusted)	8.5%	9.6%	1.1
ROA (adjusted)	1.1%	1.1%	0.0
Operating profit margin	3.88%	3.34%	(0.54)
Total income margin	7.74%	6.96%	(0.78)
Net interest margin	5.96%	5.11%	(0.85)
Net fee and commission margin	1.59%	1.54%	(0.05)
Net other non-interest income margin	0.19%	0.31%	0.12
Cost-to-asset ratio	3.85%	3.62%	(0.23)
Cost/income ratio	49.8%	52.0%	2.2
Risk cost for loan losses-to-average gross loans	3.68%	3.18%	(0.50)
Risk cost for loan losses-to-average FX-adjusted gross loans	3.66%	3.19%	(0.47)
Total risk cost-to-asset ratio	2.57%	2.04%	(0.53)
Effective tax rate	17.1%	17.7%	0.6
Non-interest income/total income	23%	27%	4
EPS base (HUF) (from unadjusted net earnings)	(382)	242	(163)
EPS diluted (HUF) (from unadjusted net earnings)	(382)	242	(163)
EPS base (HUF) (from adjusted net earnings)	442	459	4
EPS diluted (HUF) (from adjusted net earnings)	441	458	4
Comprehensive Income Statement	**2014**	**2015**	**%**
Consolidated after tax profit	(102,258)	63,171	(162)
Fair value adjustment of securities available-for-sale (recognised directly through equity)	13,019	(246)	(102)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	507	0	(100)
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	(4,489)	431	(110)
Foreign currency translation difference	(108,057)	(44,301)	(59)
Change of actuarial losses (IAS 19)	(6)	(171)	
Net comprehensive income	**(201,284)**	**18,884**	**(109)**
o/w Net comprehensive income attributable to equity holders	(199,866)	19,582	(110)
Net comprehensive income attributable to non-controlling interest	(1,418)	(698)	(51)

* Adjustments on the consolidated Statement of recognized income are summarised in the Supplementary data section of this Report.

Average exchange rate of the HUF	2014 HUF	2015 HUF	Change %
HUF/EUR	309	310	0
HUF/CHF	254	291	15
HUF/USD	233	279	20

ASSET-LIABILITY MANAGEMENT

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

The primary objective of OTP Group in terms of asset-liability management has not changed, that is to ensure that the Group's liquidity is maintained at a safe level.

Refinancing sources of the European Central Bank are still available for OTP, thus the refinancing risk of maturing FX mortgage bonds is low. As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising, only refinancing loan of Funding for Growth Scheme was used in the amount of HUF 43 billion (HUF 229 billion was the total used amount at group level as at end 2015).

With maturities of EUR 228 million in 2015 the total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2015, the gross liquidity buffer was above EUR 8.6 billion equivalent. This buffer is significantly higher than the maturing debt within one year (at EUR 527 million equivalent) and the reserves required to protect against possible liquidity shocks. Due to governmental FX lending measures and FX loan conversion FX liquidity need of the Group has considerably declined.

The FX positions stemming from regulatory changes are managed on Group level.

The Bank fully hedged the open HUF/EUR and HUF/CHF positions on the FX tenders of the National Bank of Hungary, while the open EUR/CHF and EUR/JPY positions were hedged on the market until the end of 2014. Thus the turbulent market environment in January 2015 had no effect on P&L or liquidity. However the maturing long-term FX-swaps were not refinanced and the ECB refinancing facilities are currently not utilized the FX liquidity reserves are at safe levels (by 31 December 2015 at EUR 1.1 billion).

The volume of issued securities decreased by 10% y-o-y. On yearly basis Hungarian retail bond volumes increased by HUF 4 billion (+7%). In the last 12 months Hungarian mortgage bonds matured in the amount of about HUF 5 billion, and the volume of mortgage bonds issued by the Slovakian bank shrank by HUF 7 billion equivalent. In the last 12 months the Russian bank repaid bonds in the amount of RUB 300 million (about HUF 1.2 billion).

The volume of subordinated debt decreased by HUF 47 billion y-o-y, reasoned by the repayment of an EUR 125 million subordinated bond (out of which 93.5 billion was outstanding at maturity) on 4 March 2015; and a subordinated loan repayment by the Ukrainian bank in the amount of USD 65 million in 4Q.

... and kept its interest-rate risk exposures low.

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income. The Bank maintains a closed interest-rate position in euro and Swiss franc, consequently the recent yield volatility has not caused significant changes in the FX interest income.

Market Risk Exposure of OTP Group

At 31 December 2015 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 44.2 billion in total, primarily due to the capital requirement of the FX risk exposure at HUF 32.0 billion.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF OTP GROUP

Main components of balance sheet	2014 HUF million	2015 HUF million	Change %
TOTAL ASSETS	**10,971,052**	**10,718,848**	**(2)**
Cash and amount due from banks	2,307,633	1,878,961	(19)
Placements with other banks	281,006	300,569	7
Financial assets at fair value	289,276	253,782	(12)
Securities available-for-sale	839,153	1,305,486	56
Net customer loans	5,864,240	5,409,967	(8)
Net customer loans (FX-adjusted*)	**5,828,583**	**5,409,967**	**(7)**
Gross customer loans	6,993,325	6,423,588	(8)
Gross customer loans (FX-adjusted*)	**6,964,289**	**6,423,588**	**(8)**
o/w Retail loans	4,682,931	4,259,321	(9)
Retail mortgage loans (incl. home equity)	2,624,855	2,333,342	(11)
Retail consumer loans	1,578,772	1,429,394	(9)
SME loans	479,304	496,585	4
Corporate loans	1,976,990	1,897,873	(4)
Loans to medium and large corporates	1,859,055	1,804,612	(3)
Municipal loans	117,935	93,261	(21)
Car financing loans	242,932	210,598	(13)
Bills and accrued interest receivables related to loans	61,435	55,796	(9)
Allowances for loan losses	(1,129,085)	(1,013,621)	(10)
Allowances for loan losses (FX-adjusted*)	(1,135,705)	(1,013,621)	(11)
Equity investments	23,381	10,028	(57)
Securities held-to-maturity	709,369	926,677	31
Premises, equipment and intangible assets, net	365,161	349,469	(4)
o/w Goodwill, net	101,063	95,994	(5)
Premises, equipment and other intangible assets, net	264,098	253,475	(4)
Other assets	291,835	283,909	(3)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,971,052**	**10,718,848**	**(2)**
Liabilities to credit institutions and governments	708,273	533,310	(25)
Customer deposits	7,673,479	7,984,579	4
Customer deposits (FX-adjusted*)	**7,624,295**	**7,984,579**	**5**
o/w Retail deposits	5,187,316	5,663,952	9
Household deposits	4,430,019	4,741,569	7
SME deposits	757,296	922,383	22
Corporate deposits	2,408,438	2,301,085	(4)
Deposits to medium and large corporates	2,008,990	1,893,350	(6)
Municipal deposits	399,448	407,735	2
Accrued interest payable related to customer deposits	28,541	19,542	(32)
Issued securities	267,084	239,376	(10)
o/w Retail bonds	60,815	64,777	7
Issued securities without retail bonds	206,269	174,599	(15)
Other liabilities	776,082	493,140	(36)
Subordinated bonds and loans	281,968	234,784	(17)
Total shareholders' equity	**1,264,166**	**1,233,659**	**(2)**
Indicators	**2014**	**2015**	**%/ppts**
Loan/deposit ratio (FX-adjusted*)	91%	80%	(11)
Net loan/(deposit + retail bond) ratio (FX-adjusted*)	75%	67%	(8)
90+ days past due loan volume	1,339,213	1,085,694	(19)
90+ days past due loans/gross customer loans	19.3%	17.0%	(2.3)
Total provisions/90+ days past due loans	84.3%	93.4%	9.1

* For the FX-adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods.

Consolidated capital adequacy – Basel3	2014	2015	%/ppts
Capital adequacy ratio (consolidated, IFRS)	17.5%	16.2%	(–1.3)
Tier1 ratio	14.1%	13.3%	(0.8)
Common Equity Tier1 ('CET1') capital ratio	14.1%	13.3%	(0.8)
Regulatory capital (consolidated)	1,201,874	1,064,383	(11)
o/w Tier1 Capital	969,935	873,124	(10)
o/w Common Equity Tier1 capital	969,935	873,124	(10)
Tier2 Capital	231,939	191,259	(18)
o/w Hybrid Tier2	96,019	92,093	(4)
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	6,859,439	6,576,258	(4)
o/w RWA (Credit risk)	5,625,902	5,245,874	(7)
RWA (Market & Operational risk)	1,233,537	1,330,384	8

Closing exchange rate	2014 HUF	2015 HUF	Change %
HUF/EUR	315	313	(1)
HUF/CHF	262	289	10
HUF/USD	259	287	11

OTP Core Statement of recognized income:

Main components of the Statement of recognized income	2014 HUF million	2015 HUF million	Change %
After tax profit without the effect of adjustments	137,418	123,359	(10)
Corporate income tax	(23,679)	(25,857)	9
Pre-tax profit	161,097	149,216	(7)
Operating profit	181,952	170,598	(6)
Total income	375,668	367,234	(2)
Net interest income	266,329	251,564	(6)
Net fees and commissions	94,244	97,480	3
Other net non-interest income	15,095	18,192	21
Operating expenses	(193,716)	(196,636)	2
Total risk costs	(23,410)	(25,555)	9
Provisions for possible loan losses	(22,088)	(21,550)	(2)
Other provisions	(1,323)	(4,005)	203
Total one-off items	2,556	4,173	63
Revaluation result of FX-swaps	(824)	(679)	(18)
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	0
Revaluation result of the treasury share swap agreement	3,380	4,852	44
Revenues by Business Lines	**2014**	**2015**	**%**
RETAIL			
Total income	281,268	266,216	(5)
Net interest income	197,473	179,327	(9)
Net fees and commissions	80,598	83,510	4
Other net non-interest income	3,197	3,379	6
CORPORATE			
Total income	47,240	43,681	(8)
Net interest income	32,039	27,697	(14)
Net fees and commissions	14,267	14,997	5
Other net non-interest income	934	987	6
Treasury ALM			
Total income	45,357	55,626	23
Net interest income	36,817	44,540	21
Net fees and commissions	(621)	(1,102)	77
Other net non-interest income	9,161	12,187	33
Performance Indicators	**2014**	**2015**	**ppts**
ROE	11.3%	10.3%	(1.0)
ROA	2.0%	1.8%	(0.2)
Operating profit margin (operating profit/avg. total assets)	2.7%	2.5%	(0.2)
Total income margin	5.53%	5.28%	(0.25)
Net interest margin	3.92%	3.62%	(0.30)
Net fee and commission margin	1.39%	1.40%	0.01
Net other non-interest income margin	0.22%	0.26%	0.04
Operating costs to total assets ratio	2.9%	2.8%	0.1
Cost/income ratio	51.6%	53.5%	1.9
Cost of risk/average gross loans	0.76%	0.84%	0.08
Cost of risk/average gross loans (FX-adjusted)	0.73%	0.84%	0.11
Effective tax rate	14.7%	17.3%	2.6

- OTP Core posted HUF 123.4 billion adjusted profit in 2015 (–10% y-o-y) due to lower net interest income
- Constantly prudent provisioning policy; the risk cost rate comprised 84 bps in 2015. The DPD90+ coverage improved (85.8%)
- The micro and small enterprise loan portfolio expanded dynamically (+11% y-o-y, FX-adjusted), however the volumes in other segments suffered setback y-o-y

P&L developments

The one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes were eliminated from OTP Core's P&L and were booked among the adjustment items on consolidated level. The balance sheet was not adjusted.

Without the effect of adjustment items* **OTP Core** posted a profit of HUF 123.4 billion in 2015, underpinning a 10% y-o-y decrease. The effective corporate tax burden increased in 2015, shaped by the tax shield effect of the revaluation of subsidiary investments as a result of HUF volatility. The total amount of tax savings comprised HUF 3.1 billion in 2015 versus HUF 9.4 billion in 2014.

The yearly pre-tax profit dropped by 7%. Within the total income, the net interest income dropped by 6% y-o-y (HUF –15 billion) reasoned mainly by the impact of the settlement and conversion; the declining interest rate environment took its toll, too.

The HUF 4.2 billion absolute amount of one-off income in 2015 and its y-o-y increase was mainly related to the treasury share swap result shown within one-off items.

In 2015 the net interest income was negatively affected (HUF –1 billion) by a reclassification: from the fourth quarter commissions paid to agents and previously booked within fee expenses were shifted to the net interest income line. Furthermore, structural changes within the loan book also caused weaker interest revenues: corporate exposures with lower margin were gaining ground versus high margin consumer loans. Annual net fees and commissions increased by 3% y-o-y.

The cumulated other net non-interest income advanced by 18% y-o-y due to AFS securities gains realized mainly on property investment funds (HUF +2.4 billion y-o-y).

In 2015 operating expenses grew by 2% y-o-y (HUF +2.9 billion), the increase is entirely related to higher contributions paid into the Deposit Protection Fund (OBA) and the Investor Protection Fund (Beva), as well as fees paid into the Resolution Fund from in 4Q 2014. OTP's annual contribution comprised HUF 3.7 billion into OBA (HUF +1.0 billion y-o-y), HUF 0.9 billion into Beva (HUF +0.6 billion y-o-y) and HUF 2 billion into the Resolution Fund (HUF +1.4 billion y-o-y). OTP Core paid HUF 3.6 billion in 2014, HUF 6.6 billion in 2015 into the OBA, Beva and the Resolution Fund, while the expected amount of these contributions will be close to HUF 10 billion in 2016. On the top of that, costs related to the settlement and conversion during 2015 also added to the expense line. Compared to the base period the Bank managed to keep personnel expenses flat, however amortization costs and deductible taxes were lower.

2015 risk costs increased by 9% y-o-y, within that provisions for possible loan losses moderated by 2%, as a result the yearly risk cost rate was 84 bps.

In 2015 the DPD90+ loan volumes dropped by 40%, nominally by around HUF 193 billion. The key reason was the settlement and conversion of FX-denominated customer loans in the first quarter: as a result DPD90+ volumes declined by HUF 144 billion.

* Special tax on financial institutions, dividends and net cash transfers, goodwill impairment charges, the risk cost created in relation to the decision of the Hungarian Competition Authority, one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes.

(The settlement of HUF loans in the third quarter and the conversion of FX consumer loans in the fourth quarter did not cause material change in DPD90+ volumes.) Furthermore, around HUF 66 billion* FX-adjusted non-performing exposures were sold or written off in 2015. It is also important to note that the DPD90+ inflow (adjusted for FX-changes, as well as loan sales and write-offs) demonstrated improving trends also supported by the positive effect of the settlement and conversion: versus HUF 48 billion DPD90+ formation in 2014, there was an overall decline of HUF 11 billion in DPD90+ volumes in 2015. The DPD90+ ratio dropped by 5.4 ppts y-o-y to 12.1%, the lowest level since 2Q 2011. The DPD90+ coverage increased by 9.3 ppts y-o-y to 85.8%.

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

Main components of balance sheet closing balances	2014 HUF million	2015 HUF million	Change %
Total Assets	7,127,611	6,774,200	(5)
Net customer loans	2,384,193	2,145,475	(10)
Net customer loans (FX-adjusted)	**2,390,013**	**2,145,475**	**(10)**
Gross customer loans	2,753,425	2,394,362	(13)
Gross customer loans (FX-adjusted)	**2,763,892**	**2,394,362**	**(13)**
Retail loans	1,941,573	1,624,495	(16)
Retail mortgage loans (incl. home equity)	1,428,303	1,163,731	(19)
Retail consumer loans	384,009	316,986	(17)
SME loans	129,260	143,778	11
Corporate loans	822,320	769,867	(6)
Loans to medium and large corporates	771,435	748,725	(3)
Municipal loans	50,885	21,142	(58)
Provisions	(369,232)	(248,887)	(33)
Provisions (FX-adjusted)	**(373,880)**	**(248,887)**	**(33)**
Deposits from customers + retail bonds	4,459,304	4,559,729	2
Deposits from customers + retail bonds (FX-adjusted)	**4,472,731**	**4,559,729**	**2**
Retail deposits + retail bonds	2,544,429	2,861,177	12
Household deposits + retail bonds	2,132,683	2,359,680	11
o/w: Retail bonds	60,815	64,777	7
SME deposits	411,747	501,497	22
Corporate deposits	1,928,301	1,698,552	(12)
Deposits to medium and large corporates	1,582,897	1,336,096	(16)
Municipal deposits	345,404	362,456	5
Liabilities to credit institutions	503,468	376,886	(25)
Issued securities without retail bonds	196,902	202,309	3
Total shareholders' equity	1,195,162	1,210,949	1
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	482,770	290,052	(40)
90+ days past due loans/gross customer loans	17.5%	12.1%	(5.4)
Total provisions/90+ days past due loans	76.5%	85.8%	9.3
Market Share	**2014**	**2015**	**ppts**
Loans	18.7%	18.6%	(0.1)
Deposits	26.0%	25.7%	(0.3)
Total Assets	27.9%	25.0%	(2.9)
Performance Indicators	**2014**	**2015**	**ppts**
Net loans to (deposits + retail bonds) (FX-adjusted)	53%	47%	(6)
Leverage (Shareholder's Equity/Total Assets)	16.8%	17.9%	1.1
Leverage (Total Assets/Shareholder's Equity)	6.0x	5.6x	
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS)	19.0%	26.6%	7.6
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, HAS)	14.8%	22.6%	7.8

* Without the HUF 65 billion FX-adjusted effect of the provision netting at Factoring related to the FX loan conversion.

Balance sheet trends

In 2015 the FX-adjusted gross loan portfolio shrank significantly (–13% y-o-y), mainly as a result of the settlement and conversion, but also due to the still sluggish retail loan demand. As a result of the strong performance during the last couple of quarters the micro and small enterprise loan portfolio shows a significant, 11% increase on a yearly base supported also by the Funding for Growth Scheme of the National Bank of Hungary.
The retail portfolio kept shrinking further. The mortgage portfolio declined by 19% and the consumer portfolio by 17% y-o-y, respectively. Within the corporate segment the loan volumes to medium and large corporates eroded by 3% y-o-y. As for the municipality portfolio by the end of 2015 the Hungarian State prepaid all the remaining exposure out of the assumed volumes (in total HUF 24 billion were prepaid in 2015), as a result the Bank has no further claim towards the State on this line.
By 31 December 2015 the contractual period of the second phase of the Funding for Growth Scheme and the Growth Scheme Plus was accomplished. Under these two schemes contracts with a total amount of around HUF 1,425 billion were signed on the sector level, of which OTP Bank's share represents 19%.
The FX-adjusted mortgage loan volumes declined by 19% y-o-y in 2015, adjusted for the settlement and conversion the erosion would be 7%. It was positive, however that the volume of mortgage loan applications increased by 24% y-o-y, whereas disbursements advanced by 33%. Within 2015 applications in the amount of HUF 41.9 billion were related to State subsidized housing loans. At OTP Bank applications for subsidized housing loans represented 36% of total housing loan applications and 30% of total mortgage loan applications. OTP's market share in mortgage loan origination reached 26.6%* in 2015 (2014: 28.3%).
OTP's market share in consumer loan stock remained strong (33.7%, –0.5 ppt y-o-y). OTP Bank's market share in the cash loan disbursement reached 35.5% in 2015.
The change in the total FX-adjusted consumer loan portfolio (–17% y-o-y) was strongly influenced by write-offs (HUF 38 billion in 2015).
FX-adjusted deposit volumes (with retail bonds) increased by 2% y-o-y. Apart from the medium and large corporate segment all other segments demonstrated increasing deposit inflows. Despite the low interest rate environment and further eroding offered deposit rates retail deposits (with retail bonds) kept increasing (over 12% y-o-y, FX-adjusted). As a result of the settlement OTP clients received a significant amount on their accounts having a positive impact on overall retail deposit volumes, but also client acquisition following the bankruptcy of a few local brokerage firms played a positive role. SME and corporate deposits were supported by increasing client base. The more significant 16% y-o-y corporate deposit erosion was mainly due to the decline of the deposits from mutual funds (which increased in the second half of 2014 due to the regulatory changes). Municipal deposits increased by 5% y-o-y.

* According to the new methodology the contracted mortgage loan volumes stem from the monthly statistics of the National Bank of Hungary, and include the own refinancing and renegotiated loans both in case of the market and OTP figures.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit w/o dividends, net cash transfer and banking tax*	6,139	4,817	(22)
Income tax	(1,193)	(897)	(25)
Profit before income tax	7,332	5,714	(22)
Operating profit	7,288	5,922	(19)
Total income	9,145	7,951	(13)
Net interest income	0	0	0
Net fees and commissions	9,261	7,942	(14)
Other net non-interest income	(116)	9	(108)
Operating expenses	(1,857)	(2,029)	9
Other provisions	43	(208)	(584)
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	12,187	12,924	6
Total shareholders' equity	9,395	8,314	(12)
Asset under management	**2014 HUF billion**	**2015 HUF billion**	**Change %**
Assets under management, total (w/o duplicates)	**1,659**	**1,576**	**(5)**
Retail investment funds (closing, w/o duplicates)	1,201	1,079	(10)
Volume of managed assets (closing, w/o duplicates)	458	497	9
Volume of investment funds (with duplicates)	**1,318**	**1,204**	**(9)**
money market	416	378	(9)
bond	476	419	(12)
mixed	20	21	7
security	97	109	12
guaranteed	111	105	(5)
other	197	172	(13)

The **OTP Fund Management** posted HUF 4.8 billion after tax profit in 2015, by 22% less than last year. The decline is explained by the moderated net fee and commission income (–14% y-o-y) and the higher operating expenses (+9% y-o-y). It was positive that the decreasing trend of the assets under management stopped in the fourth quarter.

The y-o-y 13% decline of the total income was reasoned by the yearly set back of the success fee due to the annual performance.

The annual increase of operating cost (9% y-o-y) was caused by the elevating personnel expenses due to the growing number of employees.

In 2015 the volume of equity funds increased y-o-y on the market. Within the total portfolio mixed, derivative and absolute return funds enjoyed the strongest capital inflow. As a consequence of the low interest environment the money market funds suffered capital outflow during the year.

The volume of investment funds under management at OTP Fund Management decreased by 9% y-o-y. On a yearly base only mixed and security funds could increase; all other fund categories moderated. OTP Fund Management maintained its leading market position, the market share (not adjusted for duplication**) was 23.6%.

* According to section 4/D of Act No. LIX of 2014 amended in November 2014, instead of special tax on financial institutions levied on asset management companies from 2015 a special tax will be introduced to be paid by investment funds with a tax rate of 0.05% p.a. based on the investment funds' assets.

** In the previous quarters the presented market share was adjusted for the estimated duplications. The market share including duplications was 26.6% at the end of 2014.

MERKANTIL GROUP (HUNGARY)*

Performance of Merkantil Bank and Merkantil Car:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit without the effect of adjustments	(1,518)	1,625	(207)
Income tax	0	0	0
Profit before income tax	(1,518)	1,625	(207)
Operating profit	5,900	6,678	13
Total income	11,972	13,062	9
Net interest income	15,490	17,736	14
Net fees and commissions	(3,002)	(2,536)	(16)
Other net non-interest income	(517)	(2,138)	314
Operating expenses	(6,072)	(6,384)	5
Total provisions	(7,418)	(5,053)	(32)
Provision for possible loan losses	(7,430)	(5,064)	(32)
Other provision	12	11	(8)
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	313,033	332,791	6
Gross customer loans	264,313	274,024	4
Gross customer loans (FX-adjusted)	274,255	274,024	0
Retail loans	17,291	22,238	29
Corporate loans	64,289	82,703	29
Car financing loans	192,675	169,083	(12)
Allowances for possible loan losses	(31,770)	(36,075)	14
Allowances for possible loan losses (FX-adjusted)	(32,429)	(36,075)	11
Deposits from customers	8,188	10,910	33
Deposits from customer (FX-adjusted)	8,188	10,910	33
Retail deposits	2,766	3,280	19
Corporate deposits	5,422	7,630	41
Liabilities to credit institutions	220,321	256,997	17
Issued securities	33,888	35,004	3
Total shareholders' equity	19,729	21,146	7
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	35,496	29,451	(17)
90+ days past due loans/gross customer loans	13.4%	10.7%	(2.7)
Cost of risk/average gross loans	2.85%	1.88%	(0.97)
Cost of risk/average (FX-adjusted) gross loans	2.67%	1.85%	(0.82)
Total provisions/90+ days past due loans	89.5%	122.5%	33.0
Performance Indicators	**2014**	**2015**	**ppts**
ROA	(0.5%)	0.5%	1.0
ROE	(6.4%)	7.9%	14.3
Total income margin	4.02%	4.04%	0.02
Net interest margin	5.20%	5.49%	0.29
Cost/income ratio	50.7%	48.9%	(1.8)

* Excluding Merkantil Bérlet Kft. and Merkantil Ingatlanlízing Zrt.

Merkantil Bank and Merkantil Car completed the settlement with FX borrowers in 2Q 2015 and also the settlement with HUF borrowers in 3Q 2015. During this process the created provisions were released and refunds to clients were accomplished. Moreover in 3Q the provision created for the expected negative one-off impact of car loans' conversion was booked. In 4Q the conversion was completed in accordance with regulatory prescriptions. The one-off items related to the above steps were eliminated from the P&L statement of Merkantil Bank and Merkantil Car, and were booked amongst adjustments on consolidated level.
Merkantil Bank and Merkantil Car posted HUF 1.6 billion aggregated adjusted after tax profit in 2015 versus HUF 1.5 billion loss in the base period.
The operating profit for 2015 increased by 13% compared to the base period. The improving result was supported mainly by the stronger net interest income (+14% y-o-y), partially fuelled by lower average funding costs. The annual net fee and commission expenditures moderated by 16%.
The annual operating expenses grew by 5% y-o-y; mostly as a result of increased costs related to the settlement process in 2Q 2015 (e.g. postal costs).
The ratio of DPD90+ loans declined by 2.7 ppts y-o-y to 10.7%, meanwhile the coverage ratio improved by 33 ppts y-o-y; both changes were mainly driven by the technical effect of the settlement in 2Q (the amount refunded during the settlement reduced the delinquent balance). In 4Q as a result of the FX car loans' conversion the DPD90+ portfolio decreased by more than HUF 3 billion as the delinquent amounts were added to the principal. In 2015 DPD 90+ ratio went down y-o-y (–2.7 ppts) and the coverage ratio improved at the same time (+33 ppts y-o-y). The annual risk costs decreased by 32% compared to the base period.
The FX-adjusted loan portfolio stagnated y-o-y as the expansion in corporate loans (+29% y-o-y) was counterbalanced by the drop in car loan volumes (–12% y-o-y) resulted from the conversion effect. This coupled with the 36% growth of annual car loan disbursements in 2015.

IFRS reports of the main foreign subsidiaries

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit w/o dividends and net cash transfer	39,170	52,537	34
Income tax	(4,417)	(5,729)	30
Profit before income tax	43,587	58,266	34
Operating profit	62,393	73,136	17
Total income	102,239	114,440	12
Net interest income	79,116	88,674	12
Net fees and commissions	20,262	23,013	14
Other net non-interest income	2,860	2,753	(4)
Operating expenses	(39,846)	(41,304)	4
Total provisions	(18,806)	(14,870)	(21)
Provision for possible loan losses	(17,526)	(14,650)	(16)
Other provision	(1,279)	(220)	(83)
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	1,603,812	1,778,326	11
Gross customer loans	1,158,516	1,158,894	0
Gross customer loans (FX-adjusted)	1,152,196	1,158,894	1
Retail loans	867,204	858,420	(1)
Corporate loans	284,992	300,474	5
Allowances for possible loan losses	(159,015)	(164,898)	4
Allowances for possible loan losses (FX-adjusted)	(158,275)	(164,898)	4
Deposits from customers	1,285,044	1,489,542	16
Deposits from customer (FX-adjusted)	1,283,817	1,489,542	16
Retail deposits	1,125,228	1,251,290	11
Corporate deposits	158,588	238,252	50
Liabilities to credit institutions	47,284	14,951	(68)
Total shareholders' equity	247,993	253,468	2
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	173,716	172,124	(1)
90+ days past due loans/gross customer loans	15.0%	14.9%	(0.1)
Cost of risk/average gross loans	1.53%	1.26%	(0.27)
Cost of risk/average (FX-adjusted) gross loans	1.49%	1.27%	(0.22)
Total provisions/90+ days past due loans	91.5%	95.8%	4.3
Performance Indicators	**2014**	**2015**	**ppts**
ROA	2.7%	3.1%	0.4
ROE	16.7%	21.0%	4.3
Total income margin	6.94%	6.77%	(0.17)
Net interest margin	5.37%	5.24%	(0.13)
Cost/income ratio	39.0%	36.1%	(2.9)
Net loans to deposits (FX-adjusted)	77%	67%	(10)
FX rates	**2014 HUF**	**2015 HUF**	**Change %**
HUF/BGN (closing)	161.0	160.1	(1)
HUF/BGN (average)	157.8	158.5	0

- After tax profit improved by 34% in 2015 supported by favourable core banking revenue dynamics and moderating risk costs
- Net interest margin remained relatively stable y-o-y (–13 bps) as a result of higher balance sheet total in the wake of the deposit inflow, and decreasing funding costs
- Asset quality trends remained favourable with the DPD90+ ratio declining and the coverage ratio increasing
- Amid improving loan origination statistics gross loan volumes grew by 1% (FX-adjusted); deposits advanced steadily (+16% y-o-y)

DSK Group posted an after tax profit of HUF 52.5 billion in 2015, up by 34% compared to the base period.

The full-year operating profit grew by 17% y-o-y. The net interest income advanced by 12% y-o-y mainly due to lower funding costs: interest expenses on deposits dropped by 60% despite the deposit base growing by 16% y-o-y. Furthermore, the effective management of excess liquidity played a positive role, too. The slight y-o-y decline (–12 bps) of the net interest margin was mainly reasoned by the deposit inflow which increased total assets and diluted the net interest margin, furthermore a methodological change made in the fourth quarter of 2015 played a role, too. The Bank changed the methodology effective from October regarding the accounting treatment of recoveries collected from DPD90+ exposures. According to the previous methodology such recoveries were treated as recoveries of the previously suspended off-balance sheet interest income. Starting from October the order of accounting changed, consequently recoveries reduce on-balance sheet claims first. The change in methodology affects the provisions for possible loan losses, too, therefore it is neutral for the profit after tax and influences the structure of the P&L account only. Without such change net interest income would have been higher by around HUF 1 billion.

In 2015 the net fee and commission income grew by 14% y-o-y explained mainly by strengthening fee income related to deposits and transactions. The other net non-interest revenues eroded by 4% y-o-y.

The operating expenses grew by 4% y-o-y (HUF +1.5 billion). In the fourth quarter the contribution paid by the bank into the Resolution Fund explains HUF 0.9 billion operating cost increase y-o-y.

In 2015 the volume of DPD90+ loans declined by 1%. Non-performing loans in the amount of HUF 8 billion were written off during the period, of which the so-called partial write-offs represented almost HUF 6 billion. The ratio of loans with more than 90 days of delay (DPD90+) moderated by 0.1 ppt to 14.9%. The FX-adjusted DPD90+ volume changes excluding the impact of loan sales and write-offs remained favourable (in HUF billion:2013: 15, 2014: 3, 2015: 6).

The bank's consistently conservative and prudent provisioning policy has not changed. Total risk costs demonstrated a 21% moderation y-o-y in 2015. As a result, the provision coverage ratio went up to 95.8% (+4.3% ppts y-o-y). Against the 1.5% risk cost rate in 2014 it declined to 1.3% for 2015 as a whole.

The FX-adjusted total gross loan portfolio increased by 1 ppt y-o-y; the performing loan portfolio grew by the same magnitude y-o-y. New mortgage loan disbursements – amid increasing proportion of refinancing – advanced by three-fourth. However, the overall mortgage volumes melted down by 3% y-o-y (on an FX-adjusted basis). New consumer loan origination surpassed the base period by 16% y-o-y, whereas their volumes advanced by 1% y-o-y.

Corporate and SME loan disbursements showed an upward trend (+15% y-o-y) thanks to the strong SME performance. The corporate portfolio grew by 5% in the last 12 months (adjusted for the FX-effect). Corporate loan market share of DSK Bank reached 7.1% at the end of December 2015, marking a 0.3 ppt improvement y-o-y.

The deposits grew by 16% y-o-y (FX-adjusted), despite persistently lower than market average and even further declining deposit rates offered by DSK. With retail deposit inflow remaining steady corporate volumes advanced by 50% during the second half of the year linked to new placements of several larger clients.

The capital adequacy ratio of DSK Bank calculated in accordance with local regulation stood at 17.3% at the end of 2015. In the second quarter of 2015 the Bank paid HUF 44 billion dividend to the mother company.

Performance of OTP Bank Russia:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(14,541)	(15,101)	4
Income tax	3,137	3,318	6
Profit before income tax	(17,678)	(18,419)	4
Operating profit	101,028	64,515	(36)
Total income	179,392	113,052	(37)
Net interest income	158,972	97,871	(38)
Net fees and commissions	21,378	14,478	(32)
Other net non-interest income	(958)	703	(173)
Operating expenses	(78,364)	(48,536)	(38)
Total provisions	(118,706)	(82,934)	(30)
Provision for possible loan losses	(117,623)	(82,060)	(30)
Other provision	(1,083)	(874)	(19)
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	750,747	507,082	(32)
Gross customer loans	568,709	393,914	(31)
Gross customer loans (FX-adjusted)	503,496	393,914	(22)
Retail loans	468,869	363,054	(23)
Corporate loans	32,609	29,184	(11)
Car financing loans	2,018	1,676	(17)
Gross DPD0–90 customer loans (FX-adjusted)	429,320	317,510	(26)
Retail loans	397,381	291,935	(27)
Allowances for possible loan losses	(98,436)	(88,017)	(11)
Allowances for possible loan losses (FX-adjusted)	(86,608)	(88,017)	2
Deposits from customers	402,729	307,646	(24)
Deposits from customer (FX-adjusted)	362,894	307,646	(15)
Retail deposits	284,620	252,070	(11)
Corporate deposits	78,274	55,576	(29)
Liabilities to credit institutions	107,492	42,974	(60)
Issued securities	4,600	1,024	(78)
Subordinated debt	23,884	21,820	(9)
Total shareholders' equity	111,779	89,504	(20)
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	83,779	76,403	(9)
90+ days past due loans/gross customer loans	14.7%	19.4%	4.7
Cost of risk/average gross loans	16.78%	17.05%	0.27
Cost of risk/average (FX-adjusted) gross loans	22.95%	18.29%	(4.66)
Total provisions/90+ days past due loans	117.5%	115.2%	(2.3)
Performance Indicators	**2014**	**2015**	**ppts**
ROA	(1.7%)	(2.4%)	(0.7)
ROE	(10.0%)	(15.0%)	(5.0)
Total income margin	21.22%	17.98%	(3.24)
Net interest margin	18.80%	15.56%	(3.24)
Cost/income ratio	43.7%	42.9%	(0.7)
Net loans to deposits (FX-adjusted)	115%	99%	(16)
FX rates	**2014 HUF**	**2015 HUF**	**Change %**
HUF/RUB (closing)	4.5	3.9	(13)
HUF/RUB (average)	6.1	4.6	(25)

- HUF 15.1 billion 2015 loss
- Due to portfolio cleaning the DPD90+ ratio decreased again below 20%
- In spite of the uptick in consumer lending the performing loan portfolio kept shrinking; the deposit base shrank by 15% y-o-y on an FX-adjusted basis
- As a result of cost rationalisation annual operating expenses dropped by 17% in RUB terms on a yearly basis

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: in 2015 the closing rate showed a y-o-y 13% devaluation of RUB against HUF; whereas the average 2015 rate depreciated by 25% y-o-y. Therefore local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

The performance of Touch Bank (a virtual entity) was first presented separately from OTP Bank Russia in the Summary of the full year 2015 Report; the separation has been done retroactively beginning from 1Q 2015. Therefore 2014 column includes the performance of Touch Bank, whereas 2015 column exclude the performance of Touch Bank.

After tax loss of **OTP Bank Russia** for 2015 grew in HUF terms by 4% y-o-y to HUF 15.1 billion; whereas the RUB denominated loss increased by 43% y-o-y.

In 2015 the operating profit in RUB terms dropped by 16% y-o-y, as a result of a 16% decrease in total income and by 17% lower operating expenses. Net interest income declined by 18% y-o-y in rouble terms. This decline was mainly caused by the decrease of the performing loan portfolio (–26% y-o-y, FX-adjusted). Furthermore, funding cost increased significantly after the series of rate hikes by the Central Bank of Russia at the end of 2014, which had a negative influence on NII, but the funding costs started moderating since 2Q, though still exceeding the levels observed in 2014. This effect could only partly be offset by higher interest rates on loans, thus NIM decreased. The 2015 net fee and commission income decreased by 10% y-o-y in RUB terms, mainly related to weak loan disbursements.

As a result of cost rationalisation 2015 operating expenses decreased by 17% y-o-y in RUB terms in spite of the 16% average 2015 Russian inflation rate. In line with the decreasing number of employees and smaller operation personnel expenses and other expenses declined. Cost/income ratio stood at 43% in 2015, slightly decreased y-o-y.

In 2015 64 branches were closed down, thus at the end of 2015 the network consisted of 134 branches. The number of the Bank's employees (without agents) decreased y-o-y by 20% to 4,787.

Although FX-adjusted DPD90+ volume growth excluding the impact of sold/written-off non-performing loans was flat y-o-y for the whole year, but after the all-time-high level in 2Q 2015 the pace of portfolio deterioration significantly moderated in 3Q and 4Q, respectively (new DPD90+ volumes in HUF billion: 2Q: 38, 3Q: 24, 4Q: 16). The bank sold or wrote off loans in 2015 in the amount of RUB 18 billion. DPD90+ ratio stood at 19.4% at end-2015. In 2015 risk cost decline was 7% y-o-y. Provision coverage of DPD90+ loans stood at 115% by end-December.

The FX-adjusted performing (DPD0–90) loan volumes dropped by 26% y-o-y. Consumer loan disbursements are still reflecting cautiousness, in general. The DPD0–90 POS portfolio decreased by 17% y-o-y (FX-adjusted). The FX-adjusted DPD0–90 credit cards portfolio shrank by 29% y-o-y. FX-adjusted DPD0–90 cash loan portfolio decreased by 36% y-o-y.

FX-adjusted total deposits shrank by 15% y-o-y. FX-adjusted net loan-to-deposit ratio stood at 99% at the end of 2015 (–15% ppts y-o-y).

The capital adequacy ratio of the bank calculated in line with local regulation stood at 13.3% at the end of December (+1.1 ppts y-o-y).

TOUCH BANK (RUSSIA)

Performance of Touch Bank:

Main components of P&L account	2015 HUF million
After tax profit w/o dividends and net cash transfer	(4,840)
Income tax	1,189
Profit before income tax	(6,029)
Operating profit	(6,020)
Total income	(241)
Net interest income	(155)
Net fees and commissions	(84)
Other net non-interest income	(2)
Operating expenses	(5,779)
Total provisions	(9)
Provision for possible loan losses	0
Other provision	(9)
Main components of balance sheet closing balances	**2015**
Total assets	7,410
Gross customer loans	4
Gross customer loans (FX-adjusted)	4
Retail loans	4
Corporate loans	0
Allowances for possible loan losses	0
Allowances for possible loan losses (FX-adjusted)	0
Deposits from customers	4,250
Deposits from customer (FX-adjusted)	4,250
Retail deposits	4,250
Corporate deposits	0
Liabilities to credit institutions	4
Subordinated debt	1,653
Total shareholders' equity	1,474
Loan Quality	**2015**
90+ days past due loan volume (in HUF million)	0
FX rates	**2015 HUF**
HUF/RUB (closing)	3.9
HUF/RUB (average)	4.6

- HUF 4.8 billion after tax loss in 2015
- Growing scale of activities, almost 20 thousand customers in 85 cities
- Deposit base grew to HUF 4.25 billion

Touch Bank is a digital bank being part of OTP Bank Russia from legal point of view, and it is operating under the same banking license, but as a separate business line. In order to provide transparent information Touch Bank is presented as a separate virtual entity and as an independent activity. The performance of Touch Bank was shown separately from OTP Bank Russia's performance for the first time in the Summary of the full-year 2015 results, with retroactive effect from 1Q 2015.

Touch Bank started its operation in April 2015 in Russia, with contemporary services based on online technologies.

The bank primarily targets young, affluent customers receptive to innovative high-end technologies. The services can be accessed through online platforms and mobile applications. The activities of Touch Bank expanded gradually ever since it went live: first it was available in larger cities, than in September its operations were supported by intensive marketing campaigns in St. Petersburg, later, in 4Q in Moscow. By the end of 2015 Touch Bank had customers form about 85 cities and registered 20 thousand active debit cards, while its deposit base approached HUF 4.3 billion equivalent. Loan product sales started in the last 2 months of 2015, thus its loan volumes was not significant at the end of the year. Total income was negative, so profit before tax totalled to HUF 6 billion in 2015 (HUF –4.8 billion after tax).

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit without the effect of adjustments	(43,166)	(40,312)	(7)
Income tax	4,156	1,918	(54)
Profit before income tax	(47,322)	(42,230)	(11)
Operating profit	27,269	25,185	(8)
Total income	52,078	41,087	(21)
Net interest income	45,327	29,146	(36)
Net fees and commissions	10,306	7,915	(23)
Other net non-interest income	(3,555)	4,025	(213)
Operating expenses	(24,809)	(15,902)	(36)
Total provisions	(74,591)	(67,414)	(10)
Provision for possible loan losses	(71,947)	(65,891)	(8)
Other provision	(2,644)	(1,523)	(42)
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	422,286	292,882	(31)
Gross customer loans	568,214	421,330	(26)
Gross customer loans (FX-adjusted)	569,301	421,330	(26)
Retail loans	303,096	218,465	(28)
Corporate loans	230,404	179,304	(22)
Car financing loans	35,801	23,561	(34)
Gross DPD0–90 customer loans (FX-adjusted)	294,142	216,696	(26)
Retail loans	88,510	56,299	(36)
Corporate loans	191,008	149,328	(22)
Car financing loans	14,624	11,069	(24)
Allowances for possible loan losses	(254,881)	(242,515)	(5)
Allowances for possible loan losses (FX-adjusted)	(263,755)	(242,515)	(8)
Deposits from customers	228,803	211,346	(8)
Deposits from customer (FX-adjusted)	206,576	211,346	2
Retail deposits	128,117	125,832	(2)
Corporate deposits	78,459	85,515	9
Liabilities to credit institutions	143,171	99,083	(31)
Subordinated debt	37,735	8,571	(77)
Total shareholders' equity	4,383	(34,804)	(894)
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	262,187	204,635	(22)
90+ days past due loans/gross customer loans	46.1%	48.6%	2.4
Cost of risk/average gross loans	11.65%	13.32%	1.66
Cost of risk/average (FX-adjusted) gross loans	11.62%	13.30%	1.68
Total provisions/90+ days past due loans	97.2%	118.5%	21.3
Performance Indicators	**2014**	**2015**	**ppts**
ROA	(8.3%)	(11.3%)	(3.0)
ROE	(73.4%)	n/a	
Total income margin	10.01%	11.49%	1.48
Net interest margin	8.72%	8.15%	(0.57)
Cost/income ratio	47.6%	38.7%	(8.9)
Net loans to deposits (FX-adjusted)	148%	85%	(63)
FX rates	**2014 HUF**	**2015 HUF**	**Change %**
HUF/UAH (closing)	16.4	11.9	(27)
HUF/UAH (average)	19.9	12.9	(35)

- The annual loss reached HUF 40.3 billion
- The corporate loan portfolio was cleaned up in the third quarter, while in 4Q substantial risk cost was set aside at the Ukrainian factoring company
- FX-adjusted performing portfolio declined by 26% y-o-y; the intra-group financing dropped by around USD 250 million in 2015
- In 4Q 2015 capital increase of almost USD 110 million was executed through conversion of intra-group funding and subordinated debt to equity
- Deposits grew by 2% y-o-y (FX-adjusted), the net loan to deposit ratio sank to 85%

The financial performance and indicators of OTP Bank Ukraine in HUF terms were significantly distorted by the HUF/UAH exchange rate moves: in 2015 the closing rate of HUF showed a y-o-y 27% appreciation against UAH, while the annual average rate strengthened by 35% y-o-y. Therefore local currency P&L and balance sheet dynamics are materially different from those in HUF terms.
Methodological note: as one-off items not related to the normal course of business activity, the risk costs created in relation to the Crimean exposures from 2Q 2014, as well as risk costs made for exposures to Donetsk and Luhansk counties from 3Q 2014 were eliminated from the Ukrainian P&L and shown amongst the adjustment items on consolidated level. Balance sheet lines were not adjusted for these items.

In 2015 **OTP Bank Ukraine** posted HUF 40.3 billion adjusted loss, 7% lower than a year ago. The significant quarterly earnings volatility was mainly reasoned by risk costs developments: in 1Q the HUF 10.2 billion loss was due mainly to the massive depreciation of the UAH which required higher provisioning as a result of the LTV (loan-to-value) effect. On the opposite, in 2Q the UAH appreciated and also due to the moderate new DPD90+ formation risk costs dropped by 90% q-o-q, and the Ukrainian operation posted a positive result. The HUF 17.6 billion loss realized in 3Q was predominantly due to risk costs created on the corporate portfolio, within that especially on the legacy corporate book originated mainly before the crisis. The HUF 13.2 billion loss in 4Q was mainly due to the portfolio clean-up at the Factoring unit: as a result of the additional provisions made predominantly for retail exposures and within that mainly for USD-based mortgages disbursed before the crisis, the net loan portfolio of Factoring shrank to HUF 5.8 billion (end of December).

The remaining total net loan exposure in Crimea and also in Donetsk and Luhansk counties amounted to HUF 0.3 billion equivalent at the end of December (including accrued interest). The lending activity in the latter two counties has been suspended.

With regards to the lending activity for the rest of the country, new cash loan production in 2015 dropped by three-fourth y-o-y. The cross-sale of credit cards was practically zero in 2015. Within the POS segment newly sold volumes increased by 13% y-o-y, true, from a low base. The DPD0–90 consumer loan portfolio grew by 28% y-o-y (FX-adjusted). The mortgage book further melted down, given the lack of new origination. The performing corporate loan book shrank by 22% y-o-y.
After the deposit withdrawals in 1Q 2015, for the rest of the year each and every quarter demonstrated increasing volumes. The net loan-to-deposit ratio dropped to 85% by the end of December 2015 (–63 ppts y-o-y on an FX-adjusted basis).
The intra-group financing (including sub-ordinated debt) declined by around USD 250 million in the last 12 months.
The intra-group funding (including subordinated debt) exposure stood at HUF 107 billion equivalent by the end of 2015.
Regarding the P&L items, the full-year operating profit decreased by 8% y-o-y in HUF terms, but improved by 46% in UAH terms.
The underlying business performance is better described by changes expressed in UAH terms: within total income the annual net interest income remained stable y-o-y. The steady erosion of performing loan volumes (in original currency terms) had a negative impact on net interest income dynamics; on the opposite, the weakening UAH supported the interest revenues on FX loans in UAH terms. The volatile quarterly net interest income development was partly reasoned by the bank's own restructuring scheme: at the time of the restructuring the total NPV decline for the whole duration of the loan is accounted for in one sum on the net interest income line.
The net fee and commission income realized in 2015 increased by 19% y-o-y in UAH terms due to the repayment of the subordinated debt facility to third party as no further fee expenses occurred.
The y-o-y change in other net non-interest income was mainly induced by a significant FX gain booked in 1Q 2015 on the back of volatile

cross currency rates and also by the base effect due to reclassifications in 4Q 2014.
Operating expenses moderated by 3% y-o-y in UAH terms, though during the same period of time average consumer prices surged by 48.7%. In the last twelve months 31 units were closed (–27%),while the workforce was also scaled back: the number of employees (including employed selling agents) declined by 37% y-o-y.
Total risk costs advanced by 35% y-o-y in UAH terms. The material increase in 2015 was related to the drastic depreciation of UAH mainly in 1Q and the portfolio clean-up in the second half of 2015.
In 2015 the portfolio quality deterioration decelerated y-o-y (FX-adjusted DPD90+ volume growth excluding the impact of loan sales and write-offs in HUF billion: 2014: 60, 2015: 11). In 2015 loans worth of HUF 81 billion were sold or written off. As a result of the above factors the DPD90+ ratio increased by more than 2.4ppts (48.6%), the provision coverage ratio improved to 118.5% marking a 21.3 ppts jump y-o-y.
During 2015 the total amount of the recognized deferred tax asset reached HUF 1.9 billion.
Under the scope of the Bank's own restructuring programme the volume of FX mortgage loans converted into UAH at market FX rate got close to UAH 1.8 billion by the end of 2015. Under the scheme the Bank offers either certain debt forgiveness and/or an interest rate concession at the beginning of the maturity.
The shareholders' equity of the Ukrainian banking group under IFRS was HUF –34.8 billion at the end of 2015. The Ukrainian shareholders' equity includes that of 3 entities: the Bank, the Leasing and Factoring companies' equity. The standalone equity of the Bank under IFRS reached HUF 20 billion. The standalone capital adequacy ratio of the Bank under local regulation stood at 15.7% at the end of December 2015 (+5.3 ppts y-o-y). The increase already reflects the impact of the conversion of subordinated debt and funding to equity (in the amount of close to USD 110 million in total). The shareholders' equity of the Leasing Company comprised HUF –2.2 billion by the end of December, whereas the Factoring Company also had a negative equity of HUF 52.6 billion.
The key reason behind the lower subordinated loan volumes on one hand is the repayment of a facility to a third party at maturity, as well as the partial conversion of the outstanding intra-group subordinated debt into equity (close to USD 115 million in total).

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit without the effect of adjustments	765	1,480	94
Income tax	0	(100)	
Profit before income tax	765	1,580	107
Operating profit	9,806	6,074	(38)
Total income	23,409	27,662	18
Net interest income	19,388	22,904	18
Net fees and commissions	2,429	3,773	55
Other net non-interest income	1,593	985	(38)
Operating expenses	(13,603)	(21,588)	59
Total provisions	(9,041)	(4,493)	(50)
Provision for possible loan losses	(8,881)	(6,598)	(26)
Other provision	(161)	2,105	
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	476,352	646,042	36
Gross customer loans	428,995	546,148	27
Gross customer loans (FX-adjusted)	444,243	546,148	23
Retail loans	336,652	405,938	21
Corporate loans	107,591	140,210	30
Allowances for possible loan losses	(61,538)	(72,305)	17
Allowances for possible loan losses (FX-adjusted)	(64,293)	(72,305)	12
Deposits from customers	222,126	334,346	51
Deposits from customer (FX-adjusted)	221,146	334,346	51
Retail deposits	180,040	257,480	43
Corporate deposits	41,106	76,866	87
Liabilities to credit institutions	209,315	201,187	(4)
Total shareholders' equity	34,980	46,667	33
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	76,564	91,359	19
90+ days past due loans/gross customer loans	17.8%	16.7%	(1.1)
Cost of risk/average gross loans	2.12%	1.35%	(0.77)
Cost of risk/average (FX-adjusted) gross loans	1.98%	1.33%	(0.65)
Total provisions/90+ days past due loans	80.4%	79.1%	(1.3)
Performance Indicators	**2014**	**2015**	**ppts**
ROA	0.2%	0.3%	0.1
ROE	2.4%	3.6%	1.2
Total income margin	5.06%	4.93%	(0.13)
Net interest margin	4.19%	4.08%	(0.11)
Cost/income ratio	58.1%	78.3%	20.2
Net loans to deposits (FX-adjusted)	172%	142%	(30)
FX rates	**2014 HUF**	**2015 HUF**	**Change %**
HUF/RON (closing)	70.2	69.2	(1)
HUF/RON (average)	69.5	69.7	0

- The 2015 after tax profit reached HUF 1.5 billion, almost twice as high as a year ago
- The Romanian bank launched a conversion programme for its retail CHF mortgage borrowers in December 2015
- Total risk costs halved y-o-y coupled with moderating DPD90+ ratio
- The loan portfolio advanced by 23% y-o-y (FX-adjusted) supported by the acquisition; the net loan-to-deposit ratio shrunk further thanks to successful deposit collection

On 30 July 2014 OTP Bank Romania agreed on purchasing 100% stake of Banca Millennium S.A. for EUR 39 million. The transaction was completed on 8 January 2015 and through the financial settlement OTP Bank Romania acquired 100% ownership in Banca Millennium. The Romanian P&L was adjusted for the items directly related to the acquisition; these corrections are shown on consolidated level among adjustment items.

Banca Millennium was consolidated in 1Q 2015.

Methodological note: in November 2015 a decision was taken about a conversion programme offered to retail CHF mortgage borrowers. The expected one-off negative impact of the programme was recognised in

3Q 2015. This item was eliminated from the Romanian results and was presented among the adjustment items on consolidated level.
OTP Bank Romania delivered HUF 1.5 billion profit after tax in 2015 (+94% y-o-y) including the result of Banca Millennium.
The operating profit declined by 38% y-o-y as a result of higher revenues on one hand, but surging operational expenses on the other.
The higher full-year net interest income (+18% y-o-y) was shaped by several factors: on one hand the consolidation of Banca Millennium played a positive role. At the same time the lower interest spread offered for clients having floating rate CHF mortgage loans reduced the net interest income by almost HUF 0.6 billion in the first twelve months. At the same time, interest revenues on the FX loans were positively affected by the appreciating CHF against RON.
The 55% y-o-y increase in the full-year net fee and commission income was primarily due to the contribution of Banca Millennium.
The annual other net non-interest income was by 38% lower y-o-y. HUF 0.8 billion contraction is explained by one-off negative items emerged in 4Q 2015 on the other net non-interest income line (asset write offs related to the branch closures in 4Q, real estate revaluation losses, negative results realized on real estate sales and write-down of one of the IT-systems).
Operating expenses surged by 59% y-o-y as a result of the acquisition related costs (around HUF 2.1 billion in 2015) and the consolidation of the operating expenses of Banca Millennium. As a result of the take-over of 56 branches of Banca Millennium and closure of mainly former Banca millennium branches in 2H 2015 the total number of outlets increased by 24 units in the course of 2015. The increase of operating expenses was partially owing to the integration costs of Banca Millennium, parallel other provisions made earlier were released. That was the main reason behind the release of other risk costs in 2015.
The total risk costs in 2015 were by 50% lower than a year ago. The DPD90+ loan volume growth (adjusted for FX rate changes and sold and written off volumes) amounted to HUF 10 billion* in 2015 versus HUF 6 billion in 2014. The deterioration of the mortgage portfolio decelerated in 2H 2015. The DPD90+ ratio stood at to 16.7%, the 1.1 ppts y-o-y improvement was attributable to non-performing loan sales and write-offs (HUF 4.1 billion in 2015), but also to the composition effect of the lower DPD90+ ratio of Banca Millennium.
The coverage ratio of DPD90+ loans declined by 1.2 ppts (79.1%).
The FX-adjusted gross loan portfolio expanded by 23% y-o-y. Despite increasing competition cash loan disbursements grew by 6% y-o-y. Cash loan volumes, however dropped by 9% y-o-y. As a result of stronger new disbursements (+77% y-o-y) and the positive impact of the acquisition, mortgage volumes increased by 19% y-o-y on an FX-adjusted basis.
The corporate loan dynamics were affected by reclassifications, too: corporate exposures were shifted to the SME line within retail loans. Due to improving corporate loan disbursements the large corporate portfolio advanced by 30% y-o-y (FX-adjusted).
The total FX-adjusted deposit volumes increased to more than one and a half times y-o-y. Household deposit interest rates continued to decline in line with overall market trends. The net loan-to-deposit ratio dropped to 142%.
According to the local regulation the Bank's standalone capital adequacy ratio stood at 14.2% at the end of December (–0.2 ppt y-o-y).
During 4Q 2015 RON 296 million capital increase was completed, partially warranted by the transfer of exposures back to OTP Bank Romania S.A., but also the potential negative impact of the CHF mortgage conversion programme.
In the course of 4Q 2015 the Romanian Parliament voted on the amendment to the law on the foreclosure process, which would give more rights to non-performing mortgage borrowers compared to the effective regulation. The amendment would allow retail mortgage debtors to forego a real estate asset that is used as collateral for a mortgage, thus getting rid of the debt. The President did not sign the act and sent it back to the Parliament for reconsideration.

* Excluding the newly consolidated DPD90+ loan volumes of Banca Millennium in 1Q 2015.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit without the effect of adjustments	104	2,968	
Income tax	(524)	1,257	(340)
Profit before income tax	628	1,711	173
Operating profit	7,528	10,844	44
Total income	25,427	28,020	10
Net interest income	17,923	20,345	14
Net fees and commissions	5,203	5,309	2
Other net non-interest income	2,300	2,367	3
Operating expenses	(17,899)	(17,177)	(4)
Total provisions	(6,900)	(9,132)	32
Provision for possible loan losses	(5,747)	(6,812)	19
Other provision	(1,153)	(2,320)	101
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	654,793	649,870	(1)
Gross customer loans	467,749	470,862	1
Gross customer loans (FX-adjusted)	468,282	470,862	1
Retail loans	299,589	300,541	0
Corporate loans	168,418	170,160	1
Allowances for possible loan losses	(38,725)	(43,905)	13
Allowances for possible loan losses (FX-adjusted)	(38,745)	(43,905)	13
Deposits from customers	518,313	509,317	(2)
Deposits from customer (FX-adjusted)	521,794	509,317	(2)
Retail deposits	467,332	451,530	(3)
Corporate deposits	54,462	57,787	6
Liabilities to credit institutions	51,453	48,974	(5)
Total shareholders' equity	71,156	69,563	(2)
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	62,222	61,906	(1)
90+ days past due loans/gross customer loans	13.3%	13.1%	(0.2)
Cost of risk/average gross loans	1.36%	1.45%	0.09
Cost of risk/average (FX-adjusted) gross loans	1.32%	1.45%	0.13
Total provisions/90+ days past due loans	62.2%	70.9%	8.7
Performance Indicators	**2014**	**2015**	**ppts**
ROA	0.0%	0.5%	0.5
ROE	0.2%	4.2%	4.1
Total income margin	4.26%	4.30%	0.03
Net interest margin	3.01%	3.12%	0.11
Cost/income ratio	70.4%	61.3%	(9.1)
Net loans to deposits (FX-adjusted)	82%	84%	2
FX rates	**2014 HUF**	**2015 HUF**	**Change %**
HUF/HRK (closing)	41.1	41.0	0
HUF/HRK (average)	40.4	40.7	1

- HUF 3 billion 2015 adjusted after tax profit
- FX-adjusted gross loans grew by 1% y-o-y, mainly due to the increasing consumer loans and municipal exposure
- The DPD90+ ratio slightly decreased y-o-y, while the coverage increased to 70.9%

Methodological note: on 18 September 2015 the Croatian Parliament adopted amendments to the Consumer Lending Act, which determined the conditions of the conversion of CHF denominated retail loans into EUR at an exchange rate valid at origination. The one-off negative impact due to the amendments of the Act has been eliminated from the Croatian P&L and is booked on consolidated level within adjustment items. Balance sheet data have not been adjusted.

OTP banka Hrvatska posted HUF 3 billion after tax profit in 2015 against HUF 0.1 billion profit in the base period. The annual profit improved considerably, even if adjusted for the one-off elements (in total HUF +400 million after tax)* occurred in 2Q 2015.

The y-o-y 44% higher 2015 operating profit was supported by increasing total income as well as contained operating expenses. In addition to the BPC consolidation a further boost was given to the growth of annual net interest income (+14%) by the reclassification of rental income from other income into interest income effective from 4Q 2014. Operating expenses dropped by 4% y-o-y. The number of employees decreased by 10% y-o-y. As a result of the acquisition the number of branches grew by 33 units in 2Q 2014, since then 25 branches have been closed down. The improving efficiency of the operation is signalled by the y-o-y 40 bps decrease of the cost to asset ratio, and the more than 9 ppts y-o-y improvement of cost-to-income ratio.

The DPD90+ ratio (13.1%) improved by 0.2 ppt y-o-y. In 2015 risk cost went up by 19%. Coverage of DPD90+ loans increased by 8.7 ppts y-o-y to 70.9%. In 2015 other risk cost doubled: mainly due to the HUF 1.2 billion other risk cost created in 4Q, most of which is related to litigations.

FX-adjusted gross loans increased by 1% both y-o-y. Mainly corporate loans demonstrated growth (1% y-o-y). Retail loans were stable, and the focus of retail lending was gradually shifted towards consumer lending. In 2015 consumer loan disbursement increased by 39% y-o-y.

FX-adjusted total deposits eroded by 2% y-o-y. As a result the net loan-to-deposit ratio increased by 2 ppts y-o-y to 84%.

In spite of the profitable operation, due to the expected losses in relation to the legislative changes affecting the CHF consumer loans the shareholder's equity decreased by 2% y-o-y. The capital adequacy ratio stood at 15.6% by end-4Q.

* In 2Q 2015 the after tax profit was positively affected by income tax refund, which was related to the tax was imposed on badwill of the Banco Popolare Croatia acquisition in 2Q 2014 (it was shown on consolidated level, among adjustments); furthermore, the Bank utilized the BPC's deferred tax of former years (these two items improved the profit by HUF +1.5 billion on the income tax line). Another item emerged on other risk cost line in relation to the provision on litigation of the Bank's predecessor in the amount of HUF 1.4 billion (the after tax effect was HUF –1.1 billion).

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko*:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit without the effect of adjustments	32	924	
Income tax	(334)	(489)	46
Profit before income tax	366	1,413	286
Operating profit	5,894	6,601	12
Total income	17,098	17,672	3
Net interest income	14,207	14,568	3
Net fees and commissions	3,000	3,386	13
Other net non-interest income	(108)	(282)	161
Operating expenses	(11,204)	(11,071)	(1)
Total provisions	(5,528)	(5,188)	(6)
Provision for possible loan losses	(5,277)	(5,144)	(3)
Other provision	(251)	(44)	(83)
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	464,296	450,819	(3)
Gross customer loans	369,624	382,500	3
Gross customer loans (FX-adjusted)	367,547	382,500	4
Retail loans	296,434	315,316	6
Corporate loans	70,834	67,042	(5)
Car financing loans	279	142	(49)
Allowances for possible loan losses	(22,785)	(22,702)	0
Allowances for possible loan losses (FX-adjusted)	(22,657)	(22,702)	0
Deposits from customers	375,687	385,082	3
Deposits from customer (FX-adjusted)	374,238	385,082	3
Retail deposits	357,535	362,394	1
Corporate deposits	16,703	22,688	36
Liabilities to credit institutions	18,135	11,113	(39)
Issued securities	18,609	10,869	(41)
Subordinated debt	14,818	6,262	(58)
Total shareholders' equity	29,787	30,430	2
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	38,211	37,099	(3)
90+ days past due loans/gross customer loans	10.3%	9.7%	(0.6)
Cost of risk/average gross loans	1.49%	1.37%	(0.12)
Cost of risk/average (FX-adjusted) gross loans	1.45%	1.37%	(0.08)
Total provisions/90+ days past due loans	59.6%	61.2%	1.6
Performance Indicators	**2014**	**2015**	**ppts**
ROA	0.0%	0.2%	0.2
ROE	0.1%	3.1%	3.0
Total income margin	3.84%	3.86%	0.02
Net interest margin	3.19%	3.18%	(0.01)
Cost/income ratio	65.5%	62.6%	(2.9)
Net loans to deposits (FX-adjusted)	92%	93%	1
FX rates	**2014 HUF**	**2015 HUF**	**Change %**
HUF/EUR (closing)	314.9	313.1	(1)
HUF/EUR (average)	308.7	309.9	0

- HUF 0,9 billion annual adjusted profit after tax; improving operating profit and moderating risk cost
- The FX-adjusted loan portfolio advanced by 4%, driven by the expansion of consumer and SME loans, the deposit base grew by 3% y-o-y
- The DPD90+ loan book shrank by 3% y-o-y

* P&L lines and indicators are adjusted for banking tax, Deposit Protection Fund contributions and payment to the Resolution Fund.

OTP Banka Slovensko reached HUF 924 million adjusted* after tax profit in 2015 versus HUF 32 million in 2014, supported by 12% improvement in operating profit and 6% decrease in risk cost.

The annual operating profit increased due to the 3% growth in total income. The annual net interest income improved by 3% y-o-y as a result of the increasing DPD0–90 loan volumes. The NIM remained stable, supported by the decrease of the interest paid for deposits. The annual net fees and commissions income advanced by 13% y-o-y reasoned by the increase of early repayments and improved fee income related to deposits.

The evolution of annual operating expenses demonstrates effective cost control (–1%). The cost/income ratio improved by 2.9 ppts y-o-y to 62.6%.

The total risk cost dropped by 6% y-o-y in 2015.

The DPD90+ ratio due to write-offs (–0.6 ppt y-o-y). In 2015 HUF 6 billion non-performing loan write-off was made, while in 4Q the amount of write-offs was around HUF 4 billion. The DPD90+ coverage improved by 1.6 ppts y-o-y.

The FX-adjusted loan book expanded by 4% y-o-y as a result of dynamic growth in retail loans (+6% y-o-y). The disbursement of consumer loans continued to show upward trend (annual disbursement grew by 10% y-o-y. The corporate portfolio eroded by 5% y-o-y.

Total deposits grew by 3% y-o-y (FX-adjusted). The volume of subordinated debt halved in 2015 compared to 2014 as EUR 29 million subordinated debt was repaid in 1H 2015.

The CAR stood at 13.4% at the end of 2015.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit without the effect of adjustments	50	(385)	(670)
Income tax	4	9	125
Profit before income tax	46	(394)	(950)
Operating profit	1,360	1,292	(5)
Total income	8,556	8,359	(2)
Net interest income	6,612	6,407	(3)
Net fees and commissions	1,851	1,747	(6)
Other net non-interest income	92	205	122
Operating expenses	(7,197)	(7,067)	(2)
Total provisions	(1,313)	(1,686)	28
Provision for possible loan losses	(1,202)	(922)	(23)
Other provision	(111)	(764)	587
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	109,509	119,224	9
Gross customer loans	99,011	108,327	9
Gross customer loans (FX-adjusted)	99,332	108,327	9
Retail loans	44,940	46,170	3
Corporate loans	54,392	62,157	14
Allowances for possible loan losses	(33,010)	(31,835)	(4)
Allowances for possible loan losses (FX-adjusted)	(32,908)	(31,835)	(3)
Deposits from customers	66,934	73,385	10
Deposits from customer (FX-adjusted)	66,686	73,385	10
Retail deposits	43,693	44,999	3
Corporate deposits	22,992	28,386	23
Liabilities to credit institutions	6,206	10,234	65
Subordinated debt	2,542	2,532	0
Total shareholders' equity	30,197	29,377	(3)

* Adjustments include the elimination of banking tax, DPF contribution paid by OBS and payment to the Resolution Fund (HUF 819 million after tax in 2015); these items were booked as adjustments in the consolidated results.

Loan Quality	2014	2015	%/ppts
90+ days past due loan volume (in HUF million)	43,355	42,519	(2)
90+ days past due loans/gross customer loans	43.8%	39.3%	(4.5)
Cost of risk/average gross loans	1.26%	0.89%	(0.37)
Cost of risk/average (FX-adjusted) gross loans	1.24%	0.89%	(0.35)
Total provisions/90+ days past due loans	76.1%	74.9%	(1.3)
Performance Indicators	**2014**	**2015**	**ppts**
ROA	0.1%	(0.3%)	(0.4)
ROE	0.2%	(1.3%)	(1.5)
Total income margin	8.75%	7.31%	(1.44)
Net interest margin	6.76%	5.60%	(1.16)
Cost/income ratio	84.1%	84.5%	0.4
Net loans to deposits (FX-adjusted)	100%	104%	4
FX rates	**2014 HUF**	**2015 HUF**	**Change %**
HUF/RSD (closing)	2.6	2.6	(1)
HUF/RSD (average)	2.6	2.6	(2)

- HUF 385 million adjusted loss in 2015, due to growing risk cost in 4Q
- The DPD90+ ratio improved by 4.5 ppts y-o-y in 2015, the coverage reached 75%
- The DPD0–90 loan book expanded by 17% with the gross portfolio advancing by 9% y-o-y (FX-adjusted)
- Due to the improving corporate lending activity and increasing deposits (+10% y-o-y) the net loan/deposit ratio stood at 104% at end-2015

Methodological note: due to a series of decisions on FX mortgages made by the central bank on 24 February 2015 the bank suffered a loss of HUF 211 million in 2015. Those losses were taken out of the P&L of the Serbian subsidiary and were presented on consolidated level within adjustment items.

OTP banka Srbija posted HUF 385 million adjusted loss in 2015. After three profitable quarters the 4Q 2015 results turned into red (HUF –759 million), due to the hiking risk costs. Operating profit in 2015 declined by 5% y-o-y, as a result of total income and operating expenses contracting by 2%. Net interest income declined by 3% y-o-y (–1% in local curreny terms), while net interest margin shrank by 120 bps y-o-y. Net fees and commissions income in 2015 decreased by 6% y-o-y.

2015 operating costs moderated by 2% y-o-y (+0.8% in local currency) mainly due to lower personnel expenses.

For the whole year provisions for possible loan losses dropped by 23% y-o-y, but due to the high other risk cost in 4Q related mostly to litigation, total risk cost increased by 28% on the yearly basis. The DPD90+ ratio decreased to 39.3%, owing to portfolio quality improvement. The 4.5 ppts y-o-y improvement of the ratio was positively affected by around HUF 2.2 billion non-performing loan write-offs during the last 12 months; also the settlement of FX mortgages resulted in lower delinquent volumes in 3Q. The coverage ratio of DPD90+ loans reached 74.9% (–1.3 ppts y-o-y).

The FX-adjusted loan book expanded by by 9% y-o-y. The increase was mainly reasoned by the large corporate loan book expansion (+14% y-o-y), also retail consumer and mortgage lending gained momentum. Consumer loan portfolio grew by 7% y-o-y (FX-adjusted).

FX-adjusted deposits increased by 10% y-o-y. The capital adequacy ratio of the bank stood at 25.8% at the end of December.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account	2014 HUF million	2015 HUF million	Change %
After tax profit w/o dividends and net cash transfer	391	909	132
Income tax	19	1	(97)
Profit before income tax	372	908	144
Operating profit	3,789	3,146	(17)
Total income	11,518	10,468	(9)
Net interest income	8,359	7,228	(14)
Net fees and commissions	2,877	2,996	4
Other net non-interest income	282	244	(13)
Operating expenses	(7,729)	(7,322)	(5)
Total provisions	(3,417)	(2,238)	(35)
Provision for possible loan losses	(3,069)	(2,266)	(26)
Other provision	(348)	28	(108)
Main components of balance sheet closing balances	**2014**	**2015**	**%**
Total assets	195,770	199,800	2
Gross customer loans	158,297	149,775	(5)
Gross customer loans (FX-adjusted)	157,407	149,775	(5)
Retail loans	70,556	73,065	4
Corporate loans	86,851	76,710	(12)
Allowances for possible loan losses	(50,981)	(52,991)	4
Allowances for possible loan losses (FX-adjusted)	(50,695)	(52,991)	5
Deposits from customers	142,593	148,117	4
Deposits from customer (FX-adjusted)	142,446	148,117	4
Retail deposits	114,369	114,427	0
Corporate deposits	28,077	33,690	20
Liabilities to credit institutions	19,990	21,829	9
Subordinated debt	2,219	0	(100)
Total shareholders' equity	22,840	23,091	1
Loan Quality	**2014**	**2015**	**%/ppts**
90+ days past due loan volume (in HUF million)	62,808	63,881	2
90+ days past due loans/gross customer loans	39.7%	42.7%	3.0
Cost of risk/average gross loans	1.90%	1.47%	(0.43)
Cost of risk/average (FX-adjusted) gross loans	1.86%	1.48%	(0.38)
Total provisions/90+ days past due loans	81.2%	83.0%	1.8
Performance Indicators	**2014**	**2015**	**ppts**
ROA	0.2%	0.5%	0.3
ROE	1.8%	4.0%	2.2
Total income margin	5.88%	5.29%	(0.59)
Net interest margin	4.26%	3.65%	(0.61)
Cost/income ratio	67.1%	69.9%	2.8
Net loans to deposits (FX-adjusted)	75%	65%	(10)
FX rates	**2014 HUF**	**2015 HUF**	**Change %**
HUF/EUR (closing)	314.9	313.1	(1)
HUF/EUR (average)	308.7	309.9	0

- Profit after tax reached HUF 0.9 billion in 2015
- Annual operating costs decreased by 5%, while the net interest income dropped by 14% y-o-y
- Risk costs declined by one third compared to the base period
- The gross loan book shrank by 5% y-o-y, the deposit base increased by 4% y-o-y (FX-adjusted)

The Montenegrin **CKB Bank** posted HUF 909 million after tax profit in 2015 (+132% y-o-y). The operating profit for 2015 decreased by 17% as a result of declining total income (–9% y-o-y) and diminishing operating expenses (–5% y-o-y).

The interest expenses on customer deposits almost halved y-o-y as a consequence of

lowered deposit rates aimed at reducing the excess liquidity of the Bank. At the same time as a result of moderating lending interest rates and shrinking performing loan book the 12M net interest income dropped by 14% y-o-y. The net fee and commission income improved by 4% y-o-y. The yearly decline in operating expenses was mainly due to the rationalization of workforce in 2014. In 2015 the total risk cost dropped by one third.
The loan portfolio quality deteriorated somewhat, the DPD90+ ratio increased by 3 ppts y-o-y mainly due to a technical effect (the interest of retail loans transferred to the Factoring was added to the principal thus causing an increase in the volume of DPD90+ loans). Furthermore, continued contraction of the loan portfolio also shaped the development of DPD90+ ratio. The FX-adjusted growth of DPD90+ loans (excluding the impact of loan sales and write-offs) reached HUF 1.2 billion in full-year 2015. The coverage of the loans increased by 1.8 ppts y-o-y and reached 83%.
The FX-adjusted loan portfolio shrank by 5% y-o-y, reasoned mainly by the repayment of large scale corporate loans. On the opposite, the retail loan portfolio grew by 4% y-o-y mainly attributable to the improvement in consumer loan volumes.
The FX-adjusted deposit base grew by 4% y-o-y. The net loan-to-deposit ratio sank to 65% (–10 ppts y-o-y, FX-adjusted).
The year-end capital adequacy ratio stood at 16.2% (+0.5 ppt y-o-y).

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (full-time equivalent (FTE), including the number of employed selling agents) was 31,713 as of 31 December 2015. During the year the head-count decreased in Russia and the Ukraine, while increased in Romania due to the acquisition.
OTP Group provides services through 1,340 branches and more than 3,800 ATMs in 9 countries of the CEE-region. In Hungary, OTP Bank has an extensive distribution network, which includes 375 branches and 1,895 ATM terminals. The bank (Hungary) has more than 75 thousands POS terminals.
The branch network significantly decreased in Russia and the Ukraine (–64 and –31 units y-o-y, respectively).

	31/12/2015				31/12/2014			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	375	1,895	55,288	8,142	380	1,976	52,336	8,244
DSK Group	383	874	5,207	4,502	385	883	4,936	4,527
OTP Bank Russia (w/o employed agents)	134	233	1,751	4,787	198	228	1,203	5,992
Touch Bank (Russia)	0	0	1,751	219	–	–	–	–
OTP Bank Ukraine (w/o employed agents)	85	105	315	2,146	116	133	317	3,004
OTP Bank Romania*	108	150	2,848	1,139	84	122	1,471	918
OTP banka Hrvatska	110	247	2,048	1,082	117	242	1,967	1,201
OTP Banka Slovenko	60	141	216	678	61	139	196	668
OTP banka Srbija	56	128	2,248	633	51	121	2,305	642
CKB	29	84	4,895	431	29	80	4,821	427
Foreign subsidiaries, total	**965**	**1,962**	**21,279**	**15,615**	**1,041**	**1,948**	**17,216**	**17,379**
Other Hungarian and foreign subsidiaries**				1,206				818
OTP Group (w/o employed agents)				**24,963**				**26,441**
OTP Bank Russia – employed agents				6,328				7,722
OTP Bank Ukraine – employed agents				423				1,077
OTP Group (aggregated)	**1,340**	**3,857**	**76,567**	**31,713**	**1,421**	**3,924**	**69,552**	**35,240**

* In Romania the expansion of sales network is explained by the acquisition of Banca Millennium.
** Due to the broadening of the data provider group members, the historical employee figures of the other Hungarian and foreign subsidiaries are not comparable.

SUPPLEMENTARY DATA

Footnotes to the table 'consolidated net profit breakdown by subsidiaries (IFRS)'

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

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

(2) OTP Core is an economic unit for measuring the result of core business activity of OTP Group in Hungary. Financials of OTP Core are calculated from the partially consolidated IFRS financial statements of the companies engaged in OTP Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financial Point Ltd., and companies providing intragroup financing. The consolidated accounting results of these companies are segmented into OTP Core and Corporate Centre. Latter is a virtual entity.

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

(4) From 1Q 2015 the performance of OTP Bank Russia does not contain the volumes and financial result of Touch Bank. (The performance of Touch Bank was shown separately from OTP Bank Russia's performance for the first time in the Summary of the full-year 2015 results, with retroactive effect from 1Q 2015.) From 1Q 2015 the statement of recognised income and balance sheet of LLC MFO OTP Finance" was included in the Russian performance. The pre-tax gain realised on the perpetual EUR 500 million subordinated Notes transaction within the Group in 3Q 2014 was eliminated from the performance of OTP Bank Russia.

(5) Touch Bank is a digital bank being part of OTP Bank Russia from legal point of view, and it is operating under the same banking license, but as a separate business line. In order to provide transparent information Touch Bank is presented as a separate virtual entity and as an independent activity. The performance of Touch Bank was shown separately from OTP Bank Russia's performance for the first time in the Summary of the full-year 2015 results, with retroactive effect from 1Q 2015.

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

(7) From 3Q 2010, statements are based on the aggregated financials of DSK Group and

the newly established Bulgarian collection company, OTP Factoring Bulgaria LLC. DSK Group balance sheet contains the loans sold to the factoring company at before sale gross value and the related provisions as well.

(8) Net earnings are adjusted with the result of CIRS swap transactions executed with OTP Bank Hungary in relation to interbank financing. Before transfer balance sheet numbers are displayed. From 2Q 2010 the statement of recognised income and balance sheet of OTP Faktoring SRL was included. Banca Millennium was consolidated into OBR's results from 1Q 2015.

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

(10) Banco Popolare Croatia was consolidated into OBH's results from 2Q 2014. From 1Q 2015 including the financial result and volumes of OTP Faktoring d.o.o.

(11) From 2011 on the balance sheet contains consolidated data of OTP Banka Slovensko and OTP Faktor Slovensko s.r.o., adjusted for loans sold to OTP Bank Plc. and OTP Factoring Ltd., and the related interbank financing in the net amount of the sold loans. The recoveries of sold loans to OTP Faktoring are recognised in the P&L accounts as risk cost decreasing elements since 2011. From 2012 on P&L data and related indices are adjusted for the special banking tax and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, as well as the contribution into the Resolution Fund.

(12) Including the financial performance of OTP Factoring Montenegro d.o.o.

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

(14) From 4Q 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o. (Croatia) (until 3Q 2011), OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).

(15) LLC AMC OTP Capitol (Ukraine) and OTP Asset Management SAI S.A. (Romania), DSK Asset Management (Bulgaria).

(16) HIF Ltd. (United Kingdom), OTP Faktoring Slovensko (Slovakia) (until 1Q 2011), OTP Buildings (Slovakia), OTP Real Slovensko (Slovakia), Velvin Ventures Ltd. (Belize), Debt Management Project 1 Montenegro d.o.o. (Montenegro), R.E. Four d.o.o., Novi Sad (Serbia), SC Aloha Buzz SRL, SC Favo Consultanta SRL, SC Tezaur Cont SRL (Romania), Cresco d.o.o. (Croatia).

(17) Total Hungarian subsidiaries: sum of the adjusted after tax results of Hungarian group members, Corporate Centre and related eliminations.

(18) Total Foreign subsidiaries: sum of the adjusted after tax profits of foreign subsidiaries and one-off items (after tax).

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

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

Adjustments:

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, the fine imposed by the Hungarian Competition Authority and the risk cost created in relation to the decision of the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme in Romania, the risk cost created toward Crimean exposures from 2Q 2014, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary. Beside the Slovakian banking levy, the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014, and the contribution into the Resolution Fund in Slovakia, too.

- Other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- From 2Q 2014 OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj.) without one-offs line.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations –, Other non-interest expenses stemming from non-financial activities, Special tax on financial institutions and the one-timer payment compensating the underperformance of the financial transaction tax.
- From 4Q 2010 onwards, the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense in the accounting income statement. Earlier this item had been booked as fee expense. In order to create a comparable time series, since 4Q 2010 dealer fees have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Merkantil Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.
- Performing indicators such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as

received dividends and net cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, the fine imposed by the Hungarian Competition Authority and the risk cost created in relation to the decision of the Hungarian Competition Authority, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of Banco Popolare Croatia acquisitions, the one-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary, the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia, the one-off impact of regulatory changes related to FX consumer contracts in Serbia, the expected one-off impact of the CHF mortgage loan conversion programme in Romania, the risk cost created toward Crimean exposures from 2Q 2014, the risk cost related toward exposure to Donetsk and Luhansk from 3Q 2014, the revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes, and the net loss from early repayment of FX mortgage loans in Hungary.

- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses") and Other provisions, whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.
- In 3Q 2012 and in 2Q 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies' previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Taxdeductible transfers paid by Hungarian group members from 3Q 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (i.e. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L.
- From 2012 credit institutions' contribution tax was recognised in the accounting P&L of OTP Group and OTP Core as OTP Core's burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the contribution tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- Due to regulatory changes related to consumer contracts in Hungary the actual negative effects of the financial settlement with clients and the conversion of FX consumer contracts prescribed by regulatory changes related to consumer contracts in Hungary as well as the impact of the related methodological changes were recognized within the accounting P&L in each quarters of 2015 on the net interest income, net fees and commissions, foreign exchange gains (net), net other non-interest result, other non-interest expenses, provision for loan

losses, other risk cost and dividends and net cash transfers lines. These items booked in these periods were eliminated from all of the affected lines and were shown separately among adjustment items on consolidated level, whereas the estimate on the one-off negative impact of regulatory changes related to consumer contracts was booked on the other risk cost line in the accounting P&L.

- The revaluation result booked on Other provisions line due to regulatory changes related to FX mortgage loans in Hungary were moved to the Foreign exchange result line in 4Q 2014.
- Within the report, FX-adjusted statistics for business volume developments and their product breakdown are disclosed, too. For FX-adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. (In Hungary in case of FX mortgage loans converted into HUF in 1Q 2015 pursuant to the Act No. LXXVII of 2014 the fixed FX rates stipulated by the law were used for the FX-adjustment.) Thus the FX-adjusted volumes will be different from those published earlier.

Adjustments on the Consolidated Statement of recognized income (IFRS):

	2014 HUF million	2015 HUF million
Net interest income	**636,099**	**550,430**
(–) Agent fees paid to car dealers by Merkantil Group	(2,047)	(2,084)
(+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(2,798)	(232)
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		(698)
Net interest income (adj.) with one-offs	**635,348**	**552,980**
(–) Revaluation result of FX-swaps at OTP Core (booked within net interest income)	(824)	(679)
Net interest income (adj.) without one-offs	**636,172**	**553,659**
Net profit from fees and commissions	**215,656**	**213,872**
(+) Net interest accruals related to agent fees at OTP Mortgage Bank	0	0
(+) Agent fees paid to car dealers by Merkantil Group	(2,047)	(2,084)
(+) Financial Transaction Tax	(44,029)	(45,076)
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		(538)
Net fees and commissions (adj.)	**169,579**	**167,250**
Foreign exchange result	**156,918**	**116,682**
(–) Revaluation result of FX positions hedging the revaluation of FX provisions	144,203	96,814
(+) Revaluation result booked on Other risk cost line due to regulatory changes related to FX mortgage loans in Hungary	(1,428)	0
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		1,320
(–) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia		70
Foreign exchange result (adj.) with one-offs	**11,287**	**18,476**
Foreign exchange result (adj.) without one-offs	**11,287**	**18,476**
Gain/loss on securities, net	**6,911**	**11,616**
Gain/loss on securities, net (adj.) with one-offs	**6,911**	**11,616**
(–) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj.) at OTP Core)	423	2,418
Gain/loss on securities, net (adj.) without one-offs	**6,489**	**9,197**
Other operating income	**14,379**	**22,973**
(–) Received cash transfers	5	9
(–) Non-interest income from the release of pre-acquisition provisions	1,260	1,518
(+) Other other non-interest expenses	(7,666)	(182,726)
(+) Change in shareholders' equity of companies consolidated with equity method	1,648	690
(–) Badwill booked in relation to acquisitions	4,563	1,845
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		(170,420)
(–) One-off impact of regulatory changes related to FX consumer contracts in Serbia		(212)
(–) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015		1,868
Net other non-interest result (adj.) with one-offs	**2,534**	**6,329**
(–) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core and at the Corporate Centre)	0	0
Net other non-interest result (adj.) without one-offs	**2,534**	**6,329**
Provision for loan losses	**(446,830)**	**(318,683)**
(+) Non-interest income from the release of pre-acquisition provisions	1,260	1,518
(–) Revaluation result of FX provisions	(144,203)	(95,783)
(–) Risk cost created toward Crimean exposures from 2Q 2014	(8,953)	(240)
(–) Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014	(28,903)	(2,684)
(–) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia		2,058
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		(8,853)
Provision for loan losses (adj.)	**(263,511)**	**(211,663)**
After tax dividends and net cash transfers	**(7,481)**	**(12,508)**
(–) Sponsorships, subsidies and cash transfers to public benefit organisations	(12,277)	(15,473)
(–) Dividend income of swap counterparty shares kept under the treasury share swap agreement	2,957	2,433
(–) Change in shareholders' equity of companies consolidated with equity method	1,648	690
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		(302)
After tax dividends and net cash transfers	**191**	**144**

	2014 HUF million	2015 HUF million
Depreciation and amortization	**(43,722)**	**(45,463)**
(+)Goodwill impairment	**(22,225)**	**0**
(–) Goodwill impairment charges	(22,225)	0
Depreciation (adj.)	**(43,721)**	**(45,463)**

Income taxes	**51,385**	**3,147**
(–) Corporate tax impact of goodwill/investment impairment charges	17,210	6,683
(–) Corporate tax impact of the special tax on financial institutions	6,818	6,609
(+) Tax deductible transfers	(9,734)	(12,200)
(–) Corporate tax impact of the risk cost created in relation to the decision of the Hungarian Competition Authority	0	151
(–) Corporate tax impact of the badwill booked in relation to acquisitions	(913)	(295)
(–) Corporate tax shield on previous losses of acquired banks	913	0
(–) Corporate tax impact of provision on potential merger expenses	108	0
(–) Corporate tax impact of the one-off effect of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	37,464	(4,173)
(–) Corporate tax impact of risk cost created toward Crimean exposures from 2Q 2014	1,010	71
(–) Corporate tax impact of risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014	3,367	426
(–) Corporate tax impact of revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes		1,299
(–) Corporate tax impact of the expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia		1,583
(–) Corporate tax impact of the one-off impact of regulatory changes related to FX consumer contracts in Serbia		0
(–) Corporate tax impact of the expected one-off impact of the CHF mortgage loan conversion programme in Romania		4,407
Corporate income tax (adj.)	**(24,327)**	**(25,813)**

Other operating expense	**(232,609)**	**(74,680)**
(+) Provision on securities available-for-sale and held-to-maturity	**(297)**	**(15)**
(–) Other costs and expenses	(6,354)	(14,211)
(–) Other non-interest expenses	(19,976)	(198,588)
(–) Other risk costs recognised in relation to the fixed exchange rate scheme	0	0
(–) Provision on potential merger expenses	(539)	0
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary	(193,371)	197,569
(–) Revaluation result booked on Other risk cost line due to regulatory changes related to FX mortgage loans in Hungary	(1,428)	0
(–) Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (booked within other risk cost)		(6,838)
(–) Revaluation result of FX other provisions		(1,031)
(–) Expected one-off impact of regulatory changes related to CHF consumer contracts in Croatia		(10,042)
(–) Expected one-off impact of the CHF mortgage loan conversion programme in Romania		(29,827)
(–) Risk cost created in relation to the decision of the Hungarian Competition Authority		(813)
(–) Adjustment of the one-off reclassification between Net other non-interest result and Other provisions in 4Q 2015		(1,868)
Other provisions (adj.)	**(11,237)**	**(9,046)**

Other administrative expenses	**(236,410)**	**(232,247)**
(+) Other costs and expenses	(6,354)	(14,211)
(+) Other non-interest expenses	(19,976)	(198,588)
(–) Paid cash transfers	(12,309)	(15,862)
(+) Film subsidies and cash transfers to public benefit organisations	(12,277)	(15,473)
(–) Other other non-interest expenses	(7,666)	(182,726)
(–) Special tax on financial institutions (recognised as other administrative expenses)	(37,011)	(35,992)
(–) Tax deductible transfers	(9,734)	(12,200)
(–) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(2,798)	(232)
(–) Financial Transaction Tax	(44,029)	(45,076)
(–) One-off impact of regulatory changes in relation to consumer contracts and the impact of the related methodological changes in Hungary		(9,312)
(–) Expected one-off impact of the CHF mortgage loan conversion programme in Romania		(72)
Other non-interest expenses (adj.)	**(161,470)**	**(159,048)**

Main figures of statement of recognized income of OTP Bank Plc., according to hungarian accounting standards (unconsolidated, audited):

	2014 HUF million	2015 HUF million	Change %
Net interest income	**223,408**	**174,250**	**(22)**
Interest received and similar income	436,638	372,403	(15)
Interest paid and similar charges	(213,230)	(198,153)	(7)
Net fee and commission income	**143,473**	**160,090**	**12**
Commissions and fees received or due	169,874	187,617	10
Commissions and fees paid or payable	(26,401)	(27,527)	4
Other income	**65,320**	**468,758**	**618**
Income from securities	43,095	58,597	36
Net profit or net loss on financial operations	(60,686)	(12,308)	(80)
Other operating income	82,911	422,469	410
General administrative expenses	**(132,303)**	**(135,018)**	**2**
Depreciation	**(16,692)**	**(16,413)**	**(2)**
Other operating charges	**(294,483)**	**(526,752)**	**79**
Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**(28,377)**	**(52,827)**	**86**
Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**37,508**	**25,891**	**(31)**
Difference between formation and utilization of general risk provisions	**0**	**0**	**0**
Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**(25,439)**	**(39,373)**	**55**
Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**724**	**81**	**(89)**
Profit or loss on ordinary activities	**(26,861)**	**58,687**	**(318)**
Extraordinary profit or loss	(13,490)	(155,910)	1056
Profit or loss before tax	**(40,351)**	**(97,223)**	**141**
Taxes on income	(1,367)	(871)	(36)
Profit or loss after tax	**(41,718)**	**(98,094)**	**135**
General reserve	41,718	98,094	135
Profit reserves used for dividends and profit-sharing	40,600	46,200	14
Dividend and profit-sharing payable	(40,600)	(46,200)	14
Profit or loss for the financial year	**0**	**0**	**0**

Main figures of balance sheet of OTP Bank Plc., according to hungarian accounting standards (unconsolidated, audited):

	2014 HUF million	2015 HUF million	Change %
Total assets	**7,319,679**	**6,883,826**	**(6)**
1. Liquid assets	1,897,146	1,324,505	(30)
2. Treasury bills and similar securities	1,028,682	1,577,974	53
3. Loans and advances to credit institutions	738,467	663,431	(10)
4. Loans and advances to customers	**1,922,912**	**1,693,195**	**(12)**
5. Debt securities, including fixed-income securities	804,952	674,896	(16)
6. Shares and other variable-yield securities	121,241	129,853	7
7. Shares and participations in corporations held as financial fixed assets	588	584	(1)
8. Shares and participating interests in affiliated companies	488,226	490,984	1
9. Intangible assets	63,945	65,365	2
10. Tangible assets	68,114	65,734	(3)
11. Own shares	7,073	9,168	30
12. Other assets	37,851	79,616	110
13. Prepayments and accrued income	140,482	108,521	(23)
Total liabilities	**7,319,679**	**6,883,826**	**(6)**
1. Amounts owed to credit institutions	1,153,744	837,020	(27)
2. Amounts owed to customers	**4,277,541**	**4,366,507**	**2**
3. Debts evidenced by certificates	199,822	187,569	(6)
4. Other liabilities	78,536	101,049	29
5. Accruals and deferred income	185,053	81,146	(56)
6. Provisions for liabilities and charges	111,841	88,465	(21)
7. Subordinated liabilities	344,316	313,120	(9)
8. Shareholders' equity	968,826	908,950	(6)

Consolidated statement of recognized income of OTP Bank Plc. for the year ended 31 december 2015, according to ifrs standards (audited, accounting structure):

	2015 HUF million	2014 HUF million	Change %
Loans	575,619	708,873	(19)
Placements with other banks	114,025	94,941	20
Securities available-for-sale	31,063	41,969	(26)
Securities held-to-maturity	46,619	39,934	17
Amounts due from banks and balances with the National Banks	27,496	16,498	67
Other	7,606	7,015	8
Total Interest income	802,428	909,230	(12)
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	116,713	100,615	16
Deposits from customers	108,023	138,179	(22)
Liabilities from issued securities	6,786	13,826	(51)
Subordinated bonds and loans	13,633	13,883	(2)
Other	6,843	6,630	3
Total Interest expense	251,998	273,133	(8)
NET INTEREST INCOME	**550,430**	**636,097**	**(13)**
Provision for impairment on loan and placement losses	318,683	446,830	(29)
NET INRETEST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	**231,747**	**189,267**	**22**
Income from fees and commissions	257,431	265,392	(3)
Expense from fees and commissions	43,559	49,736	(12)
NET PROFIT FROM FEES AND COMMISSIONS	213,872	215,656	(1)
Foreign exchange gains, net	116,682	156,918	(26)
Gains on securities, net	11,616	6,911	68
Dividend income	3,345	4,824	(31)
Provision on securities available-for-sale and held-to-maturity	(15)	(297)	135
Other operating income	22,973	14,379	60
Other operating expense	(74,680)	(232,609)	(68)
from this: release of provision/(provision) on contingent liabilities due to regulations related to customer loans	196,574	(194,798)	
NET OPERATING GAIN/(LOSS)	79,921	49,874	(260)
Personnel expenses	187,806	206,335	(9)
Depreciation and amortization	45,463	43,722	(31)
Goodwill impairment	0	22,225	
Other administrative expenses	232,247	236,410	(2)
OTHER ADMINISTRATIVE EXPENSES	465,516	508,692	(8)
PROFIT/(LOSS) BEFORE INCOME TAX	**60,024**	**(153,643)**	**(139)**
Income tax	3,147	51,385	(94)
NET PROFIT/(LOSS) FOR THE YEAR	**63,171**	**(102,258)**	**(162)**
From this, attributable to:			
Non-controlling interest	(412)	(273)	51
Owners of the company	**63,583**	**(101,985)**	**(162)**

Consolidated statement of financial position of OTP Bank Plc. as at 31 december 2015, according to ifrs standards (audited):

	2015 HUF million	2014 HUF million	Change %
Cash, amounts due from banks and balances with the National Banks	1,878,960	2,307,632	(19)
Placements with other banks, net of allowance for placement losses	300,568	281,006	7
Financial assets at fair value through profit or loss	253,782	289,275	(12)
Securities available-for-sale	1,305,486	839,153	56
Loans, net of allowance for loan losses	5,409,967	5,864,241	(8)
Associates and other investments	10,028	23,381	(57)
Securities held-to-maturity	926,677	709,369	31
Property and equipment	193,661	206,440	(6)
Intangible assets	155,809	158,721	(2)
Other assets	283,910	291,835	(3)
TOTAL ASSETS	**10,718,848**	**10,971,052**	**(2)**
Amounts due to banks and Hungarian Government, deposits from the National Banks and other banks	533,310	708,274	(25)
Deposits from customers	7,984,579	7,673,478	4
Liabilities from issued securities	239,376	267,084	(10)
Financial liabilities at fair value through profit or loss	101,561	183,994	(45)
Other liabilities	391,579	592,088	(34)
Subordinated bonds and loans	234,784	281,968	(17)
TOTAL LIABILITIES	**9,485,189**	**9,706,886**	**(2)**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,261,029	1,288,757	(2)
Treasury shares	(58,021)	(55,940)	4
Non-controlling interest	2,651	3,349	(21)
TOTAL SHAREHOLDERS' EQUITY	**1,233,659**	**1,264,166**	**(2)**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**10,718,848**	**10,971,052**	**(2)**