



**OTP BANK PLC.**

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

**FOR THE YEAR  
ENDED 31 DECEMBER 2014**

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	Note	2014	2013
Cash, amounts due from banks and balances with the National Bank of Hungary		1,897,778	140,521
Placements with other banks, net of allowance for placement losses		712,112	632,899
Financial assets at fair value through profit or loss	4.	351,753	396,565
Securities available-for-sale	5.	1,215,907	1,997,491
Loans, net of allowance for loan losses	6.	1,908,631	2,144,701
Investments in subsidiaries, associates and other investments	7.	604,209	669,322
Securities held-to-maturity	8.	662,947	525,049
Property and equipment		68,114	85,447
Intangible assets		36,091	31,554
Other assets		<u>97,930</u>	<u>49,486</u>
<b>TOTAL ASSETS</b>		<b><u>7,555,472</u></b>	<b><u>6,673,035</u></b>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		1,142,491	902,744
Deposits from customers	9.	4,235,256	3,677,450
Liabilities from issued securities	10.	162,667	170,779
Financial liabilities at fair value through profit or loss		375,363	204,517
Other liabilities		253,952	242,444
Subordinated bonds and loans		<u>294,612</u>	<u>278,241</u>
<b>TOTAL LIABILITIES</b>		<b><u>6,464,341</u></b>	<b><u>5,476,175</u></b>
Share capital		28,000	28,000
Retained earnings and reserves		1,070,204	1,175,591
Treasury shares		<u>(7,073)</u>	<u>(6,731)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>1,091,131</u></b>	<b><u>1,196,860</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>7,555,472</u></b>	<b><u>6,673,035</u></b>

	Note	2014	2013
Interest Income	12.	415,107	572,164
Interest Expense	12.	<u>201,384</u>	366,346
<b>NET INTEREST INCOME</b>	12.	<b><u>213,723</u></b>	<b><u>205,818</u></b>
Provision for impairment on loan and placement losses	6.	23,213	30,533
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>		<b><u>190,510</u></b>	<b><u>175,285</u></b>
Net profit from fees and commissions		146,546	133,941
Net operating expense		(210,461)	(9,084)
Other administrative expenses		<u>244,428</u>	<u>245,809</u>
<b>(LOSS) / PROFIT BEFORE INCOME TAX</b>		<b><u>(117,833)</u></b>	<b><u>54,333</u></b>
Income tax (benefit) / expense		<u>(43,364)</u>	<u>6,442</u>
<b>NET (LOSS) / PROFIT FOR THE YEAR</b>		<b><u>(74,469)</u></b>	<b><u>47,891</u></b>
Earnings per share (in HUF)			
Basic		<u>(268)</u>	<u>172</u>
Diluted		<u>(267)</u>	<u>172</u>

*The comprehensive income items are as follows:*

	2014	2013
<b>NET (LOSS) / PROFIT FOR THE YEAR</b>	<b><u>(74,469)</u></b>	<b><u>47,891</u></b>
Fair value adjustment of securities available-for-sale	<u>12,777</u>	<u>1,024</u>
<b>NET COMPREHENSIVE INCOME</b>	<b><u>(61,692)</u></b>	<b><u>48,915</u></b>

	2014	2013
(Loss) / profit before income tax	(117,833)	54,333
Income tax paid	(2,864)	(5,370)
Depreciation and amortization	22,177	21,657
Provisions for impairment	295,389	86,385
Share-based payment	4,393	5,704
Unrealised (losses) / gains on fair value adjustment of securities available- for-sale and held for trading	(2,903)	863
Unrealised gains on fair value adjustment of derivative financial instruments	5,401	12,629
Net changing in assets and liabilities in operating activities	<u>849,099</u>	<u>90,075</u>
<b>Net cash provided by operating activities</b>	<b><u>1,052,859</u></b>	<b><u>266,276</u></b>
<b>Net cash provided by / (used in) investing activities</b>	<b><u>453,140</u></b>	<b><u>(207,106)</u></b>
<b>Net cash provided by / (used in) financing activities</b>	<b><u>193,893</u></b>	<b><u>(160,720)</u></b>
<b>Net increase / (decrease ) in cash and cash equivalents</b>	<b><u>1,699,892</u></b>	<b><u>(101,550)</u></b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b><u>62,835</u></b>	<b><u>164,385</u></b>
<b>Cash and cash equivalents at the end of the year<sup>1</sup></b>	<b><u>1,762,727</u></b>	<b><u>62,835</u></b>
Cash, amounts due from banks and balances with the National Bank of Hungary	140,521	245,548
Compulsory reserve established by the National Bank of Hungary	<u>(77,686)</u>	<u>(81,163)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<b><u>62,835</u></b>	<b><u>164,385</u></b>
Cash, amounts due from banks and balances with the National Bank of Hungary <sup>1</sup>	1,897,778	140,521
Compulsory reserve established by the National Bank of Hungary	<u>(135,051)</u>	<u>(77,686)</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>1,762,727</u></b>	<b><u>62,835</u></b>

<sup>1</sup> See Note 4 and 5.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR  
ENDED 31 DECEMBER 2014 (UNAUDITED) (in HUF mn)

	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury Shares	Total
<b>Balance as at 1 January 2013</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>10,800</u></b>	<b><u>1,202,132</u></b>	<b><u>(55,468)</u></b>	<b><u>(4,934)</u></b>	<b><u>1,180,582</u></b>
Net profit for the year	-	-	-	47,891	-	-	47,891
Other comprehensive income	-	-	-	1,024	-	-	1,024
Share-based payment	-	-	5,704	-	-	-	5,704
Payments to ICES holders	-	-	-	(3,425)	-	-	(3,425)
Sale of treasury shares	-	-	-	-	-	17,943	17,943
Loss on sale of treasury shares	-	-	-	481	-	-	481
Acquisition of treasury shares	-	-	-	-	-	(19,740)	(19,740)
Dividend for the year 2012	-	-	-	(33,600)	-	-	(33,600)
<b>Balance as at 31 December 2013</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>16,504</u></b>	<b><u>1,214,503</u></b>	<b><u>(55,468)</u></b>	<b><u>(6,731)</u></b>	<b><u>1,196,860</u></b>
Net loss for the year	-	-	-	(74,469)	-	-	(74,469)
Other comprehensive income	-	-	-	12,777	-	-	12,777
Share-based payment	-	-	4,393	-	-	-	4,393
Payments to ICES holders	-	-	-	(3,580)	-	-	(3,580)
Sale of treasury shares	-	-	-	-	-	27,180	27,180
Loss on sale of treasury shares	-	-	-	(3,908)	-	-	(3,908)
Acquisition of treasury shares	-	-	-	-	-	(27,522)	(27,522)
Dividend for the year 2013	-	-	-	(40,600)	-	-	(40,600)
<b>Balance as at 31 December 2014</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>20,897</u></b>	<b><u>1,104,723</u></b>	<b><u>(55,468)</u></b>	<b><u>(7,073)</u></b>	<b><u>1,091,131</u></b>

**NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS**

**1.1. General information**

These interim condensed financial statements had been prepared in accordance with the prescriptions of IAS 34.

**1.2. Accounting**

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

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

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

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

**NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2014**

- 1) Establishment of OTP Holding Malta Limited
- 2) OTP Group acquisition in Romania
- 3) Establishment of OTP Financing Malta Company Limited
- 4) Capital increase in OTP Banka Slovensko
- 5) Change of ownership structure in OTP Factoring Ltd.

See details about the events above in Note 7.

**6) Government measures related to consumer loan contracts**

Act XXXVIII of 2014 on “Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to consumer loan agreements provided by financial institutions” (“Curia Law”) was promulgated on 18 July 2014.

The Hungarian Parliament has adopted on 24 September 2014 the Act XL of 2014 on “Rules of the settlement and certain other issues put in Act XXXVIII of 2014 on Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to consumer loan agreements provided by financial institutions” (“Act on Settlement”), based on that financial institutions need to settle up with their clients on account of overpayments arisen from invalidity of the bid-ask exchange rate spread and unilateral amendment of contractual clauses.

Act on Settlement has specified the regulations of Curia Law; obligation of settlement does not apply to credit cards, current account loans and mortgage housing loans supported by State. Furthermore amount due to consumers can be reduced by total amount of allowances.

Act LXXVII of 2014 on “Settlement of certain issues concerning the modification of the currency and interest conditions related to consumer loan agreements” was promulgated. The act includes regulations about the conversion of foreign currency consumer mortgage loans into HUF which became legally effective on 1 February 2015 (“Act on Conversion into HUF”). Hereinafter three acts together are called as Acts on Consumer Loans.

Based on these regulations OTP Bank recognised the following items in the financial statements as at 31 December 2014:

**NOTE 2:           SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2014**  
**[continued]**

**6) Government measures related to consumer loan contracts [continued]**

**a) Act on Settlement**

OTP Bank's reimbursement obligation related to invalidity of the bid-ask exchange rate spread will be prospectively in amount of HUF 7.4 billion. Related to bid-ask exchange rate spread OTP Bank recognised provision for impairment in the amount of HUF 332 million during the year 2013.

Based on unilateral amendment of contractual clauses being assumed unfair, OTP Bank, based on estimation of the amount of expected obligation related to loans under legal proceeding, recognised contingent liability and provision for impairment in the amount of HUF 36.7 billion. In case of these amounts, provision for impairment on mortgage loans concerned in conversion into HUF was recognised at foreign exchange rates applied in conversion into HUF in financial statements as at 31 December 2014 (CHF: 256.47; EUR: 308.97; JPY: 2.163).

**b) Act on Conversion into HUF**

Based on the Act on Conversion into HUF, in case of mortgage loans concerned in conversion into HUF, OTP Bank records the foreign currency loans, provision for impairment, accrued interest and provision at foreign exchange rates applied in conversion into HUF in IFRS financial statements as at 31 December 2014.

The foreign currency loans concerned in conversion into HUF need to be derecognised at the time of conversion into HUF from IFRS financial statements and the HUF loans need to be recognised as new loans. According to IFRS, HUF loans shall be recognised initially at fair value and below-market interest rule is needed to be applied. Based on expected negative fair value of loans, provision for impairment was recognised in the amount of HUF 456 million in the Bank's separate IFRS financial statements.

**c) Effect of the Acts on Consumer Loans on the Group**

Provision on losses expected from bid-ask exchange rate spread and unilateral amendment was recognised up to OTP Bank's separate expected losses in the Bank's financial statements as at 31 December 2014. Provision on expected losses in case of subsidiaries is recognised by subsidiaries in their financial statements.

In the level of the Group provision recognised due to Act on Settlement is the following (in HUF mn):

OTP Bank Plc.	44,127
OTP Mortgage Ltd.	88,537
Merkantil Bank Ltd.	20,066
Merkantil Car Ltd.	2,283
OTP Real Estate Leasing Ltd.	<u>4,963</u>
<b>Total</b>	<b><u>159,976</u></b>

In order to eliminate the negative effects of the Acts on its subsidiaries' financial position and to secure the continuous capital adequacy, OTP Bank provided capital contribution in amount of HUF 78,304 million in December 2014. At the same amount investment in subsidiaries were increased.

OTP Mortgage Bank Ltd.	56,581
Merkantil Bank Ltd.	16,826
OTP Real Estate Leasing Ltd.	<u>4,897</u>
<b>Total</b>	<b><u>78,304</u></b>

At the same amount provision for impairment on investment in subsidiaries was recognised.

OTP Group still maintains the point of view that the group members keep completely the effective regulations during its loan activity practice.



**NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2014**  
[continued]**6) Government measures related to consumer loan contracts [continued]****d) Introduction of deferred tax relating to acts on consumer loans**

Prescription 29/ZS § of the Act LXXXI of 1996<sup>1</sup> enables – based on accounting regulations in 44§ of Act on Settlement – to recognise tax difference (“tax receivables”) calculated for clients’ overpayments relating to consumer loan agreements in the form of corporate tax, special tax of business partnerships, local business tax, innovation contribution, special tax of financial institutions, up to the tax declared and paid for the 2008-2014 tax years. Tax receivable shall be deducted from the amount of corporate tax payable for the 2015 and the following tax years.

Furthermore prescription 29/ZS § of the Act LXXXI of 1996 enables to provide non-repayable financial support or grant for subsidiaries, for covering the costs and expenses directly incurred in connection with implementation of the Act on Settlement. This support has been claimed as expense during calculation of corporate tax. OTP Bank proposes to provide financial support for its subsidiaries to cover their losses.

The Bank recognized 30.5 billion HUF deferred tax receivable in the separate financial statements prepared for year 2014 due to the expecting tax receivable based on act on settlement and considering the contribution provided to the subsidiaries.

**e) Derivative deals contracted due to the obligations in relation with the act on consumer loan agreements**

The Bank hedged its theoretically opened position due to the effect of Act on Settlement and Act on Conversion into HUF with spot and derivative deals contracted with NBH. With those subsidiaries which were affected by the Act on Settlement the Bank concluded further derivative deals to have been covered all the opened foreign exchange positions of the subsidiaries, so all the opened foreign exchange position was covered on Group level by EUR/CHF market transactions.

**NOTE 3: POST BALANCE SHEET EVENTS****1) Capital increase in OTP Bank Romania**

See details in Note 7.

**2) Act on Fair banking**

Act LXXVIII of 2014 known as Act on Fair banking was promulgated that modified the Act CLXII of 2009 on Consumer Credit. The Act on Fair banking is aimed at making the variation in interest of consumer loan contracts transparent and traceable. Regulations of the act are effective from 1 February 2015.

The Act includes new regulations for modification of loan contracts, rules for uncharged cancellation by clients, special directions for foreign currency loans and rules of change for new contract conditions. The Act prescribes in relation with unilateral amendment of contractual clauses that interest, spread, cost and fee can be solely modified disadvantageously. Disadvantageous amendment for clients is not allowed in other conditions.

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<sup>1</sup> on Corporate Tax and Dividend Tax

**NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (in HUF mn)**

	2014	2013
<i>Held for trading securities:</i>		
Shares	58,559	73,256
Government bonds	13,777	4,090
Hungarian government interest bearing Treasury Bills	4,175	6,466
Hungarian government discounted Treasury Bills	288	2,159
Mortgage bonds	71	237
Securities issued by credit institutions	67	1,162
Securities issued by the NBH <sup>1</sup>	-	209,347
Other securities	<u>216</u>	<u>26</u>
	<b><u>77,153</u></b>	<b><u>296,743</u></b>
Accrued interest	<u>434</u>	<u>105</u>
<b>Total</b>	<b><u>77,587</u></b>	<b><u>296,848</u></b>
<i>Derivative financial instruments designated as held for trading:</i>		
CCIRS <sup>2</sup> and mark-to-market CCIRS swaps designated as held for trading	152,540	32,763
Foreign currency swaps designated as held for trading	60,833	6,637
Interest rate swaps designated as held for trading	43,538	53,728
Other derivative transactions <sup>3</sup>	<u>17,255</u>	<u>6,589</u>
	<b><u>274,166</u></b>	<b><u>99,717</u></b>
<b>Total</b>	<b><u>351,753</u></b>	<b><u>396,565</u></b>

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

<sup>2</sup> CCIRS: Cross Currency Interest Rate Swap

<sup>3</sup> incl.: FX, equity, commodity and index futures; FX forward; commodity swap; equity swap; FRA; FX option

**NOTE 5: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)**

	2014	2013
Mortgage bonds	741,567	789,419
Government bonds	375,040	90,177
Bonds issued by NBH <sup>1</sup>	-	1,021,825
Other securities	64,593	67,264
<i>-listed securities</i>	<u>31,535</u>	<u>36,883</u>
<i>in HUF</i>	-	-
<i>in foreign currency</i>	31,535	36,883
<i>-non-listed securities</i>	<u>33,058</u>	<u>30,381</u>
<i>in HUF</i>	27,397	26,589
<i>in foreign currency</i>	5,661	3,792
<b>Subtotal</b>	<b><u>1,181,200</u></b>	<b><u>1,968,685</u></b>
Accrued interest	<u>34,707</u>	<u>28,806</u>
<b>Total</b>	<b><u>1,215,907</u></b>	<b><u>1,997,491</u></b>

**NOTE 6: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)**

	2014	2013
Short-term loans and trade bills (within one year)	1,014,363	941,428
Long-term loans and trade bills (over one year)	<u>972,626</u>	<u>1,343,444</u>
<b>Loans gross total</b>	<b><u>1,986,989</u></b>	<b><u>2,284,872</u></b>
Accrued interest	<u>7,039</u>	<u>10,342</u>
Provision of impairment on loan losses	<u>(85,397)</u>	<u>(150,513)</u>
<b>Total</b>	<b><u>1,908,631</u></b>	<b><u>2,144,701</u></b>

**Partial write-off**

OTP Bank applies partial write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IAS 39 and IFRS 9. If OTP Bank has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially at the time of emergence. A loan will be partially written off if it has matured or was terminated by the Bank.

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

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

Loan receivables have been partially written off at the amount of HUF 61,159 million in the year ended of 31 December 2014.

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

**NOTE 6: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn) [continued]**

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

	2014		2013	
<b>Retail loans</b>	<b>518,058</b>	<b>26%</b>	<b>539,340</b>	<b>24%</b>
Retail consumer loans	291,497	15%	309,476	14%
Retail mortgage backed loans	112,358	5%	123,592	5%
SME loans	114,203	6%	106,272	5%
<b>Corporate loans</b>	<b>1,468,931</b>	<b>74%</b>	<b>1,745,532</b>	<b>76%</b>
Loans to medium and large corporates	1,420,631	71%	1,537,655	67%
Municipality loans	28,471	2%	105,725	5%
Municipality loans completed by the State	<u>19,829</u>	<u>1%</u>	<u>102,152</u>	<u>4%</u>
<b>Total</b>	<b><u>1,986,989</u></b>	<b><u>100%</u></b>	<b><u>2,284,872</u></b>	<b><u>100%</u></b>

An analysis of the loan portfolio by currency is as follows:

	2014	2013
In HUF	43%	40%
In foreign currency	<u>57%</u>	<u>60%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

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

	2014	2013
<b>Balance as at 1 January</b>	<b>150,513</b>	<b>153,370</b>
Provision for the year	52,096	83,796
Release of provision	(54,793)	(82,134)
Partial write-off	(62,419)	-
Structural difference relating to provision for previous years	<u>-</u>	<u>(4,519)</u>
<b>Balance as at 31 December</b>	<b><u>85,397</u></b>	<b><u>150,513</u></b>

**NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)**

	2014	2013
Investments in subsidiaries:		
Controlling interest	1,147,839	985,892
Other	<u>681</u>	<u>1,011</u>
	<b><u>1,148,520</u></b>	<b><u>986,903</u></b>
Provision for impairment	<u>(544,311)</u>	<u>(317,581)</u>
<b>Total</b>	<b><u>604,209</u></b>	<b><u>669,322</u></b>

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

	2014	2013
<b>Balance as at 1 January</b>	<b>317,581</b>	<b>265,031</b>
Provision for the year	<u>226,730</u>	<u>52,550</u>
<b>Balance as at 31 December</b>	<b><u>544,311</u></b>	<b><u>317,581</u></b>

On 30 June 2014 OTP Holding Malta Limited has been registered by the Registrar of Companies. The registered capital of the Company EUR 104.95 million and the direct and indirect ownership ratio of OTP Bank is 100%.

**NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn) [continued]**

On 30 July 2014 OTP Bank Romania signed an agreement in Bucharest with Banco Comercial Português on the purchase of its 100.0% ownership in its Romanian subsidiary. The purchase price was EUR 39 million. As a result of the acquisition the market share of OTP Bank Romania will rise to 2.1% elevating the bank into the 11<sup>th</sup> place amongst the Romanian banks.

On 29 October 2014 OTP Financing Malta Company Limited was incorporated in Malta. The company has a share capital of EUR 105,000,000 and is under 100% ownership (direct and indirect) of OTP Bank. The company was established to optimize the financing transactions within OTP Group.

On 28 November 2014 OTP Bank announced that the Slovakian Court of Registration registered a capital increase in the amount of EUR 10,031,209 at OTP Banka Slovensko a.s., the Slovakian subsidiary of OTP Bank. The registered capital of OTP Banka Slovensko a.s. was increased to EUR 88,539,106.84 from EUR 78,507,897.84 and the ownership ratio of OTP Bank represents 99.26%.

On 11 December 2014 OTP Bank became the sole owner of OTP Factoring Ltd. with the buy-out of the stake of OTP Real Estate Ltd.

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

**NOTE 8: SECURITIES HELD-TO-MATURITY (in HUF mn)**

	<b>2014</b>	<b>2013</b>
Government bonds	641,645	506,808
Mortgage bonds	4,756	4,770
Hungarian government discounted Treasury bills	<u>346</u>	<u>341</u>
	<b><u>646,747</u></b>	<b><u>511,919</u></b>
Accrued interest	<u>16,200</u>	<u>13,130</u>
<b>Total</b>	<b><u>662,947</u></b>	<b><u>525,049</u></b>

**NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)**

	<b>2014</b>	<b>2013</b>
Within one year:		
In HUF	3,600,806	2,985,237
In foreign currency	<u>599,127</u>	<u>660,166</u>
	<b><u>4,199,933</u></b>	<b><u>3,645,403</u></b>
Over one year:		
In HUF	<u>31,419</u>	<u>25,646</u>
	<b><u>31,419</u></b>	<b><u>25,646</u></b>
<b>Subtotal</b>	<b><u>4,231,352</u></b>	<b><u>3,671,049</u></b>
Accrued interest	<u>3,904</u>	<u>6,401</u>
<b>Total</b>	<b><u>4,235,256</u></b>	<b><u>3,677,450</u></b>

**NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]**

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

	2014		2013	
<b>Retail deposits</b>	<b>2,242,240</b>	<b>53%</b>	<b>2,069,291</b>	<b>57%</b>
Household deposits	1,860,109	44%	1,748,210	48%
SME deposits	382,131	9%	321,081	9%
<b>Corporate deposits</b>	<b>1,989,112</b>	<b>47%</b>	<b>1,601,758</b>	<b>43%</b>
Deposits to medium and large corporates	1,659,484	39%	1,329,032	36%
Municipality deposits	<u>329,628</u>	<u>8%</u>	<u>272,726</u>	<u>7%</u>
<b>Total</b>	<b><u>4,231,352</u></b>	<b><u>100%</u></b>	<b><u>3,671,049</u></b>	<b><u>100%</u></b>

**NOTE 10: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)**

	2014	2013
Within one year:		
In HUF	24,280	35,322
In foreign currency	<u>39,024</u>	<u>33,034</u>
	<b><u>63,304</u></b>	<b><u>68,356</u></b>
Over one year:		
In HUF	86,781	93,713
In foreign currency	<u>10,061</u>	<u>8,200</u>
	<b><u>96,842</u></b>	<b><u>101,913</u></b>
<b>Subtotal</b>	<b><u>160,146</u></b>	<b><u>170,269</u></b>
Accrued interest	<u>2,521</u>	<u>510</u>
<b>Total</b>	<b><u>162,667</u></b>	<b><u>170,779</u></b>

**NOTE 11: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)**

*(a) Contingent liabilities and commitments*

	2014	2013
Commitments to extend credit	753,152	650,300
Guarantees arising from banking activities	366,756	420,166
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>102,133</i>	<i>115,328</i>
Promissory obligation to OTP Financing Solutions B.V.	120,664	124,517
Legal disputes (disputed value)	53,729	49,944
Contingent liabilities ordered by law related to consumer loans	43,631	-
Confirmed letters of credit	108	470
Other	<u>33,428</u>	<u>26,995</u>
<b>Total</b>	<b><u>1,371,468</u></b>	<b><u>1,272,392</u></b>

At the balance sheet date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings corresponds to the level of claims and legal proceedings in previous years. The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes was HUF 998 million and HUF 554 million as at 31 December 2014 and 2013, respectively.

**NOTE 11: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]**

(b) *Fair value of derivative instruments*

	Fair value		Notional value, net	
	2014	2013	2014	2013
<b>Interest rate swaps classified as held for trading</b>				
Positive fair value of interest rate swaps classified as held for trading	43,538	53,728	46,128	59,680
Negative fair value of interest rate swaps classified as held for trading	(63,670)	(67,854)	(66,510)	(74,699)
<b>Foreign exchange swaps classified as held for trading</b>				
Positive fair value of foreign exchange swaps classified as held for trading	60,833	6,637	57,280	6,876
Negative fair value of foreign exchange swaps classified as held for trading	(60,110)	(5,744)	(55,697)	(5,917)
<b>Interest rate swaps designated as fair value hedge</b>				
Positive fair value of interest rate swaps designated in fair value hedge	14,032	9,722	8,539	4,491
Negative fair value of interest rate swaps designated in fair value hedge	(3,463)	(2,639)	(4,602)	682
<b>CCIRS classified as held for trading</b>				
Positive fair value of CCIRS classified as held for trading	152,540	30,914	144,886	33,067
Negative fair value of CCIRS classified as held for trading	(227,167)	(121,786)	(222,373)	(117,113)
<b>Mark-to-market CCIRS classified as held for trading</b>				
Positive fair value of mark-to-market CCIRS classified as held for trading	-	1,849	-	1,466
Negative fair value of mark-to-market CCIRS classified as held for trading	(9,576)	(2,770)	(9,856)	(3,339)
<b>Other derivative contracts classified as held for trading</b>				
Positive fair value of other derivative contracts classified as held for trading	17,255	6,589	14,088	2,849
Negative fair value of other derivative contracts classified as held for trading	(14,840)	(6,363)	(11,526)	(13,575)
<b>Other derivative contracts designated as fair value hedge</b>				
Positive fair value of other derivative contracts designated in fair value hedge	9	12	4	(37)
Negative fair value of other derivative contracts designated in fair value hedge	-	-	-	-
<b>Derivative financial assets total</b>	<b><u>288,207</u></b>	<b><u>109,451</u></b>	<b><u>270,925</u></b>	<b><u>108,392</u></b>
<b>Derivative financial liabilities total</b>	<b><u>(378,826)</u></b>	<b><u>(207,156)</u></b>	<b><u>(370,564)</u></b>	<b><u>(213,961)</u></b>
<b>Derivative financial instruments total</b>	<b><u>(90,619)</u></b>	<b><u>(97,705)</u></b>	<b><u>(99,639)</u></b>	<b><u>(105,569)</u></b>

As at 31 December 2014 the Bank has derivative instruments with positive fair values of HUF 288,207 million and negative fair values of HUF 378,826 million. Corresponding figures as at 31 December 2013 are HUF 109,451 million and HUF 207,156 million.

Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments classified as held for trading are included in financial assets at fair value through profit or loss. Negative fair values of hedging derivative instruments are included in other liabilities, negative fair values of derivatives held for trading are included in the negative fair value of derivative financial instruments classified as held for trading line.

**NOTE 12: NET INTEREST INCOME (in HUF mn)**

	2014	2013
<i>Interest Income:</i>		
Loans	162,533	189,073
Placements with other banks, net of allowance for placement losses	128,444	246,968
Securities available-for-sale	72,056	102,376
Securities held-to-maturity	36,518	30,027
Amounts due from banks and balances with National Bank of Hungary	<u>15,556</u>	<u>3,720</u>
<b>Total Interest Income</b>	<b><u>415,107</u></b>	<b><u>572,164</u></b>
<i>Interest Expense:</i>		
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	127,809	237,984
Deposits from customers	52,544	96,199
Liabilities from issued securities	4,206	15,241
Subordinated bonds and loans	<u>16,825</u>	<u>16,922</u>
<b>Total Interest Expense</b>	<b><u>201,384</u></b>	<b><u>366,346</u></b>
<b>NET INTEREST INCOME</b>	<b><u>213,723</u></b>	<b><u>205,818</u></b>

**NOTE 13: RELATED PARTY TRANSACTIONS (in HUF mn)**

The Bank enters into transactions for services with a number of subsidiaries. Such transactions are conducted at rates which approximate market conditions.

Related party transactions can be detailed as follows:

**Transactions related to OTP Mortgage Bank Ltd.:**

	2014	2013
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	6,101	8,179
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	1,440	1,351
The gross book value of the loans sold	1,440	1,350

**Transactions related to OTP Factoring Ltd.:**

	2014	2013
The gross book value of the loans	24,605	40,828
Provision for loan losses on the loans sold	12,667	21,023
Loans sold to OTP Factoring Ltd. without recourse (including interest)	7,261	13,584
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	4,677	6,221

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