Documents for the Annual General Meeting

Annual General Meeting of OTP Bank Plc.

to be held on 15 April 2016

Date and venue of the AGM: 15 April 2016, 10 a.m.
Sofitel Budapest Chain Bridge

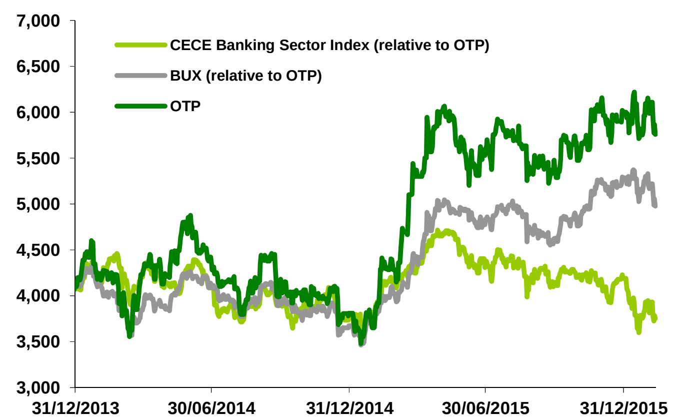
AGENDA ITEMS OF THE ANNUAL GENERAL MEETING

THE REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS OPERATIONS IN 2015

CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA[1]

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)

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

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

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*

In 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+3.0%. 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 HU -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 17.0%.

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 25% 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 Group 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 39% 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 5.0% 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)[2]

	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

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME [3]

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)
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**
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	(164)
EPS base (HUF) (from adjusted net earnings)	442	459	4
EPS diluted (HUF) (from adjusted net earnings)	441	458	4

[3] Adjustments on the consolidated Statement of recognized income are summarised in the Supplementary data section of the Business Report.

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)

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 EUR/HUF and CHF/HUF 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[1])	**5,828,583**	**5,409,967**	**(7)**
Gross customer loans	6,993,325	6,423,588	(8)
Gross customer loans (FX adjusted[1])	**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])	(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[1])	**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[1])	91%	80%	(11)
Net loan/(deposit + retail bond) ratio (FX adjusted[1])	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
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

[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.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised 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			
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
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[4] **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. (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[5] 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%.

[4] 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.
[5] Without the HUF 65 billion FX-adjusted effect of the provision netting at Factoring related to the FX loan conversion.

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	(39.9)
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 Tier 1 ratio (OTP Bank, non-consolidated, Basel3, HAS)	14.8%	22.6%	7.8

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%[6] in 2015 (2014: 28.3%).

[6] 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'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.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2014	2015	Change %
After tax profit w/o dividends, net cash transfer and banking tax[1]	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	374
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	2015	%
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)

[1]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.

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[7]) was 23.6%.

[7] 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) [8]

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	(100
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)

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'

[8] Excluding Merkantil Bérlet Kft. and Merkantil Ingatlanlízing Zrt.

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 OF OTP BANK

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%	(0.26)
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.

OTP BANK RUSSIA

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 subordinated 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[9] 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

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

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.

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
Car financing loans	274	161	(41)
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)[10] 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.

[10] 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***

OTP Banka Slovensko reached HUF 924 million adjusted[11] 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 SME loan volumes. The NIM remained stable (3.18%), 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.

[11] 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.

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 (61.2%) 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)
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 performing 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%	(0.58)
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 headcount 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[1]	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[2]				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**

[1] In Romania the expansion of sales network is explained by the acquisition of Banca Millennium.

[2] Due to the broadening of the data provider group members, the historical employee figures of the other Hungarian and foreign subsidiaries are not comparable.

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

OTP Bank Plc., being registered in Hungary, has a corporate governance policy that complies with the provisions on companies of the act applicable (Civil Code). As the company conducts banking operations, it also adheres to the statutory regulations pertaining to credit institutions.

Beyond fulfilling the statutory requirements, as a listed company on the Budapest Stock Exchange (BSE), the company also makes an annual declaration on its compliance with the BSE's Corporate Governance Recommendations. After being approved by the General Meeting, this declaration is published on the websites of both the Stock Exchange (www.bet.hu) and the Bank (www.otpbank.hu).

System of internal controls

OTP Bank Plc., as a provider of financial and investment services, operates a closely regulated and state-supervised system of internal controls.

OTP Bank Plc. has detailed risk management regulations applicable to all types of risks (liquidity, market, country, counterparty, credit, operational, compliance), which are in compliance with the legal regulations on prudent banking operations. Its risk management system extends to cover the identification of risks, the assessment and analysis of their impact, elaboration of the required action plans and the monitoring of their effectiveness and results.

To ensure effective auditing, the Company's internal audit system is realised on several levels of control built on each other, and segmented along territorial units as well. The system of internal checks and balances includes a combination of process-integrated and management control, independent internal audit organisation and executive information system. The independent internal audit organisation promotes the statutory and efficient management of assets and liabilities, the defence of property, the safe course of business, the efficient, economical and productive operation of internal control systems, the minimisation of risks, moreover – beside compliance organisation – it reveals and reports deviations from statutory regulations and internal rules, makes proposal to abolish deficiencies and follows up the execution of actions. The independent internal audit organisation annually and quarterly prepares reports on control actions for the executive boards. The internal audit organisation annually makes reports on risk management operations, internal control mechanisms and corporate governance functions, for the Supervisory Board.

In line with the regulations of the European Union and the applicable Hungarian laws, OTP Bank Plc. established an independent organisational unit with the task of identifying and managing compliance risks.

General meeting

The General Meeting is the supreme governing body of OTP Bank Plc. The regulations pertaining to its operation are set forth in the Company's Bylaws, and comply fully with both general and special statutory requirements. Information on the General Meeting is available in the Corporate Governance Report.

Committees

Members of the Board of Directors
Dr. Sándor Csányi – Chairman
Dr. Antal Pongrácz – Vice Chairman
Mr. Mihály Baumstark
Dr. Tibor Bíró
Mr. Péter Braun
Mr. Tamás Erdei
Dr. István Gresa
Mr. Zsolt Hernádi[1]
Dr. István Kocsis[2]
Dr. László Utassy
Dr. József Vörös

Members of the Supervisory Board
Mr. Tibor Tolnay – Chairman
Dr. Gábor Horváth – Vice Chairman
Mr. Antal Kovács
Mr. András Michnai
Mr. Dominique Uzel
Dr. Gellért Vági Márton

Members of the Audit Committee
Dr. Gábor Horváth – Chairman
Mr. Tibor Tolnay
Mr. Dominique Uzel
Dr. Gellért Vági Márton

[1] Membership is under suspension since 3 April 2014
[2] Membership is under suspension since 3 October 2012

The résumés of the committee and board members are available on the website of OTP Bank, in the Corporate Governance Report and in the Annual Report.

Operation of the executive boards

OTP Bank Plc. has a dual governance structure, in which the Board of Directors is the Company's executive body, while the Supervisory Board performs oversight tasks. The effective operation of Supervisory Board is supported by the Audit Committee.

In order to assist the performance of the governance functions the Board of Directors founded and operates, as permanent or special committees, such as the Management Committee, the Management Coordination Committee or the Remuneration Committee, the Nomination Committee and the Risk Assumption and Risk Management Committee. To ensure effective operation OTP Bank Plc. also has a number of other permanent and special committees.

OTP Bank Plc. gives an account of the activities of the executive boards and the committees every year in its Corporate Governance Report.

The Board of Directors held 8, the Supervisory Board held also 8 meetings, while the Audit Committee gathered 2 times in 2015. In addition, resolutions were passed by the Board of Directors on 105, by the Supervisory Board on 9 and by the Audit Committee on 5 occasions by written vote.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

Aspiring to be a good corporate citizen OTP Bank assigns top priority to environmental protection, good environmental stewardship, leading by example, and last but not least to inspire others to adopt environmentally conscious practices. Besides top-notch financial services, the Bank aims to make more and more effort each year to reduce transaction-related paperwork and energy consumption, to constantly be on the lookout for solutions with low environmental impact , as well as to strive for and institute the broadest possible application of such measures.

The OTP Group is a law-abiding corporate citizen in the area of environmental stewardship. No environmental fine has been levied on OTP Bank or any of its subsidiary banks in 2015. Besides compliance with the applicable law, the Group's efforts in this domain continue to be guided by rationalisation, efficient resource management, as well as by keeping operational expenditures stable. Still, the Group is always ready to extend immediate and effective assistance in crisis situations, as the preservation of natural treasures and the reduction of environmental impact of operations are core values of OTP Bank corporate social responsibility.

Environmental and climate protection

The size of our company and its relationship with the general public offers certain opportunities for raising awareness. As part of that, our Bank joined the international climate protection initiative called 'Our Living Planet'. The objective of this campaign was to involve as many people as possible to contribute to the achievements of the UN's climate summit in Paris by sending a message to world leaders with their personal commitment (climate vote) and urging them to take immediate action and act in a responsible manner in the interest of our common future. OTP Bank has offered HUF 6 million to the secondary school with the highest percentage of students casting their climate votes. Eventually, the climate protection initiative 'Our Living Planet' received approx. 200,000 votes.

In recent years OTP Group subsidiaries in Central Eastern European regions have provided substantive assistance to compensate damages mostly caused by flood. In December 2014 the gravest weather catastrophe of recent decades devastated Hungary's forests. Some 50,000 hectares of highly valuable forest land with high importance to tourism suffered irreversible damage. Massive hail damage destroyed the work of 30-40 years. OTP Bank, as Hungary's leading financial institution, decided to take up responsibility to extend immediate aid in the tune of HUF 20 million as this large-scale natural disaster impacted heavily devastated the entire country.

The Foundations of our Responsible Operations

Our core CSR values have remained constant in recent years. Our Corporate Social Responsibility strategy (CSR Strategy) sets forth and defines our applicable guidelines and objectives. Our annual Corporate Social Responsibility Report presents our goals and accomplishments and it is published on our website. Furthermore the Bank's Code of Ethics has stated the commitment to environmental protection and to a healthy workplace. The Bank's Environmental Protection Regulations has been effective since 2009 while the internal corporate instructions continue to provide environmentally conscious operations with respect to the applicable law.

OTP Facility Management coordinates the company's environmental activities in line with the existing time schedule. The organisation carries out tasks related to regulatory reporting, coordinates and supervises the collection and disposal of hazardous waste (worn out office equipment and electronic waste) in compliance with the prevailing regulations on the company level.

Prevention and environmentally conscious waste management

The bank continues its best practice of "waste prevention - reuse - recycling - disposal". We aim, among others, for selective waste collection and paper reduction. To the latter end, OTP Bank is cutting back on mandatory printing of certain types of documents, establishing more efficient network operation for its printers and offering paperless - electronic - bank statements to our customers.

We are in the midst of expanding selective waste collection. Compared to the same period last year, we anticipate nearly a doubling within the selective collection of PET and office paper fractions of OTP Bank, due to newly participating buildings and to the introduction of a more accurate record keeping.

Environmentally conscious energy use

The direct environmental impacts of OTP Bank result from the maintenance and operation of the Bank's central organisation and branch network.

We are proud to be users of renewable energy sources. At our facilities in Hungary we are currently using solar panels over an area of some 600 square metres. Our central document archive is also powered by geothermal energy.

As a Group we prioritise energy efficiency in office and branch renovations: we use state-of-the-art insulation and we install more energy efficient cooling-heating and lighting systems.

- LED lighting has been installed in several branch offices in Romania and air conditioning equipment has been optimised.
- The Bulgarian DSK Bank moved into its new office building in Sofia in2014. Environmentally friendly materials were used to construct the structure, which is equipped with a state-of-the-art energy efficient cooling-heating system.
- We have replaced old radiator fans in CKB Bank's main building with new, more energy efficient installations.
- We have equipped all new branches in Ukraine and in Russia with energy efficient lighting and outdoor lit signs.

Reducing paper use

The OTP Group constantly strives to cut back on paper use by reducing document printouts. Over the past two years nearly all of our subsidiaries have launched projects aimed at paper use reduction.

As a group we investigate and follow up on methods how more documents provided to customers could be delivered in an electronic format, thereby reducing paper and printer toner use.

- For loans OTP Bank provides most of the documentation via email, with annual savings in printouts of some 6.5 to 10 million pages.
- As for OTPdirekt contracts, we have reduced the customary 8-9 page document to a single page, with an annual economising on printouts of an additional half a million pages.
- Paper use has been significantly lowered due to the re-edited customer contracts (e.g. as a result of the project of aiming to lower the number of printed forms, paper use in Romania was reduced by 2.2 million pages).
- In Hungary an option to decline printouts of teller withdrawal and deposit transactions has become available.

Recognition

RFU CEERIUS INDEX: In recognition of our performance in the field of sustainability, we have been selected to be listed on the Responsible Investment Universe index of the Vienna Stock Exchange since 2009. The index may feature regional listed companies that are awarded the best ratings in sustainability analysis in social, environmental and economic terms compiled by RFU (Reinhard Friesenbichler Unternehmens-beratung).

We wish to make the stewardship of our environment a priority to our staff and customers. Accordingly, we provide ongoing updates about our environmental protection activity on our corporate social responsibility webpage: www.otpbank.hu/csr

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**
Depreciation and amortization	**(43,722)**	**(45,463)**
(+)Goodwill impairment	**(22,225)**	**0**
(-) Goodwill impairment charges	(22,225)	0
Depreciation (adj.)	**(43,721)**	**(45,463)**

	2014 HUF million	2015 HUF million
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		(29,828)
(-) 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		(1,867)
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)

Statement of recognized income	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)

Main balance sheet items	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)**

FINANCIAL STATEMENTS ON 2015

HAS (UNCONSOLIDATED)

	OTP BANK PLC.		31 December 2015
	ASSETS		
			Figures in million HUF
		31 December 2014	31 December 2015
1	**Liquid assets**	**1,897,146**	**1,324,505**
2	**Treasury bills and similar securities**	**1,028,682**	**1,577,974**
	a) held for trading	86,326	63,796
	b) held as financial fixed assets	942,356	1,514,178
2/A.	Valuation difference on treasury bills	-	-
3	**Loans and advances to credit institutions**	**738,467**	**663,431**
	a) repayable on demand	17,006	20,054
	b) other loans and advances in connection with financial services	706,406	626,349
	ba) with remaining maturity of less than one year	579,866	573,024
	Showing separately: - to affiliated companies	424,838	414,304
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	-	-
	- to clearing houses	-	-
	bb) with a remaining maturity of more than one year	126,540	53,325
	Showing separately: - to affiliated companies	126,540	53,325
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	-	-
	- to clearing houses	-	-
	c) in connection with investment services	15,055	17,028
	Showing separately: - to affiliated companies	146	134
	- to other companies linked by virtue of participating interests	-	-
	- to clearing houses	-	-
3/A.	Valuation difference on loans and advances to credit institutions	-	-
4	**Loans and advances to customers**	**1,922,912**	**1,693,195**
	a) in connection with financial services	1,895,186	1,670,590
	aa) with a remaining maturity of less than one year	951,566	948,048
	Showing separately: - to affiliated companies	436,111	488,978
	- to other companies linked by virtue of participating interests	1,096	4,377
	ab) with a remaining maturity of more than one year	943,620	722,542
	Showing separately: - to affiliated companies	243,152	58,796
	- to other companies linked by virtue of participating interests	8,132	4,757
	b) in connection with investment services	27,726	22,605
	Showing separately: - to affiliated companies	1,910	2,269
	- to other companies linked by virtue of participating interests	-	-
	ba) receivables in connection with investment services on the exchange markets	-	-
	bb) receivables in connection with investment services outside the exchange mar	-	-
	bc) receivables from customers in connection with investment services	27,726	22,605
	bd) claims from clearing corporations	-	-
	be) receivables in connection with other investment services	-	-
4/A.	Valuation difference on loans and advances to customers	-	-
5	**Debt securities, including fixed-income securities**	**804,952**	**674,896**
	a) issued by local governments and other public bodies	-	-
	(not including treasury bills and similar securities)		
	aa) held for trading	-	-
	ab) held as financial fixed assets	-	-
	b) securities issued by other borrowers	804,952	674,896
	ba) held for trading	304,086	314,950
	Showing separately: - issued by affiliated companies	231,342	258,742
	- issued by other companies linked by virtue of participating interests	-	20
	- own shares repurchased	48,240	52,646
	bb) held as financial fixed assets	500,866	359,946
	Showing separately: - issued by affiliated companies	474,862	304,125
	- issued by other companies linked by virtue of participating interests	6,299	2,795
5/A.	Valuation difference on debt securities	-	-
6	**Shares and other variable-yield securities**	**121,241**	**129,853**
	a) shares and participations in corporations held for trading	83,222	88,957
	Showing separately: - issued by affiliated companies	-	-
	- issued by other companies linked by virtue of participating interests	83,222	82,694
	b) variable-yield securities	38,019	40,896
	ba) held for trading	20	366
	bb) held as financial fixed assets	37,999	40,530
6/A.	Valuation difference on shares and other variable-yield securities	-	-

		31 December 2014	31 December 2015
7	**Shares and participations in corporations held as financial fixed assets**	**588**	**584**
	a) shares and participations in corporations held as financial fixed assets	588	584
	Showing separately: - participating interests in credit institutions	-	-
	b) adjusted value of shares and participations in corporations held as financial	-	-
	Showing separately: - participating interests in credit institutions	-	-
7/A.	Valuation difference on shares and participations in corporations held as financial fixed assets	-	-
8	**8) Shares and participating interests in affiliated companies**	**488,226**	**490,984**
	a) shares and participations in corporations held as financial fixed assets	488,226	490,984
	Showing separately: - participating interests in credit institutions	351,569	361,948
	b) adjusted value of shares and participations in corporations held as financial fixed assets	-	-
	Showing separately: - participating interests in credit institutions	-	-
9	**Intangible assets**	**63,945**	**65,365**
	a) intangible assets	63,945	65,365
	b) adjusted value of intangible assets	-	-
10	**Tangible assets**	**68,114**	**65,734**
	a) tangible assets for financial and investment services	64,674	62,366
	aa) land and buildings	49,307	48,870
	ab) machinery, equipment, fittings, fixtures and vehicles	13,363	10,479
	ac) tangible assets in course of construction	2,004	3,017
	ad) payments on account	-	-
	b) tangible assets not directly used for financial and investment services	3,440	3,368
	ba) land and buildings	2,589	2,530
	bb) machinery, equipment, fittings, fixtures and vehicles	851	838
	bc) tangible assets in course of construction	-	-
	bd) payments on account	-	-
	c) adjusted value of tangible assets	-	-
11	**Own shares**	**7,073**	**9,168**
12	**Other assets**	**37,851**	**79,616**
	a) stocks	635	460
	b) other receivables	37,216	79,156
	Showing separately: - from affiliated companies	20,494	59,844
	- from other companies linked by virtue of participating interests	5	87
12/A.	Valuation difference on other receivables	-	-
12/B.	Positive valuation difference on derivatives	-	-
13	**Prepayments and accrued income**	**140,482**	**108,521**
	a) accrued income	135,488	104,259
	b) accrued costs and expenses	4,686	4,123
	c) deferred charges	308	139
	Total assets	**7,319,679**	**6,883,826**
	Showing separately:		
	- CURRENT ASSETS	*4,006,943*	*3,462,117*
	[1+2/a+3/a+3/ba+3/c+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12+		
	+ the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining		
	to the previous items]		
	- FIXED ASSETS	*3,172,254*	*3,313,188*
	[2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10+ the sums from 2/A, 3/A,		
	4/A, 5/A, 6/A, 7/A, 12/A and 12/B as pertaining to the previous items]		

OTP BANK PLC.

LIABILITIES

Figures in million HUF

		31 December 2014	31 December 2015
1.	**Amounts owed to credit institutions**	**1,153,744**	**837,020**
	a) repayable on demand	15,649	26,066
	b) with agreed maturity dates or periods of notice in connection with financial services	1,138,074	810,953
	ba) with remaining maturity of less than one year	990,976	464,342
	Showing separately: - to affiliated companies	668,974	284,323
	- to other companies linked by virtue of participating interests	8,500	-
	- to the NBH	27,900	34,188
	- to clearing houses	-	-
	bb) with remaining maturity of more than one year	147,098	346,611
	Showing separately: - to affiliated companies	-	197,844
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	76,213	103,003
	- to clearing houses	-	-
	c) in connection with investment services	21	1
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	- to clearing houses	-	-
1/A.	Valuation difference on amounts owed to credit institutions	-	-
2.	**Amounts owed to customers**	**4,277,541**	**4,366,507**
	a) savings deposits	113,446	119,920
	aa) repayable on demand	56,205	53,745
	ab) with remaining maturity of less than one year	57,241	66,175
	ac) with remaining maturity of more than one year	-	-
	b) other liabilities in connection with financial services	4,157,107	4,244,286
	ba) repayable on demand	1,644,180	2,292,100
	Showing separately: - to affiliated companies	10,979	10,671
	- to other companies linked by virtue of participating interests	3,442	3,674
	bb) with remaining maturity of less than one year	2,482,812	1,918,567
	Showing separately: - to affiliated companies	53,041	58,995
	- to other companies linked by virtue of participating interests	11,561	24,024
	bc) with remaining maturity of more than one year	30,115	33,619
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	c) in connection with investment services	6,988	2,301
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	ca) liabilities in connection with investment services on the stock exchange marke	-	-
	cb) liabilities in connection with investment services outside the stock exchange r	-	-
	cc) liabilities to customers in connection with investment services	6,988	2,301
	cd) liabilities to clearing corporations	-	-
	ce) liabilities in connection with other investment services	-	-
2/A.	Valuation difference on amounts owed to customers	-	-
3.	**Debts evidenced by certificates**	**199,822**	**187,569**
	a) debt securities in issue	193,342	181,562
	aa) with remaining maturity of less than one year	62,812	71,771
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	ab) with remaining maturity of more than one year	130,530	109,791
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	b) other debt securities issued	231	229
	ba) with remaining maturity of less than one year	231	229
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	bb) with remaining maturity of more than one year	-	-
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-

		31 December 2014	31 December 2015
	c) debt instruments treated as securities for accounting purposes, which are not	6,249	5,778
	recognized as debt securities under the Capital Markets Act		
	ca) with remaining maturity of less than one year	3,083	2,851
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	cb) with remaining maturity of more than one year	3,166	2,927
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
4.	**Other liabilities**	**78,536**	**101,049**
	a) with remaining maturity of less than one year	78,277	101,018
	Showing separately: - to affiliated companies	994	6,936
	- to other companies linked by virtue of participating interests	215	650
	b) with remaining maturity of more than one year	259	31
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
4/A.	Negative valuation difference on derivatives	-	-
5.	**Accruals and deferred income**	**185,053**	**81,146**
	a) deferred income	4,535	3,438
	b) deferred costs and expenses	180,364	77,562
	c) deferred income	154	146
6.	**Provisions for liabilities and charges**	**111,841**	**88,465**
	a) provisions for pension and severance pay	426	1,000
	b) provisions for contingent liabilities and for (future) commitments	7,888	4,215
	c) general risk provisions	-	-
	d) other provisions	103,527	83,250
7.	**Subordinated liabilities**	**344,316**	**313,120**
	a) subordinated loan capital	186,871	156,560
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	b) other contributions received from members in respect of co-operative credit institutio	-	-
	c) other subordinated liabilities	157,445	156,560
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
8.	**Subscribed capital**	**28,000**	**28,000**
	Showing separately: - own shares repurchased on nominal value	161	157
9.	**Subscribed capital called but unpaid (-)**	-	-
10.	**Capital reserve**	**52**	**52**
	a) difference between the par value and the purchase price of shares and securities (pre	-	-
	b) other	52	52
11.	**General reserve**	**112,217**	**14,123**
12.	**Profit reserve (±)**	**819,999**	**856,990**
13.	**Tied-up reserves**	**8,558**	**9,785**
14.	**Revaluation reserve**	-	-
	a) revaluation reserve on value adjustments	-	-
	b) fair value reserve	-	-
15.	**Profit or loss for the financial year (±)**	-	-
	Total liabilities	**7,319,679**	**6,883,826**
	Showing separately:		
	- SHORT-TERM LIABILITIES	5,398,475	4,999,166
	(1/a+1/ba+1/c+1/A+2/aa+2/ab+2/ba+2/bb+2/c+2/A+3/aa+		
	+3/ba+3/ca+4/a+4/A)		
	- LONG-TERM LIABILITIES	655,484	806,099
	(1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)		
	- EQUITY CAPITAL (8-9+10+11±12+13+14±15)	968,826	908,950

	OTP BANK PLC.		31 12 2015
	PROFIT AND LOSS ACCOUNT		
			Figures in million HUF
		Year ended 31 December 2014	Year ended 31 December 2015
1.	Interest received and similar income	436,638	372,403
	a) interest received and similar income from fixed-income securities	122,509	105,417
	Showing separately: - from affiliated companies	51,288	34,830
	- from other companies linked by virtue of participating interests	-	927
	b) other interest received and similar income	314,129	266,986
	Showing separately: - from affiliated companies	68,374	52,941
	- from other companies linked by virtue of participating interests	1,477	1,207
2.	Interest paid and similar charges	213,230	198,153
	Showing separately: - to affiliated companies	44,836	40,137
	- to other companies linked by virtue of participating interests	668	340
	BALANCE (1-2)	**223,408**	**174,250**
3.	Income from securities	43,095	58,597
	a) income held for trading from shares and participations in corporations (dividends and profit-sharing)	3,031	2,513
	b) income from participating interests in affiliated companies (dividends and profit-sharing)	40,045	56,065
	c) income from other securities (dividends and profit-sharing)	19	19
4.	Commissions and fees received or due	169,874	187,617
	a) in connection with other financial services	146,855	162,777
	Showing separately: - from affiliated companies	12,948	24,100
	- from other companies linked by virtue of participating interests	404	298
	b) in connection with investment services (not including trading operations)	23,019	24,840
	Showing separately: - from affiliated companies	10,957	10,837
	- from other companies linked by virtue of participating interests	1	-
5.	Commissions and fees paid or payable	26,401	27,527
	a) in connection with other financial services	25,708	26,505
	Showing separately: - to affiliated companies	1,307	886
	- to other companies linked by virtue of participating interests	2,171	2,478
	b) in connection with investment services (not including trading operations)	693	1,022
	Showing separately: - to affiliated companies	22	33
	- to other companies linked by virtue of participating interests	26	72
6.	Net profit or net loss on financial operations [6.a)-6.b)+6.c)-6.d)]	(60,686)	(12,308)
	a) in connection with other financial services	26,698	46,313
	Showing separately: - from affiliated companies	1,194	15,060
	- from other companies linked by virtue of participating interests	1,431	4
	- valuation difference	-	-
	b) in connection with other financial services	89,385	70,662
	Showing separately: - from affiliated companies	(43,641)	(27,402)
	- from other companies linked by virtue of participating interests	15,744	3,912
	- valuation difference	-	-
	c) in connection with investment services (income from trading operations)	47,218	73,249
	Showing separately: - from affiliated companies	654	1,182
	- from other companies linked by virtue of participating interests	773	521
	- value readjustments of transferable securities held for trading	-	-
	- valuation difference	-	-
	d) in connection with investment services (expenses on trading operations)	45,217	61,208
	Showing separately: - to affiliated companies	579	836
	- to other companies linked by virtue of participating interests	1,579	1,986
	- value adjustments in respect of securities held for trading	57	-
	- valuation difference	-	-
7.	Other operating income	82,911	422,469
	a) income from operations other than financial and investment services	12,722	13,445
	Showing separately: - from affiliated companies	4,198	4,944
	- from other companies linked by virtue of participating interests	-	44
	b) other income	70,189	409,024
	Showing separately: - from affiliated companies	45,316	322,755
	- from other companies linked by virtue of participating interests	-	9
	- value readjustments in respect of stocks	-	-

Figures in million HUF

		Year ended 31 December 2014	Year ended 31 December 2015
8.	General administrative expenses	132,303	135,018
	a) staff costs	83,066	82,960
	aa) wages and salaries	55,117	55,493
	ab) other employee benefits	8,716	8,533
	Showing separately: - social security costs	2,544	2,559
	= costs relating to pensions	1,576	1,566
	ac) contributions on wages and salaries	19,233	18,934
	Showing separately: - social security costs	17,945	17,681
	= costs relating to pensions	-	(424)
	b) other administrative expenses (materials and supplies)	49,237	52,058
9.	Depreciation	16,692	16,413
10.	Other operating charges	294,483	526,752
	a) charges on operations other than financial and investment services	7,726	9,176
	Showing separately: - to affiliated companies	25	34
	- to other companies linked by virtue of participating interests	16	56
	b) other charges	286,757	517,576
	Showing separately: - to affiliated companies	105,848	391,255
	- to other companies linked by virtue of participating interests	12	1
	- value adjustments in respect of stocks	-	-
11.	Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	28,377	52,827
	a) value adjustments in respect of loans and advances	23,740	49,044
	b) risk provisions for contingent liabilities and for (future) commitments	4,637	3,783
12.	Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	37,508	25,891
	a) value readjustments in respect of loans and advances	33,273	18,556
	b) risk provisions for contingent liabilities and for (future) commitments	4,235	7,335
12/A.	Difference between formation and utilization of general risk provisions	-	-
13	Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other	25,439	39,373
14.	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
15.	**Profit or loss on ordinary activities**	**(26,861)**	**58,687**
	Showing separately: - PROFIT OR LOSS ON FINANCIAL AND INVESTMENT SERVICES [1-2+3+4-5+6+7.b)-8-9- 10.b)-11+12-13+14]	(31,857)	54,418
	- PROFIT OR LOSS ON OPERATIONS OTHER THAN FINANCIAL AND INVESTMENT SERVICES [7.a)-10.a)]	4,996	4,269
16.	Extraordinary income	6,483	712
17.	Extraordinary charges	19,973	156,622
18.	Extraordinary profit or loss (16-17)	(13,490)	(155,910)
19.	**Profit or loss before tax (+15+18)**	**(40,351)**	**(97,223)**
20.	Taxes on income	1,367	871
21.	**Profit or loss after tax (+19-20)**	**(41,718)**	**(98,094)**
22.	General reserve (±)	41,718	98,094
23.	Profit reserves used for dividends and profit-sharing	40,600	46,200
24.	Dividend and profit-sharing payable	40,600	46,200
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
25.	**Profit or loss for the financial year (+21-/+22+23-24)**	-	-

CASH-FLOW STATEMENT

figures in HUF million

	Description	2014	2015
1.	Interest Income	436,638	372,403
2.	Income from other financial services (expect value adjustments in respect of securities and the positive valuation difference of receivables)	173,553	209,090
3.	Other income (except value readjustments in respect of provisions, value adjustments in respect of stocks and readjustments in respect of extraordinary depreciation)	46,370	324,352
4.	+Income from other investment financial services (except value adjustments in respect of securities and positive valuation difference)	70,237	98,089
5.	Income from operations other than financial and investment services	12,722	13,445
6.	Dividend income	43,095	58,597
7.	Extraordinary income	48	707
8.	Interest charges	-213,230	-198,153
9.	Charges on other financial services (except value adjustments in respect of securities and the negative valuation difference of receivables)	-104,428	-105,032
10.	Other charges (except provisions, value adjustments in respect of stocks, and extraordinary depreciation)	-154,509	-466,276
11.	Charges on investment services (except value adjustments in respect of securities and negative valuation difference)	-45,853	-62,287
12.	Charges on operations other than financial and investment services	-7,726	-9,176
13.	General administrative expenses	-132,303	-135,018
14.	Extraordinary charges (not including corporate tax payable for the financial year)	-13,418	-156,575
15.	Corporate tax payable for the financial year	-1,367	-871
16.	Dividends paid	-40,594	-40,558
17.	**OPERATING CASH-FLOW**	**69,235**	**-97,263**
18.	± Variation in liabilities (increase (+), decrease (-))	790,698	-254,337
19.	± Variation in receivables (increase (-), decrease (+))	111,283	246,425
20.	± Variation in stocks (increase (-), decrease (+))	427	175
21.	± Variation in securities shown under current assets (increase (-), decrease (+))	1,229,075	208,100
	Description	**2014**	**2015**
22.	± Variation in securities shown under fixed assets (increase (-), decrease (+))	-351,637	-672,332
23.	± Variation in tangible assets in course of construction (including payments on account) (increase (-), decrease (+))	778	-1,013
24.	± Variation in intangible assets (increase (-), decrease (+))	-661	-10,533
25.	± Variation in tangible assets (except tangible assets in course of construction and payments on account) (increase (-), decrease (+))	-5,538	-4,335
26.	± Variation in prepayments and accrued income (increase (-), decrease (+))	-43,958	31,961
27.	± Variation in accruals and deferred income (increase (+), decrease (-))	35,986	-103,907
28.	+ Issue of shares at par value	-	-
29.	+ Non-repayable funds received by virtue of legal regulation	-	-
30.	- Non-repayable funds transferred by virtue of legal regulation*	-78,854	84,418
31.	- Nominal value of shares and share certificates withdrawn	-	-
32.	**NET CASH-FLOW**	**1,756,834**	**-572,641**
	Net cash-flow showing separately:		
33.	- variation in cash in hand (HUF and foreign currencies, checks)	-1,909	12,165
34.	- variation in account balances (HUF and foreign currency accounts placed with the NBH, deposit accounts with remaining maturity of less than one year, and current deposit accounts maintained in HUF at other credit institutions by virtue of specific other legislation)	1,758,743	-584,806

* - Supplementary payments covering the losses of the subsidiaries

PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE PARENT COMPANY AND ON DIVIDEND PAYMENT

PROPOSAL FOR THE USE OF AFTER-TAX PROFIT OF THE PARENT COMPANY AND ON DIVIDEND PAYMENT

	HUF million
Loss after taxation	-98,094
Release of General reserves	98,094
Retained earnings used for dividends, shares	46,200
Dividend	-46,200
Net profit	--

A PART OF THE PROPOSAL OF RESOLUTION

The Annual General Meeting determines

the balance sheet for the year ended 2015 with total assets of HUF 6,883,826 million
and with loss after taxation of HUF 98,094 million the loss after taxation for the period shall be allocated as follows:
HUF 98,094 million shall be utilized from general reserves,
HUF 46,200 million shall be paid as dividend from profit reserves,
thus the net profit for the year is HUF 0 million.

The dividend per share is HUF 165, compared to the face value of shares it's 165%. The actual rate of dividend paid to shareholders is calculated and paid based on the Articles of Association, so the Company distributes the dividends for its own shares among the shareholders who are entitled for dividends. The dividends shall be paid from 6 June 2016 in accordance with the policy determined in the Articles of Association.

(The text above is part of the proposal of Annual General Meeting resolution)

FINANCIAL STATEMENTS ON 2015

IFRS (CONSOLIDATED)

OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(in HUF mn)

	Note	2015	2014
Cash, amounts due from banks and balances with the National Banks	4.	1,878,960	2,307,632
Placements with other banks, net of allowance for placement losses	5.	300,568	281,006
Financial assets at fair value through profit or loss	6.	253,782	289,275
Securities available-for-sale	7.	1,305,486	839,152
Loans, net of allowance for loan losses	8.	5,409,967	5,864,241
Associates and other investments	9.	10,028	23,381
Securities held-to-maturity	10.	926,677	709,369
Property and equipment	11.	193,661	206,440
Intangible assets	11.	155,809	158,721
Other assets	12.	283,910	291,835
TOTAL ASSETS		**10,718,848**	**10,971,052**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	13.	533,310	708,274
Deposits from customers	14.	7,984,579	7,673,478
Liabilities from issued securities	15.	239,376	267,084
Financial liabilities at fair value through profit or loss	16.	101,561	183,994
Other liabilities	17.	391,579	592,088
Subordinated bonds and loans	18.	234,784	281,968
TOTAL LIABILITIES		**9,485,189**	**9,706,886**
Share capital	19.	28,000	28,000
Retained earnings and reserves		1,261,029	1,288,757
Treasury shares	21.	(58,021)	(55,940)
Non-controlling interest	22.	2,651	3,349
TOTAL SHAREHOLDERS' EQUITY		**1,233,659**	**1,264,166**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,718,848**	**10,971,052**

Budapest, 18 March 2016

OTP BANK Nyrt.

Dr. Sándor Csányi
Chairman and Chief Executive Officer

2. elnök-vezérigazgató

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(in HUF mn)

	Note	2015	2014
Interest Income:			
Loans		575,619	708,873
Placements with other banks		114,025	94,941
Securities available-for-sale		31,063	41,969
Securities held-to-maturity		46,619	39,934
Amounts due from banks and balances with the National Banks		27,496	16,498
Other		7,606	7,015
Total Interest Income		**802,428**	**909,230**
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		116,713	100,615
Deposits from customers		108,023	138,179
Liabilities from issued securities		6,786	13,826
Subordinated bonds and loans		13,633	13,883
Other		6,843	6,630
Total Interest Expense		**251,998**	**273,133**
NET INTEREST INCOME		**550,430**	**636,097**
Provision for impairment on loan and placement losses	*5.,8.,2*	318,683	446,830
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**231,747**	**189,267**
Income from fees and commissions	*24.*	257,431	265,392
Expense from fees and commissions	*24.*	43,559	49,736
Net profit from fees and commissions		**213,872**	**215,656**
Foreign exchange gains, net		116,682	156,918
Gains on securities, net		11,616	6,911
Dividend income		3,345	4,824
Provision on securities available-for-sale and held-to-maturity		(15)	(297)
Other operating income	*25.*	22,973	14,379
Other operating expense	*25.*	(74,680)	(232,609)
- from this: release of provision/ (provision) on contingent liabilities due to regulations related to customer loans	*25.*	196,574	(194,798)
Net operating gain / (loss)		**79,921**	**(49,874)**
Personnel expenses	*25.*	187,806	206,335
Depreciation and amortization	*11.*	45,463	43,722
Goodwill impairment	*11.*	-	22,225
Other administrative expenses	*25.*	232,247	236,410
Other administrative expenses		**465,516**	**508,692**
PROFIT / (LOSS) BEFORE INCOME TAX		**60,024**	**(153,643)**
Income tax	*26.*	3,147	51,385
NET PROFIT / (LOSS) FOR THE YEAR		**63,171**	**(102,258)**
From this, attributable to:			
Non-controlling interest		(412)	(273)
Owners of the company		63,583	(101,985)
Consolidated earnings per share (in HUF)			
Basic	*38.*	**242**	**(382)**
Diluted	*38.*	**242**	**(382)**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(in HUF mn)

	2015	2014
NET PROFIT / (LOSS) FOR THE YEAR	**63,171**	**(102,258)**
Fair value adjustment of securities available-for-sale	(880)	16,065
Deferred tax related to securities available-for-sale	633	(3,046)
Derivative financial instruments designated as Cash-flow hedge	-	507
Net investment hedge in foreign operations	431	(4,489)
Foreign currency translation difference	(44,301)	(108,057)
Change of actuarial losses related to employee benefits	(170)	(6)
NET COMPREHENSIVE INCOME	**18,884**	**(201,284)**
From this, attributable to:		
Non-controlling interest	(698)	(1,418)
Owners of the company	19,582	(199,866)

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH-FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(in HUF mn)

OPERATING ACTIVITIES	Note	2015	2014
Profit / (Loss) before income tax		**60,024**	**(153,643)**
Dividend income		(3,345)	(4,824)
Goodwill impairment	*11.*	-	22,225
Depreciation and amortization	*11.*	45,463	43,722
Provision for impairment on securities	*7.,10.*	15	297
Provision for impairment on loan and placement losses	*5.,8., 23.*	318,683	446,830
Provision for impairment on investments	*9.*	1,094	1,244
Provision for impairment on other assets	*12.*	6,696	5,066
Provision on assets subject to operating leases	*12.*	350	1,048
Provision on investment properties		101	3,612
(Release of provision) / Provision for impairment on off-balance sheet commitments and contingent liabilities	*17.*	(146,360)	195,310
Share-based payment	*2.,29.*	3,810	4,393
Change of actuarial losses related to employee benefits		(171)	(6)
Unrealized losses on fair value change of securities held for trading		(12,098)	(2,907)
Unrealized gains / (losses) on fair value change of derivative financial instruments		7,793	(33,140)
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		(5,238)	250,821
Net decrease / (increase) in loans, net of allowance for loan losses		40,677	(48,611)
(Increase) / Decrease in other assets before provisions for impairment		(739)	20,557
Decrease / (Increase) in assets subject to operating lease before provisions for impairment		1,248	(24,442)
Increase in investment properties before provision for impairment		(2,134)	(27,034)
Net increase in deposits from customers		311,102	806,872
Increase / (Decrease) in other liabilities		24,613	(26,908)
Net increase in compulsory reserves at the National Banks		(147,360)	(41,130)
Income tax paid		(14,676)	(20,571)
Net Cash Provided by Operating Activities		**489,548**	**1,418,781**
Interest received		803,868	911,671
Interest paid		(242,622)	(258,929)
INVESTING ACTIVITIES			
Net increase in placement with other banks before allowance for placements losses		(19,556)	(7,537)
Purchase of securities available-for-sale		(842,886)	(15,402,966)
Proceeds from sale of securities available-for-sale		373,078	16,213,064
Net decrease / (increase) in investments in associates		11,832	(2,185)
Net decrease in investments in other companies		427	1,397
Dividend income		3,345	4,824
Increase in securities held-to-maturity		(1,036,805)	(156,594)
Decrease in securities held-to-maturity		822,634	31,094
Additions to property, equipment and intangible assets		(50,376)	11,526
Disposals of property, equipment and intangible assets		21,107	12,455
Net decrease / (increase) in advances for investments included in other assets		28	(27)
Net Cash (Used in) / Provided by Investing Activities		**(717,172)**	**705,051**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH-FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(in HUF mn)
[continued]

FINANCING ACTIVITIES	**Note**	**2015**	**2014**
Net decrease in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		(174,964)	(75,938)
Cash received from issuance of securities		60,944	56,165
Cash used for redemption of issued securities		(88,652)	(234,299)
(Decrease) / Increase in subordinated bonds and loans		(47,184)	14,806
Decrease in non-controlling interest		(698)	(1,418)
Payments to ICES holders	*20.*	(3,928)	(4,002)
Increase in Treasury shares		24,641	27,180
Decrease in Treasury shares		(34,093)	(31,430)
Dividend paid		(40,473)	(40,594)
Net Cash Used in Financing Activities		**(304,407)**	**(289,530)**
Net (decrease) / increase in cash and cash equivalents		**(532,031)**	**1,834,302**
Cash and cash equivalents at the beginning of the period		**2,003,324**	**275,947**
Foreign currency translation		(44,001)	(106,925)
Cash and cash equivalents at the end of the period		**1,427,292**	**2,003,324**

Analysis of cash and cash equivalents

Cash, amounts due from banks and balances with the National Banks		2,310,313	539,125
Net cash outflow due to acquisition		(2,681)	-
Compulsory reserve established by the National Banks		(304,308)	(263,178)
Cash and cash equivalents at the beginning of the period		**2,003,324**	**275,947**
Cash, amounts due from banks and balances with the National Banks	*4.*	1,874,306	2,310,313
Net cash inflow / (outflow) due to acquisition	*31.*	4,654	(2,681)
Compulsory reserve established by the National Banks	*4.*	(451,668)	(304,308)
Cash and cash equivalents at the end of the period		**1,427,292**	**2,003,324**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve[14]	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2014		**28,000**	**52**	**16,504**	**1,571,076**	**(55,468)**	**(55,599)**	**4,767**	**1,509,332**
Net profit for the year		-	-	-	(101,985)	-	-	(273)	(102,258)
Other Comprehensive Income		-	-	-	(97,881)	-	-	(1,145)	(99,026)
Share-based payment	*29.*	-	-	4,393	-	-	-	-	4,393
Dividend for the year 2013		-	-	-	(40,600)	-	-	-	(40,600)
Sale of Treasury shares	*21.*	-	-	-	-	-	27,180	-	27,180
Treasury shares									
– loss on sale		-	-	-	(3,908)	-	-	-	(3,908)
– acquisition	*21.*	-	-	-	-	-	(27,522)	-	(27,522)
Payments to ICES holders	*20.*	-	-	-	(3,425)	-	-	-	(3,425)
Balance as at 31 December 2014		**28,000**	**52**	**20,897**	**1,323,277**	**(55,468)**	**(55,941)**	**3,349**	**1,264,166**
Net profit for the year		-	-	-	63,583	-	-	(412)	63,171
Other Comprehensive Income		-	-	-	(44,001)	-	-	(286)	(44,287)
Share-based payment	*29.*	-	-	3,810	-	-	-	-	3,810
Dividend for the year 2014		-	-	-	(40,600)	-	-	-	(40,600)
Sale of Treasury shares	*21.*	-	-	-	-	-	24,641	-	24,641
Treasury shares									
– loss on sale		-	-	-	(7,372)	-	-	-	(7,372)
– acquisition	*21.*	-	-	-	-	-	(26,721)	-	(26,721)
Payments to ICES holders	*20.*	-	-	-	(3,149)	-	-	-	(3,149)
Balance as at 31 December 2015		**28,000**	**52**	**24,707**	**1,291,738**	**(55,468)**	**(58,021)**	**2,651**	**1,233,659**

[14] See Note 17.

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

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

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

These Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 18 March 2016.

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

	2015	2014
Domestic and foreign private and institutional investors	97%	97%
Employees	2%	2%
Treasury shares	1%	1%
Total	**100%**	**100%**

The Bank and its subsidiaries (“Entities of the Group“, together the “Group”) provide a full range of commercial banking services through a wide network of 1,400 branches. The Group has operations in Hungary, Bulgaria, Russia, Ukraine, Croatia, Romania, Slovakia, Serbia and Montenegro.

The number of employees at the Group:

	2015	2014
The number of employees at the Group	38,203	35,919
The average number of employees at the Group	38,114	35,796

1.2. Base of Accounting

The Entities of the Group maintain their accounting records and prepare its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the local commercial, banking and fiscal regulations.

The Group’s presentation currency is the Hungarian Forint (“HUF”).

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 International Financial Reporting Standards (“IFRS”) as adopted by the European Union (the “EU”).

Certain adjustments have been made to the entities’ statutory accounts in order to present the Consolidated Financial Position and Statement of Recognized and Comprehensive Income of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (“IASB”).

The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by 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 Group does not apply portfolio hedge accounting under IAS 39, there would be no impact on these Consolidated Financial Statements, had it been approved by the EU before the preparation of these financial statement.

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2015

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

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

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Group's accounting policies.

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

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

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Agriculture: Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 "Revenue from Contracts with Customers" and further amendments (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.
According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

The adoption of the above presented Amendments to the existing Standards, new Standards and Interpretations would have no significant impact on the Consolidated Financial Statements except of the application of IFRS 9 and IFRS 16 which might have significant impact on the Group Consolidated Financial Statements, the Group is planning to assess the impact in 2016.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying Consolidated Financial Statements are summarized below:

2.1. Basis of Presentation

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

The presentation of Consolidated Financial Statements in conformity with IFRS requires the Management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's presentation currency are translated into HUF are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of

Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP as at the date of the Consolidated Financial Statements. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2.7. below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in Other Comprehensive Income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into HUF using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in Other Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in Other Comprehensive Income and accumulated in equity.

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank exercises control. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 32. However, certain subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.13.).
As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

2.4. Accounting for acquisitions

Business combinations are accounted for using purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.

Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements.

If the Group loses control of a subsidiary, derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognizes any difference as a gain or loss on the sale attributable to the parent in Statement of Recognized Income.
Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate. The goodwill is allocated to the cost generating units that are expected to benefit from the synergies of the combinations.
The Group calculates the fair value based on discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units.
The Group, in its strategic plan, has taken into consideration the effects of the present global economic situation, the cautious recovery of economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

Negative goodwill (gain from bargain purchase), when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Recognized Income as other income.

2.5. Securities held-to-maturity

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

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Recognized Income for the period. The Group mainly holds these securities to obtain short-term gains consequently realised and unrealised gains and losses are recognized in the net operating income Such securities consist of corporate shares, Hungarian and foreign government bonds, discounted and interest bearing treasury bills, mortgage bonds and other securities.

2.6.2. Derivative financial instruments

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract and their value depends on value of underlying asset and are settled in the future. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements and options. These financial instruments are used by the Group both for trading purposes and to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and option pricing models as appropriate. The Group adopts multi curve valuation approach for calculating the net present value of future cash-flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as the Group has almost all of its open derivative transactions collateralised.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the Consolidated Statement of Recognized Income for the period. Each derivative deal is determined as asset when fair value is positive and as liability when fair value is negative.
Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Recognized Income.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

Interest rate swaps oblige two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counterparties.
The interest rate swaps are used by the Group for risk management and trading purposes.

Cross-currency interest rate swaps

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

Equity and commodity swaps

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

Forward rate agreements (FRA)

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

The Group limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counterparties. The Group's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

Foreign exchange options

A foreign exchange option is a derivative financial instrument that gives the owner the right to exchange money denominated in one currency into another currency at a pre-agreed exchange rate at a specified future date. The transaction, for a fee, guarantees a worst-case exchange rate for the futures purchase of one currency for another. These options protect against unfavourable currency movements while preserving the ability to participate in favourable movements.

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the Consolidated Statement of Recognized Income along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.
The conditions of hedge accounting applied by the Bank are the following: formally designed as hedge, proper hedge documentation is prepared, effectiveness test is performed and based on it the hedge is qualified as effective.

Changes in fair value of derivatives that are designated and qualify as cash-flow hedges and that prove to be highly effective in relation to the hedged risk are recognized as reserve in other comprehensive income. Amounts deferred in equity are transferred to the Consolidated Statement of Recognized Income and classified as revenue or expense in the periods during which the hedged assets and liabilities effect the Consolidated Statement of Recognized Income for the period. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.
The Group terminates the hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

2.8. Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the Consolidated Statement of Financial Position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be reported in the Consolidated Statement of Financial Position on a net basis. The Group does not offset any financial assets and financial liabilities.

2.9. Embedded derivatives

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

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

2.10. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities available-for-sale are measured at subsequent reporting dates at fair value. Unrealized gains and losses on available-for-sale financial instruments are recognized directly in Other Comprehensive Income, except for interest and foreign exchange gains/losses on monetary items, unless such available-for-sale security is part of an effective hedge. Such gains and losses will be reported when realized in Consolidated Statement of Recognized Income for the applicable period.
Such securities consist of Hungarian and foreign government bonds, corporate bonds, discounted Treasury bills and other securities. Other securities include shares in investment funds, shares in non-financing companies and venture capital fund bonds.

The provision for impairment is calculated based on discounted cash-flow methodology for debt instruments and calculated based on fair valuation on equity instruments, using the expected future cash-flow and original effective interest rate if there is objective evidence of impairment based on significant or prolonged decrease in fair value.

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

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

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

Loans and placements with other banks are accounted at amortized cost, stated at the principal amounts outstanding (including accrued interest), net of allowance for loan or placement losses, respectively. Transaction fees and charges should adjust the carrying amount at initial recognition and be included in effective interest calculation. Loans and placements with other banks are derecognised when the contractual rights to the cash-flows expire or they are transferred. Interest and amortised cost are accounted using effective interest rate method.
When a borrower is unable to meet payments as they fall due or, in the opinion of the Management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest is impaired.

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

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

Allowance for loan and placement losses with other banks represent Management assessment for potential losses in relation to these activities.

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

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

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account “Provision for impairment on loan and placement losses” in the Consolidated Statement of Recognized Income.

The Group applies partial or full write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IAS 39. If the Group has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially or fully at the time of emergence. A loan will be written off if it is overdue or was terminated by the Group.
The gross amount and impairment loss of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged.
Loan receivables legally demanded from clients are equal to the former gross amount of the loan before the partial write-off.

2.12. Sale and repurchase agreements, security lending

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

2.13. Associates and other investments

Companies where the Bank has the ability to exercise significant influence are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because the effect of using the equity method to account for such companies is not material to the Consolidated Financial Statements as a whole.

Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a significant interest are recorded according to IAS 39, when appropriate.
Gains and losses on the sale of investments are determined on the basis of the specific identification of the cost of each investment.

2.14. Property and equipment, Intangible assets

Property and equipment and Intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over the useful lives.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Intangible assets	
Software	3.33-50%
Property rights	5-50%
Property	1-33%
Office equipment and vehicles	2-50%

Depreciation and amortization on Property and equipment and Intangible assets commence on the day such assets are placed into service.
At each balance sheet date, the Group reviews the carrying value of its Property and equipment and Intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying value of Property and equipment and Intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

The Group may conclude contracts for purchasing property, equipment and intangible assets, where the purchase price is settled in foreign currency. By entering into such agreements, firm commitment in foreign currency due on a specified future date arises at the Group.
Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.
In the case of effective hedge the realised profit or loss of hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognising the asset and it is tightly connecting to the purchasing.

2.15. Financial liabilities

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

2.16. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessor

Amounts due from lessees under finance leases are recorded as other receivables at the amount of the net investment in the lease of the Group. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the net investment outstanding of the Group in respect of the leases. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Group as a lessee

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

Payments made under operating leases are charged to the Consolidated Statement of Recognized and Comprehensive Income on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.17. Investment properties

Investment properties of the Group are land, buildings, part of buildings which held (as the owner or as the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of services or for administrative purposes or sale in the ordinary course of business. The Group measures the investment properties at amortized cost and according to the opinion of the Management there isn't significant difference between the fair value and the carrying value of the these properties.

2.18. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Financial Position at cost as a deduction from Consolidated Shareholders' Equity.
Gains and losses on the sale of treasury shares are credited or charged directly to shareholder's equity. Derecognition of treasury shares is based on the FIFO method.

2.19. Interest income and interest expense

Interest income and expenses are recognized in profit or loss in the period to which they relate, using the effective interest rate method. Interest from loans and deposits are accrued on a daily basis. Interest income and expenses include relevant transaction costs and the amortisation of any discount or premium between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.
The Group recognizes interest income when assumes that the interest associated with the transaction will flow to the Group and the amount of the revenue can be reasonably measured. All interest income and expense recognized are arising from loans, placements with other banks, securities held for trading, securities available-for-sale, securities held-to-maturity and amounts due to banks, deposits from customers, liabilities from issued securities, subordinated bond and loans are presented under these lines of financial statements.

2.20. Fees and Commissions

Fees and commissions are recognized using the effective interest method referring to provisions of IAS 39, when they relate and have to be included in amortized cost model. Certain fees and commissions that are not involved in the amortized cost model are recognized in the Consolidated Statement of Recognized Income on an accrual basis based on IAS 18.

2.21. Dividend income

The Group recognizes dividend income in the Consolidated Financial Statements when its right to receive payment is established.

2.22. Income tax

The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realized or the liability is settled.

Deferred tax assets are recognized by the Group for the amounts of income taxes that are recoverable in future periods in respect of deductible temporary differences as well as the carryforward of unused tax losses and the carryforward of unused tax credits.

2.23. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Group enters into off-balance sheet commitments such as guarantees, letters of credit, commitments to extend credit and transactions with financial instruments. The provision for impairment on off-balance sheet commitments and contingent liabilities is maintained at a level adequate to absorb future cash outflows which are probable and relate to present obligations.

Management determines the adequacy of the allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

The Group recognizes provision when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

2.24. Share-based payment and employee benefit

The Bank has applied the requirements of IFRS 2 Share-based Payment.

The Bank issues equity-settled share-based payment to certain employees. Equity-settled share-based payment is measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Share-based payment is recorded in Consolidated Statement of Recognized Income as Personnel expenses.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Group has applied the requirement of IAS 19 Employee Benefits. IAS 19 requires to recognise employee benefits to be paid as a liability and as an expense in the Consolidated Financial Statements.

2.25. Consolidated Statement of Cash-flows

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

2.26. Segment reporting

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Based on the above, the segments identified by the Group are the business and geographical segments.
The Group's operating segments under IFRS 8 are therefore as follows: OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries, Corporate Center.

2.27. Comparative figures

There were no changes in prior period data due to either prior period error or change in accounting policies. In some notes certain amounts in the Consolidated Financial Statements for the year ended 31 December 2014 have been restructured within the particular note to conform with the current year presentation and these amounts are not significant.

2.28. Government measures related to customer loan contracts

Based on the Act XXXVIII of 2014 on "Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to customer loan agreements provided by financial institutions" ("Curia Law") and the Act XL of 2014 on "Rules of the settlement and certain other issues put in Act XXXVIII of 2014 on Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to customer loan agreements provided by financial institutions" ("Act on Settlement"), the Group met its settlement obligation as prescribed by law related to foreign currency loans.

a) Act on Settlement

Based on these regulations expense in the amount of HUF 179.6 billion was recognised as amounts charged to clients related to customer loans contracts were assumed unfair. The provision related to the settlement was released during the year of 2015.

b) Act on Conversion mortgage backed loans into HUF

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

c) Act on Conversion customer loans into HUF

On 2 October 2015 the Hungarian Government accepted the Act CXLV of 2015 on "Resolving issues concerning the HUF conversion of receivables from certain customer loan agreements". Accordingly, the applicable exchange rates were the spot market rates on 19 August 2015 (official exchange rates of the NBH on 19 August 2015 were 287.20 CHF/HUF and 309.20 EUR/HUF, respectively). Based on this regulation HUF 6.7 billion was recognized as expense in the Group's result.
However, based on the law a subsidy was given to clients in the amount of the difference between the FX rates used for the conversion of FX mortgage loans (256.47 HUF/CHF, 308.97 HUF/EUR) and the 19 August 2015 FX rates was borne equally by the banks and the State. The conversion was not mandatory for the clients.
The Group completed the conversion of foreign currency customer loans, and the relating subsidy was settled with the clients which has no significant effect to the Group's profitability.

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

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

3.1. Impairment on loans and placements

The Group regularly assesses its loan portfolio for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Provisioning involves many uncertainties about the outcome of those risks and requires the Management of the Group to make many subjective judgements in estimating the loss amounts. An impairment loss is incurred when there is objective evidence of impairment due to one or more events that occurred after the initial recognition of the asset ('a loss event'), when the loss has a reliably measurable impact on the expected future cash flows from the financial asset or group of financial assets. Future cash flows are assessed by the Group on the basis of estimates based on historical parameters. The adopted methodology used for estimating impairment allowances will be developed in line with the further possibilities of accumulations of historic impairment data from the existing information systems and applications. As a consequence, acquiring new data by the Group could affect the level of impairment allowances in the future.

3.2. Valuation of instruments without direct quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (e.g. correlations, volatilities, etc.). Changes in the model assumptions may affect the reported fair value of the relevant financial instruments.
IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

3.3. Provisions

Provisions are recognized and measured based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (See Note 17.)

A provision is recognized by the Group when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Provision for off-balance sheet items includes provision for litigation, provision for retirement and expected liabilities, for commitments to extend credit, provision for warranties arising from banking activities and provision for confirmed letter of credit.

3.4. Impairment on goodwill

Goodwill acquired in a business combination is tested for impairment annually or more frequently when there is an indication that the unit might be impaired, in accordance with IAS 36 "Impairment of assets".
The Group calculates the fair value based on discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Group defines the impairment need on goodwill based on the strategic factors and financial data of its cash-generating units. In the calculation of the goodwill impairment, also the expectations about possible variations in the amount or timing of those future cash-flows, the time value of money, represented by the current market risk-free rate of interest and other factors are reflected.

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

	2015	2014
Cash on hand		
In HUF	78,182	66,332
In foreign currency	146,718	143,668
	224,900	**210,000**

Amounts due from banks and balances with the National Banks

	2015	2014
Within one year:		
In HUF	1,203,223	1,798,959
In foreign currency	449,139	298,035
	1,652,362	**2,096,994**
Over one year:		
In HUF	2	-
In foreign currency	-	-
	2	**-**
Accrued interest	1,696	638
	1,654,060	**2,097,632**
Total	**1,878,960**	**2,307,632**
Compulsory reserve set by the National Banks	**451,668**	**304,308**

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

	2015	2014
Within one year		
In HUF	57,207	12,522
In foreign currency	241,952	266,384
	299,159	**278,906**
Over one year		
In HUF	-	-
In foreign currency	1,396	2,032
	1,396	**2,032**
Accrued interest	63	115
Provision for impairment on placement losses	(50)	(47)
Total	**300,568**	**281,006**

An analysis of the change in the provision for impairment on placement with other banks is as follows:

	2015	2014
Balance as at 1 January	**47**	**31**
Provision for the year	3	874
Release of provision for the year	-	(854)
Foreign currency translation difference	-	(4)
Closing balance	**50**	**47**

Interest conditions of placements with other banks:

	2015	2014
In HUF	0.1% - 6.4%	0.4% - 6.6%
In foreign currency	0.01% - 14.9%	0.01% - 14.9%

	2015	2014
Average interest rates on placements with other banks	0.88%	1.22%

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

	2015	2014
Securities held for trading		
Shares	72,620	59,231
Government bonds	25,866	22,942
Discounted Treasury bills	366	3,414
Other securities	7,946	4,439
Other non-interest bearing securities	4,507	3,989
	111,305	**94,015**
Accrued interest	671	625
Total	**111,976**	**94,640**

Positive fair value of derivative financial instruments classified held for trading

	2015	2014
CCIRS and mark-to-market CCIRS[1] classified as held for trading	84,270	85,010
Interest rate swaps classified as held for trading	33,770	43,401
Foreign exchange swaps classified as held for trading	15,551	48,636
Foreign exchange forward contracts classified as held for trading	124	6,237
Other derivative transactions classified as held for trading	8,091	11,351
	141,806	**194,635**
Total	**253,782**	**289,275**

An analysis of securities held for trading portfolio by currency (%):

	2015	2014
Denominated in HUF (%)	84.0%	81.7%
Denominated in foreign currency (%)	16.0%	18.3%
Total	**100.0%**	**100.0%**

An analysis of government bond portfolio by currency (%):

	2015	2014
Denominated in HUF (%)	48.4%	54.0%
Denominated in foreign currency (%)	51.6%	46.0%
Total	**100.0%**	**100.0%**

	2015	2014
Interest rates on securities held for trading	1.1% - 8.75%	1.5% - 11.0%
Average interest rates on securities held for trading	4.33%	2.06%

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 2.6.2.)

Interest conditions and the remaining maturities of securities held for trading can be analysed as follows:

	2015	2014
Within five years		
With variable interest	2,194	1,125
With fixed interest	22,918	23,466
	25,112	**24,591**
Over five years		
With variable interest	5	6
With fixed interest	9,061	6,198
	9,066	**6,204**
Non-interest bearing securities	77,127	63,220
Total	**111,305**	**94,015**

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

	2015	2014
Securities available-for-sale		
Government bonds	1,142,470	680,323
Corporate bonds	51,278	37,457
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*7,399*	*11,598*
	7,399	*11,598*
Non-listed securities:		
In HUF	*43,879*	*3,261*
In foreign currency	-	*22,598*
	43,879	*25,859*
Discounted Treasury bills	33,970	42,168
Other securities	12,422	21,138
Other non-interest bearing securities	45,222	43,646
From this:		
Listed securities:		
In HUF	*1,218*	-
In foreign currency	*7,410*	*7,114*
	8,628	*7,114*
Non-listed securities:		
In HUF	*17,562*	*28,346*
In foreign currency	*19,032*	*8,186*
	36,594	*36,532*
	1,285,362	**824,732**

	2015	2014
Accrued interest	20,507	15,694
Provision for impairment on securities available-for-sale	(383)	(1,274)
Total	**1,305,486**	**839,152**

An analysis of securities available-for sale by currency (%):

	2015	2014
Denominated in HUF (%)	74.8%	84.6%
Denominated in foreign currency (%)	25.2%	15.4%
Total	**100.0%**	**100.0%**

An analysis of government bonds by currency (%):

	2015	2014
Denominated in HUF (%)	78.5%	81.2%
Denominated in foreign currency (%)	21.5%	18.8%
Total	**100.0%**	**100.0%**

	2015	2014
Interest rates on securities available-for-sale denominated in HUF	0.8% - 7.5%	1.7% - 8.0%
Interest rates on securities available-for-sale denominated in foreign currency	0.4% - 28.0%	0.3% - 28.0%

	2015	2014
Average interest rates on securities available-for-sale denominated in HUF	2.96%	3.07%
Average interest rates on securities available-for-sale denominated in foreign currency	3.48%	5.85%

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

	2015	2014
Within five years		
With variable interest	2,179	2,701
With fixed interest	1,040,809	616,404
	1,042,988	**619,105**
Over five years		
With variable interest	40,624	117
With fixed interest	156,528	161,864
	197,152	**161,981**
Non-interest bearing securities	45,222	43,646
Total	**1,285,362**	**824,732**

An analysis of the change in the provision for impairment on securities available-for-sale is as follows:

	2015	2014
Balance as at 1 January	**1,274**	**966**
Provision for the year	17	297
Release of provision	-	-
Use of provision	(831)	-
Foreign currency translation difference	(77)	11
Closing balance	**383**	**1,274**

Certain securities are hedged against interest rate risk. See Note 40.

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

	2015	2014
Short-term loans and promissory notes (within one year)	2,112,909	2,245,818
Long-term loans and promissory notes (over one year)	4,260,765	4,690,266
	6,373,674	**6,936,084**
Accrued interest	49,913	57,242
Provision for impairment on loan losses	(1,013,620)	(1,129,085)
Total	**5,409,967**	**5,864,241**

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

	2015	2014
In HUF	36%	29%
In foreign currency	64%	71%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	2015	2014
Short-term loans denominated in HUF	0.01% - 40.7%	0.04% - 42.0%
Long-term loans denominated in HUF	0.01% - 40.7%	0.04% - 42.0%
Short-term loans denominated in foreign currency	0.01% - 66.9%	0.01% - 64.9%
Long-term loans denominated in foreign currency	0.01% - 59.7%	0.01% - 66.9%

	2015	2014
Average interest rates on loans denominated in HUF	4.53%	4.68%
Average interest rates on loans denominated in foreign currency	15.77%	16.23%

	2015	2014
Gross loan portfolio on which interest to customers is not being accrued	16.9%	17.9%

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

	2015	2014
Balance as at 1 January	**1,129,085**	**1,235,634**
Provision for the year	607,856	708,743
Release of provision	(332,171)	(319,393)
Use of provision	(195,846)	(85,494)
Partial write-off[1]	(84,537)	(237,593)
Increase due to acquisition	-	772
Foreign currency translation difference	(110,767)	(173,584)
Closing balance	**1,013,620**	**1,129,085**

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

	2015	2014
(Release of provision) / Provision for impairment on placement losses	(6)	10
Provision for impairment on loan losses	318,689	446,820
Total	**318,683**	**446,830**

NOTE 9: ASSOCIATES AND OTHER INVESTMENTS (in HUF mn)

	2015	2014
Investments[2]		
Investments in associates (non-listed)	5,936	17,768
Other investments (non-listed) at cost	7,974	8,917
	13,910	**26,685**
Provision for impairment on investments	(3,882)	(3,304)
Total	**10,028**	**23,381**

[1] See details in Note 2.11.
[2] These instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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

	2015	2014
Balance as at 1 January	**3,304**	**4,231**
Provision for the year	1,094	1,244
Use of provision	(139)	(245)
Change due to merge	(375)	(1,927)
Foreign currency translation difference	(2)	1
Closing balance	**3,882**	**3,304**

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

	2015	2014
Government bonds	909,556	692,410
Discounted Treasury bills	116	519
Corporate bonds	5	7
Mortgage bonds	-	522
	909,677	**693,458**
Accrued interest	17,807	16,725
Provision for impairment on securities held-to-maturity	(807)	(814)
Total	**926,677**	**709,369**

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

	2015	2014
Within five years		
With variable interest	3,534	7,438
With fixed interest	455,898	375,972
	459,432	**383,410**
Over five years		
With variable interest	-	-
With fixed interest	450,245	310,048
	450,245	**310,048**
Total	**909,677**	**693,458**

An analysis of securities held-to-maturity by currency (%):

	2015	2014
Denominated in HUF (%)	89.6%	92.7%
Denominated in foreign currency (%)	10.4%	7.3%
Total	**100.0%**	**100%**

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

	2015	2014
Interest rates of securities held-to-maturity with variable interest	0.01% - 0.6%	0.02% - 2.5%
Interest rates of securities held-to-maturity with fixed interest	0.1% - 20.7%	0.9% - 12.0%

	2015	2014
Average interest rates on securities held-to-maturity	5.82%	6.34%

An analysis of the change in the provision for impairment on securities held-to-maturity is as follows:

	2015	2014
Balance as at 1 January	**814**	**775**
Provision for the year	15	-
Release of provision	(17)	-
Use of provision	(2)	-
Foreign currency translation difference	(3)	39
Closing balance	**807**	**814**

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

For the year ended 31 December 2015

Cost	Intangible assets and goodwill	Property	Office equipment and vehicles	Construction in progress	Total
Balance as at 1 January	**345,855**	**196,923**	**161,855**	**11,983**	**716,616**
Additions	39,057	13,068	14,950	15,484	82,559
Foreign currency translation differences	(8,707)	(3,534)	(3,535)	(110)	(15,886)
Disposals	(74,719)	(8,626)	(14,311)	(17,347)	(115,003)
Change in consolidation scope	53	1	26	-	80
Balance as at 31 December	**301,539**	**197,832**	**158,985**	**10,010**	**668,366**

Depreciation and Amortization	Intangible assets and goodwill	Property	Office equipment and vehicles	Construction in progress	Total
Balance as at 1 January	**187,134**	**46,745**	**117,576**	**-**	**351,455**
Charge for the year (without goodwill impairment)	22,476	7,888	15,099	-	45,463
Foreign currency translation differences	(476)	437	(1,434)	-	(1,473)
Disposals	(63,404)	(1,619)	(11,526)	-	(76,549)
Balance as at 31 December	**145,730**	**53,451**	**119,715**	**-**	**318,896**
Net book value					
Balance as at 1 January	**158,721**	**150,178**	**44,279**	**11,983**	**365,161**
Balance as at 31 December	**155,809**	**144,381**	**39,270**	**10,010**	**349,470**

An analysis of the intangible assets for the year ended 31 December 2015 is as follows:

Intangible assets	Self-developed	Other	Total
Gross values	8,333	197,212	205,545
Depreciation and amortization	4,934	140,796	145,730

An analysis of the changes in the goodwill for the year ended 31 December 2015 is as follows:

Cost	Goodwill
Balance as at 1 January	**101,062**
Additions	419
Foreign currency translation difference	(5,487)
Impairment for the current period	-
Balance as at 31 December	**95,994**
Net book value	
Balance as at 1 January	**101,062**
Balance as at 31 December	**95,994**

Book value of the goodwill allocated to the appropriate cash generation units

List of units	HUF mn
JSC "OTP Bank" (Russia)	36,451
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	18,177
OTP Bank Romania S.A.	6,222
Monicomp Ltd.	5,732
OTP Banka Slovensko a.s.	517
Other[1]	354
Total	**95,994**

The Bank decided that the recoverable amount is determined based on fair value less cost of disposal. The Bank prepared goodwill impairment tests of the subsidiaries based on two different net present value calculation methods that shows the same result; however they represent different economical logics. On one hand is the discount cash-flow method (DCF) that calculates the value of the subsidiaries by discounting their expected cash-flow; on the other hand the economic value added (EVA) method estimates the value of the subsidiaries from the initial invested capital and the present value of the economic profit that the companies are expected to generate in the future. Applying the EVA method was more practically than DCF method because it gives a more realistic picture about how the explicit period and the residual value can contribute to the value of the company.

As at 31 December 2015 the Bank prepared impairment test where in case of two companies JSC "OTP Bank" (Russia) and OTP Bank JSC (Ukraine) a five-year (2016-2020) cash-flow model while in case of the other subsidiaries three-year cash-flow model was applied with an explicit period between 2016-2018. The base of the estimation was the annual financial strategic plan for year 2015, while for the three-year explicit period the Bank applied the prognosis for year 2016 accepted by the Management Committee of the subsidiaries and on the base of this prognosis the prepared medium-term (2017-2018) forecasts. When the Bank prepared the calculations for the period 2016-2018, considered the actual worldwide economic situations, the expected economic growth for the following years, their possible effects on the financial sector, the plans for growing which result from these and the expected changes of the mentioned factors.

Present value calculation with the DCF method

The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. For calculating the discount factor as risk free rates in case of OTP Bank JSC (Ukraine) the base rate of the Ukrainian National Bank was considered presented in the actual macro forecasts, while in case of the other subsidiaries the Bank applied the yield of these local government bonds in foreign currency with a period of one year. The Bank calculated risk premiums on the base of information from the country risk premiums that are published on damodaran.com, which were modified with CDS

[1] Other category includes: OTP Real Estate Leasing Ltd., Nimo 2002 Ltd., POK DSK-Rodina a.d.

spread in case of OTP Banka Slovensko a.s and Crnogorska komercijalna banka a.d., since according to the Bank's assumption the risk free interest rate includes the country-dependent risks in an implicit way. The values of the subsidiaries in the DCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

Present value calculation with the EVA method

A company creates positive economic profit/value if the profitability of the invested capital is higher than the normal profit – the profit that can be usually generated in the banking sector –, which means that the company's profitability exceeds the expected yield. The economic profit of the subsidiaries was calculated by deducting the cost of invested capital from the net profit for the year. The applied discount factor and the indicators used for calculating the residual value (long term cost of capital and growth rate) are the same that are used in the DCF method.

Summary of the impairment test for the year ended 31 December 2015

Based on the valuations of the subsidiaries no goodwill impairment was needed on Group level as at 31 December 2015, while as at 31 December 2014 the total IFRS goodwill in the amount of HUF 22,225 million, recorded for OTP Bank JSC (Ukraine) as at the balance sheet date, was impaired.

For the year ended 31 December 2014

Cost	**Intangible assets and goodwill**	**Property**	**Office equipment and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	**374,911**	**222,634**	**188,906**	**26,341**	**812,792**
Additions	41,354	7,292	14,785	18,246	81,677
Acquisition	252	1,472	430	2	2,156
Foreign currency translation differences	(20,986)	(3,887)	(5,142)	165	(29,850)
Disposals	(49,075)	(2,398)	(16,275)	(32,777)	(100,525)
Transfer	(628)	(28,190)	(20,939)	-	(49,757)
Change in consolidation scope	27	-	90	6	123
Balance as at 31 December	**345,855**	**196,923**	**161,855**	**11,983**	**716,616**

Depreciation and Amortization	**Intangible assets and goodwill**	**Property**	**Office equipment and vehicles**	**Construction in progress**	**Total**
Balance as at 1 January	**181,190**	**49,799**	**126,559**	**-**	**357,548**
Charge for the year (without goodwill impairment)	22,614	5,346	15,762	-	43,722
Goodwill impairment	22,225	-	-	-	22,225
Foreign currency translation differences	3,207	(1,311)	(4,219)	-	(2,323)
Disposals	(41,945)	(180)	(13,168)	-	(55,293)
Transfer	(179)	(6,909)	(7,403)	-	(14,491)
Change in consolidation scope	22	-	45	-	67
Balance as at 31 December	**187,134**	**46,745**	**117,576**	**-**	**351,455**
Net book value					
Balance as at 1 January	**193,721**	**172,835**	**62,347**	**26,341**	**455,244**
Balance as at 31 December	**158,721**	**150,178**	**44,279**	**11,983**	**365,161**

An analysis of the intangible assets for the year ended 31 December 2014 is as follows:

Intangible assets	**Self-developed**	**Other**	**Total**
Gross values	9,657	207,666	**217,323**
Depreciation and amortization	4,268	155,395	**159,663**

An analysis of the changes in the goodwill for the year ended 31 December 2014 is as follows:

Cost	Goodwill
Balance as at 1 January	**145,564**
Additions	-
Foreign currency translation difference	(22,277)
Impairment for the current period	(22,225)
Balance as at 31 December	**101,062**
Net book value	
Balance as at 1 January	**145,564**
Balance as at 31 December	**101,062**

Book value of the goodwill allocated to the appropriate cash generation units

List of units	HUF mn
JSC "OTP Bank" (Russia)	41,806
DSK Bank EAD	28,541
OTP banka Hrvatska d.d.	18,280
OTP Bank Romania S.A.	6,257
Monicomp Ltd.	5,732
OTP Banka Slovensko a.s.	93
Other[1]	353
Total	**101,062**

Summary of the impairment test for the year ended 31 December 2014

Based on the valuations of the subsidiaries, the total IFRS goodwill, recorded for OTP Bank JSC (Ukraine) as at the balance sheet date, was impaired, which meant HUF 22,225 million consolidated IFRS goodwill impairment as at 31 December 2014.

[1] Other category includes: OTP Real Estate Leasing Ltd., Nimo 2002 Ltd., POK DSK-Rodina a.d.

NOTE 12: OTHER ASSETS[1] (in HUF mn)

	2015	2014
Deferred tax receivables[2]	73,079	61,009
Inventories	46,195	43,936
Investment properties	33,420	31,322
Prepayments and accrued income	25,136	24,513
Assets subject to operating lease	23,415	24,668
Current income tax receivable	20,492	8,843
Fair value of derivative financial instrument designated as fair value hedge	16,009	30,454
Trade receivables	10,891	12,121
Receivables from card operations	7,865	9,615
Other advances	7,083	5,695
Receivable from the National Asset Management	6,645	9,718
Receivables from investment services	6,369	3,960
Receivables due from pension funds and investment funds	2,516	3,874
Loans sold under deferred payment scheme	2,410	2,299
Stock exchange deals	2,163	3,996
Receivables from leasing activities	1,470	1,086
Other receivables from Hungarian Government	1,233	2,233
Advances for securities and investments	663	691
Other	34,338	44,704
Subtotal	**321,392**	**324,737**
Provision for impairment on other assets[3]	(37,482)	(32,902)
Total	**283,910**	**291,835**

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

	2015	2014
Interest rate swaps designated as fair value hedge	15,393	14,032
CCIRS and mark-to-market CCIRS designated as fair value hedge	604	13,940
Foreign exchange swaps designated as fair value hedge	-	2,437
Other transactions designated as fair value hedge	12	45
Total	**16,009**	**30,454**

[1] Other assets – except income tax receivable and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Income tax receivable will be enforced in the tax return for the year 2015. Unrealised gains/losses on derivative financial instruments are recovering in accordance with their maturity.
[2] See Note 26.
[3] Provision for impairment on other assets mainly consists of provision for impairment on investment properties and trade receivables.

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

	2015	2014
Balance as at 1 January	**32,902**	**23,247**
Provision for the year	7,019	9,726
Use of provision	(1,569)	(2,573)
Provision due to transfer	-	2,353
Foreign currency translation difference	(870)	149
Closing balance	**37,482**	**32,902**

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

	2015	2014
Within one year		
In HUF	134,081	148,264
In foreign currency	115,423	302,971
	249,504	**451,235**
Over one year		
In HUF	205,221	150,012
In foreign currency	78,015	106,137
	283,236	**256,149**
Accrued interest	570	890
Total[1]	**533,310**	**708,274**

Interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks are as follows:

	2015	2014
Within one year		
In HUF	(1)% - 3.6%	1.2% - 5.2%
In foreign currency	0.01% - 11.75%	0.05% - 18.8%
Over one year		
In HUF	0% - 3.2%	0.1% - 5.2 %
In foreign currency	0.1% - 17.0%	0.1% - 18.0%

	2015	2014
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks denominated in HUF	1.97%	1.83%
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks denominated in foreign currency	1.54%	1.59%

[1] It contains loans lent among the frame of Funding for Growth Scheme, which are accounted as government grant regulated by IAS 20 standard. See more details in Note 44.

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2015	2014
Within one year		
In HUF	3,565,248	3,716,886
In foreign currency	4,121,267	3,667,694
	7,686,515	**7,384,580**
Over one year		
In HUF	169,177	101,733
In foreign currency	109,345	158,624
	278,522	**260,357**
Accrued interest	19,542	28,541
Total	**7,984,579**	**7,673,478**

Interest rates on deposits from customers are as follows:

	2015	2014
Within one year		
In HUF	0.01% - 4.0%	0.01% - 10.3%
In foreign currency	0.01% - 24.5%	0.01% - 29.0%
Over one year		
In HUF	0.01% - 6.85%	0.01% - 3.1%
In foreign currency	0.01% - 20.5%	0.01% - 26.0%

	2015	2014
Average interest rates on deposits from customers denominated in HUF	0.48%	0.80%
Average interest rates on deposits from customers denominated in foreign currency	4.27%	5.52%

An analysis of deposits from customers by type, without accrued interest liability, is as follows:

	2015		2014	
Retail deposits	5,663,139	71%	4,566,737	60%
Corporate deposits	1,948,422	25%	2,693,704	35%
Municipality deposits	353,476	4%	384,496	5%
Total	**7,965,037**	**100%**	**7,644,937**	**100%**

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

	2015	2014
With original maturity		
Within one year		
In HUF	18,388	28,812
In foreign currency	64,762	53,225
	83,150	**82,037**
Over one year		
In HUF	146,011	162,582
In foreign currency	784	13,051
	146,795	**175,633**
Accrued interest	9,431	9,414
Total	**239,376**	**267,084**

Interest rates on liabilities from issued securities are as follows:

	2015	2014
Issued securities denominated in HUF	0.01% - 10.0%	0.10% - 10.0%
Issued securities denominated in foreign currency	0.52% - 12.8%	0.23% - 10.5%

	2015	2014
Average interest rates on issued securities denominated in HUF	3.21%	3.33%
Average interest rates on issued securities denominated in foreign currency	1.71%	5.04%

Issued securities denominated in HUF as at 31 December 2015 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP TBSZ 2016/I	14/01/2011-05/08/2011	15/12/2016	1,166	5.5	fixed	
2	OTP TBSZ 2016/II	26/08/2011-29/12/2011	15/12/2016	626	5.5	fixed	
3	OTP TBSZ 4 2016/I	18/01/2013-15/02/2013	15/12/2016	156	5	fixed	
4	OTP TBSZ 6 2017/I	13/01/2012-22/06/2012	15/12/2017	231	6.5	fixed	
5	OTP 2016/Ax	11/11/2010	03/11/2016	3,525	indexed	floating	hedged
6	OTP 2016/Bx	16/12/2010	19/12/2016	2,589	indexed	floating	hedged
7	OTP 2016/Ex	28/12/2012	27/12/2016	301	indexed	floating	hedged
8	OTP 2016/Fx	22/03/2013	24/03/2016	649	indexed	floating	hedged
9	OTP 2017/Ax	01/04/2011	31/03/2017	4,065	indexed	floating	hedged
10	OTP 2017/Bx	17/06/2011	20/06/2017	3,926	indexed	floating	hedged
11	OTP 2017/Cx	19/09/2011	25/09/2017	3,006	indexed	floating	hedged
12	OTP 2017/Dx	20/10/2011	19/10/2017	431	indexed	floating	hedged
13	OTP 2017/Ex	21/12/2011	28/12/2017	3,227	indexed	floating	hedged
14	OTP 2018/Ax	03/01/2012	09/01/2018	547	indexed	floating	hedged
15	OTP 2018/Bx	22/03/2012	22/03/2018	3,832	indexed	floating	hedged
16	OTP 2018/Cx	18/07/2012	18/07/2018	3,289	indexed	floating	hedged
17	OTP 2018/Dx	29/10/2012	26/10/2018	2,767	indexed	floating	hedged
18	OTP 2018/Ex	28/12/2012	28/12/2018	2,814	indexed	floating	hedged
19	OTP 2019/Ax	25/06/2009	01/07/2019	255	indexed	floating	hedged
20	OTP 2019/Bx	05/10/2009-05/02/2010	14/10/2019	355	indexed	floating	hedged
21	OTP 2019/Cx	14/12/2009	20/12/2019	285	indexed	floating	hedged
22	OTP 2019/Dx	22/03/2013	21/03/2019	4,098	indexed	floating	hedged
23	OTP 2019/Ex	28/06/2013	24/06/2019	3,183	indexed	floating	hedged
24	OTP 2020/Ax	25/03/2010	30/03/2020	328	indexed	floating	hedged
25	OTP 2020/Bx	28/06/2010	09/07/2020	332	indexed	floating	hedged
26	OTP 2020/Cx	11/11/2010	05/11/2020	206	indexed	floating	hedged
27	OTP 2020/Dx	16/12/2010	18/12/2020	215	indexed	floating	hedged
28	OTP 2020/Ex	18/06/2014	22/06/2020	3,889	indexed	floating	hedged
29	OTP 2020/Fx	10/10/2014	16/10/2020	3,408	indexed	floating	hedged
30	OTP 2020/Gx	15/12/2014	21/12/2020	2,898	indexed	floating	hedged
31	OTP 2021/Ax	01/04/2011	01/04/2021	289	indexed	floating	hedged
32	OTP 2021/Bx	17/06/2011	21/06/2021	311	indexed	floating	hedged
33	OTP 2021/Cx	19/09/2011	24/09/2021	287	indexed	floating	hedged
34	OTP 2021/Dx	21/12/2011	27/12/2021	351	indexed	floating	hedged
35	OTP 2022/Ax	22/03/2012	23/03/2022	264	indexed	floating	hedged
36	OTP 2022/Bx	18/07/2012	18/07/2022	240	indexed	floating	hedged
37	OTP 2022/Cx	29/10/2012	28/10/2022	270	indexed	floating	hedged
38	OTP 2022/Dx	28/12/2012	27/12/2022	316	indexed	floating	hedged
39	OTP 2023/Ax	22/03/2013	24/03/2023	395	indexed	floating	hedged
40	OTP 2023/Bx	28/06/2013	26/06/2023	265	indexed	floating	hedged
41	OTP 2024/Ax	18/06/2014	21/06/2024	270	indexed	floating	hedged
42	OTP 2024/Bx	10/10/2014	16/10/2024	385	indexed	floating	hedged
43	OTP 2024/Cx	15/12/2014	20/12/2024	320	indexed	floating	hedged
44	OTP 2020/RF/A	12/07/2010	20/07/2020	2,739	indexed	floating	hedged
45	OTP 2020/RF/B	12/07/2010	20/07/2020	1,280	indexed	floating	hedged
46	OTP 2020/RF/C	11/11/2010	05/11/2020	2,937	indexed	floating	hedged
47	OTP 2021/RF/A	05/07/2011	13/07/2021	2,484	indexed	floating	hedged
48	OTP 2021/RF/B	20/10/2011	25/10/2021	2,487	indexed	floating	hedged
49	OTP 2021/RF/C	21/12/2011	30/12/2021	492	indexed	floating	hedged
50	OTP 2021/RF/D	21/12/2011	30/12/2021	328	indexed	floating	hedged
51	OTP 2021/RF/E	21/12/2011	30/12/2021	49	indexed	floating	hedged
52	OTP 2022/RF/A	22/03/2012	23/03/2022	1,414	indexed	floating	hedged
53	OTP 2022/RF/B	22/03/2012	23/03/2022	458	indexed	floating	hedged
	Subtotal			**75,230**			

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
54	OTP 2022/RF/C	28/06/2012	28/06/2022	146	indexed	floating	hedged
55	OTP 2022/RF/D	28/06/2012	28/06/2022	188	indexed	floating	hedged
56	OTP 2022/RF/E	29/10/2012	31/10/2022	485	indexed	floating	hedged
57	OTP 2022/RF/F	28/12/2012	28/12/2022	363	indexed	floating	hedged
58	OTP 2023/RF/A	22/03/2013	24/03/2023	415	indexed	floating	hedged
59	OTP OJK 2016/I	26/08/2011-	26/08/2016	30	6.14	fixed	
60	OTP OJK 2017/I	27/01/2012-	27/01/2017	14	7	fixed	
61	OJB 2016/I	03/02/2006	03/02/2016	1,253	7.5	fixed	
62	OJB 2016/II	31/08/2006	31/08/2016	4,648	10	fixed	
63	OJB 2016/J	18/04/2006	28/09/2016	51	7.59	fixed	
64	OJB 2019/I	17/03/2004	18/03/2019	31,517	9.48	fixed	
65	OJB 2019/II	25/05/2011	18/03/2019	1,079	9.48	fixed	
66	OJB 2020/I	19/11/2004	12/11/2020	5,503	9	fixed	
67	OJB 2020/II	25/05/2011	12/11/2020	1,486	9	fixed	
68	Other[1]			35,154			
	Subtotal			**82,332**			
	Subtotal issued securities in HUF			**157,562**			
	Unamortized premium			(6,202)			
	Fair value adjustment			13,039			
	Total issued securities in HUF			**164,399**			

Issued securities denominated in foreign currency as at 31 December 2015 (in HUF mn)

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP EUR 1 2015/XXV	19/12/2014	02/01/201	EUR	9.14	2,860	1.1	fixed	
2	OTP EUR 1 2015/XXVI	09/01/2015	23/01/201	EUR	4.23	1,325	1.1	fixed	
3	OTP EUR 1 2016/I	30/01/2015	13/02/201	EUR	9.93	3,109	1.1	fixed	
4	OTP EUR 1 2016/II	20/02/2015	06/03/201	EUR	8.27	2,590	1.0	fixed	
5	OTP EUR 1 2016/III	20/03/2015	03/04/201	EUR	12.94	4,052	0.9	fixed	
6	OTP EUR 1 2016/IV	10/04/2015	24/04/201	EUR	7.14	2,237	0.9	fixed	
7	OTP EUR 1 2016/V	24/04/2015	08/05/201	EUR	3.58	1,121	0.9	fixed	
8	OTP EUR 1 2016/VI	29/05/2015	12/06/201	EUR	10.19	3,190	0.8	fixed	
9	OTP EUR 1 2016/VII	30/06/2015	14/07/201	EUR	10.06	3,150	0.8	fixed	
10	OTP EUR 1 2016/VIII	24/07/2015	07/08/201	EUR	6.13	1,919	0.7	fixed	
11	OTP EUR 1 2016/IX J003	25/09/2015	09/10/201	EUR	21.34	6,681	0.6	fixed	
12	OTP EUR 1 2016/X	30/10/2015	13/11/201	EUR	14.9	4,667	0.6	fixed	
13	OTP EUR 1 2016/XI	11/11/2015	25/11/201	EUR	8.85	2,772	0.6	fixed	
14	OTP EUR 1 2016/XII	27/11/2015	11/12/201	EUR	6.03	1,887	0.5	fixed	
15	OTP EUR 1 2016/XIII	30/12/2015	13/01/201	EUR	26.09	8,168	0.5	fixed	
16	OTP EUR 2 2016/I	17/01/2014	17/01/201	EUR	0.89	280	2.0	fixed	
17	OTP EUR 2 2016/II	31/01/2014	31/01/201	EUR	0.82	256	2.0	fixed	
18	OTP EUR 2 2016/III	14/02/2014	14/02/201	EUR	0.94	296	2.0	fixed	
19	OTP EUR 2 2016/IV	28/02/2014	28/02/201	EUR	0.63	197	1.9	fixed	
20	OTP EUR 2 2016/V	14/03/2014	14/03/201	EUR	0.72	227	1.8	fixed	
	Subtotal					**50,984**			

[1] From the total amount HUF 34,923 million is mobil deposits of Merkantil Bank Ltd.

	Name	Date of issue	Maturity	Type of FX	Nominal value		Interest conditions (in % p.a.)		Hedged
					(FX mn)	(HUF mn)			
21	OTP EUR 2 2016/VI	21/03/2014	21/03/201	EUR	0.21	66	1.8	fixed	
22	OTP EUR 2 2016/VII	11/04/2014	11/04/201	EUR	0.71	223	1.8	fixed	
23	OTP EUR 2 2016/VIII	18/04/2014	18/04/201	EUR	0.20	63	1.8	fixed	
24	OTP EUR 2 2016/IX	09/05/2014	09/05/201	EUR	0.61	190	1.8	fixed	
25	OTP EUR 2 2016/X	23/05/2014	23/05/201	EUR	0.60	187	1.8	fixed	
26	OTP EUR 2 2016/XI	06/06/2014	06/06/201	EUR	0.64	200	1.8	fixed	
27	OTP EUR 2 2016/XII	20/06/2014	20/06/201	EUR	0.59	185	1.5	fixed	
28	OTP EUR 2 2016/XIII	04/07/2014	04/07/201	EUR	0.46	145	1.5	fixed	
29	OTP EUR 2 2016/XIV	18/07/2014	18/07/201	EUR	0.31	98	1.5	fixed	
30	OTP EUR 2 2016/XV	30/07/2014	30/07/201	EUR	1.55	484	1.5	fixed	
31	OTP EUR 2 2016/XVI	08/08/2014	08/08/201	EUR	0.37	115	1.5	fixed	
32	OTP EUR 2 2016/XVII	29/08/2014	29/08/201	EUR	1.31	412	1.5	fixed	
33	OTP EUR 2 2016/XVIII	12/09/2014	12/09/201	EUR	0.99	309	1.5	fixed	
34	OTP EUR 2 2016/XIX	03/10/2014	03/10/201	EUR	1.92	601	1.5	fixed	
35	OTP 2016/Cx	22/04/2011	22/04/201	EUR	1.42	446	indexed		hedged
36	OTP 2016/Dx	22/12/2011	29/12/201	EUR	1.08	339	indexed		hedged
37	OTP 2017/Fx	19/06/2012	16/06/201	EUR	0.78	243	indexed		hedged
38	OTP 2018/Fx	19/12/2013	21/12/201	EUR	0.62	194	indexed		hedged
39	OTP_VK_USD_1_2016/I	24/04/2015-02/07/2015	24/04/2016	USD	3.27	937	1.0	floating	
40	OTP_VK_USD_1_2016/II	24/07/2015	24/07/201	USD	0.87	249	0.9	floating	
41	OTP_VK_USD_1_2016/III	25/09/2015-30/12/2015	25/09/2016	USD	7.61	2,182	0.8	floating	
42	OTP_VK_USD_2_2016/I	28/11/2014	28/11/201	USD	6.76	1,937	1.4	floating	
43	OTP_VK_USD_2_2017/I	10/04/2015	10/04/201	USD	0.33	95	1.1	floating	
44	Mortgage bonds OTP	28/09/2012	28/09/201	EUR	7.96	2,493	4.0	fixed	
45	Other[1]					2,296			
	Subtotal					**14,689**			
	Subtotal issued securities in FX					**65,673**			
	Unamortized premium					(189)			
	Fair value adjustment					62			
	Total issued securities in FX					**65,546**			
	Accrued interest					9,431			
	Total issued securities					**239,376**			

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

On 8 July 2014 the Bank initiated term note program in the value of HUF 500 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 29 July 2014 the prospectus of Term Note Program and the disclosure as at 25 July 2014. The prospectus is valid for 12 months following the disclosure.
The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange without any obligations.

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

On 30 June 2015 the Bank initiated term note program in the value of HUF 200 billion with the intention of issuing registered dematerialized bonds in public. The NBH approved on 14 August 2015 the prospectus of Term Note Program and the disclosure as at 12 August 2015. The prospectus is valid for 12 months following the disclosure.
The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange without any obligations.

[1] Other category includes promissory notes issued by OTP Banka Slovensko a.s. in the amount of HUF 1,190 million and by JSC "OTP Bank" (Russia) in the amount of HUF 1,106 million.

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

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

Negative fair value of derivative financial instruments classified as held for trading by type of contracts

	2015	2014
CCIRS and mark-to-market CCIRS classified as held for trading	55,875	53,724
Interest rate swaps classified as held for trading	30,453	63,691
Foreign exchange swaps classified as held for trading	7,687	51,537
Foreign exchange forward contracts classified as held for trading	3,551	5,582
Option contracts classified as held for trading	1,899	6,215
Forward security agreements classified as held for trading	860	478
Forward rate agreements classified as held for trading (FRA)	29	61
Other transactions classified as held for trading	1,207	2,706
Total	**101,561**	**183,994**

NOTE 17: OTHER LIABILITIES[1] (in HUF mn)

	2015	2014
Provision for impairment on off-balance sheet commitments and contingent liabilities	70,999	217,351
Financial liabilities from OTP-MOL share swap transaction[2]	66,787	56,445
Liabilities from investment services	39,413	41,264
Accrued expenses	33,153	33,015
Liabilities connected to Cafeteria benefits	27,811	22,700
Accounts payable	25,455	22,373
Salaries and social security payable	25,423	25,583
Fair value of derivative financial instruments designated as fair value hedge	13,723	85,679
Current income tax payable	13,684	14,707
Clearing, settlement and pending accounts	12,065	7,284
Giro clearing accounts	11,302	13,119
Liabilities from repo transactions	7,452	6,980
Liabilities from card transactions	5,804	4,992
Deferred tax liabilities	4,610	9,855
Advances received from customers	4,271	3,266
Liabilities connected to leasing activities	1,583	1,080
Liabilities related to housing loans	1,523	244
Liabilities connected to loans for collection	876	909
Loans from government	683	738
Dividend payable	546	140
Other	24,159	24,130
Subtotal	**391,322**	**591,854**
Accrued interest	257	234
Total	**391,579**	**592,088**

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

[1] Other liabilities – except financial liabilities from OTP-MOL share swap transaction, deferred tax liabilities and fair value of derivative financial instruments designated as fair value hedge – are expected to be recovered or settled no more than twelve months after the reporting period. Unrealised gains/losses on OTP-MOL share swap transaction is settled in June of each year until the maturity date. The fair value adjustment of the swap transaction is HUF 3,236 million as at 31 December 2015. Unrealised gains/losses on derivative financial instruments is recovering in accordance with their maturity. Besides the total other liabilities mentioned above which are expected to be recovered or settled more than twelve months after the reporting period it should be mentioned accrued contractual liabilities, compulsory pension reserve, guarantee deposits in relation with leasing activities, loans from government and liabilities from preferential dividend shares.

[2] On 16 April 2009 OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the loss of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity with the amount of HUF 55.5 billion and a recognition of a corresponding liability. As at 31 December 2015 and 2014 HUF 66,787 million and HUF 56,445 million liability was presented in other liabilities. The measurement is based on the fair value of MOL shares to be delivered at the potential exercise of the call and put options adjusted with the expected present value of the net cash or net share settlement due to certain movement of relative share prices.

	2015	2014
Provision for expected losses due to CHF loans conversion at foreign subsidiaries	39,314	-
Provision for losses on other off-balance sheet commitments and contingent liabilities related to lending	7,010	3,566
Provision for litigation	6,680	7,454
Provision for expected pension commitments	2,664	3,430
Provision on contingent liabilities due to regulations related to customer loans[1]	-	196,574
Provision for other liabilities	15,331	6,327
Total	**70,999**	**217,351**

The movements of provision for losses on off-balance sheet commitments and contingent liabilities can be summarized as follows:

	2015	2014
Balance as at 1 January	**217,351**	**22,180**
(Release of provision) / Provision for the year	(146,360)	195,310
Use of provision	(1,838)	(1,031)
Change due to acquisition	3,115	1,756
Foreign currency translation differences	(1,269)	(864)
Closing balance	**70,999**	**217,351**

The negative fair value of derivative financial instruments designated as fair value hedge by type of contracts

	2015	2014
Interest rate swaps designated as fair value hedge	13,723	3,463
CCIRS and mark-to-market CCIRS designated as fair value hedge	-	79,940
Foreign exchange swaps designated as fair value	-	2,276
Total	**13,723**	**85,679**

[1] See details in Note 2.28.

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

	2015	2014
Within one year:		
In HUF	-	-
In foreign currency	156,487	16,779
	156,487	**16,779**
Over one year:		
In HUF	-	-
In foreign currency	77,200	264,018
	77,200	**264,018**
Accrued interest	1,097	1,171
Total	**234,784**	**281,968**

Interest rates on subordinated bonds and loans are as follows:

	2015	2014
Denominated in foreign currency	5.3% - 5.9%	0.6% - 8.25%

	2015	2014
Average interest rates on subordinated bonds and loans	4.72%	4.82%

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

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as at 31 December 2015
Subordinated bond	EUR 247.5 million	07/11/2006	Perpetual, but callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	5.875%
Subordinated bond (under EMTN[1] program)	EUR 300 million	19/09/2006	19/09/2016	100%	Fixed 5.27% annual	5.27%
Subordinated bond (under EMTN[1] program)	EUR 200 million	26/02/2007	19/09/2016	100%	Fixed 5.27% annual	5.27%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	2015	2014
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

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

The reserves of the Bank under Hungarian Accounting Standards ("HAS) are as follows (the reserves under IFRS are detailed in consolidated statement of changes in equity):

	2015	2014
Capital reserve	52	52
General reserve	14,123	112,217
Retained earnings	856,990	814,399
Tied-up reserve	9,785	8,558
Total	**880,950**	**935,226**

The legal reserves (general reserve and tied-up reserve) are not available for distribution. The dividend has been determined on the basis of the net profit for the year determined in the separate financial statements in accordance with the HAS.

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

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in April 2016. In 2015 the Bank paid dividend of HUF 40,600 million from the profit of the year 2014, which meant 145 HUF payable dividend by share to the shareholders. In 2016 dividend of HUF 46,200 million are expected to be proposed by the Management from the profit of the year 2015, which means 165 HUF payable dividends by share to the shareholders.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 480,058 million and HUF 686,000 million) and reserves (HUF 780,971 million and HUF 602,757 million) as at 31 December 2015 and 31 December 2014 respectively. The reserves include mainly net profit for the year attributable to the owners of the company, the fair value adjustment of securities available-for-sale, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous year at the subsidiaries, changes due to consolidation and exchange differences.
In the Consolidated Financial Statement the Group recognizes the non-monetary items on historical cost. The difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, is presented among the shareholders' equity as difference of translation. The accumulated amounts of exchange differences were HUF 165,308 million and HUF 121,306 million as at 31 December 2015 and 2014 respectively.

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2015	2014
Nominal value (Ordinary shares)	1,814	1,818
Carrying value at acquisition cost	58,021	55,940

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

Change in number of shares:

	2015	2014
Number of shares as at 1 January	**18,175,347**	**17,972,405**
Additions	5,284,354	6,474,942
Disposals	(5,316,728)	(6,272,000)
Closing number of shares	**18,142,973**	**18,175,347**

Change in carrying value:

	2015	2014
Balance as at 1 January	**55,940**	**55,599**
Additions	26,721	27,522
Disposals	(24,640)	(27,181)
Closing balance	**58,021**	**55,940**

NOTE 22: NON-CONTROLLING INTEREST (in HUF mn)

	2015	2014
Balance as at 1 January	**3,349**	**4,767**
Changes due to ownership structure	(18)	(177)
Non-controlling interest included in net profit for the year	(412)	(273)
Foreign currency translation difference	(268)	(968)
Closing balance	**2,651**	**3,349**

NOTE 23: PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES (in HUF mn)

	2015	2014
Provision for impairment on loan losses		
Provision for the year	607,856	708,743
Release of provision	(332,171)	(319,393)
Provision for impairment on loan losses	43,004	57,470
	318,689	**446,820**
(Release of provision) / Provision for impairment on placement losses		
Provision for the year	3	874
Release of provision	-	(854)
Release of provision for impairment on placement losses	(9)	(10)
	(6)	**10**
Provision for impairment on loan and placement losses	**318,683**	**446,830**

NOTE 24: NET PROFIT FROM FEES AND COMMISSIONS (in HUF mn)

Income from fees and commissions	**2015**	**2014**
Deposit and account maintenance fees and commissions	111,280	109,765
Fees and commissions related to the issued bank cards	42,573	45,997
Fees related to cash withdrawal	27,706	29,477
Fees and commissions related to fund management	18,184	20,215
Fees and commissions related to lending	17,277	21,495
Fees and commissions related to security trading	14,697	12,643
Other	25,714	25,800
Total	**257,431**	**265,392**

Expense from fees and commissions	**2015**	**2014**
Fees and commissions related to issued bank cards	13,170	11,907
Fees and commissions paid on loans	7,070	12,489
Interchange fees	6,634	7,351
Fees and commissions related to deposits	2,596	2,579
Cash withdrawal transaction fees	1,791	2,158
Fees and commissions related to security trading	1,707	1,610
Fees and commissions related to collection of loans	1,660	2,856
Money market transaction fees and commissions	1,101	794
Postal fees	1,017	836
Insurance fees	257	532
Other	6,556	6,624
Total	**43,559**	**49,736**
Net profit from fees and commissions	**213,872**	**215,656**

NOTE 25: OTHER OPERATING INCOME AND EXPENSES AND OTHER ADMINISTRATIVE EXPENSES (in HUF mn)

Other operating income	2015	2014
Refund by the State of cancelled receivables from customer loans converted into HUF[1]	6,631	-
Gains on transactions related to property activities	1,724	734
Other income from non-financial activities	14,618	13,645
Total	**22,973**	**14,379**

Other operating expenses	2015	2014
Expenses from regulations related to customer loans[2]	186,269	-
Provision for expected losses due to CHF loans conversion at foreign subsidiaries	39,827	-
Financial support for sport association and organization of public utility	13,918	10,929
Provision for off-balance sheet commitments and contingent liabilities	10,387	512
Provision for impairment on other assets	6,696	5,066
Provision for impairment on investments[3]	1,094	1,244
Provision for assets subject to operating lease	350	1,048
Provision on investment properties	101	3,612
(Release of provision) / Provision on contingent liabilities due to regulations related to customer loans[2]	(196,574)	194,798
Other	12,612	15,400
Total	**74,680**	**232,609**

[1] The amount is concerned for the Group. In 2016 the amount of the refund is deductible from special tax of financial institutions and financial transaction duty.

[2] See details in Note 2.28.

[3] See details in Note 9.

Other administrative expenses	2015	2014
Personnel expenses		
Wages	137,250	151,467
Taxes related to personnel expenses	37,304	41,319
Other personnel expenses	13,252	13,549
Subtotal	**187,806**	**206,335**
Depreciation and amortization[1]	**45,463**	**65,947**
Other administrative expenses		
Taxes, other than income tax [2]	110,102	116,148
Administration expenses, including rental fees	46,137	51,119
Services	44,400	40,515
Professional fees	20,344	16,892
Advertising	11,264	11,736
Subtotal	**232,247**	**236,410**
Total	**465,516**	**508,692**

NOTE 26: INCOME TAX (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 35% of taxable income.

Deferred tax is calculated at the income tax rate of 9% in Montenegro, 10% in Bulgaria, 12.5% in Cyprus, 15% in Serbia, 16% in Romania, 18% in Ukraine, 19% in Hungary, 20% in Croatia and Russia, 22% in Slovakia, 25% in the Netherlands and 35% in Malta.

The breakdown of the income tax expense is:

	2015	2014
Current tax expense	11,624	16,520
Deferred tax benefit	(14,771)	(67,905)
Total	**(3,147)**	**(51,385)**

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

	2015	2014
Balance as at 1 January	**51,154**	**(12,273)**
Deferred tax benefit	14,771	67,905
Deferred tax related to items recognized directly in equity and in Other Comprehensive Income	6,288	(1,418)
Foreign currency translation difference	(3,744)	(3,060)
Closing balance	**68,469**	**51,154**

[1] See details in Note 11.

[2] Special tax of financial institutions was paid by the Group in the amount of HUF 35 billion for the year 2015 and HUF 37 billion for the year 2014 respectively, recognized as an expense thus decreased the corporate tax base. In the year ended 31 December 2015 financial transaction duty was paid by the Bank in the amount of HUF 45 billion.

A breakdown of the deferred tax assets are as follows:

	2015	2014
Tax accrual caused by negative taxable income	43,265	15,207
Unused tax allowance	19,014	6,794
Fair value adjustment of securities held for trading and securities available-for-sale	8,330	8,704
Provision for impairment on investments (Goodwill)	8,030	10,705
Refundable tax in accordance with Acts on Customer Loans[1]	6,341	33,226
Repurchase agreement and security lending	4,102	4,176
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	2,582	593
Premium and discount amortization on bonds	1,959	177
Adjustment from effective interest rate method	1,272	-
Difference in depreciation and amortization	170	73
Difference in accounting for leases	160	177
Fair value adjustment of derivative financial instruments	84	8
Fair value adjustment related to customer loans	80	-
Other	14,373	16,373
Deferred tax asset	**109,762**	**96,213**

A breakdown of the deferred tax liabilities are as follows:

	2015	2014
Fair value adjustment of securities held for trading and securities available-for-sale	(16,506)	(16,193)
Fair value adjustment of derivative financial instruments	(7,809)	(5,031)
Difference in depreciation and amortization	(4,971)	(5,051)
Adjustment from effective interest rate method	(4,258)	(2,380)
Temporary differences arising on consolidation	(2,988)	(1,817)
Net effect of treasury share transactions	(2,009)	(2,681)
Accounting of equity instrument (ICES)	(556)	(1,333)
Difference in accounting for leases	(139)	(3,992)
Premium and discount amortization on bonds	(14)	(23)
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	-	(110)
Other	(2,043)	(6,448)
Deferred tax liabilities	**(41,293)**	**(45,059)**
Net deferred tax asset	**68,469**	**51,154**

A reconciliation of the income tax income / expense is as follows:

	2015	2014
Profit / (Loss) before income tax	66,024	(153,643)
Income tax expense / (income) at statutory tax rates	1,197	(26,793)

[1] See details in Note 2.28.

Income tax adjustments due to permanent differences are as follows:

	2015	2014
Tax refund in accordance with Acts on Customer Loans	22,776	(28,306)
Provision on expected liability	8,230	-
Share-based payment	-	835
Use of tax allowance in the current year	-	(2,479)
Difference of accounting of equity instrument (ICES)	(9)	(211)
OTP-MOL share swap transaction	(615)	(80)
Treasury share transactions	(1,729)	(917)
Revaluation of investments denominated in foreign currency to historical cost	(4,601)	(185)
Deferred use of tax allowance	(11,028)	(6,335)
Differences in carrying value of subsidiaries	(16,039)	14,982
Other	(1,330)	(1,896)
Income tax	**(3,147)**	**(51,385)**
Effective tax rate	**(5.2%)**	**33.44%**

Effective tax rate was negative because income tax and income tax adjustments are altogether negative in 2015.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1. Credit risk

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical areas and loan types. Such risks are monitored on a periodical basis and subject to an annual or more frequent review. The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.
Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is managed by obtaining collateral, corporate and personal guarantees.

27.1.1. Analysis by loan types and by DPD categories

Classification into DPD categories

The Group presents the non-performing loan portfolio according delay of payment above 90 days past due. When determining the impairment beside the delay of payment other information available for the Group is also taking into consideration. The foreseeable risks and expected losses are considered, when the Group during determining the result of the current year, calculates and accounts impairment and credits provisions. The impairments and provisions are accounted notwithstanding whether the result recognized in the current year is gain or loss. The Group when calculates the impairment of the loans applies the requirement of IFRS and the principles defined in the impairment policy of the Group.

Exposures with small amounts are subject to **collective valuation** method, which is a simplified assessment. The exposures subject to collective valuation method are classified into five valuation groups which have been formed based on past due days from which there classes were presented (A: 0-90 days past due - DPD, B: 91-360 DPD, C: above 360 days past due). The three new groups do not match one by one to the earlier used risk classes, the composition of the classes has changed due to the different criteria.
The Group intends – where a great number of items and sufficient long term historical data is available – to apply models on statistical bases. The impairment is calculated according to the possibility of listing the loan into default categories examined on the base of objective valuation criteria (delay of payment, change of exchange) and the expected recovery from the collecting. If the loss of the exposure can't be modelled reliably, the impairment is determined by expert keys.

Impairment on **claims above the limit** are under **individual assessment** method. Depending on the incurred loss of each item is determined based on the consideration of all of the following criteria:

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

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

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

As at 31 December 2015

Loan type	Up to 90 days	91-360 days	Above 360 days	Total carrying amount / allowance
Mortgage loans	1,907,505	83,564	342,273	**2,333,342**
Loans to medium and large corporates	1,494,209	34,287	276,116	**1,804,612**
Consumer loans	1,215,742	75,731	137,921	**1,429,394**
Loans to micro and small enterprises	377,634	11,819	107,132	**496,585**
Car-finance loans	175,023	4,671	30,904	**210,598**
Municipal loans	93,134	74	53	**93,261**
Gross portfolio	**5,263,247**	**210,146**	**894,399**	**6,367,792**
Placement with other banks	300,503	-	52	**300,555**
Bill of exchange	5,882	-	-	**5,882**
Total gross portfolio	**5,569,632**	**210,146**	**894,451**	**6,674,229**
Allowance for loans	(181,302)	(129,033)	(703,285)	**(1,013,620)**
Allowance for placements	(3)	-	(47)	**(50)**
Total allowance	**(181,305)**	**(129,033)**	**(703,332)**	**(1,013,670)**
Total net portfolio	**5,388,327**	**81,113**	**191,119**	**5,660,559**
Accrued interest				
for loans				49,913
for placements				63
Total accrued interest				**49,976**
Total net loans				**5,409,967**
Total net placements				**300,568**
Total net exposures				**5,710,535**

As at 31 December 2014

Loan type	Up to 90 days	91-360 days	Above 360 days	Total carrying amount / allowance
Mortgage loans	2,014,737	95,472	480,123	**2,590,332**
Loans to medium and large corporates	1,565,654	49,286	242,997	**1,857,937**
Consumer loans	1,389,289	115,644	155,581	**1,660,514**
Loans to micro and small enterprises	329,030	15,931	129,515	**474,476**
Car-finance loans	175,980	17,755	36,584	**230,319**
Municipal loans	117,988	262	63	**118,313**
Gross portfolio	**5,592,678**	**294,350**	**1,044,863**	**6,931,891**
Placement with other banks	280,917	12	9	**280,938**
Bill of exchange	4,193	-	-	**4,193**
Total gross portfolio	**5,877,788**	**294,362**	**1,044,872**	**7,217,022**
Allowance for loans	(169,562)	(180,880)	(778,643)	**(1,129,085)**
Allowance for placements	(26)	(12)	(9)	**(47)**
Total allowance	**(169,588)**	**(180,892)**	**(778,652)**	**(1,129,132)**
Total net portfolio	**5,708,200**	**113,470**	**266,220**	**6,087,890**
Accrued interest				
for loans				57,242
for placements				115
Total accrued interest				**57,357**
Total net loans				**5,864,242**
Total net placements				**281,006**
Total net exposures				**6,145,248**

The Group's loan portfolio decreased by 7.5% in year 2015. Analysing the contribution of loan types to the loan portfolio, the share of the consumer loan types slightly decreased, the loans to medium and large enterprises slightly increased, while the other types of loans remained almost the same as at 31 December 2015 comparing with the previous year. The qualification of the loan portfolio started to improve from the previous year, and now for the end of year 2015 the ratio of the more than 90 days past due to the above 360 days past due loans compared to the gross loan portfolio decreased from 18.6% to 16.6%. Among the qualified loan portfolio, the loans classified to the risk class of "more than 90 until 360 days past due" narrowed at the fastest level.

The Group has a prudent provisioning policy, the indicator which describes the coverage of loans by provision for impairment on loans classified as "Above 360 days", was 78.6% and 74.5% as at 31 December 2015 and 2014 respectively.

Not impaired loan portfolio

The loan portfolio analysis of the gross values of the loans that are not impaired, not past due and past due is as follows:

As at 31 December 2015

Loan type	Not past due	Up to 90 days	91-360 days	Above 360 days	Total
Mortgage loans	1,615,942	265,692	1,084	1,487	1,884,205
Loans to medium and large corporates	1,204,462	25,952	461	3,939	1,234,814
Consumer loans	1,055,559	146,514	78	114	1,202,265
Loans to micro and small enterprises	340,979	22,815	58	1,192	365,044
Placement with other banks	300,502	-	-	6	300,508
Car-finance loans	143,808	31,095	2	7	174,912
Municipal loans	89,134	1,193	74	-	90,401
Total	**4,750,386**	**493,261**	**1,757**	**6,745**	**5,252,149**

As at 31 December 2014

Loan type	Not past due	Up to 90 days	91-360 days	Above 360 days	Total
Mortgage loans	1,732,423	245,115	2,827	6,508	1,986,873
Loans to medium and large corporates	1,225,143	27,730	630	1,152	1,254,655
Consumer loans	1,206,231	170,679	75	26	1,377,011
Loans to micro and small enterprises	289,677	15,455	619	710	306,461
Placement with other banks	280,891	-	-	-	-
Car-finance loans	148,523	20,314	895	1,210	170,942
Municipal loans	96,629	2,066	1,279	34	100,008
Total	**4,979,517**	**481,359**	**6,325**	**9,640**	**5,476,841**

Loans not past due or past due, but not impaired cover only balance sheet items.
The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio significantly increased from 69% to 71.2% as at 31 December 2015 comparing to the end of the previous year. The ratio of the mortgage loans and consumer loans compared to the portfolio of loans neither past due nor impaired decreased slightly in year 2015, while the ratio of the loans to micro and small enterprises increased mostly.

The loans that are past due but not impaired are concentrated mainly in the mortgage loan type while in the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Group. The ratio of the mortgage and car-finance loans compared to the portfolio of loans past due but not impaired increased slightly and the ratio of the consumer loans decreased in the year ended 31 December 2015.

Loans individually assessed for provision

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

An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 31 December 2015 and 2014 is as follows:

As at 31 December 2015

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	210,913	134,907	117,029	23	-
Legal proceedings	183,527	155,876	49,023	110	58
Decrease of client classification	108,640	44,791	79,469	1,884	292
Loan characteristics	54,682	9,780	35,618	-	-
Country risk	53,284	27,153	15,416	-	-
Cross default	50,230	20,950	9,824	133	47
Business lines risks	12,114	4,331	6,234	2,768	138
Restructuring	7,537	5,385	3,994	-	-
Regularity of payment	134	44	105	-	-
Other	15,512	5,205	14,140	2,889	384
Corporate total	**696,573**	**408,422**	**330,852**	**7,807**	**919**
Delay of payment	2,828	105	822	-	-
Legal proceedings	41	41	-	-	-
Municipal total	**2,869**	**146**	**822**	**-**	**-**
Placements with other banks	**-**	**-**	**-**	**-**	**-**
Total	**699,442**	**408,568**	**331,674**	**7,807**	**919**

As at 31 December 2014

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for off-balance sheet commitments
Delay of payment	300,591	192,597	148,144	850	121
Legal proceedings	78,037	54,745	48,845	84	47
Decrease of client classification	182,472	49,221	137,716	11,041	3,835
Loan characteristics	39,370	1,975	27,341	-	-
Country risk	33,145	7,935	13,752	-	-
Cross default	28,229	4,498	12,188	590	51
Business lines risks	16,125	3,670	8,454	12,639	390
Restructuring	1,954	1,014	1,054	-	-
Regularity of payment	48,373	37,290	12,790	-	-
Other	10,061	2,030	10,402	4,721	161
Corporate total	**738,357**	**354,975**	**420,686**	**29,925**	**4,605**
Delay of payment	8,895	468	4,927	-	-
Decrease of client classification	234	122	-	3	-
Legal proceedings	592	235	1,267	-	-
Other	96	1	-	381	4
Municipal total	**9,817**	**826**	**6,194**	**384**	**4**
Placements with other banks	**-**	**-**	**-**	**-**	**-**
Total	**748,174**	**355,801**	**426,880**	**30,309**	**4,609**

By 31 December 2015 the volume of the individually rated portfolio decreased by 5.7% in the corporate loan type. Among the rating factors of the corporate loan type, the decrease is mostly based on the regularity of payment and on the decrease of client classification, while increase is based on the restructuring and legal proceedings as at 31 December 2015. The decrease was 70.8% in the municipal loan portfolio comparing with the end of the previous year, where the decrease is mostly based on the decreasing number of legal proceedings as well as the decrease of the delay of payment and on the improving client classification. Increase was not experienced at all according to none of the above listed factors.

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

Business lines risks:
Transactions are classified by using this category name, if the client works in a business line which was most exposed to the financial crisis (vehicle industry, building industry, real estate services, metal processing, financial services).

Loan portfolio by countries

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

	2015		2014	
Country	**Carrying amount of gross loan and placement with other banks portfolio**	**Allowance**	**Carrying amount of gross loan and placement with other banks portfolio**	**Allowance**
Hungary	2,585,533	291,976	2,888,007	357,121
Bulgaria	1,226,958	165,843	1,220,609	160,427
Romania	565,103	37,120	484,602	69,475
Croatia	502,823	44,555	510,344	39,442
Russia	448,751	90,683	588,601	101,079
Ukraine	426,158	243,752	578,876	254,910
Slovakia	381,571	22,164	370,649	22,920
Montenegro	157,764	58,945	186,890	71,542
Serbia	135,040	31,858	112,822	33,037
United Kingdom	59,813	2,251	123,716	2,075
Cyprus	42,293	18,344	47,333	10,476
Germany	28,583	89	22,440	91
Belgium	23,896	23	86	6
Austria	22,489	3	9,981	5
Switzerland	14,577	88	8,267	149
United States of America	12,990	36	24,387	51
France	7,992	15	5,284	1
Norway	5,813	-	4,649	25
Seychelles	4,818	4,818	4,877	4,855
Czech Republic	4,074	7	6,829	13
Poland	3,918	5	1,454	-
The Netherlands	1,774	84	1,067	21
Turkey	1,434	11	1,812	8
Bosnia and Herzegovina	865	708	954	685
Denmark	601	-	1,660	-
Ireland	459	70	193	69
Japan	405	-	157	-
United Arab Emirates	319	13	19	13
Italy	293	12	4,598	3
Sweden	290	10	263	8
Kazakhstan	175	60	171	30
Greece	160	22	139	21
Egypt	87	6	685	480
Canada	79	-	38	-
Spain	67	5	57	1
Latvia	52	36	58	32
Luxembourg	42	-	-	-
Island	41	28	41	29
Australia	19	-	55	-
Other[1]	228	30	159	32
Total[2]	**6,668,347**	**1,013,670**	**7,212,829**	**1,129,132**

The loan portfolio decreased mostly in Ukraine, Russia, Montenegro and Hungary and increased in Serbia and Romania but there were no significant changes in the other countries of Group members'. Their stock of provision increased mostly in Croatia and decreased mostly in Romania, Hungary, Montenegro and Russia due to the slightly decreased loan portfolio in some countries but there were no significant movements in none of the other countries.

In some countries the stock of provision increased due to local regulations on the base of which it is compulsory to account fix rate of provision on the non-qualified portfolio.

[1] Other category in year of 2015 includes e.g.: China, Hong Kong, Moldova, Macedonia, Armenia, Israel, Singapore, Brazil, Vietnam, Finland, Slovenia, Morocco, Kyrgyzstan and Georgia.
[2] Without the amount of bill of exchange.

27.1.2. Collaterals

The values of collaterals held by the Group by types are as follows (**total collaterals**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	2015	2014
Mortgages	5,694,831	5,323,528
Assignments (revenue or other receivables)	387,422	407,051
Guarantees of state or organizations owned by state	103,498	277,260
Guarantees and warranties	268,361	114,034
Cash deposits	73,245	74,435
Securities	193,706	34,508
Other	799,489	793,137
Total	**7,520,552**	**7,023,953**

The values of collaterals held by the Group by types are as follows (**to the extent of the exposures**). The collaterals cover loans as well as off-balance sheet exposures.

Types of collaterals	2015	2014
Mortgages	2,801,423	2,737,324
Assignments (revenue or other receivables)	320,728	330,466
Guarantees of state or organizations owned by state	92,216	207,379
Guarantees and warranties	172,853	86,475
Cash deposits	39,387	42,956
Securities	155,886	16,723
Other	455,688	455,811
Total	**4,038,181**	**3,877,134**

The coverage level of the loan portfolio (total collaterals) increased by 9.7%, as well as the coverage level to the extent of the exposures increased by 3.98% as at 31 December 2015.

27.1.3. Restructured loans

	2015		2014	
	Gross portfolio	Allowance	Gross portfolio	Allowance
Loans to medium and large corporates[1]	171,394	60,019	197,382	43,685
Retail loans	74,733	18,153	76,124	6,636
Loans to micro and small enterprises	11,134	1,570	14,046	2,018
Municipal loans	-	-	71	3
Total	**257,261**	**79,742**	**287,623**	**52,342**

Restructured portfolio definition

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

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

Hungarian FX mortgage loans in the fixed exchange rate scheme are not included.
In case of loans that have been restructured more than once the last restructuring is considered.

[1] They include project and syndicated loans.

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

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

Other modifications of contract not mentioned above are not considered as restructuring (i.e. modifying the collateral structure, modification of the credit purpose).
In case of loans that have been restructured more than once the last restructuring is considered.

27.1.4. Financial instruments by rating categories[1]

Securities held for trading as at 31 December 2015

	Aaa	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Not rated	Total
Shares	11	19	24	66	54	59	-	27	26	6	72,328	**72,620**
Government bonds	-	-	-	-	-	-	8,222	4,903	12,613	128	-	**25,866**
Discounted Treasury bills	-	-	-	-	-	-	-	-	366	-	-	**366**
Other securities	-	-	-	-	-	-	-	-	7,786	-	160	**7,946**
Other non-interest bearing securities	-	-	-	-	-	-	-	1,580	-	-	2,927	**4,507**
Total	**11**	**19**	**24**	**66**	**54**	**59**	**8,222**	**6,510**	**20,791**	**134**	**75,415**	**111,305**
Accrued interest												671
Total												**111,976**

Securities available-for-sale as at 31 December 2015

	A1	Baa2	Baa3	Ba1	Ba2	Caa3	C	Not rated	Total
Government bonds	-	66,897	-	1,065,097	3,385	2,902	10	4,179	**1,142,470**
Corporate bonds	-	-	-	78	4,180	-	2	47,018	**51,278**
Discounted Treasury bills	-	-	14,422	19,548	-	-	-	-	**33,970**
Other securities	1,136	-	-	-	10,855	-	-	431	**12,422**
Other non-interest bearing securities	25	-	1,511	-	-	-	-	43,686	**45,222**
Total	**1,161**	**66,897**	**15,933**	**1,084,723**	**18,420**	**2,902**	**12**	**95,314**	**1,285,362**
Accrued interest									20,507
Total									**1,305,869**

[1] Moody's ratings

Securities held-to-maturity as at 31 December 2015

	A2	Baa2	Baa3	Ba1	Caa3	Not rated	Total
Government bonds	22,505	1,135	14,347	814,755	35,790	21,024	**909,556**
Discounted Treasury bills	-	-	-	-	-	116	**116**
Corporate bonds	-	-	-	-	-	5	**5**
Total	**22,505**	**1,135**	**14,347**	**814,755**	**35,790**	**21,145**	**909,677**
Accrued interest							17,807
Total							**927,484**

27.2. Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a 'Value-at-Risk' methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk is, foreign currency risk and interest rate risk is detailed in Note 35, 36 and 37, respectively.)

27.2.1. Market Risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level.

The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

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

Historical VaR (99%, one-day) by risk type	**Average**	
	2015	**2014**
Foreign exchange	441	1,263
Interest rate	459	391
Equity instruments	3	12
Diversification	(215)	(278)
Total VaR exposure	**688**	**1,388**

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in Note 27.2.2., for interest rate risk in Note 27.2.3., and for equity price sensitivity analysis in Note 27.2.4. below.

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR and USD, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities.
The strategic open position related to the foreign operations was short, amounted to EUR 310 million (kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries) as at 31 December 2015. High portion of strategic positions is considered as effective hedge of the net investment in foreign subsidiaries – net investment hedge is applied at Group level -, and so FX risk affects the Group's other comprehensive income and not its earnings.

A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

Probability	Effects to the Consolidated Statement of Recognized Income in 3 months period	
	2015	2014
	In HUF billion	In HUF billion
1%	(14.6)	(15.2)
5%	(10.0)	(10.6)
25%	(4.4)	(4.6)
50%	(0.5)	(0.8)
25%	3.1	2.9
5%	7.8	7.9
1%	10.9	11.7

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2015.

27.2.3. Interest rate sensitivity analysis

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

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged margin compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the margin compared to the last repricing date.
- Assets and liabilities with an interest rate lower than 0.3% were assumed to be unchanged for the whole period.
- The sensitivity of interest income to changes in BUBOR, EURIBOR and USD LIBOR is analyzed.

The simulations were prepared by assuming two scenarios:
(1) HUF base rate and BUBOR decreases gradually to 0.85% (probable scenario)
(2) HUF base rate and BUBOR decreases gradually to 0.35% (alternative scenario)

The net interest income in a one year period after 31 December 2015 would be decreased by HUF 1,616 million (probable scenario) and HUF 3,874 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 1,030 million (probable scenario) and HUF 4,098 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2014.
This effect is counterbalanced by capital gains (HUF 291 million for probable scenario, HUF 1,109 million for alternative scenario) as at 31 December 2015 and (HUF 899 million for probable scenario, HUF 3,689 million for alternative scenario) as at 31 December 2014 on the government bond portfolio held for hedging (economic).

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

	2015		2014	
Description	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of AFS government bonds)**	**Effects to the net interest income (one-year period)**	**Effects to capital (Price change of AFS government bonds)**
HUF (0.1%) parallel shift	(588)	195	(361)	374
EUR (0.1%) parallel shift	(614)	-	(503)	-
USD (0.1%) parallel shift	(41)	-	(50)	-
Total	**(1,243)**	**195**	**(914)**	**374**

27.2.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and a 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenarios show the loss of the portfolio when all prices change with the maximum amount of the last year.

Description	**2015**	**2014**
VaR (99%, one day, HUF million)	(3)	(13)
Stress test (HUF million)	(53)	(43)

27.2.5. Capital management

Capital management

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

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the new global standards on banking regulation (known as the Basel III agreement) into the EU legal framework. The new rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new framework makes institutions in the EU more solid

and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business.
The capital adequacy of the Group is supervised based on the financial statements data prepared in accordance with IFRS applying the current directives, rulings and indicators from 1 January 2014.

The Group has entirely complied with the regulatory capital requirements in year 2015 as well as in 2014.

The Group uses the standard method for determining the regulatory capital requirements of the credit risk and market risk, and parallel to that, the base indicator method and the advanced method (AMA) in case of the operational risk.

For international comparison purposes, the Group calculated the Regulatory capital based on IFRS data, and the consolidated Capital adequacy ratio based on this in accordance with the regulations of Basel III. The Capital adequacy ratio of the Group (IFRS) was 16.2%, the Regulatory capital was HUF 1,064,383 million and the Total regulatory capital requirement was HUF 526,101 million as at 31 December 2015. The same ratios calculated as at 31 December 2014 were the following: 17.5%, HUF 1,201,874 million and HUF 548,755 million.

Calculation on IFRS basis	**2015**	**2014**
Core capital (Tier 1) = Common Equity Tier 1 (CET 1)	***873,124***	***969,935***
Issued capital	28,000	28,000
Reserves	1,230,035	1,280,396
Fair value corrections	28,125	25,389
Other capital components	(152,808)	(113,047)
Non-controlling interests	572	736
Treasury shares	(58,021)	(55,940)
Goodwill and other intangible assets	(158,370)	(158,681)
Other adjustments	(44,409)	(36,918)
Additional Tier 1 (AT1)	**-**	**-**
Supplementary capital (Tier 2)	***191,259***	***231,939***
Subordinated bonds and loans	99,054	133,217
Other issued capital components	92,092	96,019
Components recognized in T2 capital issued by subsidiaries	113	2,703
Regulatory capital[1]	**1,064,383**	**1,201,874**
Credit risk capital requirement	419,670	450,073
Market risk capital requirement	37,183	26,848
Operational risk capital requirement	69,248	71,834
Total requirement regulatory capital	**526,101**	**548,755**
Surplus capital	**538,282**	**653,119**
CET 1 ratio	13.3%	14.1%
Tier 1 ratio	13.3%	14.1%
Capital adequacy ratio	**16.2%**	**17.5%**

Basel III

The components of the Common Equity Tier 1 capital (CET 1) are the following: Issued capital, Reserves (Profit reserves, Other reserves, Changes in the equity of subsidiaries, Profit for the year, Changes due to consolidation) Fair value adjustments, Other capital components, (Revaluation reserves, Share based payments, Cash-flow hedges, Net investment hedge in foreign operations), Non-controlling interest, Treasury shares, Goodwill and other Intangible assets, other adjustments (due to prudential filters, due to deferred tax receivables, due to temporary regulations).
Supplementary capital (Tier 2): Subordinated loan capital, Supplementary loan capital, Other issued capital components, Components recognized in T2 capital issued by subsidiaries.

[1] The regulatory capital doesn't contain the payable dividend from the result of 2015 and 2014 in accordance with ITS 680/2014/EU.

The compliance of the capital adequacy ratios of the foreign subsidiary banks prescribed by the local regulator, is as follows:

Subsidiary bank	Country	2015	2014
JSC “OTP Bank” (Russia)	Russia	13.3%	12.1%
OTP Bank JSC (Ukraine)	Ukraine	15.7%	10.4%
DSK Bank EAD	Bulgaria	17.3%	18.0%
OTP Bank Romania S.A.	Romania	14.2%	12.6%
OTP banka Srbija a.d.	Serbia	25.8%	30.8%
OTP banka Hrvatska d.d.	Croatia	15.6%	16.5%
OTP Banka Slovensko a. s.	Slovakia	13.4%	13.7%
Crnogorska komercijalna banka a.d.	Montenegro	16.3%	15.7%

The ratios of the foreign subsidiaries exceed the requirements of the local regulations in every cases.

NOTE 28: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group becomes a party to various financial transactions that are not reflected on the Consolidated Statement of Financial Position and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

Contingent liabilities

	2015	2014
Commitments to extend credit	1,166,386	999,732
Guarantees arising from banking activities	374,422	368,670
Legal disputes (disputed value)	54,732	71,808
Confirmed letters of credit	18,237	25,581
Contingent liabilities ordered by law related to customer loans[1]	-	157,693
Other	283,819	208,915
Total	**1,897,596**	**1,832,399**

Legal disputes

At the balance sheet date the Group 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 Group 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. Provisions due to legal disputes were HUF 6,680 million and HUF 7,454 million as at 31 December 2015 and 2014, respectively. (See Note 17.)

Commitments to extend credit, guarantees and letters of credit

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

[1] See details in Note 2.28.

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

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

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

Guarantees, payment undertakings arising from banking activities

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

Derivatives

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

NOTE 29: SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS (in HUF mn)

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in resolution of Annual General Meeting regarding to the amendment of CRD III. directives and Act on Credit Institutions and Financial Enterprises.
Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.
The Bank ensures the share-based payment part for the management personnel of the Group members.
The value of the discounted share-based payment at the performance assessment is determined by the Supervisory Board[1] based on the average of the three previous trade day’s middle rate of the Bank’s equity shares fixed on the Budapest Stock Exchange.

[1] Until the end of 2014 Board of Directors

Discounted share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is determined by the Supervisory Board, maximum HUF 4,000.

During implementation of the Remuneration Policy of the Group appeared that in case of certain foreign subsidiaries it is not possible to ensure the originally determined share-based payment because of legal reasons – incompatible with concerning EU-directives –, therefore a decision was made to cancel the share-based payment in the referred countries.
Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies. In case of the jubilee benefits both standards contain regulations.
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

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

Year	Exercise price per share	Maximum earnings per share	Exercise price per share	Maximum earnings per share	Exercise price per share	Maximum earnings per share	Exercise price per share	Maximum earnings per share	Exercise price per share	Maximum earnings per share
	for the year 2010		**for the year 2011**		**for the year 2012**		**for the year 2013**		**for the year 2014**	
2011	3,946	2,500	-	-	-	-	-	-	-	-
2012	3,946	3,000	1,370	3,000	-	-	-	-	-	-
2013	4,446	3,500	1,870	3,000	2,886	3,000	-	-	-	-
2014	4,946	3,500	1,870	4,000	2,886	3,000	2,522	2,500	-	-
2015	-	-	1,870	4,000	2,886	3,000	2,522	3,000	3,930	2,500
2016	-	-	-	-	2,886	3,500	2,522	3,500	3,930	3,000
2017	-	-	-	-	-	-	2,522	3,500	3,930	3,000
2018	-	-	-	-	-	-	-	-	3,930	3,000

Based on parameters accepted by Board of Directors relating to the year **2010** effective pieces are follows as at 31 December 2015:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share purchasing period started in 2011	-	340,950	11,622	5,731	329,328
Share purchasing period started in 2012	-	735,722	714,791	4,593	20,931
Share purchasing period started in 2013	-	419,479	31,789	4,808	387,690
Share purchasing period started in 2014	-	497,451	495,720	5,838	1,731

Effective pieces are follows in exercise periods of each year relating to the year **2011** as at 31 December 2015:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share purchasing period started in 2012	-	471,240	464,753	3,758	6,487
Share purchasing period started in 2013	-	1,267,173	1,256,529	4,886	10,644
Share purchasing period started in 2014	-	609,137	609,137	4,799	-
Share purchasing period started in 2015	670	608,118	607,448	5,618	-

Effective pieces are follows in exercise periods of each year relating to the year **2012** as at 31 December 2015:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share purchasing period started in 2013	-	450,861	445,671	4,413	5,190
Share purchasing period started in 2014	-	1,156,631	1,151,890	4,982	4,741
Share purchasing period started in 2015	1,971	555,845	553,874	5,654	-
Share purchasing period starting in 2016	688,990	-	-	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2013** as at 31 December 2015:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share purchasing period started in 2014	-	406,044	404,263	4,369	1,781
Share purchasing period started in 2015	1,494	804,469	802,975	4,912	-
Share purchasing period starting in 2016	495,340	-	-	-	-
Share purchasing period starting in 2017	549,909	-	-	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2014** as at 31 December 2015:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2015	Weighted average share price at the date of exercise (in HUF)	Expired pieces
Share purchasing period started in 2015	-	176,459	176,459	5,828	-
Share purchasing period starting in 2016	366,669	-	-	-	-
Share purchasing period starting in 2017	214,392	-	-	-	-
Share purchasing period starting in 2018	237,013	-	-	-	-

Effective pieces relating to the periods starting in 2016-2018 settled during valuation of performance of year 2012-2014, can be modified based on risk assessment and personal changes.

In connection with shares as a part of the Bank Group Policy on Payments modified by 8/2014 resolution of Annual General Meeting and the share-based compensation for Board of Directors detailed in 8/2013 resolution of Annual General Meeting and connecting compensation based on performance assessment accounted as equity-settled share based transactions, HUF 3,810 million was recognized as expense as at 31 December 2015.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Compensations	**2015**	**2014**
Short-term employee benefits	6,227	8,373
Share-based payment	2,276	2,937
Other long-term employee benefits	532	739
Termination benefits	42	135
Total	**9,077**	**12,184**

	2015	2014
Commitments to extend credit and guarantees	33,943	15,690
Loans provided to companies owned by the Management (normal course of business)	25,734	13,357
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	340	334

	2015	2014
Loans provided to unconsolidated subsidiaries	1,790	1,304
Interest income on loan provided to unconsolidated subsidiaries	42	44

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned credit line "A" in the amount of HUF 168 million and HUF 164.3 million as at 31 December 2015 and 2014.

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

	2015	2014
Members of Board of Directors and their close family members	24	24
Members of Supervisory Board	2	4
Chief executives	2	2

An analysis of credit limit related to Visa Card is as follows:

	2015	2014
Members of Board of Directors and their close family members	35	38
Members of Supervisory Board	-	-

One member of Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million as at 31 December 2015 and 2014, respectively.

Chief executives owned AMEX Gold credit card loan in the amount of HUF 3.5 million as at 31 December 2015 and 2014, respectively.

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned AMEX Platinum credit card loan in the amount of HUF 48.8 and 23.5 million , respectively as at 31 December 2015 and 2014, respectively.

The members of Board of Directors and its close family members owned other kinds of credit card loan, which are not listed above in the amount of HUF 16 and 18.2 million as at 31 December 2015 and 2014, respectively.

An analysis of payment to chief executives of the Group related to their activity in Board of Directors and Supervisory Board is as follows:

	2015	2014
Members of Board of Directors	1,767	1,739
Members of Supervisory Board	144	147
Total	**1,911**	**1,886**

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

NOTE 31: ACQUISITION (in HUF mn)

a) Purchase and consolidation of subsidiaries

On 31 January 2014 OTP banka Hrvatska d.d. signed a purchase agreement with the Croatian Banco Popolare d.d. on acquiring a 98.37% stake in the bank. The transaction was closed by setting the purchase price on 24 April 2014. The acquisition contributes to a more optimal economies of scale of the Bank in Croatia. On 30 July 2014 OTP Bank Romania S.A. 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 S.A. acquired 100% ownership in Banca Millennium S.A.

The fair value of the assets and liabilities acquired, and the related negative goodwill (gain from bargain purchase, which was reasoned by the market situation of the banking sector in the relevant countries) is as follows:

	Banca Millennium S.A.	Banco Popolare Croatia d.d.
Cash, amounts due from banks and balances with the National Banks	(16,933)	(1,719)
Placements with other banks, net of allowance for placement losses	(7,376)	(26,797)
Financial assets at fair value through profit or loss	(25)	-
Securities available-for-sale	(14,757)	(4,555)
Loans, net of allowance for loan losses	(117,893)	(52,566)
Associates and other investments	(2)	-
Securities held-to-maturity	(5,272)	-
Property and equipment	(2,205)	(2,320)
Intangible assets	(80)	(248)
Other assets	(4,999)	(188)
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	52,928	4,067
Deposits from customers	98,370	72,565
Liabilities from issued securities	-	-
Financial liabilities at fair value through profit or loss	-	-
Other liabilities	4,120	2,798
Subordinated bonds and loans	-	-
Net assets	**(14,124)**	**(8,963)**
Non-controlling interest	-	-
Negative goodwill	1,845	4,563
Cash consideration	**(12,279)**	**(4,400)**

b) Analysis of net outflow of cash in respect of purchase of subsidiaries

	2015	2014
Cash consideration	(12,279)	(4,400)
Cash acquired	16,933	1,719
Net cash outflow	**4,654**	**(2,681)**

NOTE 32: SIGNIFICANT SUBSIDIARIES AND ASSOCIATES (in HUF mn)

Investments in companies in which the Bank has a significant interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless otherwise stated. The Bank considers the subsidiaries as cash generating units.

Significant subsidiaries

Name	Ownership (Direct and Indirect) 2015	2014	Activity
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
JSC "OTP Bank" (Russia)	97.87%	97.86%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	97.92%	97.90%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	99.26%	99.26%	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	100.00%	100.00%	refinancing activities
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
R.E. Four d.o.o. (Serbia)	100.00%	100.00%	real estate management
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (the Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)	100.00%	100.00%	refinancing activities
OTP Financing Cyprus Ltd.	100.00%	100.00%	refinancing activities
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Kettő Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd. (previously OTP Flat Lease Ltd.)	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services

Significant associates and joint ventures[1]

Most significant indicators of associates and joint ventures which are accounted or not accounted for using the equity method is as follows:

As at 31 December 2015

	Szallas.hu Ltd.	*D-ÉG Thermoset Ltd.*	*Company for Cash Services Ltd.*	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Total*
Total assets	722	5,356	2,296	584	**8,958**
Total liabilities	296	4,090	110	2	**4,498**
Shareholders' equity	426	1,266	2,186	582	**4,460**
Total revenues	1,891	6,736	1,192	17	**9,836**

[1] Based on unaudited financial statements.

As at 31 December 2014

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

NOTE 33: TRUST ACTIVITIES (in HUF mn)

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

	2015	2014
The amount of loans managed by the Group as a trustee	37,554	39,706

NOTE 34: CONCENTRATION OF ASSETS AND LIABILITIES

	2015	2014
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH	28.2%	27.9%

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

The Group continuously provides the Authority with reports on the extent of dependency on large depositors as well as the exposure of the biggest 50 depositors towards the Group.
Further to this obligatory reporting to the Authority, the Group pays particular attention on the exposure of its largest partners and cares for maintaining a closer relationship with these partners in order to secure the stability of the level of deposits.

The organisational unit of the Group in charge of partner-risk management analyses the biggest partners on a constant basis and sets limits on the Bank's and the Group's exposure separately partner-by-partner. If necessary, it modifies partner-limits in due course thereby reducing the room for manoeuvring of the Treasury and other business areas.

NOTE 35: MATURITY ANALYSIS OF LIABILITIES AND LIQUIDITY RISK (in HUF mn)

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations prescribed by the NBH.

The essential of the liquidity risk management strategy is to identify all relevant systemic and idiosyncratic sources of liquidity risk and to measure the probability and severity of such events. During liquidity risk management the Group considers the effect of liquidity risk events caused by reasons arising in the bank business line (deposit withdrawal), the national economy (exchange rate shock yield curve shock) and the global financial system (capital market shock).

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

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

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

Due to the balance sheet adjustment process (deleveraging) experienced in the last few years, the liquidity reserves of the Group increased significantly while the liquidity risk exposure has decreased considerably. Currently the (over)coverage of risk liquidity risk exposure by high quality liquid assets is in all-time record highs. In year 2015 there were no material changes in liquidity risk management process.

The contractual amounts disclosed in the maturity analyses are the contractual undiscounted cash-flows like gross finance lease obligations (before deducting finance charges); prices specified in forward agreements to purchase financial assets for cash; net amounts for pay-floating/receive-fixed interest rate swaps for which net cash-flows are exchanged; contractual amounts to be exchanged in a derivative financial instrument for which gross cash-flows are exchanged; gross loan commitments.
Such undiscounted cash-flows differ from the amount included in the statement of financial position because the amount in that statement is based on discounted cash-flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.

The following tables provide an analysis of liabilities about the non-discounted cash-flow into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

As at 31 December 2015	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	171,469	57,073	168,058	157,092	-	553,692
Deposits from customers	6,615,990	1,107,398	242,363	40,337	1	8,006,089
Liabilities from issued securities	42,910	60,197	105,590	34,370	-	243,067
Other liabilities[1]	296,857	82,815	3,395	8,785	9,302	401,154
Subordinated bonds and loans[2]	1,817	127,336	9,292	8,439	110,566	257,450
TOTAL LIABILITIES	**7,129,043**	**1,434,819**	**528,698**	**249,023**	**119,869**	**9,461,452**
Receivables from derivative financial instruments classified as held for trading	763,344	391,447	157,808	2,640	-	1,315,239
Liabilities from derivative financial instruments classified as held for trading	(781,065)	(427,003)	(195,825)	(17,375)	-	(1,421,268)
Net position of financial instruments classified as held for trading	**(17,721)**	**(35,556)**	**(38,017)**	**(14,735)**	**-**	**(106,029)**
Receivables from derivative financial instruments designated as fair value hedge	5,553	70	17,851	154	-	23,628
Liabilities from derivative financial instruments designated as fair value hedge	(5,554)	(151)	(35,068)	(67)	-	(40,840)
Net position of financial instruments designated as fair value hedge	**(1)**	**(81)**	**(17,217)**	**87**	**-**	**(17,212)**
Net position of derivative financial instruments total	**(17,722)**	**(35,637)**	**(55,234)**	**(14,648)**	**-**	**(123,241)**
Commitments to extend credit	347,477	562,694	241,577	14,638	-	1,166,386
Bank guarantees	74,107	79,463	123,525	96,792	535	374,422
Off-balance sheet commitments	**421,584**	**642,157**	**365,102**	**111,430**	**535**	**1,540,808**

[1] Without derivative financial instruments designated as fair value hedge.
[2] See Note 18.

As at 31 December 2014	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	413,402	42,767	98,259	166,929	-	721,357
Deposits from customers	6,219,811	1,223,544	251,098	19,366	-	7,713,819
Liabilities from issued securities	35,666	52,087	130,622	23,422	-	241,797
Other liabilities[1]	417,716	151,980	4,718	2,444	-	576,858
Subordinated bonds and loans	30,593	17,897	140,051	-	111,191[2]	299,732
TOTAL LIABILITIES	**7,117,188**	**1,488,275**	**624,748**	**212,161**	**111,191**	**9,553,563**
Receivables from derivative financial instruments classified as held for trading	1,480,795	339,420	47,408	19,340	-	1,886,963
Liabilities from derivative financial instruments classified as held for trading	(1,393,686)	(304,425)	(9,408)	(5,578)	-	(1,713,097)
Net position of financial instruments classified as held for trading	**87,109**	**34,995**	**38,000**	**13,762**	**-**	**173,866**
Receivables from derivative financial instruments designated as fair value hedge	203,857	552,775	338,138	3,898	-	1,098,668
Liabilities from derivative financial instruments designated as fair value hedge	(199,337)	(500,996)	(308,413)	(3,273)	-	(1,012,019)
Net position of financial instruments designated as fair value hedge	**4,520**	**51,779**	**29,725**	**625**	**-**	**86,649**
Net position of derivative financial instruments total	**91,629**	**86,774**	**67,725**	**14,387**	**-**	**260,515**
Commitments to extend credit	414,398	411,093	115,034	59,207	-	999,732
Bank guarantees	61,818	82,014	64,519	160,319	-	368,670
Off-balance sheet commitments	**476,216**	**493,107**	**179,553**	**219,526**	**-**	**1,368,402**

NOTE 36: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 31 December 2015

	USD	EUR	CHF	Others	Total
Assets	391,278	1,532,788	182,303	2,299,124	4,405,493
Liabilities	(573,631)	(1,750,994)	(62,898)	(2,123,107)	(4,510,630)
Off-balance sheet assets and liabilities, net	159,599	552,473	(59,785)	182,171	834,458
Net position	**(22,754)**	**334,267**	**59,620**	**358,188**	**729,321**

[1] Without derivative financial instruments designated as fair value hedge.
[2] See Note 18.

As at 31 December 2014

	USD	EUR	CHF	Others	Total
Assets	434,794	1,887,373	817,241	2,278,135	5,417,543
from this: loans concerned in conversion into HUF[1]	-	27,842	402,150	74,704	504,696
Liabilities	(428,962)	(1,887,894)	(139,131)	(2,263,759)	(4,719,746)
from this: provision for loans concerned in conversion into HUF[1]	-	(1,531)	(73,854)	(3,870)	(79,255)
Off-balance sheet assets and liabilities, net	(9,117)	(40,166)	(277,512)	55,425	(271,370)
Net position	**(3,285)**	**(40,687)**	**400,598**	**69,801**	**426,427**

The table above provides an analysis of the main foreign currency exposures of the Group. The remaining foreign currencies are shown within 'Others'. 'Others' category contains mainly foreign currencies in RON, RSD, HRK, UAH, RUB and BGN. Whilst the Group monitors its foreign exchange position for compliance with the regulatory requirements of the National Banks and own limit system established in respect of limits on open positions. The measurement of the open foreign currency position of the Group involves monitoring the "VaR" limit on the foreign exchange exposure of the Group.

NOTE 37: INTEREST RATE RISK MANAGEMENT (in HUF mn)

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

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

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

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

[1] Loans were converted into HUF at foreign exchange rates applied in conversion due to Acts on Customer loans, so these do not bear further foreign currency risk or exposure. Loans denominated in JPY are included by others. See Note 2.28.

As at 31 December 2015

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
ASSETS	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
Cash, amounts due from banks and balances with the National Banks	**1,204,852**	**124,465**	**251**	**129**	**-**	**18**	**-**	**-**	**-**	**-**	**78,000**	**471,245**	**1,283,103**	**595,857**	**1,878,960**
fixed rate	1,203,663	68,286	-	40	-	18	-	-	-	-	-	-	1,203,663	68,344	1,272,007
variable rate	1,189	56,179	251	89	-	-	-	-	-	-	-	-	1,440	56,268	57,708
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	78,000	471,245	78,000	471,245	549,245
Placements with other banks, net of allowance for placements losses	**40,110**	**158,875**	**5,083**	**40,634**	**26**	**13,270**	**3**	**696**	**11,983**	**4,780**	**15**	**25,093**	**57,220**	**243,348**	**300,568**
fixed rate	37,814	110,924	498	7,847	26	8,343	3	696	11,983	4,002	-	-	50,324	131,812	182,136
variable rate	2,296	47,951	4,585	32,787	-	4,927	-	-	-	778	-	-	6,881	86,443	93,324
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	15	25,093	15	25,093	25,108
Securities held for trading	**1,201**	**-**	**2,124**	**339**	**7,863**	**72**	**141**	**4,216**	**10,335**	**8,745**	**72,253**	**4,687**	**93,917**	**18,059**	**111,976**
fixed rate	299	-	1,856	339	5,950	54	141	4,216	10,335	8,745	-	-	18,581	13,354	31,935
variable rate	902	-	268	-	1,913	18	-	-	-	-	-	-	3,083	18	3,101
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	72,253	4,687	72,253	4,687	76,940
Securities available-for-sale	**21,671**	**15,155**	**18,953**	**19,551**	**9,271**	**70,052**	**21,419**	**58,096**	**854,494**	**137,196**	**50,940**	**28,688**	**976,748**	**328,738**	**1,305,486**
fixed rate	-	12,975	-	19,551	9,271	65,079	21,419	58,096	854,494	136,060	-	-	885,184	291,761	1,176,945
variable rate	21,671	2,180	18,953	-	-	4,973	-	-	-	1,136	-	-	40,624	8,289	48,913
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	50,940	28,688	50,940	28,688	79,628
Loans, net of allowance for loan losses	**494,685**	**1,679,202**	**565,545**	**830,627**	**263,497**	**284,342**	**153,606**	**121,203**	**506,656**	**255,515**	**86,347**	**168,742**	**2,070,336**	**3,339,631**	**5,409,967**
fixed rate	8,566	253,898	9,926	102,394	58,511	174,813	50,003	104,835	113,882	232,971	-	-	240,888	868,911	1,109,799
variable rate	486,119	1,425,304	555,619	728,233	204,986	109,529	103,603	16,368	392,774	22,544	-	-	1,743,101	2,301,978	4,045,079
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	86,347	168,742	86,347	168,742	255,089
Securities held-to-maturity	**-**	**37,159**	**16,085**	**5,858**	**35,710**	**2,429**	**86,409**	**1,376**	**678,012**	**47,847**	**14,767**	**1,025**	**830,983**	**95,694**	**926,677**
fixed rate	-	36,984	12,746	5,858	35,710	2,409	86,409	1,376	678,012	47,847	-	-	812,877	94,474	907,351
variable rate	-	175	3,339	-	-	20	-	-	-	-	-	-	3,339	195	3,534
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	14,767	1,025	14,767	1,025	15,792
Derivative financial instruments	**673,749**	**668,051**	**1,351,732**	**384,757**	**217,206**	**109,734**	**46,773**	**149,426**	**39,414**	**29,997**	**346,498**	**194,146**	**2,675,372**	**1,536,111**	**4,211,483**
fixed rate	500,878	227,526	428,021	135,754	216,291	66,795	46,773	149,426	39,414	29,997	-	-	1,231,377	609,498	1,840,875
variable rate	172,871	440,525	923,711	249,003	915	42,939	-	-	-	-	-	-	1,097,497	732,467	1,829,964
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	346,498	194,146	346,498	194,146	540,644

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	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
LIABILITIES	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**95,241**	**129,524**	**8,142**	**45,391**	**54,483**	**5,982**	**10,760**	**3,651**	**170,320**	**5,707**	**8**	**4,101**	**338,954**	**194,356**	**533,310**
fixed rate	95,174	64,590	7,049	7,382	23,383	5,427	10,760	3,651	170,320	5,706	-	-	306,686	86,756	393,442
variable rate	67	64,934	1,093	38,009	31,100	555	-	-	-	1	-	-	32,260	103,499	135,759
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8	4,101	8	4,101	4,109
Deposits from customers	**1,306,653**	**2,484,899**	**472,572**	**473,728**	**136,025**	**703,014**	**2,224**	**68,831**	**1,818,548**	**397,140**	**3,230**	**117,715**	**3,739,252**	**4,245,327**	**7,984,579**
fixed rate	706,888	1,252,940	472,558	471,863	136,025	703,004	2,224	68,831	259,993	101,191	-	-	1,577,688	2,597,829	4,175,517
variable rate	599,765	1,231,959	14	1,865	-	10	-	-	1,558,555	295,949	-	-	2,158,334	1,529,783	3,688,117
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	3,230	117,715	3,230	117,715	120,945
Liabilities from issued securities	**1,916**	**6,202**	**157**	**9,082**	**11,002**	**41,623**	**16,153**	**8,443**	**137,495**	**236**	**7,021**	**46**	**173,744**	**65,632**	**239,376**
fixed rate	1,916	5,953	157	6,929	11,002	38,667	16,153	8,443	137,495	236	-	-	166,723	60,228	226,951
variable rate	-	249	-	2,153	-	2,956	-	-	-	-	-	-	-	5,358	5,358
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	7,021	46	7,021	46	7,067
Derivative financial instruments	**1,248,271**	**98,165**	**1,083,679**	**636,911**	**158,671**	**134,008**	**190,632**	**6,931**	**40,977**	**72,001**	**227,762**	**275,151**	**2,949,992**	**1,223,167**	**4,173,159**
fixed rate	635,192	89,002	418,185	143,566	157,950	125,122	190,632	6,931	40,977	72,001	-	-	1,442,936	436,622	1,879,558
variable rate	613,079	9,163	665,494	493,345	721	8,886	-	-	-	-	-	-	1,279,294	511,394	1,790,688
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	227,762	275,151	227,762	275,151	502,913
Subordinated bonds and loans	**-**	**-**	**-**	**5**	**-**	**234,773**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**234,784**	**234,784**
fixed rate	-	-	-	-	-	234,773	-	-	-	-	-	-	-	234,773	234,773
variable rate	-	-	-	5	-	-	-	-	-	-	-	-	-	5	5
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	6	-	6	6
Net position	**(215,813)**	**(35,883)**	**395,223**	**116,778**	**173,392**	**(639,483)**	**88,582**	**247,157**	**(66,446)**	**8,996**	**410,799**	**496,607**	**785,737**	**194,172**	**979,909**

As at 31 December 2014

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
ASSETS	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	
Cash, amounts due from banks and balances with the National Banks	**1,798,973**	**69,581**	**105**	**105**	**-**	**16**	**-**	**-**	**-**	**-**	**66,822**	**372,030**	**1,865,900**	**441,732**	**2,307,632**
fixed rate	1,796,928	30,478	-	16	-	16	-	-	-	-	-	-	1,796,928	30,510	1,827,438
variable rate	2,045	39,103	105	89	-	-	-	-	-	-	-	-	2,150	39,192	41,342
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	66,822	372,030	66,822	372,030	438,852
Placements with other banks, net of allowance for placements losses	**12,497**	**149,304**	**23**	**78,015**	**-**	**15,303**	**-**	**1,079**	**-**	**994**	**70**	**23,721**	**12,590**	**268,416**	**281,006**
fixed rate	808	68,411	23	6,729	-	1,924	-	1,079	-	4	-	-	831	78,147	78,978
variable rate	11,689	80,893	-	71,286	-	13,379	-	-	-	990	-	-	11,689	166,548	178,237
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	70	23,721	70	23,721	23,791
Securities held for trading	**752**	**28**	**1,381**	**2,922**	**3,866**	**3,251**	**87**	**407**	**11,431**	**7,171**	**59,710**	**3,634**	**77,227**	**17,413**	**94,640**
fixed rate	179	28	1,252	2,922	3,052	3,143	87	407	11,431	7,171	-	-	16,001	13,671	29,672
variable rate	573	-	129	-	814	108	-	-	-	-	-	-	1,516	108	1,624
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	59,710	3,634	59,710	3,634	63,344
Securities available-for-sale	**2,427**	**14,087**	**18,832**	**36,295**	**25,771**	**48,118**	**9,377**	**42,792**	**503,653**	**77,539**	**39,896**	**20,365**	**599,956**	**239,196**	**839,152**
fixed rate	2,427	11,732	18,832	36,295	25,771	47,656	9,377	42,792	503,653	77,539	-	-	560,060	216,014	776,074
variable rate	-	2,355	-	-	-	462	-	-	-	-	-	-	-	2,817	2,817
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	39,896	20,365	39,896	20,365	60,261
Loans, net of allowance for loan losses	**774,424**	**2,567,850**	**236,522**	**367,622**	**83,801**	**354,337**	**89,224**	**207,272**	**399,251**	**433,738**	**38,733**	**311,467**	**1,621,955**	**4,242,286**	**5,864,241**
fixed rate	6,848	283,372	5,392	79,611	23,311	252,269	35,647	164,949	88,045	353,642	-	-	159,243	1,133,843	1,293,086
variable rate	767,576	2,284,478	231,130	288,011	60,490	102,068	53,577	42,323	311,206	80,096	-	-	1,423,979	2,796,976	4,220,955
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	38,733	311,467	38,733	311,467	350,200
Securities held-to-maturity	**-**	**10,860**	**63,374**	**5,076**	**1,527**	**1,481**	**36,902**	**2,541**	**542,000**	**30,974**	**14,036**	**598**	**657,839**	**51,530**	**709,369**
fixed rate	-	10,648	56,697	4,553	1,527	1,454	36,902	2,541	542,000	30,974	-	-	637,126	50,170	687,296
variable rate	-	212	6,677	523	-	27	-	-	-	-	-	-	6,677	762	7,439
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	14,036	598	14,036	598	14,634
Derivative financial instruments	**889,464**	**1,377,086**	**873,489**	**2,361,421**	**136,282**	**812,239**	**8,578**	**19,996**	**31,973**	**41,671**	**-**	**34,609**	**1,939,786**	**4,647,022**	**6,586,808**
fixed rate	511,452	1,154,470	121,432	819,747	85,034	809,065	8,578	19,996	31,973	41,671	-	-	758,469	2,844,949	3,603,418
variable rate	378,012	222,616	752,057	1,541,674	51,248	3,174	-	-	-	-	-	-	1,181,317	1,767,464	2,948,781
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	34,609	-	34,609	34,609

As at 31 December 2014

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
LIABILITIES	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	**HUF**	**Currency**	
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**48,545**	**379,132**	**2,698**	**43,788**	**35,659**	**14,911**	**5,144**	**4,051**	**146,454**	**5,863**	**220**	**21,809**	**238,720**	**469,554**	**708,274**
fixed rate	48,545	241,159	1,209	17,169	9,371	13,890	5,144	4,051	146,454	5,863	-	-	210,723	282,132	492,855
variable rate	-	137,973	1,489	26,619	26,288	1,021	-	-	-	-	-	-	27,777	165,613	193,390
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	220	21,809	220	21,809	22,029
Deposits from customers	**1,976,745**	**2,380,597**	**449,672**	**367,013**	**178,753**	**604,481**	**37,652**	**68,263**	**1,172,388**	**264,464**	**9,572**	**163,878**	**3,824,782**	**3,848,696**	**7,673,478**
fixed rate	1,557,114	980,269	441,702	349,788	178,753	588,534	37,652	54,368	41,176	26,410	-	-	2,256,397	1,999,369	4,255,766
variable rate	419,631	1,400,328	7,970	17,225	-	15,947	-	13,895	1,131,212	238,054	-	-	1,558,813	1,685,449	3,244,262
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,572	163,878	9,572	163,878	173,450
Liabilities from issued securities	**6,142**	**5,995**	**5,683**	**15,831**	**12,544**	**32,782**	**21,526**	**11,148**	**144,393**	**506**	**8,022**	**2,512**	**198,310**	**68,774**	**267,084**
fixed rate	6,142	5,384	5,683	7,365	12,544	32,420	21,526	11,148	144,393	506	-	-	190,288	56,823	247,111
variable rate	-	611	-	8,466	-	362	-	-	-	-	-	-	-	9,439	9,439
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	8,022	2,512	8,022	2,512	10,534
Derivative financial instruments	**794,288**	**1,514,836**	**982,978**	**2,318,214**	**193,875**	**732,283**	**6,698**	**19,847**	**23,515**	**41,313**	**26**	**3,635**	**2,001,380**	**4,630,128**	**6,631,508**
fixed rate	628,184	1,033,097	172,690	1,013,732	190,851	701,466	6,698	19,847	23,515	41,313	-	-	1,021,938	2,809,455	3,831,393
variable rate	166,104	481,739	810,288	1,304,482	3,024	30,817	-	-	-	-	-	-	979,416	1,817,038	2,796,454
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	26	3,635	26	3,635	3,661
Subordinated bonds and loans	**-**	**-**	**-**	**29,375**	**-**	**16,779**	**-**	**-**	**-**	**234,642**	**-**	**1,172**	**-**	**281,968**	**281,968**
fixed rate	-	-	-	-	-	-	-	-	-	234,642	-	-	-	234,642	234,642
variable rate	-	-	-	29,375	-	16,779	-	-	-	-	-	-	-	46,154	46,154
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	1,172	-	1,172	1,172
Net position	**652,817**	**(91,764)**	**(247,305)**	**77,235**	**(169,584)**	**(166,491)**	**73,148**	**170,778**	**1,558**	**45,299**	**201,427**	**573,418**	**512,061**	**608,475**	**1,120,536**

NOTE 38: CONSOLIDATED EARNINGS PER SHARE (in HUF mn)

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

	2015	2014
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	63,583	(101,985)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	262,204,162	267,035,159
Basic Earnings per share (in HUF)	**242**	**(382)**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	63,583	(101,985)
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	262,419,544	267,323,299
Diluted Earnings per share (in HUF)	**242**	**(382)**

	2015	2014
	Number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	17,795,848	12,964,851
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**262,204,162**	**267,035,159**
Dilutive effects of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares[1]	215,382	288,140
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**262,419,544**	**267,323,299**

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

[1] Both in 2015 and 2014 the dilutive effect is in connection with the Remuneration Policy.

NOTE 39: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 31 December 2015

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	27,496	-	-	-
Placements with other banks, net of allowance for placements losses	2,765	-	6	-
Securities held for trading	-	1,067	-	-
Securities available-for-sale	31,063	7,324	(17)	(304)
Loans, net of allowance for loan losses	572,120	10,207	(318,689)	-
Securities held-to-maturity	46,619	-	2	-
Other assets	3,050	-	-	-
Derivative financial instruments	5,467	(618)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(10,627)	-	-	-
Deposits from customers	(107,104)	157,368	-	-
Liabilities from issued securities	(6,786)	-	-	-
Subordinated bonds and loans	(13,633)	-	-	-
Total	**550,430**	**175,348**	**(318,698)**	**(304)**

As at 31 December 2014

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	16,498	-	-	-
Placements with other banks, net of allowance for placements losses	3,683	-	(10)	-
Securities held for trading	-	4,275	-	-
Securities available-for-sale	41,969	4,299	(297)	16,073
Loans, net of allowance for loan losses	700,265	9,007	(446,820)	-
Securities held-to-maturity	39,934	-	-	-
Other assets	2,549	-	-	-
Derivative financial instruments	6,529	(162)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(12,541)	-	-	-
Deposits from customers	(135,080)	161,242	-	-
Liabilities from issued securities	(13,826)	-	-	-
Subordinated bonds and loans	(13,883)	-	-	-
Total	**636,097**	**178,661**	**(447,127)**	**16,073**

NOTE 40: FAIR VALUE OF FINANCIAL INSTRUMENTS (in HUF mn)

In determining the fair value of a financial asset or liability the Group in the case of instruments that are quoted on an active market uses the market price. In most cases market price is not publicly available so the Group has to make assumptions or use valuation techniques to determine the fair value of a financial instrument. See Note 40. e) for more information about fair value classes applied for financial assets and liabilities measured at fair value in these financial statements.
To provide a reliable estimate of the fair value of those financial instrument that are originally measured at amortized cost, the Group used the discounted cash-flow analyses (loans, placements with other banks, amounts due to banks, deposits from customers). The fair value of issued securities and subordinated bonds is based on quoted prices (e.g. Reuters). Cash and amounts due from banks and balances with the National Banks represent amounts available immediately thus the fair value equals to the cost.
The assumptions used when calculating the fair value of financial assets and liabilities when using valuation technique are the following:

- the discount rates are the risk free rates related to the denomination currency adjusted by the appropriate risk premium as of the end of the reporting period,

- the contractual cash-flows are considered for the performing loans and for the non-performing loans, the amortized cost less impairment is considered as fair value,
- the future cash-flows for floating interest rate instruments are estimated from the yield curves as of the end of the reporting period,
- the fair value of the deposit which can be due in demand cannot be lower than the amount payable on demand.

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

a) Fair value of financial assets and liabilities

	2015		2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Banks	1,878,960	1,880,223	2,307,632	2,307,632
Placements with other banks, net of allowance for placements losses	300,568	318,972	281,006	280,999
Financial assets at fair value through profit or loss	253,782	253,782	289,275	289,275
Securities held for trading	*111,976*	*111,976*	*94,640*	*94,640*
Fair value of derivative financial instruments classified as held for trading	*141,806*	*141,806*	*194,635*	*194,635*
Securities available-for-sale	1,305,486	1,305,486	839,152	839,152
Loans, net of allowance for loan losses	5,409,967	6,028,495	5,864,241	6,506,922
Securities held-to-maturity	926,677	1,010,112	709,369	704,875
Fair value of derivative financial instruments designated as fair value hedge	16,009	16,151	30,454	30,454
Financial assets total	**10,091,449**	**10,813,221**	**10,321,129**	**10,959,309**

	2015		2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	533,310	533,338	708,274	708,284
Deposits from customers	7,984,579	7,969,922	7,673,478	7,672,819
Liabilities from issued securities	239,376	351,488	267,084	317,834
Fair value of derivative financial instruments designated as fair value hedge	13,723	13,723	85,679	85,679
Fair value of derivative financial instruments classified as held for trading	101,561	101,561	183,994	183,994
Subordinated bonds and loans	234,784	240,619	281,968	281,968
Financial liabilities total	**9,107,333**	**9,210,651**	**9,200,477**	**9,250,578**

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	2015	2014	2015	2014
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	33,770	43,401	40,475	45,929
Negative fair value of interest rate swaps classified as held for trading	(30,453)	(63,691)	(37,135)	(67,678)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	15,551	48,636	14,083	42,458
Negative fair value of foreign exchange swaps classified as held for trading	(7,687)	(51,537)	(8,000)	(48,154)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated as fair value hedge	15,393	14,032	7,932	8,539
Negative fair value of interest rate swaps designated as fair value hedge	(13,723)	(3,463)	(17,211)	(4,602)
Foreign exchange swaps designated as fair value hedge				
Positive fair value of foreign exchange swaps designated as fair value hedge	-	2,437	-	2,276
Negative fair value of foreign exchange swaps designated as fair value hedge	-	(2,276)	-	(2,066)
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	84,270	85,010	84,721	83,611
Negative fair value of CCIRS classified as held for trading	(53,505)	(53,724)	(54,309)	(51,012)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	-	-	-	-
Negative fair value of mark-to-market CCIRS classified as held for trading	(2,370)	-	(2,143)	-

	Fair value 2015	Fair value 2014	Notional value, net 2015	Notional value, net 2014
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated as fair value hedge	604	13,940	693	14,095
Negative fair value of CCIRS designated as fair value hedge	-	(70,364)	-	(70,124)
Mark-to-market CCIRS designated as fair value hedge				
Positive fair value of mark-to-market CCIRS designated as fair value hedge	-	-	-	-
Negative fair value of mark-to-market CCIRS designated as fair value hedge	-	(9,576)	-	(9,856)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated as fair value hedge	12	45	12	39
Negative fair value of other derivative contracts designated as fair value hedge	-	-	-	-
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	8,215	17,588	5,098	14,592
Negative fair value of other derivative contracts classified as held for trading	(7,546)	(15,042)	(4,290)	(11,844)
Derivative financial assets total	**157,815**	**225,089**	**153,014**	**211,539**
Derivative financial liabilities total	**(115,284)**	**(269,673)**	**(123,088)**	**(265,336)**
Derivative financial instruments total	**42,531**	**(44,584)**	**29,926**	**(53,797)**

c) Hedge accounting

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

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

As at 31 December 2015

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash-flow hedges	-	-	-
2) Fair value hedges	IRS	HUF 1,670 million	Interest rate
3) Fair value hedges	CCIRS	HUF (3,603) million	Interest rate / Foreign currency
4) Net investment hedge in foreign operations[1]	CCIRS and issued securities	HUF 548 million	Foreign exchange

As at 31 December 2014

Types of the hedges	Description of the hedging instrument	Fair value of the hedging instrument	The nature of the risk being hedged
1) Cash-flow hedges	-	-	-
2) Fair value hedges	IRS /Index option	HUF 10,578 million	Interest rate
3) Net investment hedge in foreign operations[1]	CCIRS and issued securities	HUF (5,575) million	Foreign exchange

[1] The objective of these hedge relationships is to mitigate the risk of changes in value of net investments in foreign subsidiaries (namely: OTP Banka Slovensko a.s., DSK Bank EAD, Crnogorska komercijalna banka a.d., OTP banka Hrvatska d.d.) due to change in foreign exchange rates.

d) Fair value hedges

1. Deposits from customers

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

	2015	2014
Fair value of the hedging instruments	-	107

2. Securities available-for-sale

The Group holds fixed interest rate securities denominated in foreign currencies and fixed interest rate government bonds denominated in HUF and EUR within the available-for-sale portfolio. These fixed interest rate securities and bonds are exposed to the fair value risk driven by the changes in the risk-free interest rates.
In order to hedge the interest rate risk of the cash-flows the Group entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 12 month EURIBOR and the risk from the cash-flows of the bonds are swapped to payments linked to 6 month BUBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.

	2015	2014
Fair value of the hedging IRS instruments	(11,266)	(2,570)

3. Loans to customers / corporates

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

	2015	2014
Fair value of the hedging IRS instruments	(165)	(417)
Fair value of the hedging CCIRS instruments	65	-

4. Issued securities

The cash-flows of the fixed rate securities issued by the Group are exposed to the change in the HUF/EUR foreign exchange rate and the risk of change in the risk-free interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS and index option transactions. In the case of IRS transactions the fixed cash-flows were swapped to payments linked to 3 month EURIBOR or BUBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.
Certain structured bonds are hedged by options which give the owner the right to get amount of the structure which is equal to the structure of the hedged bond.

	2015	2014
Fair value of the hedging IRS instruments	13,101	13,449
Fair value of the hedging index option instruments	-	9

As at 31 December 2015

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses on the hedged items	Gains/ Losses on hedging instruments
Securities available-for-sale	IRS	HUF 668,484 million	HUF (11,266) million	HUF 9,818 million	HUF (8,696) million
Securities available-for-sale	CCIRS	HUF 317,230 million	HUF (3,668) million	HUF 2,064 million	HUF (3,668) million
Loans to customers	IRS	HUF 5,561 million	HUF (165) million	HUF (252) million	HUF 252 million
Loans to corporates	CCIRS	HUF 56,458 million	HUF 65 million	HUF 202 million	HUF 65 million
Deposits from customers	IRS	-	-	HUF 107 million	HUF (107) million
Liabilities from issued securities	IRS	HUF 71,786 million	HUF 13,101 million	HUF 348 million	HUF (348) million
Liabilities from issued securities	Index option	-	-	HUF 9 million	HUF (9) million

As at 31 December 2014

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses on the hedged items	Gains/ Losses on hedging instruments
Securities available-for-sale	IRS	HUF 286,344 million	HUF (2,570) million	HUF 1,691 million	HUF (1,691) million
Loans to customers	IRS	HUF 12,158 million	HUF (417) million	HUF (101) million	HUF 101 million
Deposits from customers	IRS	HUF 1,627 million	HUF 107 million	HUF (6) million	HUF 6 million
Liabilities from issued securities	IRS	HUF 88,309 million	HUF 13,449 million	HUF (5,070) million	HUF 5,070 million
Liabilities from issued securities	Index option	HUF 651 million	HUF 9 million	HUF 3 million	HUF (3) million

e) Fair value classes

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Fair value measurements – in relation with instruments measured not at fair value – are categorized in level 2;
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 31 December 2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	253,111	103,476	149,635	-
from this: securities held for trading	111,305	103,455	7,850	-
from this: positive fair value of derivative financial instruments classified as held for trading	141,806	21	141,785	-
Securities available-for-sale	1,284,979	1,097,952	172,353	14,674[1]
Positive fair value of derivative financial instruments designated as fair value hedge	16,009	-	16,009	-
Financial assets measured at fair value total	**1,554,099**	**1,201,428**	**337,997**	**14,674**
Negative fair value of derivative financial instruments classified as held for trading	101,561	35	101,526	-
Negative fair value of derivative financial instruments designated as fair value hedge	13,723	-	13,723	-
Financial liabilities measured at fair value total	**115,284**	**35**	**115,249**	**-**

As at 31 December 2014	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	288,650	90,053	198,597	-
from this: securities held for trading	94,015	89,496	4,519	-
from this: positive fair value of derivative financial instruments classified as held for trading	194,635	557	194,078	-
Securities available-for-sale	823,458	721,957	97,154	4,347
Positive fair value of derivative financial instruments designated as fair value hedge	30,454	-	30,454	-
Financial assets measured at fair value total	**1,142,562**	**812,010**	**326,205**	**4,347**
Negative fair value of derivative financial instruments classified as held for trading	183,994	1,220	182,774	-
Negative fair value of derivative financial instruments designated as fair value hedge	85,679	-	85,679	-
Financial liabilities measured at fair value total	**269,673**	**1,220**	**268,453**	**-**

[1] From the whole portfolio HUF 10,789 million includes shares of Visa Europe (see Note 42). The purchase price includes three components (upfront component: cash and Visa Inc. "C" preferential shares with limited marketability; and deferred earn-out payment). The book value of the shares is valuated up to the amount of the upfront component. Sensitivity analysis is not applicable.

Movements in Level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 securities available-for-sale which are recorded at fair value:

Movement on securities available-for-sale in Level 3	Opening balance	Increase / (Decrease)	Closing balance
OTP Bank Plc.	-	5,667	**5,667**
DSK Bank EAD	967	2,064	**3,031**
OTP Factoring Ltd.	2,103	(16)	**2,087**
OTP banka Hrvatska d.d.	-	1,136	**1,136**
OTP Bank Romania S.A.	-	1,027	**1,027**
OTP Banka Slovensko a.s.	-	907	**907**
OTP Factoring Ukarine LLC	1,175	(458)	**717**
OTP banka Srbija a.d.	102	(75)	**27**
LLC AMC OTP Capital	-	74	**74**
Total	**4,347**	**10,326**	**14,673**

NOTE 41: SEGMENT REPORTING BY BUSINESS AND GEOGRAPHICAL SEGMENTS (in HUF mn)

The Group distinguishes business and geographical segments. The report on the base of the business and geographical segments is reported bellow.

The reportable segments of the Group on the base of IFRS 8 are the following:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries and Corporate Center.
OTP Core is an economic unit for measuring the result of core business activity of the Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in the 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.
Corporate Centre: it is separated from OTP Core consolidated financial statements, this is a virtual entity responsible for rendering debt and capital market related to services to the subsidiaries across the Group, mainly in the form of capital and credit financing.

The results of OTP Factoring Ukraine LLC, OTP Factoring SRL, OTP Factoring Bulgaria LLC, OTP Factoring Serbia d.o.o., OTP Factoring Montenegro d.o.o. and OTP Factoring Slovensko s.r.o. are included into the foreign banks segment.
The activities of the other subsidiaries are out of the leasing and fund management activity, like: OTP Real Estate Ltd., OTP Life Annuity Ltd, OTP Funds Servicing and Consulting Ltd., Monicomp Ltd., OTP Building s.r.o., OTP Real Slovensko s.r.o.

The reportable business and geographical segments of the Group are those components where:
- separated incomes and expenses, assets and liabilities can be identified and assignable to the segments,
- transactions between the different segments were eliminated,
- the main decisive board of the Group regularly controls the operating results,
- separated financial information is available.

Goodwill / investment impairment and their tax saving effect:

In the year ended 31 December 2015 no goodwill impairment was recognized at all, while at the end of 2014 HUF 22,225 million was the effect of goodwill impairment after tax for OTP Bank JSC (Ukraine). In year 2015 due to the impairment on investment in OTP Bank JSC (Ukraine) HUF 6,683 million tax shield was recognized.
The tax saving effect was HUF (17,210) million in relation with goodwill and investment impairment of OTP Bank JSC (Ukraine) in the year ended as at 31 December 2014.

Information regarding the Group's reportable segments is presented below:

As at 31 December 2015

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	JSC "OTP Bank" (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**63,171**		**63,171**																
Adjustments (total)		**(57,074)**	**(57,074)**																
Dividends and net cash transfers (after income tax)		144	144																
Goodwill /investment impairment (after income tax)		6,683	6,683																
Bank tax on financial institutions (after income tax)		(29,383)	(29,383)																
Fine imposed by the Hungarian Competition Authority (after income tax)		(662)	(662)																
Effect of Banco Popolare Croatia d.d. and Banca Millennium S.A. acquisition (after income tax)		1,550	1,550																
Actual and one-off effect in result due to changes in law related to customer loan agreements in Hungary (after income tax)		4,594	4,594																
Expected and current impact of regulatory changes related to Fx consumer contracts in Croatia, Romania and Serbia (after income tax)		(32,034)	(32,034)																
Risk cost created toward Crimean exposures from the second quarter of 2014 until 31 December 2015 (after income tax)		(169)	(169)																
Risk cost created toward exposues to Donetsk and Luhansk from the third quarter of 2014 until the end of year 2015 (after income tax)		(2,258)	(2,258)																
Revaluation of reverse mortgage portfolio of OTP Life Annuity Ltd. simultaneous with regulatory changes (after income tax)		(5,539)	(5,539)																
Consolidated adjusted net profit for the year	**63,171**	**57,073**	**120,244**	**123,359**	**(1,820)**	**(19,941)**	**(40,312)**	**52,537**	**1,481**	**(384)**	**2,967**	**923**	**909**	**4,526**	**1,785**	**2,713**	**28**	**(4,286)**	**(1,535)**
Profit before income tax	**60,024**	**86,033**	**146,057**	**149,216**	**(3,193)**	**(24,448)**	**(42,230)**	**58,266**	**1,581**	**(393)**	**1,711**	**1,412**	**908**	**6,189**	**1,685**	**3,620**	**884**	**(6,382)**	**227**
Adjusted operating profit	**378,707**	**(16,112)**	**362,595**	**170,599**	**184,772**	**58,495**	**25,184**	**73,136**	**6,074**	**1,293**	**10,844**	**6,600**	**3,146**	**14,327**	**6,810**	**6,109**	**1,408**	**(6,382)**	**(721)**
Adjusted total income	844,223	(89,311)	754,912	367,235	360,518	112,811	41,086	114,439	27,662	8,360	28,021	17,671	10,468	45,789	15,165	8,643	21,981	(5,761)	(12,869)
Adjusted net interest income	550,430	3,229	553,659	251,564	286,988	97,716	29,146	88,674	22,904	6,407	20,345	14,568	7,228	24,850	19,924	63	4,863	(5,761)	(3,982)
Adjusted net profit from fees and commissions	213,872	(46,621)	167,251	97,480	62,533	14,394	7,915	23,013	3,773	1,747	5,309	3,386	2,996	7,213	(2,133)	8,543	803	0	25
Adjusted other net non-interest income	79,921	(45,919)	34,002	18,191	10,997	701	4,025	2,752	985	206	2,367	(283)	244	13,726	(2,626)	37	16,315	0	(8,912)
Adjusted other administrative expenses	(465,516)	73,199	(392,317)	(196,636)	(175,746)	(54,316)	(15,902)	(41,303)	(21,588)	(7,067)	(17,177)	(11,071)	(7,322)	(31,462)	(8,355)	(2,534)	(20,573)	(621)	12,148
Total risk costs	**(318,683)**	**97,973**	**(220,710)**	**(25,555)**	**(187,965)**	**(82,943)**	**(67,414)**	**(14,870)**	**(4,493)**	**(1,686)**	**(9,133)**	**(5,188)**	**(2,238)**	**(8,138)**	**(5,125)**	**(2,489)**	**(524)**	**0**	**948**
Adjusted provision for impairment on loan and placement losses (without the effect of revaluation of FX)	(318,683)	107,019	(211,664)	(21,550)	(184,344)	(82,060)	(65,891)	(14,650)	(6,598)	(922)	(6,813)	(5,144)	(2,266)	(5,329)	(4,948)	0	(381)	0	(441)
Other provision (adjustment)	0	(9,046)	(9,046)	(4,005)	(3,621)	(883)	(1,523)	(220)	2,105	(764)	(2,320)	(44)	28	(2,809)	(177)	(2,489)	(143)	0	1,389
Total other adjustments (one-off items)[1]	**0**	**4,172**	**4,172**	**4,172**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax	**3,147**	**(28,960)**	**(25,813)**	**(25,857)**	**1,373**	**4,507**	**1,918**	**(5,729)**	**(100)**	**9**	**1,256**	**(489)**	**1**	**(1,663)**	**100**	**(907)**	**(856)**	**2,096**	**(1,762)**
Total Assets	**10,718,848**	**0**	**10,718,848**	**6,774,200**	**4,651,454**	**514,491**	**292,882**	**1,778,326**	**646,042**	**119,224**	**649,870**	**450,819**	**199,800**	**655,859**	**395,233**	**14,116**	**246,510**	**1,410,729**	**(2,773,394)**
Total Liabilities	**9,485,189**	**0**	**9,485,189**	**5,563,251**	**4,142,684**	**423,514**	**327,685**	**1,524,857**	**599,376**	**89,847**	**580,307**	**420,389**	**176,709**	**520,898**	**371,201**	**4,775**	**144,922**	**731,090**	**(1,472,734)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF (679) million and the result of the treasury share swap agreement in the amount of HUF 4,851 million.

As at 31 December 2014

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	JSC "OTP Bank" (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**(102,258)**		**(102,258)**																
Adjustments (total)		**(220,273)**	**(220,273)**																
Dividends and net cash transfers (after income tax)		191	191																
Goodwill/investment impairment (after income tax)		(5,015)	(5,015)																
Bank tax on financial institutions (after income tax)		(30,193)	(30,193)																
Effect of Banco Popolare acquisition (after income tax)		4,131	4,131																
Impact of the expected refund obligation stemming from the invalidity of using FX margin in Hungary (after income tax)		(26,923)	(26,923)																
Potential refund obligation stemming from the presumed unfairness of unilateral amendments to loan contracts in Hungary (after income tax)		(128,985)	(128,985)																
Risk cost created toward Crimean exposures in 2014 (after income tax)		(7,943)	(7,943)																
Risk cost created toward exposues to Donetsk and Luhansk in 2014 (after income tax)		(25,536)	(25,536)																
Consolidated adjusted net profit for the year	**(102,258)**	**220,272**	**118,014**	**137,418**	**(17,196)**	**(14,541)**	**(43,166)**	**39,170**	**765**	**49**	**103**	**33**	**391**	**(1,172)**	**(1,588)**	**5,529**	**(5,113)**	**(1,210)**	**174**
Profit before income tax	**(153,643)**	**295,983**	**142,340**	**161,097**	**(19,237)**	**(17,678)**	**(47,322)**	**43,587**	**765**	**45**	**627**	**367**	**372**	**793**	**(1,508)**	**6,753**	**(4,452)**	**(1,433)**	**1,120**
Adjusted operating profit	**293,187**	**121,346**	**414,533**	**181,952**	**219,065**	**101,028**	**27,269**	**62,392**	**9,807**	**1,358**	**7,527**	**5,895**	**3,789**	**13,404**	**5,970**	**6,704**	**730**	**(1,433)**	**1,545**
Adjusted total income	801,879	24,180	826,059	375,668	419,716	179,392	52,078	102,238	23,410	8,555	25,426	17,099	11,518	43,483	14,073	9,041	20,369	(1,175)	(11,633)
Adjusted net interest income	636,097	73	636,170	266,329	349,904	158,972	45,327	79,116	19,388	6,612	17,923	14,207	8,359	21,675	17,405	81	4,189	(1,175)	(563)
Adjusted net profit from fees and commissions	215,656	(46,076)	169,580	94,244	67,306	21,378	10,306	20,262	2,429	1,851	5,203	3,000	2,877	7,934	(2,611)	9,895	650	0	96
Adjusted other net non-interest income	(49,874)	70,183	20,309	15,095	2,506	(958)	(3,555)	2,860	1,593	92	2,300	(108)	282	13,874	(721)	(935)	15,530	0	(11,166)
Adjusted other administrative expenses	(508,692)	97,166	(411,526)	(193,716)	(200,651)	(78,364)	(24,809)	(39,846)	(13,603)	(7,197)	(17,899)	(11,204)	(7,729)	(30,079)	(8,103)	(2,337)	(19,639)	(258)	13,178
Total risk costs	**(446,830)**	**172,081**	**(274,749)**	**(23,411)**	**(238,302)**	**(118,706)**	**(74,591)**	**(18,805)**	**(9,042)**	**(1,313)**	**(6,900)**	**(5,528)**	**(3,417)**	**(12,611)**	**(7,478)**	**49**	**(5,182)**	**0**	**(425)**
Adjusted provision for impairment on loan and placement losses (without the effect of revaluation of FX)	(446,830)	183,318	(263,512)	(22,088)	(231,272)	(117,623)	(71,947)	(17,526)	(8,881)	(1,202)	(5,747)	(5,277)	(3,069)	(9,682)	(8,312)	1	(1,371)	0	(470)
Other provision (adjustment)	0	(11,237)	(11,237)	(1,323)	(7,030)	(1,083)	(2,644)	(1,279)	(161)	(111)	(1,153)	(251)	(348)	(2,929)	834	48	(3,811)	0	45
Total other adjustments (one-off items)[1]	**0**	**2,556**	**2,556**	**2,556**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax	**51,385**	**(75,711)**	**(24,326)**	**(23,679)**	**2,041**	**3,137**	**4,156**	**(4,417)**	**0**	**4**	**(524)**	**(334)**	**19**	**(1,965)**	**(80)**	**(1,224)**	**(661)**	**223**	**(946)**
Total Assets	**10,971,052**	**0**	**10,971,052**	**7,251,833**	**4,678,642**	**750,747**	**423,363**	**1,603,812**	**476,352**	**109,509**	**654,793**	**464,296**	**195,770**	**370,127**	**362,858**	**513**	**6,756**	**1,668,257**	**(2,997,807)**
Total Liabilities	**9,706,886**	**0**	**9,706,886**	**5,932,448**	**4,122,494**	**638,968**	**417,903**	**1,355,819**	**441,371**	**79,312**	**583,637**	**432,554**	**172,930**	**345,423**	**339,162**	**69**	**6,192**	**830,085**	**(1,523,564)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF (824) million; result of the treasury share swap agreement in the amount of HUF 3,380 million.

NOTE 42: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2015

1) Government measures related to customer loan contracts

See details in Note 2.28.

2) Term Note Program

See details in Note 15.

3) Agreement between the Visa Inc. and the Visa Europe

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.

NOTE 43: POST BALANCE SHEET EVENTS

Agreement on purchasing unit of AXA Bank Hungary

According to the announcement published on 3 February 2016, AXA Bank Europe SA and OTP 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.
The retail-focused AXA Bank is present in Hungary since 2009. AXA Bank has been offering innovative online customer services, and the bank has strong positions in the local mortgage market. After the completion of the purchase the Bank's mortgage portfolio will increase with almost 25%. According to the plans the integration process can be closed at the end of 2016 after obtaining all the necessary supervisory approvals.

NOTE 44: STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE GROUP'S FINANCIALS (in HUF mn)

In 2015 the macroeconomic processes were mostly shaped by the different monetary policies expected from the Federal Reserve System (Fed) and the European Central Bank (ECB), and by the continued slump in commodity prices, which started in 2014. In December 2015 the Fed embarked on interest rate hikes (0.25-0.5%) because of the accelerating growth and the favourable labour market processes in the USA, while the ECB decided to extend its asset purchase programme and cut the interest rate on overnight deposits further (to -0.3%). For the first time since the onset of the crisis the Eurozone posted meaningful growth (1.5%), but with significant discrepancies among the regions of the EU. Preliminary GDP data for the fourth quarter of 2015 suggest that Central and South Eastern Europe remained the strongest region. The several-month-long negotiations with Greece which ultimately resulted in a temporary solution to the country's debt crisis failed to cast a cloud on the supportive sentiment of global markets.

Hungary's economy grew by 2.9% in 2015, down from 3.6% in 2014. After the election year, the volume of investments fell, but net exports' contribution returned to positive territory after being in red in the previous year. Nonetheless, the engine of growth was clearly the further accelerating consumption of households.

The increase in the value added by market services has largely contributed to the economy's expansion. Even though the deceleration of Germany's manufacturing poses risks to the demand for Hungary's export products, it seems that these fears did not get in the way of production. Moreover, mostly owing to the improved terms of trade, Hungary's trade surplus also hit an all-time high, at EUR 8.1 billion (or 8% of GDP) in 2015.

A weaker-than-2014 year pushed agriculture's contribution to GDP into negative territory. Non-farm private sector GDP was as strong as elsewhere in the CEE region; it may have grown by more than 4%.

At the end of the third quarter of 2015 Hungary's four-quarter rolling deficit amounted to 0.8% of GDP. This exceptionally low figure can be put down to the higher rate of EU-co-financing and the larger-than-expected revenues. The government's deficit target is 2.4% for 2015. Gross government debt stood at 76.9% at the end of the third quarter of 2015.

Consumer prices dropped by 0.1% on average in 2015, thanks to the steadily falling commodity prices; demand-sensitive inflation accelerated until the end of summer, but somewhat slowed towards the end of the year.

The lower-than-expected inflation justified the continuation of the monetary easing cycle; the last cut brought the base rate to 1.35% in July. The NBH's Self-Financing Programme introduced plan consisting of 2 layers to boost lending for SMEs, then the MNB decided to terminate the two-week deposit in order to boost commercial banks' appetite for government securities. At the end of 2015 the NBH announced plans to introduce unconventional monetary policy tools because inflation was likely to remain below its target throughout the entire forecast horizon.

Russia sank into recession in 2015, with its GDP contracting by 3.7%. Reversing the improvement in the third quarter, cyclical developments deteriorated in the fourth quarter of 2015. The underlying reason is the short-term oversupply on the oil market and OPEC's reluctance to reduce production at its December meeting. By the end of 2015, the RUB weakened to 73 against the USD, extending its losses by another 26% after depreciating by 74% in 2014. The weakening of the RUB, which started at the end of 2014, accelerated 2015 inflation to 15.6% on average, but since then a steady deceleration pushed CPI back to single-digit territory; consumer prices rose by 9.8% in January 2016. The Central Bank of Russia ("CBR") continues to pursue tight monetary policy; the base rate has been kept at 11% since the end of July 2015. This can be explained by the presumed backward-looking attitude of the CBR and paying attention to the fact inflation figures instead of monitoring the expected inflation when pursuing the monetary policy and deciding on the base rate. The concerns about external balance and the adequacy of reserves were not justified: despite the falling oil prices Russia's current account surplus amounted to 5.3% of GDP in 2015, the capital outflow slowed, and its size was less than the current account surplus.

Due to the conflict in the East, the structural problems of the country and the decline in Ukraine's GDP continued in the first half of 2015. In the second half of the year the economy grew on a quarter-on-quarter basis mainly due to a sharp fall in imports and one-off factors. Therefore in 2015 Ukraine's economy fell by 10%, as industrial production contracted by 13.5% and retail sales shrank by 20.7% compared to 2014. At the beginning of 2015 the FX reserves of the National Bank of Ukraine declined to the danger zone, therefore the hryvnia depreciated sharply, falling 114% against the dollar between January and February. Later the hryvnia stabilized between 21 and 24 due the IMF package and the planned reforms. The depreciation of the hryvnia also influenced the inflation, which reached 48.7% in 2015. Due to the depreciating hryvnia, the increasing inflation and accelerating deposit outflow, the NBU increased the base rate from 14% to 30%, but from August the base rate was decreased to 22%. The government debt increased to 69% of GDP in the third quarter of 2015 – it could have been higher if Ukraine had not reached a deal with private creditors about the restructuring of the public debt. The deal contained 20% haircut in percentage of the face value, an increase in maturities and a coupon payment dependent on macroeconomic performance. In November 2015 Ukrainian separatists cut the energy supply of Crimea, which led to a series of temporary trade embargoes between Ukraine and Russia. On 23 December Ukraine missed its repayment deadline concerning a USD 3 billion worth bond owed to Russia, but the IMF decided to change its rules on lending to countries in payment arrears. Nonetheless, in the lack of definitive actions against corruption and lack of reforms, the IMF did not disburse the latest USD 1.7 billion tranche from the USD 17.5 billion IMF package. At the end of the year, Ukraine's government passed the 2016 budget law, which assumes 2% economic growth for 2016 and 3.7% budget deficit.

In Hungary by 31 December 2015 the contractual period of the second phase of the Funding for Growth Scheme and the Growth Scheme Plus expired. Under these two schemes contracts with a total amount of around HUF 1,425 billion were signed on the sector level, of which OTP's share represented 19%.

According to legislations passed in 2014 the settlement of the existing and matured (or prepaid) FX mortgage and consumer loan contracts at the Bank and OTP Mortgage Bank Ltd. was completed in March 2015. In the first quarter of 2015 the conversion of FX mortgage loans into HUF has been completed (except for OTP Real Estate Leasing Ltd.). In the second quarter of 2015 the settlement with Merkantil Bank Ltd., Merkantil Car Ltd. and OTP Real Estate Leasing Ltd. clients has been executed, clients' obligations arising from FX lease contracts were converted into HUF. In the third quarter of 2015 the settlement of existing and matured HUF consumer contracts at the Bank, OTP Mortgage Bank Ltd., Merkantil Bank Ltd., Merkantil Car Ltd. and OTP Real Estate Leasing Ltd. has been completed.

The Russian and Ukrainian operation's performance in HUF terms was to a great extent influenced by the significant weakening of the Russian rouble and Ukrainian hryvnia against the Hungarian forint: the annual average exchange rate of the rouble and hryvnia depreciated by 25% and 35% y/y, respectively. The closing rate of the rouble and hryvnia weakened by 13% and 27% year-over-year, respectively.

In Russia the funding costs increased immediately following the base rate hike by the CBR in December 2014, this manifested in narrowing net interest margin in the first quarter of 2015, which normalized in the rest of the year. The Bank's reaction to the deteriorating market environment was to limit the disbursements of certain loan products, these limits have been gradually lifted in the course of 2015, nevertheless, newly disbursed volumes showed a substantial setback year-over-year. Performing (DPD0-90) loan volumes dropped by 26% year-over-year on an FX-adjusted basis. Amid unfavourable economic environment the volume growth of DPD90+ loans (FX-adjusted, excluding the impact of loan sales and write-offs) accelerated in the first half of the year, while it showed substantial deceleration both in the third and fourth quarter.

In Ukraine the annual risk costs grew by 35% year-over-year in local currency terms. The material increase in the first quarter of 2015 risk costs was related to the drastic depreciation of UAH against USD which required higher provision coverage due to the FX loans' revaluation (LTV – loan to value effect). In the second quarter the case was the opposite, whereas in the third quarter the Ukrainian operation made additional provisions mostly for the legacy corporate exposures originated before the crisis, while in the fourth quarter elevated risk costs were mainly related to the USD-based mortgages at the local Factoring unit. Portfolio quality deterioration moderated substantially year-over-year.

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.

REPORT OF THE SUPERVISORY BOARD ON THE ANNUAL FINANCIAL STATEMENTS FOR 2015 AND ITS PROPOSAL FOR THE USE OF THE AFTER-TAX PROFIT

THE REPORT OF SUPERVISORY BOARD ON THE ANNUAL FINANCIAL STATEMENTS OF 2015 AND THE PROPOSAL REGARDING UTILISATION OF THE AFTER-TAX PROFIT

In 2015, the Supervisory Board conducted its activity and performed its duties in compliance with the procedures regulated in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, as well as in Act V of 2013 on the Civil Code and in its own procedural rules.

The Supervisory Board continued to perform its **controlling function** in 2015, protecting the assets of the company and the interests of the shareholders.

As a part of this, at its eight meetings held last year – in addition to its approved work schedule – it requested reports from the executive management, heard briefings and passed resolutions. At meetings of the Bank's Board of Directors the Supervisory Board was represented by its chairman and deputy chairman.

The Supervisory Board exercised control over the management of the Company in the following manner:

- *based on the financial statements, it continuously monitored*
  - the development of results, based on the Bank's interim executive reports,
  - the content of the Bank's interim financial statements approved by the auditor,
  - the development of the quality of the Bank Group's portfolio,
  - compliance with the provisions of the Act on Credit Institutions and Financial Enterprises,
  - the control activity of the members of the bank group that are included in its scope of supervisory control, and
  - the fulfilment of the resolutions passed by the Supervisory Board.
- *it heard reports and briefings*
  - on OTP Bank Plc.'s business activity in 2014,
  - on OTP Bank Plc.'s business results for 2014,
  - as part of the auditor's report, on the 2014 financial report of the parent company prepared in accordance with the accounting laws and other domestic financial reporting rules (balance sheet, profit and loss account, cash flow statement, notes to the financial statements),
  - on the proposal for the use of after-tax profit of the parent company and dividend payments;
  - as part of the auditor's report, on the 2014 IFRS-based consolidated financial reports of the Bank (financial situation report, profit and loss account, comprehensive income statement, cash flow statement, statement on changes in equity, explanatory notes);
  - on the results of the audit of the 2014 financial reports received from the auditor,
  - as part of the audit report, on the Bank's stand-alone report prepared in accordance with International Financial Reporting Standards (IFRS) in respect of the year 2014,
  - in relation to the material data of the 2014 financial report that is to be published,
  - on the General Meeting's authorisation with regard to the acquisition of treasury shares,
  - on the establishing of the remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee,
  - on the activity of the Remuneration Committee in 2014, as well as on the implementation and annual review of the remuneration policy of OTP Bank Plc. and the Bank Group, and regarding a recommendation for the amendment of the rules of the Remuneration Policy,

- on the monitoring of implementation of the Remuneration Policy of OTP Bank Plc. and the Bank Group in 2014,
- on decisions relating to the implementation of the Remuneration Policy,
- on the contents of the new Code of Ethics and the new approach to ethical regulation,
- on the provisions of the Conflict of Interest Regulations,
- on the provisions of the regulations entitled “Insider status, and the various obligations and prohibitions related thereto”,
- on the basic regulations defining the activity of the Internal Audit Directorate that is under its professional supervision,
- on the review of the effectiveness of public disclosure processes,
- on the compliance and bank-security situation of OTP Bank Plc. and the foreign subsidiary banks,
- on the group-level operation of the Unified Internal Audit System and the improvement of the system, and
- on the findings related to the management of complaints, on the consumer protection audit conducted by the MNB, as well as on the briefing on customer complaints received by the foreign subsidiaries,
- on the operation of the Internal Audit Directorate in accordance with Article 154, section (12) of the Credit Institutions Act, and on
- other current issues.

➢ *approved*

- the basic principles of the 2015 incentives system of OTP Bank Plc. and the subsidiary members of the Bank Group, and the main performance evaluation criteria,
- the proposal regarding the modification and the submission to the General Meeting of OTP Bank Plc.’s Bylaws,
- the proposal regarding the modification of its own rules of procedure and the proposal for the ordinary General Meeting of 2015,
- the Corporate Governance Report for 2014,
- the report of the Supervisory Board on the 2014 annual (parent-bank and consolidated) financial statements and the proposal for the use of the after-tax profit,
- the proposal on the selection of the Company’s auditor, the determination of the remuneration and the definition of the main elements of the contract to be concluded with the auditor,
- interim modifications in the procedural rules of the Supervisory Board and the Audit Committee,
- based on the result of the presented risk-based analysis, those members of the Bank Group that are obliged to implement the relevant group-level methodology for the identification of employees, and to prepare a risk map.

➢ *accepted*

- in relation to its tasks determined in its own rules of procedure, the annual report on risk management, internal control mechanisms and the operation of corporate governance functions, in full knowledge of the preliminary opinion of the Audit Committee.

- *it obtained information*
  - on the Supervisory measures taken in respect of the Bank. As a part of this, it established that, during 2015, the National Bank of Hungary imposed on OTP Bank Plc. a market supervisory penalty of HUF 1,000,000, for violation of the statutory provisions prohibiting market manipulation.

The Supervisory Board performed its **governance role** in accordance with the provisions of the Credit Institutions Act, through the audits performed by the internal audit unit under its professional supervision (Internal Audit Directorate) and through the audits that it, itself, performed.

In accordance with the applicable statutory provisions and its Rules of Procedure, which are in harmony with such provisions, the Supervisory Board took steps to ensure the availability of auditing bodies capable of comprehensive and effective operation at OTP Bank Plc. and at the credit institutions, financial enterprises and investment enterprises that are subject to consolidated supervision.

As a part of its oversight of the internal auditing units, the Supervisory Board

- commented on, and subsequently approved, the **annual audit plan** of the Internal Audit Directorate and the Bank Group members subject to consolidated supervision, which was elaborated on the basis of risk analyses. In addition to the audits prescribed as compulsory in the statutory provisions and the Supervisory Recommendations, it designated the topics that were examined in the context of a group-level audit, such as audits focusing on IT disaster recovery plans (DRP), on treasury customer relations activities (sales) and on the cooperation between partners (agents) and the network units.

  Based on the audit plan for 2015 and other, unscheduled tasks, the Internal Audit Directorate **completed 184 audits** and **commenced 21 audits** during the year. Following the completed audits, it drew up **1,467** accepted **recommendations**.

- discussed the reports prepared by internal audit and monitored the execution of the necessary measures. Based on the findings of the audits it accepted recommendations and proposals, and prescribed further obligations to provide information.

  Through the bank group-level quarterly, annual and stand-alone reports, the internal audit unit reported, to the Supervisory Board of OTP – as well as to the Executive Bodies of the Bank – on the internal auditing activities performed within the group, the findings of group-level theme audits of key importance, completion of the tasks undertaken in action plans drawn up by the audited departments, as well as extraordinary events and findings entailing a high degree of risk that came to light in the course of internal audit activities and which are also of significance at group level.

Prior to the present ordinary annual General Meeting of 2016, the Supervisory Board, in fulfilment of its statutory obligation, **reviewed** all the material business policy reports on the agenda of the General Meeting, as well as all the proposals relating to matters that fall within the exclusive competence of the company's supreme body.

The Supervisory Board studied the content of the audited **annual financial statements** and **consolidated annual financial statements**, and heard the briefings of the **auditor**.

The Supervisory Board commented on and approved the **Corporate Governance Report** (for 2015) prior to its proposal to the General Meeting.

The Supervisory Board – based on prior agreement with the Board of Directors – **makes a proposal at the 2016 General Meeting** regarding the identity and the remuneration of the **auditor** to be selected.

The Supervisory Board evaluated **the performance of the senior officers during the business year** and made a proposal to the 2016 Annual General Meeting on whether to grant the senior officers discharge from liability.

Prior to the 2016 Annual General Meeting, the Supervisory Board ascertains that the Bank has, in compliance with its statutory obligations, **published** its material data, its declaration on remuneration, and the information that is required by law to be made public.

The Supervisory Board has, in this proposal, prepared its report on **the 2015 annual (parent-bank and consolidated) financial statements** and the proposal for the **use of the after-tax profit,** and it will submit it to the 2016 Annual General Meeting.

Based on the documents made available to it in respect of the 2015 business year, the Audit Committee has concluded that OTP Bank Plc. prepared its annual financial statements in accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, Act C of 2000 on Accounting, and Government Decree 250/2000. (XII.24.) on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises.

The Bank accounted for impairment and set aside risk provisions in accordance with the provisions of the Act on Credit Institutions and Financial Enterprises, the government decree on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises, as well as of the Bank’s Accounting Policy, by applying the regulations, agreed with the auditor, on rating and on valuation, impairment and provisioning.

Based on the documents made available to it in respect of the **consolidated annual financial statements** of OTP Bank Plc., the Supervisory Board has concluded that the Bank prepared the latter in accordance with the provisions of Act C of 2000 on Accounting and with international financial reporting standards (IFRS) as accepted by the European Union.

The Supervisory Board of OTP Bank Plc. judges that in the course of OTP Bank Plc.’s activity throughout the year, the principles of legality and respect for shareholder interests were upheld.

The Supervisory Board of OTP Bank Plc., in line with the contents of the auditor's report, and having accepted

- the non-consolidated financial statements on the 2015 business year prepared in accordance with Hungarian Accounting Standards (HAS)

  with a ***balance sheet total of HUF 6,883,826 million,*** *and*

- the consolidated annual financial statements on the 2015 business year prepared in accordance with International Financial Reporting Standards

  with a ***balance sheet total of HUF 10,718,848 million,*** *and*

- ***after-tax profit*** under HAS ***of HUF -98,094 million*** *and*

- the Board of Directors' **report on business operations**,

hereby recommends the above for approval by the Company's General Meeting.

The Supervisory Board agrees with the proposal of the Board of Directors that **dividend in an amount of HUF 165** per share be paid out of the profit reserves in accordance with the Company's Article of Association.

REPORT OF THE AUDIT COMMITTEE ON THE ANNUAL FINANCIAL STATEMENTS FOR 2015 AND ITS PROPOSAL FOR THE USE OF THE AFTER-TAX PROFIT

REPORT OF THE AUDIT COMMITTEE ON THE 2015 ANNUAL FINANCIAL STATEMENTS AND THE PROPOSAL FOR THE USE OF THE AFTER-TAX PROFIT

In 2015 the Audit Committee (AC) conducted its activity and performed its duties in compliance with the procedures regulated in Act V of 2013 on the Civil Code, as well as in its own procedural rules accepted by the Bank's Supervisory Board.

In support of the work of the Bank's Supervisory Board, and as part of a close working relationship between the various Committees, it collaborated in the monitoring of the financial reporting system, in the selection of the auditor and in maintaining the expected and appropriate cooperation with the auditor.

The Audit Committee, in addition to what was discussed at the meetings of the Supervisory Board,

➢ *heard reports*

- , as part of the auditor's report, on the 2014 annual financial statements of the parent company prepared in accordance with the accounting laws and other domestic financial reporting rules (balance sheet, profit and loss account, cash flow statement, notes to the financial statements),
- on the proposal for the use of after-tax profit of the parent company and dividend payments;
- as part of the auditor's report, on the 2014 IFRS-based consolidated financial reports of the Bank (financial situation report, profit and loss account, comprehensive income statement, cash flow statement, statement on changes in equity, explanatory notes);
- on the results of the audit of the 2014 financial reports received from the auditor,
- as part of the audit report, the Bank's stand-alone report prepared in accordance with International Financial Reporting Standards (IFRS) in respect of the year 2014,
- on the material data of the 2014 financial report that is to be published.

It has agreed with the contents of the reports, and proposed that these be presented to the General Meeting.

➢ *monitored*

- , in the interim financial statements approved by the auditor, changes in the results, as well as the contents of the interim balance sheet and the independent auditor's reports.

➢ *received a briefing*

- on the 2015 auditing schedules of the Internal Audit Directorate,

➢ *commented on*

- the content of the report entitled "Annual report on risk management, internal control mechanisms and the operation of corporate governance functions", to be proposed to the Supervisory Board.

➢ commented on, and accepted,

- the proposal on the selection of the Company's auditor, the determination of the remuneration and the definition of the main elements of the contract to be concluded with the auditor.

➢ *approved*

- the report of the Audit Committee on the 2014 annual financial reports and the proposal regarding the use of the after-tax profit.

Prior to the General Meeting the Audit Committee examined and evaluated the audited annual financial statements and the consolidated annual financial statements featuring as items on the agenda of the General Meeting, and heard the briefing of the auditor. It accepts the proposal on the selection of the Company's auditor.

Based on the documentation made available to it in respect of the 2015 business year, the Audit Committee has concluded that OTP Bank Plc. prepared its annual financial statements in accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, Act C of 2000 on Accounting, and Government Decree 250/2000. (XII. 24.) on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises.

The Bank accounted for impairment and set aside risk provisions in accordance with the provisions of the Act on Credit Institutions and Financial Enterprises, the government decree on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises, as well as of the Bank's Accounting Policy, by applying the regulations, agreed with the auditor, on rating and on valuation, impairment and provisioning.

Based on the documents made available to it in respect of the **consolidated annual financial statements** of OTP Bank Plc., the Audit Committee has concluded that the Bank prepared the latter in accordance with the provisions of Act C of 2000 on Accounting and with international financial reporting standards (IFRS) as accepted by the European Union.

The Audit Committee, based on the reports it has read and evaluated, and in agreement with the auditor, finds that the Bank's Board of Directors may submit for approval to the General Meeting, in respect of the 2015 Business year:

- the non-consolidated financial statements prepared in accordance with Hungarian Accounting Standards

  *with **a balance sheet total of HUF 6,883,826 million,** and*

- the consolidated annual financial statements prepared in accordance with International Financial Reporting Standards,

  *with **a balance sheet total of HUF 10,718,848 million,** and*

- ***after-tax profit*** under HAS ***of HUF -98,094 million.***

The Audit Committee agrees with the proposal of the Board of Directors that **dividend in an amount of HUF 165** per share be paid out of the profit reserves in accordance with the Company's Articles of Associations.

REPORTS OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE ANNUAL FINANCIAL STATEMENT FOR 2015

FREE TRANSLATION OF THE HUNGARIAN ORIGINAL

Deloitte.

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Company Registration Number: 01-09-071057

Translation of the Hungarian original

INDEPENDENT AUDITORS' REPORT

on the financial statements submitted for the forthcoming General Meeting of OTP Bank Plc.

To the shareholders and the Board of Directors of OTP Bank Plc.

Report on the Financial Statements

We have audited the accompanying financial statements of OTP Bank Plc. (the "Bank") for the year 2015 which comprise the balance sheet as at December 31, 2015 – which shows total assets of HUF 6,883,826 million and a net result for the year of HUF 0 million –, and the related profit and loss account for the year then ended and the supplement comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1/2

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of OTP Bank Plc. as at December 31, 2015, and its financial performance for the year then ended in accordance with the Accounting Act.

Other Reporting Obligation: Report on the Business Report

We have examined the accompanying business report of OTP Bank Plc., for the year 2015.

Management is responsible for the preparation of this business report in accordance with the Accounting Act.

Our responsibility is to assess whether the accounting information in the business report is consistent with that contained in the financial statements prepared for the same business year. Our work with respect to the business report was limited to assessing the consistence of the business report with the financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Bank.

In our opinion, the business report of OTP Bank Plc., for the year 2015. corresponds to the figures included in the financial statements of OTP Bank Plc., for the year 2015.

Budapest, March 18, 2016

The original Hungarian version has been signed.

Nagyváradiné Szépfalvi Zsuzsanna

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

INDEPENDENT AUDITORS' REPORT

To the shareholders and Board of Directors of OTP Bank Plc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OTP Bank Plc. (the "Bank") and its subsidiaries for the year 2015, which consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2015 – which shows total assets of HUF 10,718,848 million, – and the related consolidated statement of recognized income, consolidated statement of comprehensive income – which shows a net profit for the year of HUF 63,171 million –, consolidated statement of changes in equity and consolidated statement of cash-flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of OTP Bank Plc. and its subsidiaries as at December 31, 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Reporting Obligation: Report on the Consolidated Business Report

We have examined the accompanying consolidated business report of OTP Bank Plc. for the year 2015.

Management is responsible for the preparation of this consolidated business report in accordance with the Hungarian Accounting Act.

Our responsibility is to assess whether the accounting information in the consolidated business report is consistent with that contained in the consolidated financial statements prepared for the same business year. Our work with respect to the consolidated business report was limited to assessing the consistence of the consolidated business report with the consolidated financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Bank.

In our opinion, the consolidated business report of OTP Bank Plc. for the year 2015. corresponds to the figures included in the consolidated financial statements of OTP Bank Plc. for the year 2015.

Budapest, March 18, 2016

Nagyváradiné Szépfalvi Zsuzsanna

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
000083

dr. Hruby Attila

registered statutory auditor
007118

RESOLUTION PROPOSAL No. 1/2016

The Annual General Meeting accepts the Board of Directors' report on the Company's financial activity for the year ended 2015, furthermore with full knowledge of the Independent Auditor's Report, the Audit Committee's Report and the Supervisory Board's report, accepts the proposal on the parent company's annual financial statements in accordance with Act on Accounting and the Bank's consolidated financial statements in accordance with the International Financial Reporting Standards, and the proposal for the allocation of the profit after taxation.

The Annual General Meeting determines the balance sheet for the year ended 2015 with total assets of HUF 6,883,826 million and with loss after taxation of HUF 98,094 million the loss after taxation for the period shall be allocated as follows: HUF 98,094 million shall be utilized from general reserves, HUF 46,200 million shall be paid as dividend from profit reserves, thus the net profit for the year is HUF 0 million.

The dividend per share is HUF 165, compared to the face value of shares it's 165%. The actual rate of dividend paid to shareholders is calculated and paid based on the Articles of Association, so the Company distributes the dividends for its own shares among the shareholders who are entitled for dividends. The dividends shall be paid from 6 June 2016 in accordance with the policy determined in the Articles of Association.

The Annual General Meeting determines the Company's consolidated balance sheet with total assets of HUF 10,718,848 million, and with HUF 63,171 million as net profit. The profit for shareholders is HUF 63,583 million.

APPROVAL OF THE
CORPORATE GOVERNANCE REPORT FOR Y2015

Corporate Governance Report

Introduction

OTP Bank Plc. (hereinafter: OTP Bank, Bank or Company) treats the development and maintenance of an **advanced corporate governance system**, conforming to Hungarian and international standards, as a key priority. A reliable governance system, accurate financial planning, responsible management and the appropriate control mechanisms are what form the basis for efficient and profitable operation.
To this end, the Bank is continuously reviewing and developing its corporate governance practices.

Our corporate governance practice is an important means of ensuring the **fulfilment of our strategic objectives**. Accordingly, within the effective statutory frameworks, we have developed a corporate governance system that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and our socially responsible corporate conduct. There is no perfect, universally applicable corporate governance solution through which every goal can be achieved as efficiently as possible. For this reason we continuously monitor our governance practices, identifying any deficiencies arising as the result of external and internal changes, and effect those modifications that best serve the fulfilment of our objectives.

The resulting governance structure, optimised to suit our objectives, takes into account the special characteristics of our operations as well as the statutory, supervisory and stock-market requirements that apply to the Bank, while also endeavouring to comply with the related Budapest Stock Exchange (hereinafter: BSE) guidelines. The purpose of the BSE's corporate governance guidelines is for the governance and operating structures of stock exchange-listed companies to be **transparent and comparable** based on a uniform set of criteria. This enables investors, taking into consideration the special characteristics of a given company's operations, the complexity of its activities, and the statutory requirements related to its risk management and financial reporting, to make a well-founded judgement regarding the extent to which the given corporate governance practice ensures reliable and profitable operation.

Like all organisations that provide financial and investment services, the operations of the Bank are, to a high degree, regulated in statutory provisions. As a consequence, not only certain business activities, but our operations as a whole are regulated in detail and monitored by the authorities on a continuous basis. The individual internal control functions (risk management, compliance, and internal audit) have to conform to strict standards, and their effectiveness must be attested not only within the internal corporate governance system, but also to the satisfaction of the external supervisory authorities. All these factors guarantee purposeful, comprehensive and verified risk management procedures, as well as reliable and appropriately supervised data reporting. Therefore, our status as a financial and investment service provider requires us to implement complex and effective corporate governance practices that simultaneously ensure **responsible conduct towards clients and shareholders, reliable operation, and long-term profitability**.

1.) Statement on Corporate Governance Practice

The Bank's operation fully complies with the provisions of the relevant statutory regulations, the decrees of the supervisory authorities and the regulations of the BSE. The structure and operating conditions of the Company are contained in the Articles of Association, which are approved by the General Meeting.

1.1. Management bodies

Board of Directors

The Company's executive body is the Board of Directors. In its objectives and activities, particular emphasis is placed on increasing shareholder value, profitability and efficiency, and on managing risks and complying fully with external requirements – in other words on ensuring the most effective enforcement of business, ethical and internal control policies.
The scope of its authority is defined in the effective statutory provisions, the Company's Articles of Association, General Meeting resolutions, and the Organisational and Operational Regulations. The procedural rules include the legal status and composition, as well as the operating and decision-making rules relevant to the Board of Directors.
The members of the Board of Directors are elected by the General Meeting for a term of five years. All the obligations and prohibitions specified for executive officers under Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Credit Institutions Act) apply to the members of the Board of Directors.
The Board of Directors has an executive role in the governance of the Bank, so it is appropriate and conducive to successful operation if the board members have a personal stake in ensuring the Company's profitable operation. However, the remuneration of the members of the Board of Directors is not tied to whether or not the Company was profitable. Moreover, since the Board of Directors also has an important role in overseeing the work of the management, it is consequential that **the Board of Directors, by principle, has a majority of non-executive members**. The makeup of the Board of Directors ensures that professional expertise, experience, and a degree of impartiality that goes beyond the above-mentioned independence requirement, are brought to bear in equal measure in the decision-making processes.

The employer's rights towards the executive officers of the Company are exercised by the Board of Directors through the Chairman & CEO, with the proviso that the Board of Directors must be notified in advance for the appointment or withdrawal of appointment of deputy CEOs. The Chairman & CEO is empowered to decide in all matters that do not, pursuant to the Articles of Association, fall within the scope of authority of the General Meeting or the Board of Directors.

Members of the Board of Directors of OTP Bank Plc.:

Executive members:

Dr. Sándor Csányi
Chairman & CEO

Dr. Sándor Csányi graduated from the College of Finance and Accountancy in 1974 with a bachelor's degree in business administration and in 1980 from the Budapest University of Economic Sciences with a degree in economics. He is an economist with a specialisation in finance, and a certified auditor. After graduation he worked at the Revenue Directorate and then at the Secretariat of the Ministry of Finance, after which, between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a head of department at Magyar Hitel Bank. He was deputy CEO of K&H Bank from 1989 to 1992. He has been Chairman & CEO of OTP Bank Plc. since 1992. He is a member of the European Advisory Board of MasterCard, one of the world's leading payment card companies, and is Vice Chairman of the Board of Directors of MOL Plc., Co-Chairman of the National Association of Entrepreneurs and Employers (VOSZ), and Co-Chairman of the Chinese-Hungarian Business Council. He has been Chairman of the Hungarian Football Association (MLSZ) since July 2010, and a member of the UEFA Executive Committee since March 2015.
As of 31 December 2015 he held 280,912 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 500,000).

Dr. Antal Pongrácz
Deputy Chairman, Deputy CEO
Staff Division

Dr. Antal Pongrácz graduated from the Budapest University of Economic Sciences and earned a PhD in 1971. From 1969 he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various executive positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports. Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he was CEO, and then Chairman & CEO, of the European Commercial Bank Rt. Between 1994 and 1998 he was Chairman & CEO of Szerencsejáték Rt, then in 1998-99 he served as CEO of Hungarian flagship carrier, Malév. Since 2001 he has been executive director of OTP Bank's Staff Division and more recently, Deputy CEO. He has been a member of OTP Bank's Board of Directors since 2002. He has been a member of OTP Bank Plc's Board of Directors since 2002. Since 12 April 2012 he has been Chairman of the Supervisory Board of OTP banka Hrvatska d.d.
As of 31 December 2015 he held 48,267 ordinary OTP shares.

Dr. István Gresa
Deputy CEO
Credit Approval and Risk Management Division

Dr. István Gresa graduated from the College of Finance and Accountancy in 1974 and received a degree in economics from the Budapest University of Economic Sciences in 1980. He earned a PhD from the same establishment in 1983. He has worked in the banking sector since 1989. Between 1989 and 1993 he was branch manager of Budapest Bank's Zalaegerszeg branch. From 1993 he was director of OTP Bank's Zala County Directorate, and from 1998 he served as the executive director of the bank's West Transdanubian Region. Since 1 March 2006 he has been Deputy CEO of OTP Bank, as well as the head of

the Credit Approval and Risk Management Division and Chairman of the Board of Directors at OTP Factoring Ltd. He has been a member of OTP Bank's Board of Directors since 27 April 2012.
As of 31 December 2015 he held 49,454 ordinary OTP shares.

Non-executive members:

Mihály Baumstark
Agricultural engineer, economist

Mr. Mihály Baumstark graduated at Agronomic University of Gödöllő (1973) as agricultural engineer and at Karoly Marx University of Economics (1981) as economist. He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left, he was deputy head of the Investment Policy Department of the Ministry. After this he was managing director of Hubertus Ltd., and from 1999 to 2012 he was deputy CEO and then Chairman & CEO of Csányi Winery Ltd. He is currently retired. He was a member of OTP Bank's Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank's Board of Directors since 1999. He has been the Chairman of the OTP Bank's Ethics Committee since 2010, since 2011 a member of the Remuneration Committee and since 2014 a member of the Nomination Committee
As of 31 December 2015 he held 35,200 ordinary OTP shares.

Dr. Tibor Bíró
College Associate Professor
Budapest Business School

Dr. Tibor Bíró graduated from the College of Finance and Accountancy in 1982 with a degree in economics, and from the Budapest University of Economics in 1978. He hes been a certified auditor and chartered accountant since 1986. He was the Head of the Financial Department of the City Council of Tatabánya from 1978 to 1982. From 1982, he was a professor at the College of Finance and Accounting, and between 1990 and 2013 head of department at the Budapest Business School. Since his retirement in 2015, he has been a visiting lecturer, and working actively in his auditing and consulting company.
From 2000 onwards, for a period of ten years, he was a member of the Presidium of the Budapest branch of the Chamber of Hungarian Auditors, and also worked as a member of the Chamber's Education Committee for five years. He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been a member of OTP Bank's Remuneration Committee since 2009, and of its Nomination Committee since 2014.
As of 31 December 2015 he held 32,456 ordinary OTP shares.

Péter Braun
Electrical Engineer
Former Deputy CEO, OTP Bank Plc.

Mr. Péter Braun earned a degree in electrical engineering from the Technical University of Budapest. Between 1954 and 1989 he worked for the Research Institute for Electrical Energy, with his last position there being head of department. After that, he was the managing director of K&H Bank Rt., working in its Computer and Information Centre. He was Deputy CEO of OTP Bank from 1993 until his retirement in 2001. Since the second half of 2009 he has been the chairman of the Chief Information Officers' Association (VISZ). He has been a member of OTP Bank's Board of Directors since 1997.
As of 31 December 2015 he held 308,105 ordinary OTP shares.

Tamás Erdei
Economist

Mr. Tamás Erdei graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.
Since 1983 he has been employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed deputy CEO, then in 1994 he was made CEO, and from 1997 until the end of March 2012 he was chairman and CEO.
Between 1997 and 2008, and between 2009 and 2011, he was the elected president of the Hungarian Banking Association.
He is the chairman of the Supervisory Board of the International Children's Safety Service.
He has been a member of OTP Bank's Board of Directors since 27 April 2012. He has been a member of OTP Bank's Risk Assumption and Risk Management Committee, and of its Nomination Committee, since 2014.
As of 31 December 2015 he held 25,639 ordinary OTP shares.

Zsolt Hernádi
Chairman & CEO
MOL Plc.

Mr. Zsolt Hernádi graduated in 1986 from the department of industrial planning at the Karl Marx University of Economic Science. Between 1989 and 1994 he held a number of positions at Kereskedelmi és Hitelbank Rt., where from 1992 to 1994 he was deputy CEO of the financial institution. Between 1994 and 2001 he was CEO and a member of the Board of Directors at Magyar Takarékszövetkezeti Bank Rt. He has been a member of MOL's Board of Directors since 1994, and its Chairman since 2000, while since 11 June 2001 he has been the company's Chairman and CEO. He is also a member of the Corporate Governance and Remuneration Committee of MOL's Board of Directors. He has been a member of OTP Bank's Board of Directors since 29 April 2011. His membership has been suspended since 3 April 2014.
As of 31 December 2015 he held 28,074 ordinary OTP shares.

Dr. István Kocsis
Managing Director
Merkantil Bank Zrt.

Dr. István Kocsis obtained his degree in mechanical engineering from the Mechanical Engineering Faculty of the Technical University of Budapest in 1976, and earned his PhD in 1985. Career highlights: 2002-2005 Paks Nuclear Power Plant, CEO; 2005-2008 Hungarian Power Companies Ltd. (MVM Zrt.), CEO; 2008-2011, CEO of Budapest Transport Corporation (BKV Zrt.); since 2011 Managing Director of Merkantil Bank Zrt. Offices held: Chairman of the Ányos Jedlik Society; chairman of the Scientific Society For Measurement, Automation and Informatics; member of the Social Senate of the University of Pecs; member of the national Presidium of the Hungarian Chamber of Commerce and Industry; chairman of the endowment advisory board of the Duna-Mecsek Regional Development Foundation.
Non-executive member of OTP Bank's Board of Directors since 1997. Membership suspended since 3 October 2012.
As of 31 December 2015 he held 3,635 ordinary OTP shares.

<u>Dr. László Utassy</u>
Chairman & CEO
Merkantil Bank Zrt.

Dr. László Utassy graduated from the Faculty of Law of ELTE University in Budapest in 1978.
He held various positions at the State Insurance Company between 1978 and 1995 and then went on to work at ÁB-Aegon Rt. He was Chairman & CEO of OTP Garancia Insurance from 1996 to 2008. He was managing director of OTP Bank between 2009 and 2010. Since 1 January 2011 he has been Chairman & CEO of Merkantil Bank Ltd. He has been a member of OTP Bank's Board of Directors since 2001.
As of 31 December 2015 he held 307,343 ordinary OTP shares.

<u>Dr. József Vörös</u>
Professor, academician
University of Pécs

Dr. József Vörös earned a degree in economics from the Budapest University of Economic Science in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013. Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University. From 1994 he was a professor at JPTE, and was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was chairman of the Board of Trustees. He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been Chairman of OTP Bank's Remuneration Committee since 2009, and of its Risk Assumption and Risk Management Committee since 2014.
As of 31 December 2015 he held 148,514 ordinary OTP shares.

The members of the Board of Directors are elected by the General Meeting for a term of five years.

Meetings of the **Board of Directors** are convened by the Chairman & CEO by means of a written invitation, in accordance with the prevailing work schedule.

The Chairman & CEO must convene a meeting of the Board of Directors if
- the Board of Directors has passed a resolution calling for an expedited meeting of the Board of Directors;
- At least three Board members initiates a meeting in writing by designating the reason and the purpose, and the items of the agenda, and by submitting a written proposal in respect of the decision to be made;
- The Supervisory Board or the auditor initiates such a meeting in writing;
- The National Bank of Hungary (hereinafter: MNB or Supervisory Authority) requires it;
- Under the law, a decision must be made about whether to convene an extraordinary General Meeting.

The Board of Directors meets at least six times a year.

The Board of Directors passes resolutions in accordance with the rules of procedure, by simple majority; minutes must be taken of its meetings, and its resolutions must be documented.

The table below provides a brief overview of the number of Board of Directors meetings held in 2015, and of the attendance at these meetings:

Board of Directors meetings
2015

Date	*Present*	*Absent*
2 March	*7*	*2*
17 March	*9*	*-*
15 June	*8*	*1*
22 July	*6*	*3*
21 Sept.	*9*	*-*
22 Oct.	*6*	*3*
16 Nov.	*8*	*1*
15 Dec.	*9*	*-*

Note:
In 2015 the Board of Directors met on a total of 8 occasions. In addition, resolutions were passed on 105 occasions by written vote.
With effect from 3 October 2012 the board membership of Dr. István Kocsis was suspended, and thus the Board of Directors continued its work with 10 full members until 3 April 2014.
With effect from 3 April 2014 the board membership of Zsolt Hernádi was suspended, and thus the Board of Directors continued its work with 9 full members.

Minutes must be taken of the meetings of the Board of Directors. If decisions are made without convening a meeting, instead of the minutes, a summary must be prepared about the resolutions and attached to the minutes of the next Board meeting that follows the successful written voting.
The items on the agenda of the Board of Directors included, among other things, the tasks stipulated by law, such as making a decision on convening, and specifying the agenda of, the General Meeting, the acceptance of the documents submitted to the annual ordinary General Meeting, preparing a proposal concerning the annual report prepared in accordance with the Accounting Act and the use of the after-tax profit, preparation of the report on the management, on the Company's asset/liability position and on its business policy, measures taken to ensure the appropriate management of the Bank's trading books.
Additional, strategic tasks are, for example, the approval and annual review of the Bank's strategy, determination of its business plan, a review of the Bank's asset/liability position based on the quick reports, review of the Bank's liquidity situation, evaluation of changes in the qualified receivables portfolio, approval and review of the regulations that fall within the Board of Director's scope of authority (collateral evaluation, risk assumption, customer rating, etc.), regular review of compliance with the Credit Institutions Act and Act CXX of 2001 on the Capital Market (hereinafter: Capital Market Act), compliance, and customer complaints management. Furthermore, the Board of Directors is informed of any undertaking of obligations in excess of HUF 3 billion.
In addition, as part of its operative duties, the Board of Directors may make case-by-case decisions in respect of transactions that exceed the threshold value limit.

Supervisory Board

At the Bank, in line with the two-tier governance structure, the Supervisory Board performs the oversight of the Company's management and business activity. For this reason – and in accordance with the legal provisions – the principle of a majority of independent (non-executive) members is fully enforced in respect of the composition of the Supervisory Board.

Supervisory Board members are elected by the General Meeting for a term of three years. The ratio of independent (non-executive) Supervisory Board members (4 persons) to the total number of Supervisory Board members (6 persons) is 67%.

In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board. The rules applicable to the appointment and recall of the employee member of the Board of Directors are defined by the Works Council operating at the Company, and the Company does not consider such a member to be independent.

The Supervisory Board establishes its own procedural rules.

The Company's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises a preliminary right of consent in respect of decisions relating to the establishment and termination of the employment of, and well as the determination of the remuneration of, the managers of the internal audit department.

Members of the Supervisory Board of OTP Bank Plc.:

Tibor Tolnay
Chairman of the Supervisory Board

Mr. Tibor Tolnay graduated from the Budapest University of Technology with a degree in civil engineering and then in economic engineering, and subsequently received a degree in economics from the Budapest University of Economics.
From 1994 to 2015 he was Chairman & CEO of Magyar Építő Rt. He has been the managing director of ÉRTÉK Kft. since 1994, and a member of OTP Bank's Supervisory Board since 1992, and Chairman of the same Board since 1999. He was a member of OTP Bank's Audit Committee between 2007 and 2011, and has been again since 2014.
As of 31 December 2015 he held 54 ordinary OTP shares.

Dr. Gábor Horváth
Deputy Chairman of the Supervisory Board
Lawyer

Dr. Gábor Horváth earned a degree in law from ELTE University in Budapest.From 1983 he worked for the Hungarian State Development Bank. From 1983 he worked for the Hungarian State Development Bank. He has been a lawyer since 1986, and since 1990 has run his own law firm, which specialises in corporate finance and corporate governance. He has been a member of the Supervisory Board of OTP Bank since 1995, and was a member of MOL Plc's Board of Directors between 1999 and 2014. He has been Deputy Chairman of OTP Bank's Supervisory Board since 2007. He was a member of OTP Bank's Audit Committee between 2007 and 2011, and has been again since 2014. He has been a member of the Board of Directors of INA Industrija Nafte d.d. since 2014.
As of 31 December 2015 he held no ordinary OTP shares.

<u>Antal Kovács</u>
Deputy CEO, Retail Division
OTP Bank Plc.

Mr. Antal Kovács graduated from the Budapest University of Economics with a degree in economics. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has served as OTP Bank's Deputy CEO. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute. He has been a member of OTP Bank's Supervisory Board since 2004.
He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. He has been Chairman of the Board of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd. since 24 April 2014. He is Chairman of the Supervisory Board of OTP Fund Management Ltd. and OTP Mobile Kft.
As of 31 December 2015 he held 42,788 ordinary OTP shares.

<u>András Michnai</u>
Executive Director
OTP Bank Plc.

Mr. András Michnai, who represents the employees of OTP Bank, graduated from the College of Finance and Accounting with a degree in business economics.
He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. From 1981 he held a management position in the central network coordination department and then in the network. From 1994, as deputy management director, he participated in the central coordination of the branch network. From 2005 he headed the Bank's independent Compliance Department (since 2011 a Directorate) as executive director, a post he held until 30 April 2014. He further expanded his professional skills, earning a Master's degree at the College of Finance and Accounting, and is a registered tax advisor. He has been a member of OTP Bank's Supervisory Board since 2008. He has been Secretary of OTP Bank's Employees' Trade Union since December 2011.
As of 31 December 2015 he held 10,962 ordinary OTP shares.

<u>Dominique Uzel</u>
Director
Groupama International SA

Mr. Dominique Uzel graduated as an agricultural development engineer, then obtained a Master's degree in agricultural and food industry management at the ESSEC Business School. He joined Gan in 1991 as head of the agricultural division. Five years later he left France to join Gan España, where he headed the subsidiary's department responsible for planning and auditing, then became technical director of the newly established Groupama Seguros. In 2008 he was appointed managing director of the insurance business, in which capacity he was instrumental in the launch and roll-out of Click Seguros, a direct marketing tool on the Spanish insurance market. In July 2010 he joined the international board of Groupama S.A. as Managing Director for direct insurance, but he also continued to be responsible for the management of the direct insurance division in Spain and Poland. Since 1 October 2012 he has coordinated the international operations of Groupama S.A.
He has been a member of OTP Bank's Supervisory Board since 2013. He has been a member of OTP Bank's Audit Committee since 2014.
As of 31 December 2015 he held no ordinary OTP shares.

Dr. Márton Gellért Vági
General Secretary
Hungarian Football Association

Dr. Márton Gellért Vági graduated in 1987 from the department of foreign economics at the Karl Marx University of Economic Science (today the Corvinus University of Budapest), where he also earned his doctorate in 1994. From 1987 to 2000 he was a member of the university faculty, in the capacity of associate professor and head of department from 1994 onwards. Between 2000 and 2006 he worked at the State Holding and Privatisation Co. (ÁPV Zrt.), as managing director, deputy CEO and then CEO. Between 2006 and 2010 he was Chairman of the National Development Agency. From July 2002 until 1 January 2011 he was a member of the Board of Directors of FHB Nyrt., during which period he also spent four years as Chairman of the Board. Since 2010 he has been general secretary of the Hungarian Football Association. He has authored or co-authored more than 80 research papers, essays and books. He has been a member of OTP Bank’s Supervisory Board since 2011. He has been a member of OTP Bank's Audit Committee since 2014.
As of 31 December 2015 he held no ordinary OTP shares.

The **Supervisory Board** meets at least six times a year.

The meetings of the Supervisory Board are convened by the chairman. The meetings must also be convened if a member of the Supervisory Board or at least two members of the Board of Directors, or the auditor, requests it in writing, indicating the objectives and reasons for the meeting.

The Supervisory Board passes its resolutions by simple majority; minutes are taken of its meetings, and its resolutions are documented.

If decisions are made without convening a meeting, instead of the minutes, a summary must be prepared about the resolutions and attached to the minutes of the next Supervisory Board meeting that follows the successful written voting.

The table below provides a brief overview of the number of Supervisory Board meetings held in 2015, and of the attendance at these meetings:

Supervisory Board Meetings
2015

Date	*Present*	*Absent*
17 Feb.	*5*	*1*
11 March	*4*	*2*
17 March	*5*	*1*
21 May	*5*	*1*
19 June	*4*	*2*
25 Sept.	*5*	*1*
20 Nov.	*5*	*1*
15 Dec.	*6*	*-*

Note:
In 2015 the Supervisory Board met on a total of 8 occasions. In addition, resolutions were passed on 9 occasions by written vote.

The main function of the Supervisory Board is to see to it that the Bank has a comprehensive and effectively operating system of oversight and control. The agendas of the meetings included, among other things, the review of documents to be submitted to the annual ordinary General Meeting, a report on the annual financial statements and on the proposal concerning the use of the after-tax profit, the review of the Bank's annual and interim financial reports, and the proposal to the General Meeting regarding the auditor to be elected as well as his/her remuneration.
The tasks concerning the management of the internal audit unit includes the acceptance of the audit plan at the bank-group level, and the discussion of the report at the bank-group level of the audits performed by the internal audit units and of the performance of the audit tasks at the bank-group level. Additional agenda items include compliance with the provisions of the Credit Institutions Act, the situation in terms of implementation at group level of the Unified Internal Audit System and the further development of the system, a review of the implementation of the resolutions that close the audits performed by the authorities, a review of the volume and composition of the qualified receivables portfolio, changes in impairment and the risk provisioning obligations, report on compliance activity, etc.

Determining the remuneration of the Board of Directors and the Supervisory Committee is in the competence of the Company's supreme body, the General Meeting. The principles and frameworks of the long-term remuneration and incentives system for employees in senior positions are also determined by the General Meeting. Accordingly – on the basis of the provisions on remuneration policy set forth in the Credit Institutions Act, which complies with the relevant EU directives – the Bank's Annual General Meeting of 2011, in its resolution no. 9/2011, approved for the first time the principles and rules of the remuneration policy of the Bank and the Bank Group, and the Board of Directors issued the internal regulations and procedures necessary for their implementation, which documents have been amended several times in recent years by the Bank's General Meeting and Board of Directors, and, due to the statutory amendments made in 2014, by the Supervisory Board. With effect from 2014, the provisions of the Bank Group's Remuneration Policy are approved, implemented and reviewed by the Supervisory Board, while the Board of Directors is responsible for their monitoring. At the Annual General Meetings the Supervisory Board gives a briefing on the annual and medium-term objectives providing the basis for performance-based remuneration, and on their fulfilment.

1.2 Audit Committee

The Audit Committee is a body that assists the work of the Supervisory Board in relation to the monitoring of the financial reporting system, selection of the auditor, and cooperation with the auditor.

The following fall within the competence of the Audit Committee:
- giving an opinion on the financial statements prepared in accordance with the Accounting Act;
- drafting the agreement to be concluded with the auditor, obtaining a written declaration on the person nominated for the post of auditor, which specifies whether there is a conflict-of-interest relationship between the company and the nominee;
- liaising with the auditor, and as a part of this, monitoring compliance with the professional standards and conflict-of-interest rules applicable to the auditor, and where necessary making a recommendation to the Supervisory Board regarding any measures to be taken;
- assisting the work of the Supervisory Board in the interest of ensuring the appropriate monitoring of the financial reporting system, and as a part of this, assessing the operation

of the financial reporting system and making recommendations regarding any measures that need to be taken;
- receiving regular briefings on the work schedule of Internal Audit and of the independent auditor; receiving the auditor's reports on any identified problems;
- issuing a preliminary opinion on the annual report, presented to the Supervisory Board, on the operation of risk management, the internal control mechanisms and the corporate governance functions.

The Audit Committee consists of four members, and its members are elected by the General Meeting from among the **non-executive** members of the Supervisory Board. The Audit Committee elects a chairperson from among its own members.

The Audit Committee meets at least two times a year.

The table below provides a brief overview of the number of Audit Committee meetings held in 2015, and of the attendance at these meetings:

Audit Committee meetings
2015

Date	*Present*	*Absent*
17 March	*3*	*1*
15 Dec.	*4*	*-*

Note:
In 2015 the Audit Committee met on a total of 2 occasion. In addition, resolutions were passed on 5 occasions by written vote.

The items on the agenda of the Audit Committee meetings included, among others, a briefing on the profit approved by the Company's auditor, the Company's non-consolidated financial statements prepared in accordance with International Financial Reporting Standards, the report on the financial statements and on the proposal regarding the distribution of the profit, and a recommendation on the selection of the Company's auditor, approval of the person nominated to be responsible for the audit, and the determining of his/her remuneration.

1.3. The operation of the committees

a) **Permanent committees** established by the Bank’s Management in support of management functions:

Management Committee
The Management Committee is a permanent committee established by the Board of Directors. It is a forum that directly supports the work of the Chairman & CEO and is the supreme management body of the Bank. It has decision making power in the issues that are relegated into its scope of authority by the Organisational and Operational Regulations, it takes a preliminary position and prepares decisions in the majority of issues that are discussed by the General Meeting, the Board of Directors and the Supervisory Board, and plays a coordinating role in the senior management of the Bank.

Management Coordination Committee
The primary function of the committee is to act as an operative decision-making forum to ensure that the Bank can respond flexibly and effectively to market and regulatory factors and that the Bank as a whole can act in a coordinated fashion. The committee does not

diminish the competence of the Bank’s related standing committees and acts as an operative forum of coordination between the special areas in order to resolve complex questions.

The Management Committee and the Management Coordination Committee perform their work on the basis of a six-month work schedule approved by the Management Committee, and meet once a month (and on an ad-hoc basis as and when necessary). Their order of business is determined by their procedural rules.

The following additional permanent committees operate within the Company for the performance of specific tasks:
- Asset-Liability Committee (ALCO)
- Product Development, Sales and Pricing Committee (TÉÁB)
- International Product Development, Sales and Pricing Committee (NTÉÁB)
- Work-Out Committee (WOB)
- Credit and Limits Committee (HLB)
- Group Investment Committee (CsBB)
- Group Operational Risk Management Committee (OpRisk)

Decisions to establish permanent committees are made by the Bank’s Board of Directors. The chairpersons of the committees are nominated by the Chairman & CEO, and their procedural rules – with the exception of the Management Committee – are approved by the Management Coordination Committee. The Management Committee approves its own procedural rules. In respect of resolutions, the Asset-Liability Committee, the Credit and Limits Committee, the Group Operational Risk Management Committee, the International Product Development, Sales and Pricing Committee. and the Work-Out Committee, operate on the principle of simple majority. The Management Committee, the Management Coordination Committee, the Product Development, Sales and Pricing Committee, and the Group Investment Committee, operate on the principle that grants decision-making authority to the chairman.

b) **Other committees:**

Ethics Committee
A special committee of the Bank that is elected by the Board of Directors and operates under the management of one of the external members of the Board of Directors.

Remuneration Committee
The Remuneration Committee, established by the Board of Directors and meeting on a continuous basis, prepares proposals to the management bodies for elaborating and monitoring the principles and system of remuneration, as well as for specific remuneration decisions.
The Remuneration Committee exercises its authority as a body.
Its chairperson and members are appointed by the Board of Directors, and its procedural rules are also approved by the Board of Directors.

Nomination Committee
This committee, which was established by the Board of Directors in 2014 and operates on a continuous basis, elaborates the principles for selection of the members of the Bank's executive bodies, and nominates candidates accordingly, and also makes recommendations regarding the basic principles and framework for the testing of compliance with the requirements prescribed in respect of members of the executive bodies of the Bank and the Bank Group, and in respect of employees in management and key positions.
Its chairperson and members are appointed by the Board of Directors, and its procedural rules are approved by the committee itself.

Risk Assumption and Risk Management Committee
This committee, which was established by the Board of Directors and operates on a continuous basis, fulfils a decision support function, commenting on the Bank's risk assumption strategy and propensity for risk, and providing support for the supervision of implementation of the risk assumption strategy.
Its chairperson and members are appointed by the Board of Directors, and its procedural rules are approved by the committee itself.

1.4. Members of OTP Bank Plc.'s senior management[52] (with CV):

Dr. Sándor Csányi
Chairman & CEO

Dr. Antal Pongrácz
Deputy Chairman, Deputy CEO
Staff Division

Dr. István Gresa
Member of the Board of Directors, Deputy CEO
Credit Approval and Risk Management Division

Mr. Antal Kovács
Member of the Supervisory Board CFO, Deputy CEO
Retail Division

(For their CVs, see the section entitled 'Management bodies')

László Bencsik
Chief Strategic and Financial Officer, Deputy CEO
Strategy and Finance Division

Mr. László Bencsik has been deputy CEO of OTP Bank, and head of the Strategy and Finance Division, since August 2009. Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Bank.
He joined OTP Bank in September 2003, when he became executive director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning.
From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company. Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture). In 1996 he graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Masters in Business Administration (MBA) from INSEAD Business School in France.
As of 31 December 2015 he held 23,709 ordinary OTP shares.

[52] The appointment of Miroslav Stanimirov Vichev, Deputy CEO and head of the IT and Bank Operation Division, was withdrawn with effect from 9 November 2015 (for his CV, see Annual Report – 2014).

László Wolf
Deputy CEO
Commercial Banking Division

Mr. László Wolf graduated from the Budapest University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993. From April 1993 he was managing director of OTP Bank’s Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division and a member of the Supervisory Board of DSK Bank. He has been Chairman of the Board of Directors of OTP banka Srbija since 10 December 2010. He is Chairman of the Supervisory Board of OTP Real Estate Ltd.
As of 31 December 2015 he held 571,609 ordinary OTP shares.

1.5. Internal control system

The appropriate functioning of the internal control system is provided for, at bank-group level, in accordance with the relevant statutory regulations and in keeping with the relevant Recommendations.
The internal control system, alongside responsible corporate governance, is a cornerstone of the internal lines of defence that promote prudent, reliable and effective operation in accordance with the statutory regulations and internal regulations, protects the economic interests and social objectives of the customers and the owners and ensures continued trust in the Company.
The internal control functions are independent of each other and of the areas they supervise and audit. A significant aspect of their operation is management support; however, internal control functions are also expected to provide support to the senior management in making sound decisions.

Internal audit

The main function of the internal audit system is to protect customers, the company’s assets and shareholder’s interests, as well as to facilitate and monitor operation in compliance with the statutory provisions.

The internal audit system extends to all of the company’s organisational units, business lines and activities, including outsourced activities. To ensure effective auditing, the internal audit system consists of several modular control levels, and is also segmented in line with the departmental structure of the organisation. The elements of the internal audit system are comprised of in-process and management controls, and an independent internal audit unit and management information system.

OTP Bank Plc. has developed and applies such a uniform internal audit system consistently throughout the Bank Group that is proportionate to the size of the OTP Group and the market share of the Company, includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the financial institutions that are subject to consolidated supervision as specified in the Credit Institutions Act. To this end, standardised internal audit procedures and methodologies pertaining to the operation and activities of group members’ internal audit departments are developed, enhanced and applied on a continuous basis. Internal audit also liaises regularly and cooperates with external auditing bodies.

The independent internal audit unit assists in the legally compliant and effective management of assets and liabilities and the protection of property; it supports secure business operation, the effectiveness, cost-efficiency and success of internal control systems, the minimisation of risks, and moreover – alongside the compliance unit – it detects and reports departures from the provisions of the statutory regulations and internal policies, makes recommendations for the elimination of deficiencies, and monitors the implementation of the measures. It performs its activities independently, objectively and professionally. Its independence is ensured by the fact that it is professionally overseen by the Supervisory Board, within the framework set out by the Credit Institutions Act.

The independent internal audit organisation has an annual audit plan which is approved by the Supervisory Board. The annual plan is prepared using a risk-based methodology and, in addition to focusing on the areas that entail regulatory, business and operational risk, and the other main risk exposures, it also takes into account the company's prevailing strategic priorities.

The internal audit organisation makes independent reports on its auditing activities for the management bodies at quarterly and annual intervals. In its quarterly reports it gives a group-level, summary account of the audits conducted in the given quarter, the risks identified in the course of its own audits and audits conducted by the authorities, and the success of any action taken to eliminate them. In exceptional cases that require immediate intervention, it provides the management with extraordinary briefings. The audit organisation reports annually on the performance of the tasks stipulated in the group-level annual audit schedule, the audits conducted and other activities, and on the circumstances of the organisation's operation, as well as on any changes to the internal audit system.

The organisation annually prepares, for the Supervisory Board, objective and independent reports in respect of the operation of risk management, internal control mechanisms and corporate governance functions.

Risk management

The basis for effective group-level risk management is the introduction of a standardised, "OTP-compatible" organisational structure as well as regulations and procedures at the subsidiaries concerned. The Company has detailed risk management rules for each of the various types of risk (liquidity, market, country, counterparty, credit, operational, compliance), and these rules are in harmony with the statutory regulations pertaining to prudential banking operations. The annual report describes the risk management practices, the limits, and compliance with these limits.

Within the Company, the Credit Approval and Risk Management Division and the Strategy and Finance Division exercise functional control over the guidelines, methodology and infrastructure of the Bank Group's risk management strategy, the purpose of which is to create a clearly defined, transparent, standardised credit, country, counterparty, market and operational risk management system at group level which complies with the Basel requirements, the expectations of the supervisory authority and local conditions. The Bank Group's Risk Strategy, as well and the rules on risk prescribed by the Credit Institutions Act, are approved by the Bank's Board of Directors.
The Risk Strategy determines, with respect to the entire Bank Group, the framework for risk management and the principles and guidelines of risk assumption.

With respect to the cornerstones of the risk management methodologies, and the main risk topics for Bank Group members, the final decision-making competence is held by the Group

members' risk committees (Credit and Limit Committee, Workout Committee, Group Operational Risk Committee).
The Bank's risk management system encompasses the identification of the risks, assessment of their impact, elaboration of the necessary action plans, and the monitoring of their effectiveness and results. The management make their business decisions in a knowledge of all the key risks. All significant risks related to internal and external operations, or to compliance with financial and legal requirements, as well as numerous other risks, are evaluated and managed using a clearly-defined and transparent internal mechanism.

Compliance

In accordance with EU regulations and with the Hungarian statutory provisions an independent organisational unit (the Compliance and Security Directorate) operates at the Company, with the task of exploring and managing compliance risks. This function is supported by the appropriate regulatory documents: the compliance policy, strategy and work plan. The purpose of the compliance policy is to establish the framework of compliance activities in respect of the entire Bank Group, to determine the definition, purpose of compliance and the tasks and scope of the function. Another important document of the compliance policy is the Bank Group's compliance strategy. The compliance policy is approved by the Board of Directors of the Bank. The Compliance and Security Directorate prepares a comprehensive report each year about the Bank Group's compliance activities and position, which is approved by the Bank's Board of Directors. The Bank Group's senior management is responsible for the implementation in practice of the compliance policy.

Auditor

The General Meeting has the authority to elect the company performing the audit, and to approve the nomination of the member responsible for the audit.

Our Company is audited by Deloitte Auditing and Advisory Kft. (Cg. 01-09-071057). Last year the auditor did not perform any activity that might have compromised its independence.
The Board of Directors must inform the Company's General Meeting and Supervisory Board if the auditor is given any other material mandates. In addition, if warranted, the Company's Board of Directors, Supervisory Board and other boards may use the services of an external consultant as well.

1.6. Disclosure of information

Providing regular, authentic information is essential if the shareholders and the other participants in the capital market are to make sound decisions, and the way in which the Company discloses information also has an impact on its reputation.

The Company discloses information in strict compliance with the provisions of Act V of 2013 on the Civil Code (hereinafter: Civil Code), the Capital Market Act, the Credit Institutions Act, Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and the Regulations governing their Activities (hereinafter: Investment Services Act), Act C of 2000 on Accounting (hereinafter: Accounting Act) and Ministry of Finance Decree 24/2008 (VIII. 15), as well as the relevant regulations of the BSE. In addition, the Company has effective internal regulations that ensure compliance with the obligation to disclose information.

The aforementioned regulations ensure that all material information pertaining to the Company and having a bearing on the price of the Company's shares is published accurately, in full, and in good time.

The Board of Directors describes its business and strategic goals of the given year at every ordinary General Meeting. The proposal to the General Meeting is published by the Company on the website of the Budapest Stock Exchange in accordance with its rules of disclosure and the provisions of the relevant regulations of the BSE.

The Company, in accordance with the statutory regulations, publishes on the Company's website and in its Annual Report the professional careers of the members of the Board of Directors, the Supervisory Board and the management.

The proposal pertaining to the remuneration of the chairman and members of the Board of Directors and the chairman and members of the Supervisory Board constitute a part of the proposals of the General Meeting.

The Company has detailed risk management regulations that include every type of risk (liquidity, market, country, counterparty, credit, operational, compliance) which are consistent with the statutory regulations pertaining to prudential banking operation. The Annual Report provides information about the Company's risk management practices, the relevant limits and compliance with the limits.

The Company has detailed internal regulations pertaining to insiders and potential insiders that fully comply with the restrictions and prohibitions regulated in detail by the Capital Market Act. In addition, the guidelines pertaining to securities trading by insiders are also available on the website. All transactions involving the Company's shares performed by the members of the Board of Directors and the Supervisory Board are published by the Company in accordance with the rules on disclosure, and the shareholdings in the Company of the officers of the Company (number of shares) are published in the Company's Annual Report.

The Board of Directors has assessed the effectiveness of information disclosure processes in 2015, and found them to be satisfactory.

1.7. Overview of the exercising of shareholders' rights

<u>Participation in the General Meeting and voting rights</u>

Shareholders may exercise their right of participation and their voting rights at the General Meeting, in person or by proxy.

The letters of proxy must be set forth in a notarised deed or a private document of full probative force. In the event that a shareholder is represented at the General Meeting by its legal representative (e.g. director, managing director, mayor etc.), the authenticated deed issued by the court or court of registration concerning the right of representation, or a certificate testifying to the election of the mayor, must be presented at the venue of the General Meeting.

The letters of proxy must be handed over at the location specified in the invitation to the General Meeting, within the allotted time. The authorisation shall be valid only for a General Meeting or for a specified period not exceeding twelve months. Unless otherwise regulated, the authorisation shall be valid for the continuation of a suspended General Meeting and for re-convened General Meetings by reason of the lack of quorum. If the letter of proxy was issued outside Hungary, it must satisfy, in terms of its form, the statutory provisions pertaining to the authentication or counter-authentication of documents issued outside Hungary. Information on the subject can be obtained from the Hungarian representation offices abroad.

A condition of participation and voting in the General Meeting is that

- o the shareholding as at the time of the shareholder matching procedure is corroborated by the result of the shareholder matching procedure;
- o the holder of the shares has been effectively entered into the Company's Share Register by the time of its closure in accordance with point 8.4;
- o the shareholder's shareholding or voting right does not violate the statutory provisions or the provisions of the Company's Articles of Association, which the Company ascertains through a check following receipt of the result of a holder matching procedure from KELER Zrt;

The rules on participation in the General Meeting and the exercising of voting rights on the part of GDR holders are contained in the Custody Agreement concluded between the Bank of New York and OTP Bank.

Further details are contained in the Company's Articles of Association on our website.

1.8. Brief description of the rules related to the conducting of the General Meeting

The Company requests a shareholder-matching procedure for the date of the General Meeting (including any repeated General Meeting), as a corporate event, from the Central Clearing House and Depository (Budapest) Ltd. (KELER Zrt.). The shareholder-matching procedure may take place only in the period between the 7th and 5th trading day at the stock exchange prior to the General Meeting (including any repeated General Meeting). The rules pertaining to the shareholder-matching procedure are contained in the effective regulations of KELER.

The Company, at 18:00 Budapest time on the second working day before the General Meeting (or repeated General Meeting), deletes all the data in the Share Register and at the same time registers the results of the shareholder identification process in the Share Register, and closes it with the results of the shareholder identification. After this any entry related to the shareholder's holding may only be made, at the earliest, on the working day following the closure of the General Meeting or following the day of the non-quorate General Meeting..

The General Meeting must be announced in the manner specified in respect of announcements made by the Company, at least 30 days before the projected date of the General Meeting, unless otherwise stipulated in the Civil Code and the Credit Institutions Act. The (extraordinary) General Meeting, that is to decide on a capital increase necessary in order to avoid the proceeding referenced in Article 135 (2) of the Credit Institutions Act, can be announced at least 10 days before the projected date of the meeting.

The invitation must include the following:

a) the Company's official name and registered office;
b) the date and place of the General Meeting;
c) the manner in which the General Meeting is to be held;
d) the agenda of the General Meeting;

e) the provisions contained in section 8.5 of the Articles of Association, with the reminder that shareholders may participate in and vote at the General Meeting only in compliance therewith;
f) information about the place and date of the handing over of the letters of proxy;
g) in the event that there is no quorum, the place and date of the reconvened General Meeting
h) the time of shareholder identification and closure of the Share Register,
i) the fact that in order to exercise shareholder's rights the shareholder must be listed in the Share Register at the time of its closure, but subsequent to this the shares may be freely traded without this affecting the ability to exercise shareholder's rights,
j) the conditions, stipulated in the Articles of Association, for exercising the shareholder's right to request information,
k) the conditions, stipulated in the Articles of Association, for exercising the shareholder's right to supplement the agenda of the General Meeting, and
l) information regarding the time, place and means (including the address of the Company's website) of accessing the motions and draft resolutions on the agenda of the General Meeting.

Questions not listed on the agenda may be discussed by the General Meeting only if all shareholders are present and they give their unequivocal consent thereto.

The General Meeting is regarded as having a quorum if the votes of the attending shareholders represent more than one-third of the total votes embodied by shares entitling the holder to vote.

If a duly convened General Meeting does not have a quorum, then the repeated General Meeting – convened for the time and date and venue specified in the announcement that is published in accordance with section 8.13 of the Articles of Association – shall have a quorum in respect of the agenda items set forth in the invitation irrespectively of the extent of the voting rights represented by those in attendance. If the agenda of the General Meeting includes a proposal relating to the withdrawal of the shares from any regulated market (hereinafter: delisting), then the repeated General Meeting shall have a quorum in respect of such agenda item if shareholders representing more than half of the votes embodied by the shares conferring voting rights are in attendance.

If a General Meeting that has a quorum cannot pass a resolution in respect of all the items on the agenda, it may decide to suspend the meeting and to convene a follow-up General Meeting, while indicating the new time and place. The General Meeting may only be suspended once, and the follow-up General Meeting must be held within 30 days of the suspension.

In respect of the quorum of a suspended and then reconvened General Meeting (follow-up General Meeting), the general rules apply. The follow-up General Meeting may pass decisions only in respect of the announced agenda items of the original General Meeting in respect of which the original General Meeting did not make a decision.

The General Meeting is chaired by the Chairman of the Board of Directors or another person designated by the Board of Directors who

- opens the General Meeting;
- appoints the person responsible for taking minutes;
- determines whether the General Meeting has a quorum;
- gives and revokes the right to speak;
- formulates draft resolutions and puts them to the vote;

- announces the result of the vote on the basis of the results indicated by the vote counters;
- announces the intermission; and
- closes the General Meeting.

Prior to the opening of the General Meeting, shareholders who have voting devices may notify the Chairman of the General Meeting in writing if they would like to speak in relation to any of the agenda items. The comments made by the shareholders may not be on a topic that is different from the designated agenda item. The Chairman of the General Meeting must grant the right to speak to persons who have indicated their desire to speak in accordance with the above.

The Chairman of the General Meeting may determine the order in which the comments on the given agenda item will be heard, may grant any person the right to speak or may retract such right, with the proviso that the right to speak may be retracted from a shareholder who has indicated his/her wish to speak in writing only if the shareholder's comments depart from the given agenda item despite a warning in this regard. The Chairman of the General Meeting may prohibit the recording in the minutes of comments that are made after the right to speak is retracted, and may terminate the availability of the technical conditions (microphone) for making such comments.

The Chairman of the General Meeting may decide to hold the General Meeting in private, and, with the exception of the members of the Board of Directors, the executives specified in the Credit Institutions Act, the members of the Supervisory Board, the auditor, shareholders with voting terminals, and the representatives of such shareholders as well as the representatives of the MNB and the BSE, he may exclude anyone from attending the General Meeting.

The General Meeting passes its resolutions, unless the Company’s Articles of Association stipulate otherwise, through a simple majority of the votes of the attending shareholders.

Decisions at the General Meeting are made by open vote.

In its first resolution, the General Meeting selects, from the list proposed by the Chairman of the General Meeting, the attending shareholders who will act as the authenticator of the minutes and the vote counters. In the case of an unsuccessful vote the Chairman of the Meeting must submit a new proposal.

Minutes must be taken of the General Meeting, which must include the following:

- the Company’s official name and registered seat;
- the date and place of the General Meeting and the manner in which it is held;
- data necessary for determining whether the General Meeting has a quorum and changes in the number of persons attending;
- the name of the Chairman of the General Meeting, the person taking the minutes, the authenticator of the minutes and the name of the vote counters;
- the most important events at the General Meeting and the proposals made;
- the draft resolutions, in the case of each resolution the number of shares with respect to which valid votes have been cast, the share represented by these votes in the share capital, the number of votes for and against the proposals and the number of those who abstained;
- objections to a resolution by any shareholder and any member of the Board of Directors or the Supervisory Board if the person objecting requests it himself.

The minutes are signed by the Chairman of the General Meeting and the person taking the minutes and are authenticated by an attending shareholder who has been selected for this purpose.

The Board of Directors must send the Company Court an authenticated copy of the minutes of the General Meeting within 30 days after the General Meeting is adjourned, together with the attendance register and the documents that certify that the General Meeting was properly convened.

Further details are contained in the Company's Articles of Association on our website.

1.9. Declaration on Remuneration

In compliance with the applicable European Union directive (CRD IV) and the provisions of the Act on Credit Institutions and Financial Enterprises, the Bank's General Meeting of 2014 , its Board of Directors and Supervisory Board have provided for the elaboration of a new Remuneration Policy for the Bank. and the Bank Group. In line with the changes to the national and EU legislative environment, the process of implementing the Bank Group's Remuneration Policy has been augmented with a methodological framework relating to the identification of activities and employees with a material impact on risk, which constitutes the basis for determining the group of persons subject to the Bank Group's Remuneration Policy, and with procedural rules relating to the annual evaluation process.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at the Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of the Bank's Board of Directors and Supervisory Board, and – among the staff in an employment relationship with the Bank – the members of the Bank's Management (Chairman & CEO and the deputies thereof), and managers who materially influence the Bank's risk profile and its profit, managers performing special executive functions, managers with control functions, all managers whose salaries are in the same pay scale as that of the managers who are subject to the Remuneration Policy due to their function. Among the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision, the subsidiaries' chief executive officers, and in the case of certain subsidiaries their level-2 (deputy) managers, and the managers of certain foreign subsidiary banks with special management and decision-making authority determined under national statutory provisions. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Supervisory Board.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Supervisory Board based on the function, size and complexity of the unit being managed. The proportion of performance-based remuneration may not exceed 100% of fixed remuneration for any person concerned.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with the Bank, the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Supervisory Board on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – a preferentially-priced share package, in equal proportions. At all the members of the Bank Group, the share-based part of the variable remuneration is provided to the employees concerned by the Bank.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, the Bank complies with its public disclosure obligation in accordance with the prevailing statutory provisions.

1.10. Evaluation of the work of the Board of Directors, the Supervisory board and the management

In accordance with the expectations of the supervisory authority, the execution capabilities of the Board of Directors, the Supervisory Board and the management were evaluated with respect to the affected managers, in the framework of the 2015 annual performance evaluation. The evaluation was performed along the following dimensions: business thinking, business and operational development, governance, relationship and resource management, integrity and personal drive. Based on the results of the evaluation, no issue has arisen that would necessitate action.

2.) CG Report on compliance with the Corporate Governance Recommendations

As part of the Corporate Governance (CG) Report, the Company states, by completing the following tables, the extent to which it has implemented the recommendations and guidances specified in the specific sections of the Corporate Governance Recommendations (hereinafter: CGR) of the Budapest Stock Exchange in its own corporate governance.
By looking at the tables, market participants are able to gain a quick insight into the extent to which the corporate governance practices of particular companies comply with certain requirements specified in the CGR, and to quickly compare the practices of various companies.

Level of compliance with the Recommendations

The company specifies whether it has applied the relevant recommendation or not, and if not, it describes briefly the reasons why a particular recommendation has not been implemented.

R 1.1.1 The Board of Directors has ensured that shareholders have access, in a timely manner, to the information required for exercising their rights.
Yes

R 1.1.2 The Company follows the "one share – one vote" principle
No
Each of the Company's ordinary shares ensures one voting right. In keeping with the stipulations of the Company's Articles of Association, voting rights depend specifically on the size of the shareholding.

R 1.2.8 The Company ensures that owners may participate in the General Meeting if they meet the same conditions.
Yes

R 1.2.9 Only those issues may be put on the General Meeting's agenda that are accurately defined and described.
Yes

The draft resolutions comprised the recommendation of the Supervisory Board and included a detailed explanation of the effects that the decision would have if taken.
Yes

R 1.2.10 Shareholders' comments and addenda to the agenda items were published no later than two days before the General Meeting.
Yes

R 1.3.8 Comments made in respect of the agenda items of the General Meeting were available to the shareholders no later than at the time of registration.
Yes

Written comments in respect of the agenda items were published two working days before the General Meeting.
Yes

R 1.3.10 The election and recall of senior officers is made in a separate resolution in respect of each person.
Yes

R 2.1.1 The tasks of the Board of Directors include those specified in point 2.1.1.
Yes

R 2.3.1 The Board of Directors held meetings at pre-specified, regular intervals.
Yes

The Supervisory Board held meetings at pre-specified, regular intervals.
Yes

The rules of procedure of the Board of Directors contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.
Yes

The rules of procedure of the Supervisory Board contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.
Yes

R 2.5.1. The Company's Board of Directors / Supervisory Board has a sufficient number of independent members to ensure impartiality.
Yes

R 2.5.4 The Board of Directors / Supervisory Board regularly (in relation to the annual CG report) asked its members who are considered to be independent to confirm that they are independent.
Yes

R 2.5.6 The Company has published on its website its guidelines concerning the independence of the Board of Directors / Supervisory Board and the applied criteria of independence.
Yes

R 2.6.1 Members of the Board of Directors notified the Board of Directors (supervisory board / Audit Committee) if he/she (or a person who is closely related to him/her) had a material personal stake in any transaction of the Company (or any of its subsidiaries).
Yes

R 2.6.2 Transactions concluded between board and management members (and persons related to them) and the Company (or its subsidiary) were conducted in accordance with the regular business practices of the Company but on the basis of stricter rules of transparency than is customary in the course of regular business practices.
Yes

Transactions, specified in 2.6.2, which depart from regular business practices and the conditions thereof were accepted by the Supervisory Board (Audit Committee).
No
The Company prepared procedural rules for approving transactions that depart from usual business practices, and this ensures adequate control.

R 2.6.3 The board member informed the Supervisory Board / Audit Committee (Nomination Committee) if he/she was asked to act as a member on the board or in the management of a company that does not belong to the Group.
Yes

R 2.6.4 The Board of Directors created guidelines pertaining to the flow of information within the Company as well as the management of insider information and supervises compliance therewith.
Yes

The Board of Directors created guidelines pertaining to insider trading of securities and supervises compliance therewith.
Yes

R 2.7.1 The Board of Directors created remuneration guidelines for the remuneration and evaluation of the work of the Board of Directors, the Supervisory Board and the management.
Yes

The Supervisory Board commented on the remuneration guidelines.
Yes

The General Meeting approved the remuneration guidelines and the amendments thereto pertaining to the Board of Directors and the Supervisory Board in a separate agenda item.
Yes

R 2.7.2 The Board of Directors evaluated its own performance in a given business year.
No
The Company has a Nomination Committee, which has assessed the board's work. Also see section 1.10 of the report.

R 2.7.2.1 The Supervisory Board evaluated its own performance in a given business year.
No
The Company has a Nomination Committee, which has assessed the board's work. Also see section 1.10 of the report.

R 2.7.3 The supervision of the performance of the management and the remuneration of the management falls within the competence of the Board of Directors.
Yes

The framework of and changes in benefits that are due to the members of the management and are different from what is customary are approved by the General Meeting in a separate agenda item.
Yes

R 2.7.4 The General Meeting approved the principles of share-based remuneration schemes.
Yes

Prior to the decision by the General Meeting concerning share-based remuneration schemes the shareholders received detailed information (at least as described in point 2.7.4)
Yes

R 2.7.7 The Company has prepared a Declaration on Remuneration and presented it to the General Meeting.
No
In compliance with the applicable European Union directive (CRD IV) and the provisions of the Credit Institutions Act, the Bank's General Meeting of 2014, and its Board of Directors and Supervisory Board, have provided for the elaboration of a new Remuneration Policy for the Bank and the Bank Group. In line with the changes to the national and EU legislative environment, the process of implementing the Bank Group's Remuneration Policy has been augmented with a methodological framework relating to the identification of activities and employees with a material impact on risk, which constitutes the basis for determining the group of persons subject to the Bank Group's Remuneration Policy, and with procedural rules relating to the annual evaluation process.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at the Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of the Bank's Board of Directors and Supervisory Board, and – among the staff in an employment relationship with the Bank – the members of the Bank's Management (Chairman & CEO and the deputies thereof), and managers who materially influence the Bank's risk profile and its profit, managers who perform special executive functions, managers with control functions, all managers whose salaries are in the same pay scale as that of the managers who are subject to the Remuneration Policy due to their function. Among the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision, the subsidiaries' chief executive officers, and in the case of certain subsidiaries their level-2 (deputy) managers, and the managers of certain foreign subsidiary banks with special management and decision-making authority determined by the provisions of relevant national legislation. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Supervisory Board.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Supervisory Board based on the function, size and complexity of the unit being managed. The proportion of performance-based remuneration may not exceed 100% of fixed remuneration for any person concerned.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with the Bank, the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Supervisory Board on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – a preferentially-priced share package, in equal proportions. At all the members of the Bank Group, the share-based part of the variable remuneration is provided to the employees concerned by the Bank.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, the Bank complies with its public disclosure obligation in accordance with the prevailing statutory provisions.

The Declaration on Remuneration contains the remuneration of certain members of the Board of Directors, the Supervisory Board, and the management.
<u>No</u>
See the previous point.

R 2.8.1 The Board of Directors or the committee operated by it is responsible for the supervision and direction of the Company's entire risk management operations.
<u>Yes</u>

The Board of Directors verifies the efficiency of risk management procedures at specific intervals.
<u>Yes</u>

The Board of Directors took the necessary steps to identify key risk areas.
<u>Yes</u>

R 2.8.3 The Board of Directors formulated the principles pertaining to the internal control system.
<u>Yes</u>

The internal control system, which has been established by the management, ensures that the risks to which the Company is exposed are managed and that the Company's objectives are attained.
<u>Yes</u>

R 2.8.4 When formulating the internal control system, the Board of Directors took into account the criteria specified in point 2.8.4.
Yes

R 2.8.5 The management is responsible for establishing and maintaining the internal control system.
Yes

R 2.8.6 The company created an independent internal audit function, which is under obligation to report to the Audit Committee / Supervisory Board.
Yes

The internal audit group reported, at least once, to the Audit Committee / Supervisory Board about the operation of risk management, the internal control mechanisms, and the corporate governance functions.
Yes

R 2.8.7 The internal audit activity is performed by internal audit on the basis of a mandate given by the Audit Committee / Supervisory Board.
Yes

Internal audit is organisationally separate from operative management.
Yes

R 2.8.8 The internal audit plan was approved by the Board of Directors (Supervisory Board) upon the recommendation of the Audit Committee.
Yes

R 2.8.9 The Board of Directors prepared a report for shareholders on the operation of internal controls.
Yes

R 2.8.10 The Board of Directors formulated its rules of procedure in respect of receiving and processing reports on the operation of internal controls and preparing its own reports.
Yes

R 2.8.11 The Board of Directors identified the key deficiencies of internal controls and reviewed and re-evaluated the relevant activities.
Yes

R 2.9.2 The Board of Directors, the Supervisory Board and the Audit Committee were notified when the auditor's mandate, by its nature, may have incurred considerable expenditure, may have given rise to a conflict of interest or may have had any other material impact on business operations.
Yes

R 2.9.3 The Board of Directors notified the Supervisory Board if it gave a mandate to an audit company or an external audit expert in respect of an event that has a material impact on the Company's operation.
Yes

The Board of Directors specified in advance, in a resolution, the events that may be considered to have a material impact on the Company's operation.
Yes

R 3.1.6 The company published on its website the tasks delegated to the Audit Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
No
OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Audit Committee, and the objectives and procedural rules of the Committee, are not in the public domain.

R 3.1.6.1 The company published on its website the tasks delegated to the Nomination Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
No
OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Audit Committee, the objectives and procedural rules of the Committee are not in the public domain.

R 3.1.6.2 The company published on its website the tasks delegated to the Remuneration Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
Yes

R 3.2.1 The Audit Committee / Supervisory Board oversaw the effectiveness of risk management, the operation of the internal control system and the internal audit activity.
Yes

R 3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information about the work schedule of the internal auditor and the independent auditor, and received a copy of the report by the auditor on the problems identified during the audit.
Yes

R 3.2.4 The Audit Committee / Supervisory Board asked the new nominee for auditor to submit a disclosure declaration as specified in 3.2.4.
Yes

R 3.3.1 The Company has a Nomination Committee.
Yes

R 3.3.2 The Nomination Committee prepares the way for changes in personnel.
Yes
For managers who are subject to the authority of the Nomination Committee.

The Nomination Committee reviewed the procedures pertaining to the selection and appointment of the members of the management.
Yes

The Nomination Committee evaluated the activities of board members and the members of the management.
Yes

The Nomination Committee examined all proposals concerning the nomination of board members that were proposed by the shareholders or by the Board of Directors.
Yes

R 3.4.1 The Company has a Remuneration Committee.
Yes

R 3.4.2 The Remuneration Committee has submitted a proposal regarding the remuneration system of the boards and the management (amount and structure of remuneration for each person), and oversees this process.
Yes

R 3.4.3 The remuneration of the management has been approved by the Board of Directors based on the proposal of the Remuneration Committee.
Yes

The remuneration of the Board of Directors is approved by the General Meeting upon the recommendation of the Remuneration Committee.
Yes

The Remuneration Committee has also checked the system of share options, cost reimbursements and other contributions.
Yes

R 3.4.4 The Remuneration Committee formulated proposals with regard to the principles of remuneration.
Yes

R 3.4.4.1 The Remuneration Committee formulated proposals with regard to the remuneration of individual persons.
Yes

R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts that were concluded with the management.
No
A review of the terms of contracts concluded with members of the management does not fall within the remit of the Remuneration Committee.

R 3.4.4.3 The Remuneration Committee checked if the Company has satisfied the obligation of disclosure regarding executive remuneration issues.
Yes

R 3.4.7 The majority of the members of the Remuneration Committee are independent.
Yes

R 3.5.1 The Board of Directors has disclosed its reasons for merging the Remuneration and the Nomination Committee.
No
The Company operates both a Remuneration Committee and a Nomination Committee.

R 3.5.2 The Board of Directors performed the tasks of the Nomination Committee and issued a statement on its reasons for doing so.
No
The Nomination Committee performed its own tasks.

R A 3.5.2.1 The Board of Directors performed the tasks of the Remuneration Committee and issued a statement on its reasons for doing so.
No
The Remuneration Committee performed its own tasks.

R 4.1.1 The Board of Directors, in its disclosure guidelines, has determined the principles and procedures that ensure that all material information that has a significant bearing on the Company and on the price of its shares is published and is accessible accurately, in full and in good time.
Yes

R 4.1.2 In the course of providing information, the Company has ensured that all shareholders and market participants receive equal treatment.
Yes

R 4.1.3 The Company's disclosure guidelines include electronic and internet disclosure procedures.
Yes

The Company's website has been created with due regard to the disclosure guidelines, and with a view to providing appropriate information to investors.
Yes

R 4.1.4 The Board of Directors has assessed the effectiveness of disclosure processes.
Yes

R 4.1.5 The Company publishes its corporate events calendar on its website.
Yes

R 4.1.6 The Company, in its annual report and on its website, has provided information to the public about its strategic goals and about its guidelines related to its core activity, business ethics and its various stakeholders.
Yes

R 4.1.8 The Board of Directors has stated in its annual report the other mandates, together with the type and volume of such mandates, that the entity that audits the Company's annual financial statements has received from the Company and its subsidiaries.
Yes

R 4.1.9 The Company, in its annual report and on its website, has disclosed information pertaining to the professional careers of members of the Board of Directors, the Supervisory Board and the management.
Yes

R 4.1.10 The Company provided information about the internal organisation and operation of the Board of Directors and the Supervisory Board.
No
The Company's website provides information about the operation of its management bodies in the Articles of Association.
See also: point 2.7.2.

R 4.1.10.1 The Company provided information about the work of the Board of Directors and the Management Committee, and the criteria applied when evaluating the individual members.
Yes

R 4.1.11 The Company has published in its annual report and on its website a Declaration on Remuneration, which describes the remuneration guidelines used and, specifically, the guidelines pertaining to the remuneration of members of the Board of Directors, the Supervisory Board and the management.
No
See the comments under point 2.7.7 above.

R 4.1.12 The Board of Directors has published risk management guidelines which discuss the internal control system, and the risk management principles and rules, and provide an overview of major risks.
Yes

R 4.1.13 In order to provide information to market participants, the Company publishes its report on corporate governance once a year, when the annual report is published.
Yes

R 4.1.14 The Company publishes on its website the guidelines pertaining to securities trading in respect of the Company's shares by persons classified as insiders.
Yes

The Company, in its annual report and on the Company's website, has disclosed information about the stakes held in the Company's securities and in its share-based incentive system by members of the Board of Directors, the Supervisory Board and the management.
Yes

R 4.1.15 The Company has published in the annual report and on the Company's website the relationship of members of the Board of Directors and the management with any third parties that may have an impact on the Company's operation.
Yes

Level of compliance with the Guidances

The Company must specify whether it applies the relevant guidance of the CGR or not.
Yes

G 1.1.3 The Company has an organisational unit that deals with investor relations.
Yes

G 1.2.1 The Company has published on its website the summary related to its General Meetings and shareholder voting rights (including voting by proxy).
Yes

G 1.2.2 The Company's Articles of Association are accessible on the Company's website.
Yes

G 1.2.3 The Company's website contains the information specified in point 1.2.3 (regarding the cut-off date in respect of corporate events).
Yes

G 1.2.4 The Company has published on its website the information and documents regarding the General Meeting as specified in point 1.2.4 (invitation, proposals, draft resolutions, resolutions, minutes).
Yes

G 1.2.5 The Company held its General Meeting by ensuring that as many shareholders can attend as possible.
Yes

G 1.2.6 The Company published the addenda to the agenda items within five days of their receipt, in a manner that is identical to the manner of publishing the original invitation to the General Meeting.
Yes

G 1.2.7 The voting procedure used by the Company ensured that the decision by the owners is determined unequivocally, clearly and quickly.
Yes

G 1.2.11 The Company, upon the shareholders' request, forwarded information pertaining to the General Meeting electronically as well.
Yes

G 1.3.1 The Company's General Meeting accepted the chairman of the General Meeting prior to the actual discussion of the agenda items.
No

G 1.3.2 The Board of Directors and the Supervisory Board were represented at the General Meeting.
Yes

G 1.3.3 The Company's Articles of Association allow the invitation of a third party to the Company's General Meetings upon the initiative of the Chairman of the Board of Directors or the shareholders of the Company, and such third party may participate with advisory right and comment on the relevant agenda item.
Yes

G 1.3.4 The Company did not restrict the right of owners who participate in the General Meeting to ask for information, to comment and to submit a motion and did not set any preconditions in respect of such right.
Yes

G 1.3.5 The Company published on its website within three days its responses to questions that it was unable to answer satisfactorily at the General Meeting. The Company published an explanation in respect of questions that it refused to answer.
Yes

G 1.3.6 The chairman of the General Meeting and the Company ensured that responses to questions asked at the General Meeting did not violate any statutory or stock exchange regulations pertaining to the provision of information and disclosure and ensured that such provisions are observed.
Yes

G 1.3.7 The Company published a press release and/or held a press conference about the decisions of the General Meeting.
Yes

G 1.3.11 The Company's General Meeting makes decisions about amendments to the Articles of Association in separate resolutions.
Yes

G 1.3.12 The Company published the minutes of the General Meeting containing the Company's resolutions, the description of the draft resolutions and all material questions and answers concerning the draft resolutions within 30 days after the General Meeting.
Yes

G 1.4.1 The Company, within 10 working days, paid dividends to shareholders who have provided all necessary information and documents.
Yes

G 1.4.2 The Company published its guidelines concerning solutions for preventing hostile takeovers directed at the Company.
No

G 2.1.2 The rules of procedure of the Board of Directors contain the organisational structure of the Board of Directors, tasks related to the preparation and execution of the meetings and the formulation of resolutions and other issues related to the operation of the Board of Directors.
Yes

G 2.2.1 The Supervisory Board provides a detailed description in its rules of procedure and work plan of the operation and tasks of the board, as well as of the administrative rules and procedures that the Supervisory Board follows.
Yes

G 2.3.2 The board members had access to the proposals of the given meeting at least five days before the given meeting.
Yes

G 2.3.3 The rules of procedure stipulate the regular and occasional participation in the board meetings of non-board members.
Yes

G 2.4.1 The members of the Board of Directors were selected in a transparent manner, and information pertaining to the candidates were disclosed at least five days before the General Meeting.
Yes

G 2.4.2 The composition and headcount of the boards complies with the stipulations of point 2.4.2.
Yes

G 2.4.3 In the orientation program of the Company, newly elected non-executive board members were able to learn about the structure and operation of the Company and their tasks as board members.
Yes

G 2.5.2 The division of the tasks of the chairman and the CEO is stipulated in the key documents of the Company.
Yes

G 2.5.3 The Company provided information about how it ensures that the Board of Directors remains objective in its evaluation of the management activities in the event that the position of Chairman & CEO is combined.
No

G 2.5.5 No member of the Company's Supervisory Board held a position on the Company's Board of Directors or in the management in the three years prior to his/her nomination.
No

G 2.7.5 The remuneration policy of the Board of Directors, the Supervisory Board and the management serves the purposes of the Company and therefore the strategic objectives of shareholders.
Yes

G 2.7.6 Members of the Supervisory Board receive a fixed remuneration no portion of which is tied to the share price.
Yes

G 2.8.2 The Board of Directors elaborated risk management principles and basic rules together with the members of the management who are responsible for planning, operating and supervising risk management processes and for the incorporation thereof into the Company's daily operation.
Yes

G 2.8.10 When evaluating the internal control system, the Board of Directors took into account the criteria specified in point 2.8.10.
Yes

G 2.8.12 The Company's auditor assessed and evaluated the Company's risk management systems and the risk management activities of the management and submitted a relevant report to the Audit Committee / Supervisory Board.
Yes

G 2.9.1 The rules of procedure of the Board of Directors include the procedure to be followed when the services of an external consultant are used.
Yes

G 2.9.1.1 The rules of procedure of the Supervisory Board include the procedure to be followed when the services of an external consultant are used.
Yes

G 2.9.1.2 The rules of procedure of the Audit Committee include the procedure to be followed when the services of an external consultant are used.
Yes

G 2.9.1.3 The rules of procedure of the Nomination Committee include the procedure to be followed when the services of an external consultant are used.
No

G 2.9.1.4 The rules of procedure of the Remuneration Committee include the procedure to be followed when the services of an external consultant are used.
No

G 2.9.4 The Board of Directors may invite the Company's auditor to attend its meetings where the agenda items of the General Meeting are discussed, with advisory right.
Yes

G 2.9.5 The Company's internal audit organisation cooperated with the auditor in order to ensure the effective execution of the audit.
Yes

G 3.1.2 The chairman of the Audit Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
No

G 3.1.2.1 The chairman of the Nomination Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
Yes

G 3.1.2.2 The chairman of the Remuneration Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
Yes

G 3.1.4 The Company's committees consist of members who have appropriate abilities, expertise and experience for carrying out their tasks.
Yes

G 3.1.5 The rules of procedure of the Company's committees contain the stipulations specified in point 3.1.5.
Yes

G 3.2.2 The members of the Audit Committee / Supervisory Committee received comprehensive information on the Company's accounting, financial and operating characteristics.
Yes

G 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Board of Directors about the operation of the Board of Directors and the work and performance of individual members of the Board of Directors.
Yes

G 3.3.4 The majority of the members of the Nomination Committee is independent.
Yes

G 3.3.5 The Nomination Committee's rules of procedure include the stipulations specified in point 3.3.5.
No

G 3.4.5 The Remuneration Committee ensures that a declaration on remuneration is prepared.
No

G 3.4.6 The Remuneration Committee consists only of the non-executive members of the Board of Directors.
Yes

G 4.1.4 The Company's disclosure guidelines include at least the stipulations set out in point 4.1.4.
Yes

In the annual report the Board of Directors informs shareholders of the results of its study concerning the effectiveness of disclosure processes.
Yes

G 4.1.7 The Company prepares its financial statements in accordance with IFRS principles.
Yes

G 4.1.16 The Company prepares and publishes its statements in English as well.
Yes

RESOLUTION PROPOSAL No. 2/2016

The Annual General Meeting accepts OTP Bank Plc.'s 2015 Report on Corporate Governance.

EVALUATION OF THE ACTIVITY OF THE EXECUTIVE OFFICERS PERFORMED IN THE PAST BUSINESS YEAR; DECISION ON THE GRANTING OF DISCHARGE OF LIABILITY

Based on Act V of 2013 on the Civil Code, and in accordance with the provisions of the Articles of Association of OTP Bank Plc., the supreme governance body of the company each year puts on the agenda the evaluation of the activity performed by the members of the Board of Directors in the reporting year, and passes a resolution on whether to grant them discharge from liability.

The **Board of Directors** of OTP Bank Plc. is the body, consisting of senior officers that conducts the executive management of the Bank.

The Supervisory Board of OTP Bank Plc., as part of this proposal, and in connection with the annual financial statements prepared in accordance with the Act on Accounting, has made a recommendation to the General Meeting on the evaluation of the work of the members of the Board of Directors in the previous financial year, and on the granting to them of discharge from liability.

In the course of 2015 OTP Bank Plc.'s Supervisory Board, in fulfilment of its duties stipulated in the relevant statutory provisions and the Articles of Association, monitored the activity of the executive management, and continuously received a briefing on the Bank Group's latest financial position and business policy.

The Supervisory Board, on the basis of the documents placed at its disposal and the proposals presented to it, and having been represented in person at the meetings of the Board of Directors, hereby finds as follows:

- In the past year, the Board of Directors of OTP Bank Plc. met regularly on the basis of its work schedule, the mandatory agenda items prescribed by law, the Articles of Association and the Bank's business policy plan, and made decisions and passed resolutions, and subsequently monitored their implementation.

- The Board of Directors of OTP Bank Plc., as prescribed by the provisions of the Act on Credit Institutions and Financial Enterprises and the laws on accounting, and in accordance therewith, has drafted, and prepared for approval by the General Meeting, the Bank's annual financial statements and consolidated annual financial statements.

During the 2015 General Meeting, the Supervisory Board personally ascertained that

- At the annual ordinary General Meeting of 2015 the Board of Directors presented a report on the Bank's business activity and results achieved in 2014.

- The Board of Directors, in compliance with its statutory obligation, presented its Corporate Governance Report reviewed and approved by the Supervisory Board, together with the financial statements prepared in accordance with the Act on Accounting, to the General Meeting.

- After a preliminary review by the Supervisory Board, the Board of Directors presented to the General Meeting its proposal regarding the amendment of the Bank's Articles of Association.

The Supervisory Board has ascertained that

- Pursuant to the Act on the Civil Code, the Board of Directors has arranged for publication of the Bank's consolidated and stand-alone financial statements for the year 2014, and of the material data from the reports of the Board of Directors and Supervisory Board.

- Based on the Act on Credit Institutions and Financial Enterprises and on the Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and the amendment of the relevant EU Regulation, the Board of Directors has fulfilled its disclosure obligation regarding the publication of information intended for public disclosure, as part of which it provided information in relation to its corporate governance system and remuneration policy as well.

The Supervisory Board found that, in keeping with the Corporate Governance Recommendations of the Budapest Stock Exchange, the Board of Directors of OTP Bank Plc. held a review of the effectiveness of its public disclosure processes, and found it to be adequate.
The Supervisory Board shares the opinion of the Board of Directors of OTP Bank Plc, according to which, among the corporate governance requirements, particular importance is ascribed to the transparency of the Company's operations, and *the public disclosure practices* followed by the Company have a profound impact on how the Company is perceived. A briefing that authentically reflects operating efficiency is of strategic importance, since it strengthens the trust of shareholders and other stakeholders in the Company. For shareholders, mortgage-bond investors, as well as other participants in the capital market, regular, reliable and comparable information is indispensable for assessing the Company's operation. Besides observing the statutory provisions relevant to the Company and the provisions of the Budapest Stock Exchange, the Board of Directors, together with the management, ensures that the *procedures related to the disclosure of corporate information* are – as far as possible – *in compliance with the Corporate Governance Recommendations*.

According to the provisions of the Corporate Governance Recommendations accepted by the Board of Directors of Budapest Stock Exchange Ltd, companies listed on the stock market must report on their corporate governance practice in two ways.
Firstly, they must report in an accurate, comprehensive and easy-to-understand manner on their corporate governance practice applied in the business year concerned, describing in detail the corporate governance policy and any special circumstances.
Secondly, in line with the "comply or explain" principle, they must report on their compliance with the provisions of the various sections of the Recommendations.

The Supervisory Board found that the Bank has, in compliance with the statutory provisions and the established practice, prepared a Report presenting its Corporate Governance practice for 2014 as well.
In its Corporate Governance Report, presented to the General Meeting, the Board of Directors summarised the *corporate governance practice* applied in the previous business year, and made a declaration on any *deviations from the Corporate Governance Recommendations of the Budapest Stock Exchange*.

OTP Bank Plc. treats the maintenance of a sophisticated *corporate governance system*, conforming to Hungarian and international standards, as a key priority. A reliable governance system, accurate financial planning, responsible management and the appropriate control mechanisms are what form the basis for efficient and profitable operation.

OTP Bank Plc. continuously monitors, reviews and develops its corporate governance practices, identifying any deficiencies arising as the result of external and internal changes, and effects those modifications that best serve the fulfilment of our objectives.

The Company's corporate governance practice is an important means of ensuring the fulfilment of its strategic objectives. Within the statutory frameworks, a corporate governance system has been developed that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and socially responsible corporate conduct. The resulting governance structure, optimised to suit our objectives, takes into account the special characteristics of our operations as well as the statutory, supervisory and stock-market requirements that apply to the Bank, and besides this, it also aims *to comply with the related Budapest Stock Exchange guidelines*.

The activities of OTP Bank Plc. are largely regulated by statutory provisions, and consequently not only certain business activities, but operations as a whole are regulated in detail and monitored by the authorities on a continuous basis.
The individual internal control functions (risk management, compliance, and internal audit) conform to strict standards, and the Bank is capable of attesting to their effectiveness both within the internal corporate governance system, and also to the satisfaction of the external supervisory authorities. All these factors guarantee purposeful, comprehensive and verified risk management procedures, as well as reliable and appropriately supervised data reporting. In the course of its provision of financial and investment services OTP Bank pursues complex and effective corporate governance practices that simultaneously ensure responsible conduct towards clients and shareholders, reliable operation, and long-term profitability.

The Supervisory Board found that OTP Bank Plc.'s operation is in full compliance with the applicable laws and supervisory provisions, and with the regulations of the Budapest Stock Exchange.

<u>In addition to the above, in the past business year the Board of Directors of OTP Bank Plc.</u>

Monitored

- the statements contained in the reports of the management,
- the development of the Bank's results, based on the quarterly interim reports and the financial statements prepared in accordance with Hungarian accounting standards and approved by the auditor,
- compliance with the provisions of the Credit Institutions Act,
- the quarter-to-quarter development of the quality of the Bank Group's portfolio,
- new commitments where the transaction value exceeded three billion forints (on which it received a briefing),
- loan placements exceeding HUF 300 million and the positions thereof (on which it received a briefing),
- current issues concerning the operation of the Bank.

Made a decision

- regarding the approval of its own rules of procedure,
- the capital positions of the individual subsidiaries and companies within its scope of interest, and
- on the purchase and sale of shareholdings, capital injections, dissolution by voluntary liquidation, as well as
- in regard to the reviewing of limits, and
- on the setting and modification of customer limits and counterparty limits,
- on the granting of authorisations to sign on behalf of the Company.

Also made a decision

- on the approval of regulations that fundamentally define the Bank's operation, and those referred to its authority under the Credit Institutions Act.
  These included, among others, the Organisational and Operational Regulations, and the regulations on Risk Assumption, Customer Rating and Collateral Valuation, as well as on Asset Rating, Impairment and Provisioning.

- on the review of its tasks set out in the regulations on the Internal Audit Directorate of OTP Bank Plc. in the interest of complying with the new provisions of the Credit Institutions Act, and on compliance with the requirements relating to the internal auditor and with the requirements in respect of the IT and other technical resources to be placed at the auditor's disposal
- on the acceptance of the contents of the report regarding the monitoring of the implementation of the Remuneration Policy of OTP Bank Plc. and the Bank Group in 2014.

Deliberated on the following submissions:

- the financial statements presented to the annual ordinary General Meeting,
- the Bank's financial statements and auditor's reports for 2014,
- the Corporate Governance Report (in respect of the year 2014),
- the report on the activity of the Remuneration Committee in 2014, as well as the implementation and annual review of the remuneration policy of OTP Bank Plc. and the Bank Group, and also the recommendation with respect to the amendment of the rules of the Remuneration Policy,
- the approval of the acceptance of a remuneration policy of a content different from the Bank Group's Remuneration Policy at OTP Fund Management Ltd,
- the report on the acquisition of treasury shares under the conditions specified in the relevant resolution of the General Meeting,
- OTP Bank Plc.'s Lending Policy in 2015,
- a review of sovereign exposures and limits in light of the MNB's economic policy toolkit,
- the determination of the sector limits for 2015,
- the proposal on the OTP Group's operational risk management activities in 2014,
- every quarter, the bank group-level reports on the completed audits of the auditing units,
- on the 2014 findings related to the management of complaints, the consumer protection audit conducted by the MNB and the briefing on customer complaints submitted to the foreign subsidiary banks in 2014,
- briefings on the security situation of OTP Bank Plc. and the foreign subsidiary banks, and
- every quarter, the consolidated and group-member controlling reports, and
- the 2016 business, financial and strategic plan of OTP Bank Plc. and the Bank Group.

The Supervisory Board of OTP Bank Plc. judges that in 2015 the Bank's Board of Directors fulfilled its duties prescribed in the relevant statutory provisions and in the Articles of Association of OTP Bank Plc., as per the details presented in the foregoing. In the course of its operation, it conducted its activities with a view to preserving shareholder value and in accordance with the Company's best interests.

The Supervisory Board recommends that, following an assessment of their activity conducted in the past business year, the General Meeting grant the members of the Board of Directors discharge from liability.

RESOLUTION PROPOSAL No. 3/2016

The Annual General Meeting, based on its assessment of the work of the executive management in the 2015 business year, certifies that the executive management gave priority to the interests of the Company when performing its work during the business year.

Election of the Company's audit firm, the determination of the audit remuneration, and determination of the substantial content of the contract to be concluded with the Auditor

In the name of the Supervisory Board in connection with the audit of OTP Bank Plc.'s separate and consolidated annual financial statements for the year 2016 in accordance with section 152. paragraph (3) (b) of 2013. CCXXXVII Act on Credit Institutions and Financial Enterprises I suggest the following:

1. Audit Firm:	Deloitte Auditing and Consulting Ltd. (000083)
	Budapest, Dózsa György. u. 84/c.
	1068
Independent Auditor:	dr. Hruby Attila
	(Registration number: 007118)
In case of insuperable hindrance:	Nagy Zoltán
	(Registration number: 005027)

2. The total fee of auditing the annual financial statements for the year 2016. in accordance with the Hungarian regulations on the financial institutions and the consolidated annual financial statements in accordance with the 2000. C. Act on Accounting is:

HUF 63,760,000 + VAT

From this:

Audit fee of the financial statements:	HUF 50,700,000 + VAT
Audit fee of the consolidated financial statements:	HUF 13,060,000 + VAT

RESOLUTION PROPOSAL No. 4/2016

Concerning the audit of OTP Bank Plc.'s 2016 separated annual report prepared in accordance with Hungarian Accounting Standards and consolidated 2016 annual financial statements the Annual General Meeting is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2016 until 30 April 2017.

The Annual General Meeting approves the nomination of dr. Attila Hruby (No. 007118 chartered auditor) as the person responsible for auditing. In case any circumstance should arise which ultimately precludes the activities of dr. Attila Hruby as appointed auditor in this capacity, the Annual General Meeting proposes the appointment of Zoltán Nagy (No. 005027 chartered auditor) to be the individual in charge of auditing.

The Annual General Meeting establishes the total amount of HUF 63,760,000 + VAT as the Auditor's remuneration for the audit of the 2016 annual report, prepared in accordance with Hungarian Accounting Standards as applicable to credit institutions, and for the audit of the consolidated annual report prepared pursuant Act on Accounting. Out of total remuneration HUF 50,700,000 + VAT shall be paid in consideration of the audit of the separated annual accounts and HUF 13,060,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.

PROPOSAL ON THE AMENDMENT OF ARTICLE 9 SECTION 4, ARTICLE 9 SECTION 13 SUBSECTION B) POINT II.), ARTICLE 10 SECTION 2, ARTICLE 12/A SECTION 3, ARTICLE 12/A SECTION 4 AND ARTICLE 13 SECTION 4 OF THE OTP BANK PLC.'S ARTICLES OF ASSOCIATION

Summary of the proposals

The amendments related to the sections of the Articles of Association (hereinafter: AoA) listed below:

1.) **Amendments related to Act V of 2013 on the Civil Code (hereinafter: Civil Code)**
(AoA [Article 13 Section 4])

2.) **Amendments that are of a clarifying nature or that are advisable for practical reasons**
(AoA [Article 9 Section 4, Article 9 Section 13 Subsection b) point ii.), Article 10 Section 2, Article 12/A Section 3, Article 12/A Section 4])

Presentation of the amendment proposals

The text of the AoA is written in Times New Roman font; the new parts of the text are indicated by underlining, and the ~~deleted parts~~ by cross-through.

It is proposed for the General Meeting to pass separate resolutions on the proposals which can be linked together based on their subject.

Detailed amendment proposals

1. AMENDMENTS RELATED TO ACT V OF 2013 ON THE CIVIL CODE
[AOA ARTICLE 13 SECTION 4]

1.1. [Modification in connection with the provision on the Payment of dividends]

[Reports of the Company and the distribution of profit]

13.4. Shareholders are entitled to receive a dividend <u>from the Company’s available profit reserves supplemented by the previous financial year’s after-tax profit</u> ~~from the part of the Company's after-tax profit, or after-tax profit supplemented with available profit reserves~~, that has been set aside by the General Meeting for distribution among the shareholders.

Reasoning:

The new accounting requirements (international reporting obligations) formulated by the Act CI of 2000 on accounting and modification of certain financial acts, "omnibus", modified not only the Act C of 2000 on accounting, but also in connection with its amendments modified the Civil Code as well and involved it among the financial acts.

According to the paragraph 3:261.§ (1) of the Civil Code: compared to previous legislation, the limited company shall pay dividend not from the taxed profit for the current year or from the taxed profit for the current year supplemented by the unified retained earnings to a shareholder, but from the unified retained earnings supplemented by the previous financial year’s after-tax profit.

The reason behind the legislative change is that in the future profit has to be displayed at the accounting reports at the date of the decision and not at the financial report (profit and loss account) of the year in connection it was approved. Therefore, the former profit loss item according to the balance sheet will be ceased, and the profit and loss account will contain the derivation of profit after tax.

The modified provisions are not applied to the financial report for the year 2015, it has to be applied first for the financial report for the year 2016. Since it is about adaptation of the existing legislation, and the financial report for the year 2016 will be prepared considering these new provisions, it is justifiable to overwrite these changes in the Articles of Association as well.

2. AMENDMENTS THAT ARE ADVISABLE FOR PRACTICAL REASONS [AOA ARTICLE 9 SECTION 4, ARTICLE 9 SECTION 13 SUBSECTION B) POINT II.), ARTICLE 10 SECTION 2, ARTICLE 12/A SECTION 3, ARTICLE 12/A SECTION 4]

2.1. [Expansion of the number of the Vice-Chairmen substituting the Chairman of the Board]

[The Board of Directors]

9.4. The Board of Directors elects a Chairman and, may elect one or more Deputy Chairmen, from among its own members, whose period of office shall be equal to the mandate of the Board of Directors. The Chairman of the Board of Directors is also the Chief Executive Officer (Chairman & CEO) of the Company.

9.13. b) The following, in particular, come under the exclusive authority of the Board of Directors:

ii.) election of one or more Deputy Chairmen of the Board of Directors;

[Chairman & CEO]

10.2. If the Chairman & CEO is incapacitated, the nominated Deputy Chairman (or designated member of the Board of Directors) may substitute for the Chairman & CEO in his capacity as Chairman, and the Deputy CEO may substitute for him in his capacity as chief executive officer, although the substitution rights shall not extend to the exercising of employer rights.

Reasoning:

The amendment proposal affects sections 9.4., 9.13. b) ii) and 10.2. of the Articles of Association. According to the effective Articles of Association the Chairman & CEO may be substituted by the Deputy CEO in his capacity as chief executive officer.

The complexity of the Company related tasks of the director has increased significantly due to the continuously recovering business activity of recent times, the complexity of the regulations of the Hungarian financial institutions and the significant number of the OTP Bank Group (out of 130 bank group members there are 8 foreign financial group as well). The aim of the proposal is to ensure the effective operation of the Board of Directors.

2.2. [Making the regulations of the Articles of Association related to the executive officers more flexible]

[Executive officers of the Company]

12/A.3. An executive officer may be elected as a senior office holder or member of the Supervisory Board in a business entity whose designated core activity is the same as the Company's core activity, if the Company has a qualified holding as defined in the Credit Institutions Act, in the business entity concerned, <u>or in case of the prior consent of the Board of Directors of the Company.</u>

12/A.4. An executive officer may not – with the exception of the acquisition of a stake in a publicly held joint stock company – acquire a shareholding in another business entity whose designated core activity is the same as the Company's core activity, <u>unless the Board of Directors of the Company gives its prior consent.</u>

Reasoning:

The new Civil Code contains the basic corporate rules which generally establish the possibility for the companies to deviate from the provisions of Civil Code as long as the Civil Code or any other legislation does not prohibit it. The aim of the deviation is to ensure the flexibility of the Company. Accordingly, it is recommended to implement, instead of the strict rules of the Articles of Association regulating conflict of interest situations relating to the members of the Board of Directors, the members of the Supervisory Board and the executive officers, restrictive regulations which allow deviation from the restriction with the consent of the Board of Directors. Such a policy can create more flexibility along with the protection of the interests of the Company.

Accordingly, it would be allowed in the future – in case the Board of Directors gave its prior consent – that

(i) an executive officer of OTP Bank to be elected as executive officer or member of the supervisory board in another business organization having the same main business activity as the main activity of OTP Bank, furthermore

an executive officer of OTP Bank acquires shares in another business organization having the same main business activity as the main activity of OTP Bank (even if the other business organization is not a public limited company).

RESOLUTION PROPOSAL No. 5/1/2016

The Annual General Meeting decides on the proposals which can be linked together based on their subject, relating to the amendment of its Articles of Association by way of separate resolutions, as follows:

(i) Firstly, the Annual General Meeting decides on the amendment of sections 9.4., 9.13. b) ii) and 10.2 of the Articles of Association by way of a separate resolution,

(ii) secondly, the Annual General Meeting decides on the amendment of sections 12/A.3. and 12/A.4. of the Articles of Association by way of a separate resolution,

(iii) thirdly, the Annual General Meeting decides on the amendment of section 13.4. of the Articles of Association by way of a separate resolution.

RESOLUTION PROPOSAL No. 5/2/2016

The Annual General Meeting approves the amendment of sections 9.4, 9.13. b) ii.), 10.2. of the Articles of Association in accordance with the proposal of the Board of Directors, as per the annex to the minutes of the Annual General Meeting.

RESOLUTION PROPOSAL No. 5/3/2016

The Annual General Meeting approves the amendment of sections 12/A.3.; 12/A.4. of the Articles of Association in accordance with the proposal of the Board of Directors, as per the annex to the minutes of the Annual General Meeting.

RESOLUTION PROPOSAL No. 5/4/2016

The Annual General Meeting approves the amendment of section 13.4. of the Articles of Association in accordance with the proposal of the Board of Directors, as per the annex to the minutes of the Annual General Meeting.

ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS

ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Dr. Sándor Csányi

Mr Mihály Baumstark

Dr Tibor Bíró

Mr Tamás György Erdei

Dr István Gresa

Mr Antal György Kovács

Dr Antal Pongrácz

Dr László Utassy

Dr József Vörös

Mr László Wolf

RESOLUTION PROPOSAL No. 6/1/2016

The Annual General Meeting appoints Dr. Sándor Csányi, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/2/2016

The Annual General Meeting appoints Mr Mihály Baumstark, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/3/2016

The Annual General Meeting appoints Dr. Tibor Bíró, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/4/2016

The Annual General Meeting appoints Mr Tamás György Erdei, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/5/2016

The Annual General Meeting appoints Dr. István Gresa, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/6/2016

The Annual General Meeting appoints Mr Antal György Kovács, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/7/2016

The Annual General Meeting appoints Dr. Antal Pongrácz, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/8/2016

The Annual General Meeting appoints Dr. László Utassy, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/9/2016

The Annual General Meeting appoints Dr. József Vörös, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

RESOLUTION PROPOSAL No. 6/10/2016

The Annual General Meeting appoints Mr László Wolf, as member of the Board of Directors of the Company until the Annual General Meeting closing the 2020 business year of the Company, but no later than 30 April 2021.

ELECTION OF THE MEMBER(S) OF THE SUPERVISORY BOARD

ELECTION OF THE MEMBER(S) OF THE SUPERVISORY BOARD

Mrs Ágnes Rudas

RESOLUTION PROPOSAL No. 7/2016

The Annual General Meeting appoints Mrs Ágnes Rudas, as member of the Supervisory Board of the Company until the Annual General Meeting closing the 2016 business year of the Company, but no later than 30 April 2017.

PROPOSAL ON THE REMUNERATION GUIDELINES OF THE OTP BANK PLC.

REMUNERATION GUIDELINES OF OTP BANK PLC.

The Bank Group's Remuneration Policy is an integral part of the corporate governance system, and must be enforced throughout the entire Bank Group. The Bank Group's Remuneration Policy, in keeping with the relevant European Union directive, is consistent with effective and successful risk management, and in accordance with its purpose, it does not encourage the assumption of risks that exceed the risk-assumption limits of the Bank and Bank Group-member subsidiaries, and furthermore it is consistent with the business strategy, objectives, values and long-term interests of the Bank and Bank Group-member subsidiaries, and it promotes the achievement of this.

1. The objective of the Remuneration Policy

The objective of the Bank Group's Remuneration Policy is to acknowledge the performance, within the risk-tolerance capacity of the Bank Group, of the management of OTP Bank and of individual managers occupying key positions, as well as of the heads of the subsidiaries of the Bank Group in contributing to results at the bank and at the group level, and to provide an incentive for performance.

2. People covered by the Remuneration Policy

The people covered by the Bank Group's Remuneration Policy is determined, in accordance with the requirements of the European Union, on the basis of qualitative criteria based on the institution's own risk profile, and quantitative criteria determined based on the level of income. To ensure fulfilment of the qualitative criteria the Bank applies a comprehensive risk-analysis procedure, in keeping with its business and risk strategy, based on which the Bank performs an annual assessment for the purpose of identifying employees with a material impact on the Bank's risk profile. The quantitative criteria are taken into account in accordance with the prevailing statutory requirements.

The following individuals fall under the effect of the Bank Group's Remuneration Policy:

- members of the Board of Directors of OTP Bank Plc.
- members of the Supervisory Board of OTP Bank Plc.

and in respect of the employees of OTP Bank Plc.

- the Bank's Chairman & CEO
- the Bank's deputy CEOs
- managers that influence the Bank Group's risk profile and profit in a material extent
- managers with responsibility for special management functions
- managers fulfilling controlling functions

furthermore, the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision – in the absence of any provision to the contrary under national legislation:

- the top managers of the subsidiaries
- in the case of certain subsidiaries, the 2nd-level (deputy) managers of the subsidiaries.
- managers of certain foreign subsidiary banks with special management and decision-making authority determined under national statutory provisions.

Decisions on the persons subject to the scope of the Bank Group's Remuneration Policy are made by the Supervisory Board of the Bank.

3. The framework for applying the Bank Group's Remuneration Policy to the subsidiaries

All basic decisions under the remuneration policy shall be made by OTP Bank Plc., while the subsidiaries shall be responsible for complying with local statutory regulations and obligations.

- In the case of **credit institutions that have their registered seat in Hungary**, the remuneration policy shall be comprehensively applied in respect of level 1 and level 2 managers.
- In the case of the **foreign subsidiary banks**, the performance-based components of compensation specified in the remuneration policy shall be applied – observing any limitations under national statutory provisions – with the proviso that in the case of subsidiaries outside of the European Union, the principle of proportionality shall be observed in the payment process for performance-based remuneration.
- In the case of **Investment Fund Management Companies and Financial Enterprises**, the remuneration policy is applied proportionally.
- In the case of the **Auxiliary enterprises** – in view of the nature of their activity – the remuneration is determined in the form of a basic salary plus a premium.

4. The ratio of basic remuneration and performance-based remuneration

The **members of the Board of Directors** and the **Supervisory Board** receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For other persons subject to the remuneration policy, the remuneration consists of basic remuneration and performance-based remuneration components. The main components of basic remuneration are the basic salary and ordinary shares issued by OTP Bank.

The ratio of basic remuneration and performance-based remuneration is determined by the Bank’s Supervisory Board, on the basis of the function, size and complexity of the organization managed. The ratio of performance-based remuneration cannot exceed 100% of the basic remuneration for each person concerned.

The current ratios of basic remuneration and performance-based remuneration are as follows:

Categories of executives falling under the effect of the remuneration policy of the OTP Bank Group	Structure of remuneration	
	ration of fixed remneration	ratio of performance based remuneration
members of the Board of Directors of OTP Bank Plc.*	100 %	
members of the Supervisory Board of OTP Bank Plc.*	100 %	
employees employed by OTP Bank Plc.		
positions affecting significantly the risk profile and the financial results	50-60 %	50-40 %
positions responsible for individual management functions	50-60 %	50-40 %
positions having control functions	60 %	40 %
executives employed by the Bank Group's subsidiaries under consolidated supervision		
1st level executives of subsidiaries	50 - 80 %	50 - 20 %
in case of selected subsidiaries 2nd level (deputy) executives and positions responsible for individual management functions	50 - 67 %	50- 33 %

* fixed amount honorarium

5. The method of performance assessment linked to performance-based remuneration

In the case of **managers employed by OTP Bank Plc.**, performance is assessed, in addition to the RORAC index[1] reflecting the Bank Group’s return on risk adjusted capital, on the basis of criteria measuring individual performance (financial indices, as well as indices measuring the quality of work).

In the case of the **managers of the Bank Group’s subsidiaries**, performance is assessed on a differential basis, in view of the nature of the companies’ respective activities.

The target value of the group-level RORAC indicator is determined by the Bank’s Supervisory Board on the basis of the prevailing annual financial budget. The Supervisory Board may modify the target value in response to statutory changes implemented after the determination thereof and/or changes in market circumstances that have a significant objective effect on the Bank’s profit and/or the achievement of the target values set.

[1]This index is calculated on the basis of the figures of Hungarian and foreign group members that were subject to consolidation throughout the entire economic year assessed.

6. Determining entitlement to performance-based remuneration

The decision regarding the maximum amount that may be spent on performance-based remuneration in respect of the assessed year, taking the Bank Group's performance into account, is made by the Supervisory Board within 45 days following the annual General Meeting closing the year in question.

Eligibility for performance-based remuneration, and the extent of the annual award are determined, proportionately with fulfilment of the corporate and individual targets,

- by the Board of Directors on the basis of a proposal by the Remuneration Committee in the case of the Chairman & CEO of OTP Bank Plc.,
- by the manager exercising employer's rights in the case of managers employed by the Bank, with the proviso that in respect of the heads of Risk Management, Internal Audit and Compliance the Remuneration Committee shall have the right of joint decision-making,
- by the body that exercises ownership rights in the case of managers of subsidiaries in the Bank Group,

with due consideration to any restrictive decision by the Supervisory Board.

7. Principles and rules concerning the payment of performance-based remuneration

7.1. Basic Principles

- When assessing the performance of the year evaluated ("T year"), the amount of performance-based remuneration is determined and broken down to the level of individuals. The amount of performance-based remuneration is determined in consideration of individual performance, as well as the ratio of basic and performance-based remuneration.
- As the main rule, the performance-based remuneration is provided in the form of a cash bonus and, based on the choice of the recipient, a discounted or free share award, with the proviso that the proportion of shares within the performance-based remuneration is at least 50%.
- At all the members of the Bank Group – in the absence of any mandatory provisions under national legislation to the contrary – the share-based portion of the variable remuneration is provided to the employees concerned by OTP Bank Plc.
- As a general rule, payment of 60% of the performance-based remuneration is deferred over a period of three years, during which period the deferred amount is determined annually in equal proportions.
- Entitlement to deferred payment shall be determined in consideration of the subsequent assessment of risks. The assessment of risks takes place, on the one hand, on the basis of criteria pertaining to prudent operations – that is, in consideration of the fulfilment of the requirements concerning an amount of capital that is in excess of the minimum guarantee capital specified in the Act, and ensuring

operations without the need to take advantage of the deposit insurance fund – and, on the other hand, it is linked to the activities of the persons concerned. On the basis of the assessment of risks related to the activities of the persons concerned, deferred amounts may be reduced or clawed back in the case of a significant breach of the internal regulations, with special respect to those concerning risk management.

- Entitlement to deferred amounts is linked to the subsequent assessment of risks and effective employment at the time of paying out the deferred amount. Any valid deviations from the above may only be authorised in respect of managing directors (CEO, deputy CEOs) by the Supervisory Board of OTP Bank Plc. In the case of exceptional performance, deviations may be permitted in respect of bank employees in management positions and heads of the subsidiaries, on the basis of a decision made by the Chairman & CEO of OTP Bank Plc.

7.2 Settlement rules

- Settlement of the due instalments of performance-based remuneration takes place by 30 June in the year following the assessed period, at the latest.
- The number of shares that may be used for the settlement of performance-based remuneration taking the form of shares, broken down to individuals, must be determined as the quotient of the amount of performance-based remuneration taking the form of shares, and the share price determined by the Supervisory Board.
- The share price to be taken into account when determining the number of shares is set by the Supervisory Board on the basis of the average daily quoted price of the ordinary shares issued by OTP Bank, as registered by the Budapest Stock Exchange, on the three business days preceding the date of the Supervisory Board's decision made within the 10 days preceding settlement of the performance-based remuneration.
- Concurrently with this, the specific terms and conditions of the discounted share award are also determined, with the proviso that the share allowance granted at a discounted price may contain a maximum discount of HUF 2,000 at the time of performance assessment, and the profit content per share may amount to a maximum of HUF 4,000 at the time of vesting the share award.
- If the Bank's Board of Directors decides on the establishment of an ESOP entity for the purpose of managing the shares obtainable under the remuneration policy, and all the conditions for the operation of such entity are in place, then OTP Bank Plc., as founder, may hand over the shares or discounted share options, due to the beneficiary as performance-based remuneration, to the ESOP entity for the purpose of their management, upon which the beneficiary will obtain a member's share in the ESOP entity. The membership share in the ESOP entity is not fungible, may not be encumbered or pledged as collateral, and shall only guarantee actual settlement of the share award subject to the fulfilment of the conditions prescribed in the remuneration policy (result of performance assessment, retrospective assessment of risks). Membership shares that do not meet the conditions shall revert to OTP Bank Plc.

- The Supervisory Board is entitled to set the detailed conditions of performance-based remuneration awards based on shares granted through an ESOP entity – within the constraints of the Remuneration Guidelines – with the additional stipulation that participation of the beneficiaries in the ESOP entity, and thus the settlement of the share-based part of the performance-based remuneration through the ESOP entity, may only take place on the basis of the beneficiaries' voluntary decision.

The Supervisory Board of OTP Bank Plc., with the exception of matters placed under the authority of the General Meeting by law – is authorised to amend the Bank Group's Remuneration Policy.

RESOLUTION PROPOSAL No. 8/2016

The Annual General Meeting approves the Remuneration Guidelines of OTP Bank Plc in accordance with the annex to the minutes of the General Meeting and concurrently authorizes the Supervisory Board of the Company to develop, in line with the Remuneration Guidelines, the detailed rules of the Bank Group's remuneration policy.

The Annual General Meeting approves the application of the principles and rules of the Bank Group's remuneration policy approved by the present General Meeting in respect of the performance based remuneration of year 2015, and in respect of the persons affected by the policy.

Determination of the remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee

DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND AUDIT COMMITTEE

The remuneration of the members of OTP Bank's **Board of Directors**, **Supervisory Board** and the **Audit Committee** is **determined by the General Meeting**.

The present remuneration of members of the governing bodies was determined by the General Meeting in its resolution 7/2015. The honorarium of the members of the Board of Directors consists of a fixed remuneration settled monthly in Hungarian forint, and ordinary shares of OTP Bank Plc., the monthly honorarium of the members of Supervisory Board consists of a fixed-amount remuneration settled in Hungarian forint according to the General Meeting resolution number 8/2013, the members of Audit Committee do not receive any remuneration.

Fundamental component within the remuneration of the members of the Board of Directors is the share-based compensation, which ensures that the members have a long-term interest in implementing OTP Bank's strategic interest, increasing the share price and harmonising the interests of the governing body and the shareholders.

The **Supervisory Board is responsible for the determination of the remuneration policy**, in the context of which it must review the remuneration policy at least once a year. These reviews must assess the operation of the entire remuneration system to ensure that it is functioning in accordance with its intended purpose *(i.e. whether it reflects the risk profile and long-term goals and plans of the institution)* and that it complies with national and international regulations, principles and standards.

Based on the above, we propose to maintain **the honorarium of the members of the Board of Directors** as **fixed, Hungarian forint denominated monthly remuneration and ordinary shares** of OTP Bank Plc. as follows:

- the share allowances are **settled once a year**, and
- 50% of the shares are subject to an extended **holding obligation** (prohibition on sale) up **to the end of the beneficiaries' mandates**.

Considering the increase in the value of honorarium provided in the form of ordinary shares, it is advised to **keep the amount of the monthly honorarium of the Board of Directors' members intact.**

Considering the **honorarium of the member of the Supervisory Board** the current regime based on fixed monthly remuneration is proposed to be maintained, however, with regard to the increased amount of duties, as well as taking into account the proposed raise in the Board of Directors' remuneration, **it is proposed to increase the amount of honorarium**.

In the case of the **Audit Committee** – given the fact that its members are also members of the Supervisory Board – no **remuneration is proposed.**

Based on the above the Remuneration Committee proposes the following remuneration figures:

Proposed remuneration of the Board of Directors:

	Proposed honorarium	
	Monthly, gross (HUF)	**Monthly share allowance*** (no. of shares)
Chairman of the Board of Directors	810,000	1,000
Deputy Chairman of Board of Directors	785,000	900
Members of the Board of Directors	695,000	800

* The share allowance is settled once a year, and 50% of the shares are subject to an extended holding obligation (prohibition on sales) up to the end of the end of the beneficiaries' mandates.

Proposed remuneration of the Supervisory Board:

	Proposed honorarium
	Monthly, gross (HUF)
Chairman of the Supervisory Board	2,000,000
Deputy Chairman of the Supervisory Board	1,600,000
Members of the Supervisory Board	1,400,000

RESOLUTION PROPOSAL No. 9/2016

The Annual General Meeting sets out the monthly remuneration of the members of the Board of Directors and the members of the Supervisory Board starting from 15th of April 2016 as follows:

Chairman of the Board of Directors	HUF 810,000 and 1,000 ordinary shares of OTP Bank Plc per month,
Deputy Chairman of the Board of Directors	HUF 785,000 and 900 ordinary shares of OTP Bank Plc per month,
Members of the Board of Directors	HUF 695,000 and 800 ordinary shares of OTP Bank Plc per month

The share allowance is settled once a year, and in respect of 50% of the shares are subject to an extended holding obligation (prohibition on sales) up to the end of the beneficiaries' mandates.

Chairman of the Supervisory Board	HUF 2,000,000
Deputy Chairman of the Supervisory Board	HUF 1,600,000
Members of the Supervisory Board	HUF 1,400,000

The members of the Audit Committee are not to receive any remuneration.

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ACQUIRE THE COMPANY'S OWN SHARES

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ACQUIRE THE COMPANY'S OWN SHARES

Pursuant to both the Civil Code and section 8.33, subsection 13 of the Company's Articles of Association, the General Meeting has the power to authorise the Board of Directors to acquire treasury shares.

The General Meeting of 2015, in its resolution No. 8/2015, authorised the Board of Directors to acquire treasury shares. This authorisation expires on 17 October 2016; however, the authorisation may be reissued.

This authorisation is provided by the resolution constituting the subject matter of this proposal. The authorisation, in accordance with the statutory requirements, is subject to limitations of time and extent, which are specified in the resolution. Pursuant to the provisions of the new Civil Code, the authorisation of the Board of Directors is valid for 18 months, and the number of treasury shares acquirable by the Company may not exceed an extent equivalent to 25 per cent of the share capital. That means that the total amount of the treasury shares may not exceed the extent of 25 per cent at any moment. The authorization sets out the minimum and maximum value of the consideration of the transactions to be concluded under the authorization, in accordance with Paragraph 3:223 of the Civil Code.

The purpose of the authorisation is for the Board of Directors to acquire treasury shares in the interests of

(i) supplying the shares necessary for the management incentives system that is in place at the Company,
(ii) creating an opportunity for rapid intervention in the event of share price fluctuation,
(iii) developing and maintaining the Company's services provided to its customers, and
(iv) implementing transactions related to the optimisation of the Company's capital.

The authorisation of the General Meeting is necessary, but not in itself sufficient, prerequisite for the execution of treasury-share purchases. This is because under EU rules relating to the purchase of treasury shares[54] every treasury-share purchase transaction needs to be authorised by the National Bank of Hungary (MNB), either for each purchase individually or – if this is legally possible – based on a limit-type authorisation. The Company carries out each treasury share purchase under the required permission of MNB.

Based on the authorisation granted by the General Meeting and on the permission of the MNB, the share transactions may be concluded on the regulated market (the stock exchange), or outside of such market (OTC-transaction). To prevent the simultaneous existence of two authorisations, the authorisation set forth in General Meeting resolution no. 8/2015 shall lose its effect upon the passing of the proposed resolution. The Company publishes data relating to treasury shares and to the transactions that involve such shares in accordance with the effective statutory provisions.

[54] Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR), and Commission Delegated Regulation (EU) No 241/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions

RESOLUTION PROPOSAL No. 10/2016

The Annual General Meeting hereby authorizes the Board of Directors to acquire own shares for the purpose of supplying the shares necessary for the management incentives system that is in operation at OTP Bank Plc., creating the opportunity for rapid intervention in the event of share price fluctuations, developing and maintaining the services provided to customers, and executing transactions related to optimization of the Company's capital.

The Board of Directors is authorized to acquire a maximum of as many ordinary shares with a nominal value of HUF 100 that is one hundred forints, as ensures that the portfolio of own shares, in respect of the measure stipulated in the frame-permissions of the Magyar Nemzeti Bank, does not exceed 70,000,000 shares at any moment in time.

Should the acquisition of shares take place in a reciprocal transaction, then the consideration applied in such transaction may be a minimum of the share's nominal value, and a maximum of 150% of the highest price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction, or, in the case of a stock-exchange transaction, 120% of the closing price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction. The Board of Directors may exercise its rights set forth in this mandate until 15 October 2017. The mandate set forth in Annual General Meeting resolution 8/2015 shall lose its effect upon the passing of this resolution.