OTP BANK PLC.

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

FOR THE YEAR ENDED
31 DECEMBER 2015

CONTENTS

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements (page 4 to 89) of OTP Bank Plc for the year 2015, which financial statements comprise the separate statement of financial position as at December 31, 2015 and the related separate statement of recognized income, separate statement of comprehensive income, separate statement of changes in equity and separate 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 Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate 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 and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Matters

In the note 2.3 of the separate financial statements which states that the consolidated financial statements of OTP Bank Plc. prepared in accordance with International Financial Reporting Standards have been published separately. The consolidated financial statements of OTP Bank Plc. as of and for the year ended December 31, 2015 were audited by us and our report dated March 18, 2016 expressed an unqualified opinion.

Budapest, March 18, 2016

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Nagyváradiné Szépfalvi Zsuzsanna

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
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OTP BANK PLC.
SEPARATE 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 Bank of Hungary	*4.*	1,326,197	1,897,778
Placements with other banks, net of allowance for placement losses	*5.*	647,724	712,112
Financial assets at fair value through profit or loss	*6.*	252,140	351,753
Securities available-for-sale	*7.*	1,462,660	1,215,907
Loans, net of allowance for loan losses	*8.*	1,679,184	1,908,631
Investments in subsidiaries, associates and other investments	*9.*	657,531	604,209
Securities held-to-maturity	*10.*	824,801	662,947
Property and equipment	*11.*	63,440	68,114
Intangible assets	*11.*	32,438	36,091
Other assets	*12.*	150,261	97,930
TOTAL ASSETS		**7,096,376**	**7,555,472**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	*13.*	829,122	1,142,491
Deposits from customers	*14.*	4,323,239	4,235,256
Liabilities from issued securities	*15.*	150,231	162,667
Financial liabilities at fair value through profit or loss	*16.*	144,592	375,363
Other liabilities	*17.*	300,027	253,952
Subordinated bonds and loans	*18.*	266,063	294,612
TOTAL LIABILITIES		**6,013,274**	**6,464,341**
Share capital	*19.*	28,000	28,000
Retained earnings and reserves	*20.*	1,064,255	1,070,204
Treasury shares	*21.*	(9,153)	(7,073)
TOTAL SHAREHOLDERS' EQUITY		**1,083,102**	**1,091,131**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**7,096,376**	**7,555,472**

Budapest, 18 March 2016

OTP BANK Nyrt.

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Dr. Sándor Csányi
Chairman and Chief Executive Officer

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

	Note	2015	2014
Interest Income:			
Loans		129,575	162,533
Placements with other banks, net of allowance for placement losses		151,938	128,444
Securities available-for-sale		50,655	72,056
Securities held-to-maturity		39,973	36,518
Amounts due from banks and balances with National Bank of Hungary		26,574	15,556
Rental income for operation of investment properties		60	-
Total Interest Income		**398,775**	**415,107**
Interest Expense:			
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		152,613	127,809
Deposits from customers		29,744	52,544
Liabilities from issued securities		2,091	4,206
Subordinated bonds and loans		16,686	16,825
Expenses from operation of investment properties		35	-
Total Interest Expense		**201,169**	**201,384**
NET INTEREST INCOME		**197,606**	**213,723**
Provision for impairment on loan and placement losses	*5.,8.,22.*	39,548	23,213
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**158,058**	**190,510**
Income from fees and commissions	*23.*	186,030	169,041
Expenses from fees and commissions	*23.*	24,304	22,495
Net profit from fees and commissions		**161,726**	**146,546**
Foreign exchange gains		15,158	20,581
Gains on securities, net		24,461	8,752
Dividend income	*9.*	58,597	42,795
Other operating income	*24.*	8,713	3,294
Net other operating expenses	*24.*	(131,179)	(285,883)
-from this: provision for impairment on investments in subsidiaries	*9.*	*(47,470)*	*(226,730)*
-from this: release of provision / (provision) on contingent liabilities due to regulations related to customer loans	*2.26, 24.*	*42,529*	*(43,795)*
Net operating expense		**(24,250)**	**(210,461)**
Personnel expenses	*24.*	86,769	87,458
Depreciation and amortization	*24.*	21,320	22,177
Other administrative expenses	*24.*	141,091	134,793
Other administrative expenses		**249,180**	**244,428**
PROFIT / (LOSS) BEFORE INCOME TAX		**46,354**	**(117,833)**
Income tax benefit	*25.*	(3,291)	(43,364)
NET PROFIT / (LOSS) FOR THE YEAR		**49,645**	**(74,469)**
Earnings per share (in HUF)			
Basic	*35.*	182	(268)
Diluted	*35.*	181	(267)

The accompanying notes to separate financial statements on pages 10 to 89 form an integral part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015 (in HUF mn)

	Note	2015	2014
NET PROFIT / (LOSS) FOR THE YEAR		**49,645**	**(74,469)**
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities available-for-sale		(9,970)	15,775
Deferred tax related to securities available-for-sale	*25.*	1,894	(2,998)
Total		**(8,076)**	**12,777**
NET COMPREHENSIVE INCOME		**41,569**	**(61,692)**

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

	Note	2015	2014
OPERATING ACTIVITIES			
Profit / (loss) before income tax		46,354	(117,833)
Depreciation and amortization		21,355	22,177
Provision for impairment on loan and placement losses	*5.,8.,22*	39,548	23,213
Provision for impairment on investments in subsidiaries	*9.*	47,470	226,730
Provision for impairment on other assets	*12.*	2,141	2,763
(Release of provision) / provision on off-balance sheet commitments and contingent liabilities	*17.*	(4,185)	42,683
Share-based payment	*28.*	3,810	4,393
Unrealised losses on fair value adjustment of securities available-for-sale and held for trading		(12,096)	(2,903)
Unrealised (losses) / gains on fair value adjustment of derivative financial instruments		(13,701)	5,401
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		4,452	219,463
Changes in financial liabilities at fair value through profit or loss		(32,611)	(1,990)
Net decrease in loans, net of allowance for loan losses		100,464	205,341
Increase in other assets, excluding advances for investments and before provisions for losses		(43,682)	(14,009)
Net increase in deposits from customers		88,089	557,789
Increase / (decrease) in other liabilities		56,111	(17,335)
Net decrease / (increase) in the compulsory reserve established by the National Bank of Hungary		47,712	(57,365)
Dividend income		(58,597)	(42,795)
Income tax paid		(3,823)	(2,864)
Net cash provided by operating activities		**288,811**	**1,052,859**
Interest received		390,187	420,581
Interest paid		(199,393)	(204,448)
INVESTING ACTIVITIES			
Net decrease / (increase) in placements with other banks before allowance for placement losses		64,385	(79,217)
Purchase securities available-for-sale		(652,482)	(14,729,107)
Proceeds from sale of securities available-for-sale		404,592	15,525,643
Increase in investments in subsidiaries		(100,792)	(161,617)
Decrease in investments in subsidiaries		-	-
Dividend income		58,597	42,795
Increase in securities held-to-maturity		(229,114)	(154,743)
Decrease in securities held-to-maturity		70,395	20,663
Additions to property, equipment and intangible assets		(37,510)	(18,426)
Disposal to property, equipment and intangible assets		17,306	7,185
Net decrease / (increase) in advances for investments included in other assets		3	(36)
Net cash (used in) / provided by investing activities		**(404,620)**	**453,140**

31 DECEMBER 2015 (in HUF mn) [continued]

	Note	2015	2014
FINANCING ACTIVITIES			
Net (decrease) / increase in amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		(313,369)	239,747
Cash received from issuance of securities		51,389	56,165
Cash used for redemption of issued securities		(63,473)	(69,387)
(Decrease) / increase in subordinated bonds and loans		(28,549)	16,371
Payments to ICES holders	*20.*	(4,133)	(4,159)
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) / provided by financing activities		**(408,060)**	**193,893**
Net (decrease) / increase in cash and cash equivalents		**(523,869)**	**1,699,892**
Cash and cash equivalents at the beginning of the year		**1,762,727**	**62,835**
Cash and cash equivalents at the end of the year		**1,238,858**	**1,762,727**

Analysis of cash and cash equivalents:

	Note	2015	2014
Cash, amounts due from banks and balances with the National Bank of Hungary		1,897,778	140,521
Compulsory reserve established by the National Bank of Hungary		(135,051)	(77,686)
Cash and cash equivalents at the beginning of the year		**1,762,727**	**62,835**
Cash, amounts due from banks and balances with the National Bank of Hungary	*4.*	1,326,197	1,897,778
Compulsory reserve established by the National Bank of Hungary	*4.*	(87,339)	(135,051)
Cash and cash equivalents at the end of the year		**1,238,858**	**1,762,727**

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

	Note	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Option reserve[1]	Treasury Shares	Total
Balance as at 1 January 2014		**28,000**	**52**	**16,504**	**1,214,503**	**(55,468)**	**(6,731)**	**1,196,860**
Net loss for the year		-	-	-	(74,469)	-	-	(74,469)
Other comprehensive income		-	-	-	12,777	-	-	12,777
Share-based payment	*28.*	-	-	4,393	-	-	-	4,393
Payments to ICES holders	*20.*	-	-	-	(3,580)	-	-	(3,580)
Sale of treasury shares	*21.*	-	-	-	-	-	27,180	27,180
Loss on sale of treasury shares		-	-	-	(3,908)	-	-	(3,908)
Acquisition of treasury shares	*21.*	-	-	-	-	-	(27,522)	(27,522)
Dividend for the year 2013		-	-	-	(40,600)	-	-	(40,600)
Balance as at 31 December 2014		**28,000**	**52**	**20,897**	**1,104,723**	**(55,468)**	**(7,073)**	**1,091,131**
Net profit for the year		-	-	-	49,645	-	-	49,645
Other comprehensive income		-	-	-	(8,076)	-	-	(8,076)
Share-based payment	*28.*	-	-	3,810	-	-	-	3,810
Payments to ICES holders	*20.*	-	-	-	(3,356)	-	-	(3,356)
Sale of treasury shares	*21.*	-	-	-	-	-	24,641	24,641
Loss on sale of treasury shares		-	-	-	(7,372)	-	-	(7,372)
Acquisition of treasury shares	*21.*	-	-	-	-	-	(26,721)	(26,721)
Dividend for the year 2014		-	-	-	(40,600)	-	-	(40,600)
Balance as at 31 December 2015		**28,000**	**52**	**24,707**	**1,094,964**	**(55,468)**	**(9,153)**	**1,083,102**

[1] See Note 17.

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

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

Number of the employees of the Bank:

	2015	2014
Number of employees	7,911	8,016
Average number of employees	7,940	8,004

1.2. Accounting

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

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

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

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

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 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 has not led to any changes in the Entity's accounting policies.

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

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

- Amendments to 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).

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

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

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

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the separate financial statements except of the application of IFRS 9 and IFRS 16 which might have significant impact on the Bank separate financial statements, the Bank is planning to analyse the impact in 2016.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

These separate financial statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded at fair value. Revenues and expenses are recorded in the period in which they are earned or incurred.
The presentation of separate financial statements in conformity with IFRS requires the Management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future separate financial statements.

2.2. Foreign currency translation

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

2.3. Consolidated financial statements

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

2.4. Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries comprise those investments where OTP Bank, through direct and indirect ownership interest, controls the investee. Control is achieved when the Bank has power over the investee, is exposed or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.
Investments in subsidiaries are recorded at the cost of acquisition, less impairment for permanent diminution in value, when appropriate. After initial measurement investments in subsidiaries are measured at cost, in the case of foreign currency denominated investments for the measurement the Bank uses the exchange rate at the date of transaction.
Associated companies and joint ventures where the Bank has the ability to exercise significant influence are accounted for using the equity method.
Impairment is determined based on the future economic benefits of the subsidiary and macroeconomic factors.
OTP Bank calculates the fair value based on discounted cash-flow model. The 5 year period explicit cash-flow model serves as a basis for the impairment test by which the Bank defines the impairment need on investment in subsidiaries based on the strategic factors and financial data of its cash-generating units.
OTP Bank in its strategic plan has taken into consideration the cautious recovery of global economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities held-to-maturity

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

2.6. Financial assets at fair value through profit or loss

2.6.1 Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognized in profit or loss and are included in the separate statement of recognized income for the period. The Bank mainly holds these securities to obtain short-term gains consequently realised and unrealised gains and losses are recognized in the net operating income. During 2015 the Bank has switched over to FIFO[1] inventory valuation method from the weighted average method applied for securities held for trading, which had no significant impact on the separate financial statements. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds, shares in non-financial commercial companies, shares in investment funds, shares in venture capital funds and shares in financial institutions.

2.6.2. Derivative financial instruments

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

Derivative financial instruments are accounted for on a trade date basis and are initially measured at fair value and at subsequent reporting dates also at fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and option pricing models as appropriate. OTP Bank adopts multi curve valuation approach for calculating the net present value of future cash-flows – based on different curves used for determining forward rates and used for discounting purposes. It shows the best estimation of such derivative deals that are collateralised as OTP Bank has almost its entire open derivative transactions collateralised. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss and are included in the separate statement of recognized income for the period. Each derivative deal is determined as asset when fair value is positive and as liability when fair value is negative.

Certain derivative transactions, while providing effective economic hedges under risk management positions of the Bank, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the separate statement of recognized income.

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of spot contracts does not represent the actual market or credit risk associated with these contracts. Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts were used to hedge the exchange rate fluctuations of loans and deposits denominated in foreign currency.

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6.2. Derivative financial instruments [continued]

Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap (IRS) 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 obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount (the base of the interest calculation). Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.
Such notional principal amounts are often used to express the volume of these transactions but are not actually exchanged between the counterparties. The Bank's interest rate swap contracts can be hedging or held for trading contracts.

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 indices. A specific notional principal amount is the base of the interest calculation. The payment of index return is calculated on the basis of current market price compared to the previous market price. In case of commodity swaps payments are calculated on the basis of the strike price of a predefined commodity compared to its average market price in a period.

Forward rate agreements (FRA)

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.
The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counter-parties. The Bank's forward rate agreements were transacted for management of interest rate exposures.

Foreign exchange options

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

2.8. Offsetting

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

2.9. Embedded derivatives

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

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

2.10. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Available-for-sale securities are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognized in other comprehensive income, except for interest and foreign exchange gains/losses on monetary items, unless such available-for-sale security is part of an effective hedge. Such gains and losses will be reported when realised in profit or loss for the applicable period. During 2015 the Bank has switched over to FIFO[1] inventory valuation method from the weighted average method applied for securities held for trading, which had no significant impact on the separate financial statements.
Securities available-for-sale consists of Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds and venture capital funds, corporate bonds and foreign securities.

The provision for impairment is calculated based on discounted cash-flow methodology for debt instruments and calculated based on fair value on equity instruments, using the expected future cash-flow and original effective interest rate if there is objective evidence of impairment based on significant or prolonged decrease on fair value. Available-for-sale securities are remeasured at fair value based on quoted prices or values derived from cash-flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value of the future cash-flows and the fair value of any unquoted equity instruments are calculated using the EPS ratio.

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

[1] First In First Out

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

Loans and placements with other banks are accounted at amortised cost, stated at the principal amounts outstanding including accrued interest, net of allowance for loan or placement losses, respectively. Transaction fees and charges should adjust the carrying amount at initial recognition and be included in effective interest calculation. Loans and placements with other banks are derecognised when the contractual rights to the cash-flows expire or they are transferred. Interest and amortised cost are accounted using effective interest rate method. When a borrower is unable to meet payments as they fall due or, in the opinion of the Management, there is an indication that a borrower may be unable to meet payments as they fall due, all unpaid interest becomes impaired.
According to IAS 39, initially financial assets shall be recognized at fair value which is usually equal to transaction value of loans and receivables. Initial fair value of loans and receivables lent at interest below market conditions is lower than their transaction price. As a consequence the Bank is deferring the difference between the fair value at initial recognition and the transaction price relating to loans and receivables because input data for measuring the fair values is not available on observable markets.
The amount of allowance is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash-flows, including amounts recoverable from guarantees and collaterals, discounted at the original effective interest rate.
Allowance for losses on loans and placements with other banks represent management assessment for potential losses in relation to these activities.
The allowances for loan and placement losses are maintained to cover losses that have been specifically identified. Collective impairment losses of portfolios of loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date. The expected cash-flows for portfolios of similar assets are estimated based on historical loss experience. Historical loss experience is the basis for calculating the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio at the balance sheet date.
If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Provisions for impairment on loan and placement losses" in the statement of recognized income.

OTP Bank applies partial or full write-off for loans based on the definitions and prescriptions of financial instruments in accordance with IAS 39. If OTP Bank has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially or fully at the time of emergence. A loan will be written off if it has overdued or was terminated by the Bank.
The gross amount and impairment loss of the loans shall be written off in the same amount to the estimated maximum recovery amount while the net carrying value remains unchanged. In these cases there is no reasonable expectation from the clients to complete contractual cash-flows therefore OTP Bank does not accrue interest income in case of partial write-off.
Loan receivables legally demanded from clients are equal to the former gross amount of the loan before the partial write-off.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Sale and repurchase agreements, security lending

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

2.13. Property, equipment and intangible assets

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

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

Depreciation and amortization on properties, equipment and intangible assets starts on the day when such assets are placed into service. At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss.

If such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Where the carrying value of property, equipment, other tangible fixed assets and intangible assets is greater than the estimated recoverable amount, it is impaired immediately to the estimated recoverable amount.

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

2.14. Financial liabilities

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.15. Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the separate statement of recognized income over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.
Payments made under operating leases are charged to the separate statement of recognized income on a straight-line basis over the life of the lease terms. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

2.16. Treasury shares

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

2.17. Interest income and interest expense

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

2.18. Fees and Commissions

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

2.19. Dividend income

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

2.20. Income tax

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.21. Off-balance sheet commitments and contingent liabilities

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

2.22. Share-based payment and employee benefit

The Bank has applied the requirements of IFRS 2 Share-based Payment.
The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Bank has applied the requirement of IAS 19 Employee Benefits. IAS 19 requires to recognise employee benefits to be paid as a liability and as an expense in financial statements.

2.23. Separate statement of cash-flows

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

2.24. Segment reporting

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

2.25. Comparative figures

There were no changes in prior period data due to either prior period error or change in accounting policies. In some notes certain amounts in the separate financial statements for the year ended 31 December 2015 have been restructured within the particular note to conform to the current year presentation but these amounts are not significant.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.26. Government measures related to customer loan contracts

Based on the Act XXXVIII of 2014 on "Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to 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") OTP Bank has met its settlement obligations as prescribed by law related to foreign currency loans.

a) Act on Settlement

Based on these regulations expense in the amount of HUF 40 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. In relation to the settled customer loans sold to debt management company, further provision in the amount of HUF 1,598 million was recognised on subsequent purchase price compensation payable for the debt management company. The purchase price compensation is expected to be settled during the first half of 2016.

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" OTP Bank 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 HUF/CHF and 309.20 HUF/EUR, respectively).
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.
OTP Bank completed the conversion of foreign currency customer loans, and the relating subsidy was settled with the clients which has no significant effect to the OTP Bank's profitability.

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

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

3.1. Impairment on loans and placements

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

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

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

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

	2015	2014
Cash on hand:		
In HUF	76,320	65,059
In foreign currency	6,483	5,579
	82,803	**70,638**
Amounts due from banks and balances with National Bank of Hungary:		
Within one year:		
In HUF	1,200,884	1,795,868
In foreign currency	40,818	30,640
	1,241,702	**1,826,508**
Accrued interest	1,692	632
Total	**1,326,197**	**1,897,778**
Compulsory reserve	87,339	135,051
Rate of the compulsory reserve	2%	3%

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

	2015	2014
Within one year:		
In HUF	426,484	294,712
In foreign currency	166,623	302,186
	593,107	**596,898**
Over one year		
In HUF	40,592	5,000
In foreign currency	12,736	108,586
	53,328	**113,586**
Total placements	**646,435**	**710,484**
Accrued interest	1,318	1,654
Provision for impairment on placement losses	(29)	(26)
Total	**647,724**	**712,112**

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

	2015	2014
Balance as at 1 January	**26**	**22**
Provision for the year	3	4
Balance as at 31 December	**29**	**26**

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

Interest conditions of placements with other banks (%):

	2015	2014
Placements with other banks in HUF	2.35%-5.85%	3%-6.6%
Placements with other banks in foreign currency	0.02%-10%	0.58%-13%
Average interest of placements with other banks	1.43%	2.19%

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

	2015	2014
Securities held for trading:		
Shares	71,779	58,559
Government bonds	12,613	13,777
Hungarian government interest bearing Treasury Bills	7,768	4,175
Hungarian government discounted Treasury Bills	366	288
Mortgage bonds	94	71
Securities issued by credit institutions	-	67
Other securities	510	216
Subtotal	**93,130**	**77,153**
Accrued interest	433	434
Total	**93,563**	**77,587**
Derivative financial instruments:		
CCIRS and mark-to-market CCIRS[1]	102,125	152,540
Interest rate swaps	33,869	43,538
Foreign currency swaps	14,352	60,833
Other derivative transactions[2]	8,231	17,255
Subtotal	**158,577**	**274,166**
Total	**252,140**	**351,753**

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

	2015	2014
Within five years:		
variable interest	2,194	1,125
fixed interest	15,188	13,878
	17,382	**15,003**
Over five years:		
variable interest	5	6
fixed interest	3,614	3,566
	3,619	**3,572**
Non-interest bearing securities	72,129	58,578
Total	**93,130**	**77,153**

[1] CCIRS: Cross Currency Interest Rate Swap (See Note 2.6.2)
[2] incl.: FX, equity, commodity and index futures; FX forward; commodity and equity swap; FRA; FX option (See Note 2.6.2)

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

	2015	2014
Securities held for trading denominated in HUF	99.49%	97.65%
Securities held for trading denominated in foreign currency	0.51%	2.35%
Securities held for trading total	**100%**	**100%**
Government bonds denominated in HUF	99.35%	90%
Government bonds denominated in foreign currency	0.65%	10%
Government securities total	**100%**	**100%**
Interest rates on securities held for trading	0.8%-10%	1.74%-10%
Average interest on securities held for trading	2.42%	2.48%

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

	2015	2014
Government bonds	755,627	375,040
Mortgage bonds	597,226	741,567
Other securities	81,238	64,593
- *listed securities*	*10,326*	*31,535*
in HUF	-	-
in foreign currency	*10,326*	*31,535*
- *non-listed securities*	*70,912*	*33,058*
in HUF	*58,800*	*27,397*
in foreign currency	*12,112*	*5,661*
Subtotal	**1,434,091**	**1,181,200**
Accrued interest	28,569	34,707
Securities available-for-sale total	**1,462,660**	**1,215,907**

	2015	2014
Securities available-for-sale denominated in HUF	70%	67%
Securities available-for-sale denominated in foreign currency	30%	33%
Securities available-for-sale total	**100%**	**100%**
Interest rates on securities available-for-sale denominated in HUF	2.5%-11%	3.5%-11%
Interest rates on securities available-for-sale denominated in foreign currency	0.58%-6.25%	1.99%-5.88%
Average interest on securities available-for-sale	4.54%	4.67%

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

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

	2015	2014
Within five years:		
variable interest	324,400	320,729
fixed interest	838,523	571,816
	1,162,923	**892,545**
Over five years:		
variable interest	40,624	4,587
fixed interest	201,128	251,803
	241,752	**256,390**
Non-interest bearing securities	29,416	32,265
Total	**1,434,091**	**1,181,200**

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

	2015	2014
Net gain reclassified from equity to statement of recognized income	9,818	2,995
Fair value of the hedged securities:		
Mortgage bonds	317,230	-
Government bonds	665,228	261,608
Corporate bonds	3,256	24,736
	985,714	**286,344**

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

	2015	2014
Short-term loans and promissory notes (within one year)	1,019,240	1,014,363
Long-term loans and promissory notes (over one year)	754,722	972,626
Loans gross total	**1,773,962**	**1,986,989**
Accrued interest	4,885	7,039
Provision for impairment on loan losses	(99,663)	(85,397)
Total	**1,679,184**	**1,908,631**

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

	2015	2014
In HUF	51%	43%
In foreign currency	49%	57%
Total	**100%**	**100%**

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

	2015	2014
Loans denominated in HUF, with a maturity within one year	4.9%-35%	5.6%-28.8%
Loans denominated in HUF, with a maturity over one year	1.4%-18.5%	2.1%-18.5%
Loans denominated in foreign currency	1.2%-10.2%	1.8%-14%
Average interest on loans denominated in HUF	11.24%	11.72%
Average interest on loans denominated in foreign currency	2.64%	3.91%

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

	2015	2014
Gross loan portfolio on which interest to customers is not being accrued	12.7%	11.3%

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

	2015		2014	
Retail loans	**476,664**	**27%**	**518,058**	**26%**
Retail consumer loans	266,643	15%	291,497	15%
Retail mortgage backed loans[1]	77,960	4%	112,358	5%
Micro and small enterprises loans	132,061	8%	114,203	6%
Corporate loans	**1,297,298**	**73%**	**1,468,931**	**74%**
Loans to medium and large corporates	1,277,292	72%	1,420,631	71%
Municipality loans	20,006	1%	28,471	2%
Loans to the State	-	-	19,829	1%
Total	**1,773,962**	**100%**	**1,986,989**	**100%**

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

	2015	2014
Balance as at 1 January	**85,397**	**150,513**
Provision for the year	69,926	52,096
Release of provision	(52,185)	(54,793)
Partial write-off[2]	(3,475)	(62,419)
Balance as at 31 December	**99,663**	**85,397**

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

	2015	2014
Provision for impairment on placement losses	3	4
Provision for impairment on loan losses	39,545	23,209
Total	**39,548**	**23,213**

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

NOTE 9: INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS (in HUF mn)

	2015	2014
Investments in subsidiaries:		
Controlling interest	1,245,801	1,147,839
Other investments	3,511	681
Subtotal	**1,249,312**	**1,148,520**
Provision for impairment	(591,781)	(544,311)
Total	**657,531**	**604,209**

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

[1] incl. housing loans
[2] See Note 2.11.

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

Significant subsidiaries

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

	2015 % Held (direct)	2015 Gross book value	2014 % Held (direct)	2014 Gross book value
OTP Bank JSC (Ukraine)	100%	311,390	100%	279,469
OTP Mortgage Bank Ltd.	100%	144,294	100%	126,839
OTP Bank Romania S.A. (Romania)	100%	94,085	100%	61,081
OTP banka Srbija a.d. (Serbia)	97.92%	91,159	97.90%	91,153
DSK Bank EAD (Bulgaria)	100%	86,832	100%	86,832
JSC "OTP Bank" (Russia)	97.87%	74,321	97.86%	74,318
OTP banka Hrvatska d.d. (Croatia)	100%	72,940	100%	72,940
Crnogorska komercijalna banka a.d. (Montenegro)	100%	58,484	100%	58,484
OTP Factoring Ltd.	100%	53,032	100%	60,192
LLC Alliance Reserve (Russia)	100%	50,074	100%	50,074
OTP Holding Malta Ltd. (Malta)	100%	32,359	100%	32,359
Balansz Real Estate Institute Fund	100%	29,150	100%	18,520
Merkantil Bank Ltd.	100%	23,241	100%	18,426
Inga Kettő Ltd.	100%	17,892	100%	17,892
OTP Banka Slovensko a.s. (Slovakia)	99.26%	17,125	99.26%	16,706
Bank Center No. 1. Ltd.	100%	16,063	100%	16,063
OTP Life Annuity Ltd.	100%	15,300	100%	15,300
OTP Real Estate Ltd.	100%	10,023	100%	9,520
Air-Invest Ltd.	100%	9,698	100%	9,698
Monicomp Ltd.	100%	9,234	100%	9,234
OTP Real Estate Leasing Ltd.	100%	7,368	100%	9,118
R.E. Four d.o.o. (Serbia)	85.13%	4,357	-	-
OTP Venture Capital Fund	100%	3,000	-	-
OTP Funds Servicing and Consulting Ltd.	100%	2,469	100%	2,469
Fordulat Venture Capital Fund	50%	2,025	50%	1,555
OTP Holding Ltd. (Cyprus)	100%	2,000	100%	2,000
OTP Building Society Ltd.	100%	1,950	100%	1,950
OTP Fund Management Ltd.	100%	1,653	100%	1,653
OTP Real Estate Investment Fund Management Ltd.	100%	1,352	100%	1,352
CIL Babér Ltd.	100%	1,225	100%	1,225
OTP Financing Netherlands B.V. (the Netherlands)	100%	481	100%	481
OTP Card Factory Ltd.	100%	450	100%	450
OTP Financing Cyprus Company Limited (Cyprus)	100%	301	-	-
Portfolion Ltd.	100%	150	100%	150
OTP Financing Malta Company Ltd. (Malta)	100%	31	100%	31
HIF Ltd. (United Kingdom)[1]	-	-	100%	81
Other	-	293	-	224
Total		**1,245,801**		**1,147,839**

[1] Liquidation process was completed on 17 November 2015 and HIF Ltd. has been dissolved on 17 February 2016.

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

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

	2015	2014
Balance as at 1 January	**544,311**	**317,581**
Provision for the year	47,470	226,730
Balance as at 31 December	**591,781**	**544,311**

The Bank decided that the recoverable amount is determined based on fair value less cost of disposal. The Bank prepared impairment tests of the subsidiaries based on two different net present value calculation methods that show 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.
The Bank, in its strategic plan, has taken into consideration the effects of the present global economic situation, the cautious recovery of economic situation and outlook, the associated risks and their possible effect on the financial sector as well as the current and expected availability of wholesale funding.

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

	2015	2014
OTP Bank JSC (Ukraine)[1]	270,104	252,411
OTP Mortgage Bank Ltd.	117,294	99,838
OTP banka Srbija a.d. (Serbia)	63,233	63,233
OTP Factoring Ltd.	51,621	58,781
Crnogorska komercijalna banka a.d. (Montenegro)	26,714	26,714
Merkantil Bank Ltd.	21,641	16,826
OTP banka Hrvatska d.d. (Croatia)	9,232	9,232
OTP Real Estate Leasing Ltd.	7,368	8,949
Total	**567,207**	**535,984**

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

	2015	2014
DSK Bank EAD (Bulgaria)	43,822	25,054
OTP Holding Ltd. (Cyprus)	3,700	3,355
OTP Fund Management Ltd.	5,343	3,024
OTP Building Society Ltd.	900	2,100
OTP Mortgage Bank Ltd.	-	5,097
Other	2,319	1,134
Subtotal	**56,084**	**39,764**
Dividend from shares held-for-trading	2,513	3,031
Total	**58,597**	**42,795**

[1] In 2015 provision for impairment was recognised in the amount of HUF 17,693 million as a result of business valuation (See Note 41).

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

Significant associates and joint ventures

The main figures of the Bank's indirectly owned associates and joint ventures at cost[1]:

As at 31 December 2015

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

As at 31 December 2014

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

On 15 December 2015 OTP Bank announces that as a result of a sale executed by OTP Bank's subsidiaries as sellers, the indirect ownership of OTP Bank held in KITE Mezőgazdasági Szolgáltató és Kereskedelmi (Agricultural Service and Trade) Ltd. has been ceased to exist.

Capital transactions in subsidiaries are as follows:

	Date of transaction	Registered capital before transaction	Registered capital after transaction	Amount of transaction
OTP Bank Romania S.A. (Romania)	21/01/2015	RON 782,908,800	RON 958,252,800	RON 175,344,000
OTP Bank JSC (Ukraine)	15/05/2015	UAH 2,868,190,521	UAH 3,668,186,135	UAH 799,995,614
OTP Bank Romania S.A. (Romania)	7/01/2016	RON 958,252,800	RON 1,254,252,720	RON 295,999,920
OTP Bank JSC (Ukraine)	25/01/2016	UAH 3,668,186,135	UAH 6,186,023,111	UAH 2,517,836,976

On 3 February 2016 OTP Bank announces that 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.
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 OTP 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.

[1] Based on unaudited financial statements.

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

	2015	2014
Government bonds	803,802	641,645
Mortgage bonds	4,758	4,756
Hungarian government discounted Treasury bills	-	346
Subtotal	**808,560**	**646,747**
Accrued interest	16,241	16,200
Total	**824,801**	**662,947**

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

	2015	2014
Within five years:		
variable interest	3,339	6,677
fixed interest	386,238	352,702
	389,577	**359,379**
Over five years:		
fixed interest	418,983	287,368
	418,983	**287,368**
Total	**808,560**	**646,747**

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

	2015	2014
Securities held-to-maturity denominated in HUF	100%	100%
Securities held-to-maturity total	**100%**	**100%**
Interest rates on securities held-to-maturity	2.75%-9.48%	2.5%-9.5%
Average interest on securities held-to-maturity denominated in HUF	7.54%	6.3%

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

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

For the year ended 31 December 2015

Cost	Intangible assets	Property	Office equipment and vehicles	Construction in progress	Total
Balance as at 1 January	**154,053**	**70,828**	**69,984**	**2,005**	**296,870**
Additions	21,440	4,554	2,819	5,594	34,407
Disposals	(43,954)	(6,363)	(4,878)	(4,582)	(59,777)
Balance as at 31 December	**131,539**	**69,019**	**67,925**	**3,017**	**271,500**
Depreciation and Amortization					
Balance as at 1 January	**117,962**	**18,932**	**55,771**	**-**	**192,665**
Charge for the year	13,978	1,825	5,517	-	21,320
Disposals	(32,839)	(696)	(4,828)	-	(38,363)
Balance as at 31 December	**99,101**	**20,061**	**56,460**	**-**	**175,622**
Net book value					
Balance as at 1 January	**36,091**	**51,896**	**14,213**	**2,005**	**104,205**
Balance as at 31 December	**32,438**	**48,958**	**11,465**	**3,017**	**95,878**

For the year ended 31 December 2014

Cost	Intangible assets	Property	Office equipment and vehicles	Construction in progress	Total
Balance as at 1 January	**137,349**	**69,829**	**73,012**	**16,815**	**297,005**
Additions	25,133	1,562	4,681	5,541	36,917
Disposals	(8,429)	(563)	(7,709)	(20,351)	(37,052)
Balance as at 31 December	**154,053**	**70,828**	**69,984**	**2,005**	**296,870**
Depreciation and Amortization					
Balance as at 1 January	**105,795**	**17,246**	**56,963**	**-**	**180,004**
Charge for the year	14,416	1,846	5,915	-	22,177
Disposals	(2,249)	(160)	(7,107)	-	(9,516)
Balance as at 31 December	**117,962**	**18,932**	**55,771**	**-**	**192,665**
Net book value					
Balance as at 1 January	**31,554**	**52,583**	**16,049**	**16,815**	**117,001**
Balance as at 31 December	**36,091**	**51,896**	**14,213**	**2,005**	**104,205**

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

	2015	2014
Deferred tax assets[2]	41,905	33,557
Fair value of derivative financial instruments designated as fair value hedge	33,768	14,041
Prepayments and accrued income	19,319	17,974
Receivables from OTP Mortgage Bank Ltd.[3]	13,734	773
Current income tax receivable	11,381	2,561
Receivables from investment services	8,769	5,923
Receivables from card operations	7,865	9,615
Trade receivables	3,778	4,162
Other advances	2,871	1,283
Investment properties[4]	2,803	-
Stock exchange deals	2,048	3,970
Due from Hungarian Government from interest subsidies	1,197	837
Advances for securities and investments	631	634
Inventories	457	632
Other	6,794	6,407
Subtotal	**157,320**	**102,369**
Provision for impairment on other assets[5]	(7,059)	(4,439)
Total	**150,261**	**97,930**

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

	2015	2014
CCIRS designated as fair value hedge	18,375	-
Interest rate swaps designated as fair value hedge	15,393	14,032
Other	-	9
Total	**33,768**	**14,041**

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

	2015	2014
Balance as at 1 January	**4,439**	**1,676**
Charge for the year	2,914	3,589
Release of provision	(294)	(826)
Balance as at 31 December	**7,059**	**4,439**

[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 25.

[3] The Bank, under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd.

[4] OTP Bank recognized rental income in the amount of HUF 60 million from OTP Facility Management Llc. for the operation of the investment properties in 2015.

[5] Provision for impairment on other assets mainly consists of provision for trade receivables and inventories.

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

	2015	2014
Within one year:		
In HUF	325,384	321,228
In foreign currency	165,024	685,318
	490,408	**1,006,546**
Over one year:		
In HUF	260,607	92,169
In foreign currency	73,648	42,961
	334,255	**135,130**
Subtotal	**824,663**	**1,141,676**
Accrued interest	4,459	815
Total[1]	**829,122**	**1,142,491**

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

	2015	2014
Within one year:		
In HUF	(1%)-3.6%	2.21%-5.24%
In foreign currency	0%-1.27%	4.18%-7%
Over one year:		
In HUF	0%-3.24%	0.08%-3.08%
In foreign currency	0.1%-12.13%	0.1%-4.48%
Average interest on amounts due to banks in HUF	2.44%	1.7%
Average interest on amounts due to banks in foreign currency	0.59%	1.09%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2015	2014
Within one year:		
In HUF	3,504,480	3,600,806
In foreign currency	782,143	599,127
	4,286,623	**4,199,933**
Over one year:		
In HUF	34,373	31,419
	34,373	**31,419**
Subtotal	**4,320,996**	**4,231,352**
Accrued interest	2,243	3,904
Total	**4,323,239**	**4,235,256**

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

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

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

	2015	2014
Within one year in HUF	0.01%-4%	0.01%-10.3%
Over one year in HUF	0.01%-6.85%	0.01%-3.1%
In foreign currency	0.01%-10%	0.01%-6.6%
Average interest on deposits from customers in HUF	0.66%	1.23%
Average interest on deposits from customers in foreign currency	0.39%	0.9%

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

	2015		2014	
Retail deposits	**2,544,375**	**59%**	**2,242,240**	**53%**
Household deposits	2,074,581	48%	1,860,109	44%
Deposits micro and small enterprises	469,794	11%	382,131	9%
Corporate deposits	**1,776,621**	**41%**	**1,989,112**	**47%**
Deposits to medium and large corporates	1,468,427	34%	1,659,484	39%
Municipality deposits	308,194	7%	329,628	8%
Total	**4,320,996**	**100%**	**4,231,352**	**100%**

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

	2015	2014
Within one year:		
In HUF	11,865	24,280
In foreign currency	60,264	39,024
	72,129	63,304
Over one year:		
In HUF	75,185	86,781
In foreign currency	591	10,061
	75,776	96,842
Subtotal	**147,905**	**160,146**
Accrued interest	2,326	2,521
Total	**150,231**	**162,667**

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

	2015	2014
Issued securities denominated in HUF	0.01%-7%	0.1%-7%
Issued securities denominated in foreign currency	0.5%-3%	1.1%-3%
Average interest on issued securities denominated in HUF	1.32%	2.66%
Average interest on issued securities denominated in foreign currency	1.42%	2.24%

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

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

	Name	Date of issuance		Maturity	Currency	Nominal value in FX million	Nominal value in HUF million	Interest conditions (in % actual)		Hedged
1	OTP EUR 1 2016/XIII	30/12/2015		13/01/2017	EUR	26.09	8,169	0.5	fixed	
2	OTP EUR 1 2016/IX J003	25/09/2015		09/10/2016	EUR	21.34	6,681	0.6	fixed	
3	OTP EUR 1 2016/X	30/10/2015		13/11/2016	EUR	14.90	4,667	0.6	fixed	
4	OTP EUR 1 2016/III	20/03/2015		03/04/2016	EUR	12.94	4,052	0.9	fixed	
5	OTP EUR 1 2016/VI	29/05/2015		12/06/2016	EUR	10.19	3,190	0.8	fixed	
6	OTP EUR 1 2016/VII	30/06/2015		14/07/2016	EUR	10.06	3,150	0.8	fixed	
7	OTP EUR 1 2016/I	30/01/2015		13/02/2016	EUR	9.93	3,109	1.1	fixed	
8	OTP EUR 1 2015/XXV	19/12/2014		02/01/2016	EUR	9.14	2,860	1.1	fixed	
9	OTP EUR 1 2016/XI	11/11/2015		25/11/2016	EUR	8.85	2,772	0.6	fixed	
10	OTP EUR 1 2016/II	20/02/2015		06/03/2016	EUR	8.27	2,590	1.0	fixed	
11	OTP EUR 1 2016/IV	10/04/2015		24/04/2016	EUR	7.14	2,237	0.9	fixed	
12	OTP_VK_USD_1_2016/III	25/09/2015	30/12/2015	25/09/2016	USD	7.61	2,182	0.8	floating	
13	OTP_VK_USD_2_2016/I	28/11/2014		28/11/2016	USD	6.76	1,937	1.4	floating	
14	OTP EUR 1 2016/VIII J003	24/07/2015		07/08/2016	EUR	6.13	1,919	0.7	fixed	
15	OTP EUR 1 2016/XII	27/11/2015		11/12/2016	EUR	6.03	1,887	0.5	fixed	
16	OTP EUR 1 2015/XXVI	09/01/2015		23/01/2016	EUR	4.23	1,325	1.1	fixed	
17	OTP EUR 1 2016/V	24/04/2015		08/05/2016	EUR	3.58	1,121	0.9	fixed	
18	OTP_VK_USD_1_2016/I	24/04/2015	02/07/2015	24/04/2016	USD	3.27	937	1.0	floating	
19	OTP EUR 2 2016/XIX	03/10/2014		03/10/2016	EUR	1.92	601	1.5	fixed	
20	OTP EUR 2 2016/XV	30/07/2014		30/07/2016	EUR	1.55	484	1.5	fixed	
21	OTP 2016/Cx	22/04/2011		22/04/2016	EUR	1.42	446	indexed		hedged
22	OTP EUR 2 2016/XVII	29/08/2014		29/08/2016	EUR	1.31	412	1.5	fixed	
23	OTP 2016/Dx	22/12/2011		29/12/2016	EUR	1.08	339	indexed		hedged
24	OTP EUR 2 2016/XVIII	12/09/2014		12/09/2016	EUR	0.99	309	1.5	fixed	
25	OTP EUR 2 2016/III	14/02/2014		14/02/2016	EUR	0.94	296	2.0	fixed	
26	OTP EUR 2 2016/I	17/01/2014		17/01/2016	EUR	0.89	280	2.0	fixed	
27	OTP EUR 2 2016/II	31/01/2014		31/01/2016	EUR	0.82	256	2.0	fixed	
28	OTP_VK_USD_1_2016/II	24/07/2015		24/07/2016	USD	0.87	249	0.9	floating	
29	OTP 2017/Fx	19/06/2012		16/06/2017	EUR	0.78	243	indexed		hedged
30	OTP EUR 2 2016/V	14/03/2014		14/03/2016	EUR	0.72	227	1.8	fixed	
31	OTP EUR 2 2016/VII	11/04/2014		11/04/2016	EUR	0.71	223	1.8	fixed	
32	OTP EUR 2 2016/XI	06/06/2014		06/06/2016	EUR	0.64	200	1.8	fixed	
33	OTP EUR 2 2016/IV	28/02/2014		28/02/2016	EUR	0.63	197	1.9	fixed	
34	OTP 2018/Fx	19/12/2013		21/12/2018	EUR	0.62	194	indexed		hedged
35	OTP EUR 2 2016/IX	09/05/2014		09/05/2016	EUR	0.61	190	1.8	fixed	
36	OTP EUR 2 2016/X	23/05/2014		23/05/2016	EUR	0.60	187	1.8	fixed	
37	OTP EUR 2 2016/XII	20/06/2014		20/06/2016	EUR	0.59	185	1.5	fixed	
38	OTP EUR 2 2016/XIII	04/07/2014		04/07/2016	EUR	0.46	145	1.5	fixed	
39	OTP EUR 2 2016/XVI	08/08/2014		08/08/2016	EUR	0.37	115	1.5	fixed	
40	OTP EUR 2 2016/XIV	18/07/2014		18/07/2016	EUR	0.31	98	1.5	fixed	
41	OTP_VK_USD_2_2017/I	10/04/2015		10/04/2017	USD	0.33	95	1.1	floating	
42	OTP EUR 2 2016/VI	21/03/2014		21/03/2016	EUR	0.21	66	1.8	fixed	
43	OTP EUR 2 2016/VIII	18/04/2014		18/04/2016	EUR	0.20	63	1.8	fixed	
	Subtotal issued securities in FX						**60,885**			
	Unamortized premium						**(92)**			
	Fair value hedge adjustment						**62**			
	Total						**60,855**			

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

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

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

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

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

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

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

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

	Name	Date of issuance		Maturity	Nominal value in HUF million	Interest conditions (in % actual)		Hedged
1	OTP 2019/Dx	22/03/2013		21/03/2019	4,098	indexed		hedged
2	OTP 2017/Ax	01/04/2011		31/03/2017	4,065	indexed		hedged
3	OTP 2017/Bx	17/06/2011		20/06/2017	3,926	indexed		hedged
4	OTP 2020/Ex	18/06/2014		22/06/2020	3,889	indexed		hedged
5	OTP 2018/Bx	22/03/2012		22/03/2018	3,832	indexed		hedged
6	OTP 2016/Ax	11/11/2010		03/11/2016	3,525	indexed		hedged
7	OTP 2020/Fx	10/10/2014		16/10/2020	3,408	indexed		hedged
8	OTP 2018/Cx	18/07/2012		18/07/2018	3,289	indexed		hedged
9	OTP 2017/Ex	21/12/2011		28/12/2017	3,227	indexed		hedged
10	OTP 2019/Ex	28/06/2013		24/06/2019	3,183	indexed		hedged
11	OTP 2017/Cx	19/09/2011		25/09/2017	3,006	indexed		hedged
12	OTP 2020/RF/C	11/11/2010		05/11/2020	2,937	indexed		hedged
13	OTP 2020/Gx	15/12/2014		21/12/2020	2,898	indexed		hedged
14	OTP 2018/Ex	28/12/2012		28/12/2018	2,814	indexed		hedged
15	OTP 2018/Dx	29/10/2012		26/10/2018	2,767	indexed		hedged
16	OTP 2020/RF/A	12/07/2010		20/07/2020	2,739	indexed		hedged
17	OTP 2016/Bx	16/12/2010		19/12/2016	2,589	indexed		hedged
18	OTP 2021/RF/B	20/10/2011		25/10/2021	2,487	indexed		hedged
19	OTP 2021/RF/A	05/07/2011		13/07/2021	2,484	indexed		hedged
20	OTP 2022/RF/A	22/03/2012		23/03/2022	1,414	indexed		hedged
21	OTP 2020/RF/B	12/07/2010		20/07/2020	1,280	indexed		hedged
22	OTP TBSZ2016/I	14/01/2011	05/08/2011	15/12/2016	1,166	5.5	fixed	
23	OTP 2016/Fx	22/03/2013		24/03/2016	649	indexed		hedged
24	OTP TBSZ2016/II	26/08/2011	29/12/2011	15/12/2016	626	5.5	fixed	
25	OTP 2018/Ax	03/01/2012		09/01/2018	547	indexed		hedged
26	OTP 2021/RF/C	21/12/2011		30/12/2021	492	indexed		hedged
27	OTP 2022/RF/E	29/10/2012		31/10/2022	485	indexed		hedged
28	OTP 2022/RF/B	22/03/2012		23/03/2022	458	indexed		hedged
29	OTP 2017/Dx	20/10/2011		19/10/2017	431	indexed		hedged
30	OTP 2023/RF/A	22/03/2013		24/03/2023	415	indexed		hedged
31	OTP 2023/Ax	22/03/2013		24/03/2023	395	indexed		hedged
32	OTP 2024/Bx	10/10/2014		16/10/2024	385	indexed		hedged
33	OTP 2022/RF/F	28/12/2012		28/12/2022	363	indexed		hedged
34	OTP 2019/Bx	05/10/2009	05/02/2010	14/10/2019	355	indexed		hedged
35	OTP 2021/Dx	21/12/2011		27/12/2021	351	indexed		hedged
36	OTP 2020/Bx	28/06/2010		09/07/2020	332	indexed		hedged
37	OTP 2021/RF/D	21/12/2011		30/12/2021	328	indexed		hedged
38	OTP 2020/Ax	25/03/2010		30/03/2020	328	indexed		hedged
39	OTP 2024/Cx	15/12/2014		20/12/2024	320	indexed		hedged
40	OTP 2022/Dx	28/12/2012		27/12/2022	316	indexed		hedged
41	OTP 2021/Bx	17/06/2011		21/06/2021	311	indexed		hedged
42	OTP 2016/Ex	28/12/2012		27/12/2016	301	indexed		hedged
43	OTP 2021/Ax	01/04/2011		01/04/2021	289	indexed		hedged
44	OTP 2021/Cx	19/09/2011		24/09/2021	287	indexed		hedged
45	OTP 2019/Cx	14/12/2009		20/12/2019	285	indexed		hedged
46	OTP 2022/Cx	29/10/2012		28/10/2022	270	indexed		hedged
47	OTP 2024/Ax	18/06/2014		21/06/2024	270	indexed		hedged
48	OTP 2023/Bx	28/06/2013		26/06/2023	265	indexed		hedged
49	OTP 2022/Ax	22/03/2012		23/03/2022	264	indexed		hedged
50	OTP 2019/Ax	25/06/2009		01/07/2019	255	indexed		hedged
51	OTP 2022/Bx	18/07/2012		18/07/2022	240	indexed		hedged
52	OTP TBSZ6 2017/I	13/01/2012	22/06/2012	15/12/2017	231	6.5	fixed	
53	OTP 2020/Dx	16/12/2010		18/12/2020	215	indexed		hedged
54	OTP 2020/Cx	11/11/2010		05/11/2020	206	indexed		hedged
55	OTP 2022/RF/D	28/06/2012		28/06/2022	188	indexed		hedged
56	OTP TBSZ 4 2016/I	18/01/2013	15/02/2013	15/12/2016	156	5	fixed	
57	OTP 2022/RF/C	28/06/2012		28/06/2022	146	indexed		hedged
58	OTP 2021/RF/E	21/12/2011		30/12/2021	49	indexed		hedged
59	OTP OJK 2016/I	26/08/2011	21/12/2011	26/08/2016	30	6.14	fixed	
60	OTP OJK 2017/I	27/01/2012	13/07/2012	27/01/2017	14	7	fixed	
61	Other				230			
	Subtotal issued securities in HUF				**77,101**			
	Unamortized premium				(3,090)			
	Fair value hedge adjustment				13,039			
	Total issued securities in HUF				**87,050**			
	Accrued interest				2,326			
	Total issued securities				**150,231**			

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

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

	2015	2014
CCIRS and mark-to-market CCIRS	97,719	236,743
IRS	30,453	63,670
Foreign currency swaps	9,265	60,110
Other derivative contracts[1]	7,155	14,840
Total	**144,592**	**375,363**

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

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

	2015	2014
Financial liabilities from OTP-MOL share swap transaction[2]	66,787	56,445
Provision on other liabilities, off-balance sheet commitments, contingent liabilities	51,411	55,596
Liabilities from investment services	39,399	41,853
Fair value of derivative financial instruments designated as fair value hedge	35,701	3,463
Accrued expenses	25,664	32,353
Accounts payable	20,038	11,479
Salaries and social security payable	16,817	17,266
Suspended liabilities	7,589	1,852
Short term liabilities due to repurchase agreement transactions	7,452	6,980
Giro clearing and other clearing accounts	6,143	5,678
Current income tax payable	6,044	7,789
HUF denominated liabilities from purchase of customers with cards	5,804	4,992
Liabilities related to housing loans	1,475	216
Expected liabilities ordered by law related to customer loans[3]	995	-
Liabilities connected to loans for collection	875	909
Other	7,833	7,081
Total	**300,027**	**253,952**

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

	2015	2014
Provision on expected liability in relation to OTP Holding Ltd. (Cyprus)	43,080	-
Provision on contingent liabilities due to regulations related to customer loans[3]	1,598	44,127
Provision for losses on other off-balance sheet commitments and contingent liabilities	3,103	3,365
Provision for litigation	1,112	998
Provision for retirement pension and severance pay	1,000	426
Provision on promissory obligation	-	3,525
Provision for taxation	-	1,000
Provision on other liabilities	1,518	2,155
Total	**51,411**	**55,596**

[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 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.

[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 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.

[3] See Note 2.26.

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

Fair value of derivative financial instruments designated as fair value hedge is detailed as follows:

	2015	2014
CCIRS	21,978	-
IRS	13,723	3,463
Total	**35,701**	**3,463**

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

	2015	2014
Balance as at 1 January	**55,596**	**12,913**
Provision for the year	80,329	50,923
Release of provision	(84,514)	(7,724)
Provision for impairment on promissory obligation	-	(516)
Balance as at 31 December	**51,411**	**55,596**

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

	2015	2014
Within one year		
In foreign currency	156,481	29,375
	156,481	**29,375**
Over one year:		
In foreign currency	108,200	263,843
	108,200	**263,843**
Subtotal	**264,681**	**293,218**
Accrued interest	1,382	1,394
Total	**266,063**	**294,612**

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

	2015	2014
Subordinated bonds and loans denominated in foreign currency	5.3%-5.9%	0.6%-5.9%
Average interest on subordinated bonds and loans denominated in foreign currency	5.57%	5.41%

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

Subordinated loans and bonds are detailed as follows as at 31 December 2015:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as of 31 December 2015
Subordinated bond	EUR 353.1 million	07/11/2006	Perpetual bond	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	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")[1]:

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

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 means HUF 147 dividend/share payment. 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 HUF 165 payable dividends by share to the shareholders.

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

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2015	2014
Nominal value (ordinary shares)	157	161
Carrying value at acquisition cost	9,153	7,073

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

[1] The reserves under IFRS are detailed in statement of changes in shareholders' equity.

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

Change in number of shares:

	2015	2014
Number of shares as at 1 January	**1,605,311**	**1,402,369**
Additions	5,284,354	6,474,942
Disposals	(5,316,728)	(6,272,000)
Number of shares as at 31 December	**1,572,937**	**1,605,311**

Change in carrying value:

	2015	2014
Balance as at 1 January	**7,073**	**6,731**
Additions	26,721	27,522
Disposals	(24,641)	(27,180)
Balance as at 31 December	**9,153**	**7,073**

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

	2015	2014
Provision for impairment on loan losses		
Provision for the year	69,926	52,096
Release of provision	(52,185)	(54,793)
Provision on loan losses	21,804	25,906
	39,545	**23,209**
Provision for impairment on placement losses		
Provision for the year	3	4
	3	**4**
Provision for impairment on loan and placement losses	**39,548**	**23,213**

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

	2015	2014
Income from fees and commissions:		
Deposit and account maintenance fees and commissions	76,222	74,584
Fees and commissions related to the issued bank cards	28,885	26,795
Fees and commissions related to security trading	24,919	23,046
Fees related to the cash withdrawal	21,522	22,171
Fees and commissions received from OTP Mortgage Bank Ltd.	19,112	6,204
Fees and commissions related to lending	6,766	6,462
Net fee income related to card insurance services and loan agreements	2,805	1,962
Other	5,799	7,817
Total	**186,030**	**169,041**

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

	2015	2014
Expenses from fees and commissions:		
Fees and commissions related to issued bank cards	9,749	9,331
Fees and commissions related to lending	3,813	3,150
Interchange fee	3,770	3,439
Cash withdrawal transaction fees	1,114	1,186
Money market transaction fees and commissions	1,047	425
Fees and commissions related to security trading	1,011	713
Fees and commissions relating to deposits	869	855
Postal fees	241	297
Insurance fees	216	491
Other	2,474	2,608
Total	**24,304**	**22,495**
Net profit from fees and commissions	**161,726**	**146,546**

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

	2015	2014
Other operating income:		
Refund by the State of cancelled receivables from consumer loans converted into HUF[1]	6,631	-
Gains on transactions related to property activities	130	87
Income from non-financing services	13	1,922
Other	1,939	1,285
Total	**8,713**	**3,294**

Net other operating expenses:	**2015**	**2014**
Provision for impairment on investments in subsidiaries	47,470	226,730
(Release of provision) / provision on contingent liabilities due to regulations related to customer loans[2]	(42,529)	43,795
Expenses from regulations related to customer loans[2]	40,234	-
Provision / (release of provision) for off-balance sheet commitments and contingent liabilities	38,344	(1,112)
Expenses from promissory obligation to OTP Financing Solutions B.V.	26,690	948
Financial support for sport association and organization of public utility	13,918	10,929
Non-repayable assets contributed	3,183	115
Provision for impairment on other assets	2,236	2,811
Fine imposed by Competition Authority	18	38
Other	1,615	1,629
Total	**131,179**	**285,883**

[1] The amount is concerned for the OTP Group. In 2016 the amount of the refund is deductible from special tax of financial institutions and financial transaction duty.
[2] See Note 2.26.

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

Other administrative expenses:

	2015	2014
Personnel expenses:		
Wages	59,303	59,510
Taxes related to personnel expenses	18,969	19,238
Other personnel expenses	8,497	8,710
Subtotal	**86,769**	**87,458**
Depreciation and amortization:	**21,320**	**22,177**
Other administrative expenses:		
Taxes, other than income tax[1]	84,750	84,637
Services	21,658	18,325
Administration expenses, including rental fees	21,553	21,524
Professional fees	7,639	4,741
Advertising	5,491	5,566
Subtotal	**141,091**	**134,793**
Total	**249,180**	**244,428**

NOTE 25: INCOME TAX (in HUF mn)

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

A breakdown of the income tax expense is:

	2015	2014
Current tax expense	2,386	2,284
Deferred tax income	(5,677)	(45,548)
Total	**(3,291)**	**(43,364)**

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

	2015	2014
Balance as at 1 January	**33,557**	**(9,672)**
Deferred tax income	5,677	45,648
Tax effect of fair value adjustment of available-for-sale securities recognized in other comprehensive income and ICES	2,671	(2,419)
Balance as at 31 December	**41,905**	**33,557**

[1] Special tax of financial institutions was paid by OTP Bank in the amount of HUF 24 billion for the year 2015 and 2014, recognized as an expense thus decreased the corporate tax base. In the year ended 31 December 2015 financial transaction duty was paid by the Bank in the amount of HUF 45 billion.

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

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

	2015	2014
Tax accrual caused by negative taxable income	26,417	1,517
Unused tax allowance	17,821	6,794
Provision for impairment on investments	8,030	10,705
Refundable tax in accordance with Acts on Customer Loans[1]	6,341	30,596
Repurchase agreements and security lending	4,102	4,176
Amounts unenforceable by tax law	414	182
Difference in accounting for finance leases	147	166
Fair value correction related to customer loans	80	-
Deferred tax assets	**63,352**	**54,136**
Fair value adjustment of held for trading and available-for-sale securities	(12,432)	(11,048)
Fair value adjustment of derivative financial instruments	(2,793)	(1,902)
Effect of redemption of issued securities	(2,009)	(2,681)
Difference in depreciation and amortization	(1,962)	(1,957)
Effect of using effective interest rate method	(1,695)	(1,658)
Valuation of equity instrument (ICES)	(556)	(1,333)
Deferred tax liabilities	**(21,447)**	**(20,579)**
Net deferred tax asset	**41,905**	**33,557**

A reconciliation of the income tax expense is as follows:

	2015	2014
Profit / (loss) before income tax	46,354	(117,833)
Income tax at statutory tax rate (19%)	8,807	(22,388)
Income tax adjustments due to permanent differences are as follows:		
Tax refund in accordance with Acts on Customer Loans	22,755	(22,189)
Provision on expected liability	8,230	-
Share-based payment	724	835
Accounting of equity instrument (ICES)	(9)	(211)
Amounts unenforceable by tax law	(232)	584
OTP-MOL share swap transaction	(615)	(80)
Treasury share transaction	(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)
Dividend income	(11,133)	(8,115)
Differences in carrying value of subsidiaries	(16,039)	14,982
Use of tax allowance in the current year	-	(2,479)
Other	1,579	3,134
Income tax	**(3,291)**	**(43,364)**
Effective tax rate	(7.1%)	36.8%

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

[1] See Note 2.26.

NOTE 26: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

26.1. Credit risk

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

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

26.1.1 Analysis by loan types

Classification into risk classes

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

The Bank intends – where a great number of items and sufficient long-term historical data is available – to apply models on statistical basis. The impairment is calculated according to the possibility of listing the loan into default categories examined on the base of objective valuation criteria (delay of payment, change of exchange) and the expected recovery from the collecting. If the loss of the exposure can’t be modelled reliably, the impairment is determined by expert keys.

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

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

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

The expected future losses of the individually assessed item are determined by taking into consideration 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 compared to 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	DPD 0-90	DPD 91-360	DPD 360+	Total carrying amount /allowance
Placements with other banks	646,406	-	29	**646,435**
Total placements with other banks	**646,406**	**-**	**29**	**646,435**
Allowance on placements with other banks	**-**	**-**	***(29)***	***(29)***
Consumer loans	259,558	4,119	2,966	**266,643**
Mortgage and housing loans	63,882	3,725	10,353	**77,960**
Micro and small enterprises loans	130,542	1,451	68	**132,061**
Loans to medium and large corporates	1,222,070	8,833	46,389	**1,277,292**
Municipal loans	19,891	74	41	**20,006**
Gross loan portfolio total	**1,695,943**	**18,202**	**59,817**	**1,773,962**
Allowance on loans	***(47,041)***	***(10,090)***	***(42,532)***	***(99,663)***
Net portfolio total	**2,295,308**	**8,112**	**17,285**	**2,320,705**
Accrued interest				
Placements with other banks				1,318
Loans				4,885
Total accrued interest				**6,203**
Total placements with other banks				**647,724**
Total loans				**1,679,184**
Total				**2,326,908**

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

As at 31 December 2014

Loan type	DPD 0-90	DPD 91-360	DPD 360+	Total carrying amount /allowance
Placements with other banks	710,484	-	-	710,484
Total placements with other banks	**710,484**	**-**	**-**	**710,484**
Allowance on placements with other banks	*(26)*	-	-	*(26)*
Consumer loans	281,923	7,888	1,686	**291,497**
Mortgage and housing loans	90,467	6,749	15,142	**112,358**
Micro and small enterprises loans	112,970	928	305	**114,203**
Loans to medium and large corporates	1,363,904	12,918	43,809	**1,420,631**
Municipal loans	48,220	28	52	**48,300**
Gross loan portfolio total	**1,897,484**	**28,511**	**60,994**	**1,986,989**
Allowance on loans	*(37,088)*	*(15,613)*	*(32,696)*	*(85,397)*
Net portfolio total	**2,570,854**	**12,898**	**28,298**	**2,612,050**
Accrued interest				
Placements with other banks				1,654
Loans				7,039
Total accrued interest				**8,693**
Total placements with other banks				**712,112**
Total loans				**1,908,631**
Total				**2,620,743**

The Bank's gross loan portfolio decreased by 10.3% in the year ended 31 December 2015. Analysing the contribution of loan types to the loan portfolio, the share of several business lines hardly changed. The ratio of the DPD90$^-$ loans compared to the gross loan portfolio increased slightly from 96.68% to 96.78% as at 31 December 2015, while the ratio of DPD90$^+$ loans in gross loan portfolio decreased from 3.32% to 3.22%.
The Bank has a prudent provisioning policy, the coverage of loans by provision for impairment on DPD90$^+$ loans decreased from 53.97% to 67.45% in the year ended 31 December 2015.

Not impaired loan portfolio

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

As at 31 December 2015

Loan type	Not past due	DPD 0-90	DPD 91-360	DPD 360+	Total
Placements with other banks	646,406	-	-	-	646,406
Consumer loans	212,132	47,140	70	5	259,347
Mortgage and housing loans	53,675	10,147	174	987	64,983
Micro and small enterprises loans	128,465	1,694	-	-	130,159
Loans to medium and large corporates	1,111,436	3,324	300	4	1,115,064
Municipal loans	20,057	964	74	-	21,095
Total	**2,172,171**	**63,269**	**618**	**996**	**2,237,054**

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

As at 31 December 2014

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

The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio increased from 85.16% to 89.74% as at 31 December 2015 compared to 31 December 2014. The loans that are neither past due nor impaired are concentrated in the corporate business line. The ratio of the gross value of the loans past due not impaired compared to the whole portfolio increased from 2.04% to 2.68%. The loans that are past due but not impaired are concentrated in the retail business line. During collective valuation method the Bank recognizes provision for impairment on loans over a 30 day delay. Those loans which are guaranteed by state and are past due 30 days not impaired due to the state guarantee. The level of corporate loans past due but not impaired is possible because of endorsing collaterals considering during the individual evaluation. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Bank. Among the past due loans, the share of certain loan types changed insignificantly as at 31 December 2015 compared to 31 December 2014.

Loans individually assessed for provision

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

As at 31 December 2015

Considered factors	Carrying value	Allowance for impairment	Collateral value	Off-balance sheet commitments	Provision for losses on off balance sheet contingent liabilities
Delay of repayment	31,026	24,000	9,132	-	-
Regularity of payment	134	44	105	-	-
Legal proceedings	81,103	77,281	10,421	110	58
Decrease of client classification	14,811	5,045	8,106	2,206	296
Loan characteristics	54,682	9,780	35,618	-	-
Business lines risks	36,081	5,529	6,234	5,588	276
Refinancing of subsidiaries portfolio	-	-	-	-	-
Cross default	31,366	18,729	5,365	95	47
Other	5,595	780	4,544	2,890	385
Corporate total	**254,798**	**141,188**	**79,525**	**10,889**	**1,062**
Delay of repayment	-	-	-	-	-
Regularity of payment	-	-	-	-	-
Legal proceedings	41	41	-	-	-
Decrease of client classification	-	-	-	-	-
Cross default	-	-	-	-	-
Other	-	-	-	-	-
Municipal total	**41**	**41**	**-**	**-**	**-**
Placements with other banks	**-**	**-**	**-**	**-**	**-**
Total	**254,839**	**141,229**	**79,525**	**10,889**	**1,062**

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

As at 31 December 2014

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

Regarding corporate business line in the individually rated portfolio the ratio of the carrying value of loans classified due to Decrease of client classification, Regularity of payment and Delay of repayment decreased significantly as at 31 December 2015 compared to 31 December 2014, while the carrying value of loans classified due to Legal proceedings increased by 78.4% as at 31 December 2015.

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

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

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

26.1. Credit risk [continued]

26.1.1 Analysis by loan types [continued]

Loan portfolio by countries

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

Country	2015 Gross loan and placement with other banks portfolio	2015 Allowance	2014 Gross loan and placement with other banks portfolio	2014 Allowance
Hungary	1,672,842	50,229	1,837,626	38,764
Belgium	23,790	-	1	1
Bulgaria	69,848	674	66,575	750
Croatia	32,371	201	33,339	639
Cyprus	42,062	18,308	47,276	10,443
France	7,909	-	5,237	-
Germany	15,413	1	10,109	4
Luxembourg	42	-	-	-
Montenegro	41,843	15,411	51,932	20,561
Norway	5,438	-	4,405	-
Poland	3,250	-	1,426	-
Romania	216,571	5,226	195,004	6,364
Russia	68,778	3,326	100,562	2,611
Serbia	13,432	-	9,777	2
Seychelles	4,818	4,818	4,877	4,855
Slovakia	22,261	131	32,768	148
Switzerland	8,367	88	3,065	149
Ukraine	103,382	1,250	165,150	42
United Kingdom	54,952	-	118,514	26
United States of America	994	29	2,376	44
Other	12,034[1]	-	7,454[1]	20
Total	**2,420,397**	**99,692**	**2,697,473**	**85,423**

[1] Austria, Czech Republic, Denmark, Italy, the Netherlands, Turkey and others

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

26.1. Credit risk [continued]

26.1.2 Collaterals

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

Types of collateral		**2015**	**2014**
Mortgages		699,275	716,079
Guarantees and warranties		216,552	217,022
Deposit		57,353	59,587
from this:	*Cash*	*38,115*	*41,966*
	Securities	*16,366*	*16,492*
	Other	*2,872*	*1,129*
Assignment		570	1,886
Other		613	861
Total		**974,363**	**995,435**

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

Types of collateral		**2015**	**2014**
Mortgage		279,700	326,062
Guarantees and warranties		125,345	132,803
Deposit		24,486	26,179
from this:	*Cash*	*15,401*	*18,927*
	Securities	*6,604*	*6,529*
	Other	*2,481*	*723*
Assignment		351	527
Other		312	793
Total		**430,194**	**486,364**

The coverage level of loan portfolio to the extent of the exposures decreased from 18.03% to 17.77% as at 31 December 2015, while the coverage to the total collateral value improved from 36.90% to 40.26%.

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

26.1. Credit risk [continued]

26.1.3 Restructured loans

	2015		2014	
	Gross portfolio	Allowance	Gross portfolio	Allowance
Retail loans	11,545	4,962	13,027	1,286
Loans to medium and large corporates[1]	62,630	23,252	88,715	20,761
Micro and small enterprises loans	1,824	24	2,005	32
Municipality loans	-	-	21	-
Total	**75,999**	**28,238**	**103,768**	**22,079**

Restructured portfolio definition

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

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

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

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

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

- independently from the date of the restructuring the following restructuring tool was applied:
  - 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, capitalisation 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.

[1] incl.: project and syndicated loans

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

26.1. Credit risk [continued]

Financial instruments by rating categories[1]

Held-for-trading securities as at 31 December 2015

	A1	A2	A3	Aa3	Aaa	Ba1	Ba2	Baa1	Baa2	Baa3	Not rated	Total
Shares	24	66	53	19	11	26	6	59	-	26	71,489[2]	71,779
Government bonds	-	-	-	-	-	12,613	-	-	-	-	-	12,613
Mortgage bonds	-	-	-	-	-	18	-	-	76	-	-	94
Hungarian government discounted Treasury Bills	-	-	-	-	-	366	-	-	-	-	-	366
Hungarian government interest bearing Treasury Bills	-	-	-	-	-	7,768	-	-	-	-	-	7,768
Other securities	-	-	-	-	-	-	-	-	-	-	510	510
Total	**24**	**66**	**53**	**19**	**11**	**20,791**	**6**	**59**	**76**	**26**	**71,999**	**93,130**
Accrued interest												433
Total												**93,563**

Available-for-sale securities as at 31 December 2015

	Ba1	Baa2	Not rated	Total
Mortgage bonds	-	590,055[3]	7,171	597,226
Government bonds	755,627	-	-	755,627
Other securities	-	-	81,238	81,238
Total	**755,627**	**590,055**	**88,409**	**1,434,091**
Accrued interest				28,569
Total				**1,462,660**

[1] Moody's ratings
[2] Corporate shares listed on Budapest Stock Exchange
[3] The whole portfolio was issued by OTP Mortgage Bank Ltd.

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

26.1. Credit risk [continued]

Held-to-maturity securities as at 31 December 2015

	Ba1	Baa2	Total
Government bonds	803,802	-	803,802
Mortgage bonds	-	4,758	4,758
Subtotal	**803,802**	**4,758**	**808,560**
Accrued interest			16,241
Total			**824,801**

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

Country	2015	2014
Hungary	2,308,787	1,883,103
Slovakia	7,171	7,908
Austria	7,357	7,055
Luxembourg	6,444	5,660
United States of America	5,679	1,235
Germany	343	139
Total	**2,335,781**	**1,905,100**

26.2. Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a Value-at-Risk ("VaR") methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis. (Analysis of liquidity risk, foreign currency risk and interest rate risk is detailed in Note 32, 33 and 34, respectively.)

26.2.1 Market risk sensitivity analysis

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

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

Historical VaR (99%, one-day) by risk type	**Average**	
	2015	**2014**
Foreign exchange	184	184
Interest rate	143	75
Equity instruments	3	12
Diversification	(107)	(62)
Total VaR exposure	**223**	**209**

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

26.2. Market risk [continued]

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

26.2.2. Foreign currency sensitivity analysis

The following table details the Bank's sensitivity to an increase and decrease in the HUF exchange rate against EUR and USD, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations was short, amounted to EUR 310 million (kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries). 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 income. A positive number below indicates an increase in profit where the HUF strengthens against the EUR and the USD. For a weakening of the HUF against the EUR and USD, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Effects to the P&L in 3 months period	
Probability	**2015**	**2014**
	In HUF billion	**In HUF billion**
1%	(14.6)	(15.0)
5%	(10.0)	(10.5)
25%	(4.4)	(4.5)
50%	(0.5)	(0.6)
25%	3.1	3.2
5%	7.8	8.2
1%	10.9	11.8

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.

26.2.3. Interest rate sensitivity analysis

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

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

The simulation was prepared by assuming two scenarios:

1. HUF base rate decreases gradually to 0.85% (probable scenario)
2. HUF base rate decreases gradually to 0.35% (alternative scenario)

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

26.2. Market risk [continued]

The net interest income in a one year period beginning with 1 January 2016 would be decreased by HUF 1,221 million (probable scenario) and HUF 3,058 million (alternative scenario) as a result of these simulations. This effect is counterbalanced by capital gains (HUF 291 million for probable scenario, HUF 1,109 million for alternative scenario) on the government bond portfolio held for hedging (economic).

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

Description	2015		2014	
	Effects to the net interest income (one-year period)	Effects to OCI (Price change of AFS government bonds)	Effects to the net interest income (one-year period)	Effects to OCI (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(571)	195	(138)	374
EUR (0.1%) parallel shift	(214)	-	(134)	-
USD 0.1% parallel shift	(134)	-	(73)	-
Total	**(919)**	**195**	**(345)**	**374**

26.2.4. Equity price sensitivity analysis

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

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

26.2.5. Capital management

Capital management

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

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

26.2. Market risk [continued]

Capital adequacy

The Capital Requirements Directive package (CRDIV/CRR) transposes the new global standards on banking regulation (commonly known as the Basel III agreement) into the EU legal framework. The new rules are applied from 1 January 2014. They set stronger prudential requirements for institutions, requiring them to keep sufficient capital reserves and liquidity. This new framework makes institutions in the EU more solid and strengthens their capacity to adequately manage the risks linked to their activities, and absorb any losses they may incur in doing business. The capital adequacy of the Bank is supervised based on the financial statements data prepared in accordance with HAS applying the current directives, rulings and indicators from 1 January 2014.
The Bank has entirely complied with the regulatory capital requirements in 2015 as well as in 2014.
The capital adequacy calculations of the Bank in accordance with HAS are prepared based on the Basel II for the year ended 31 December 2013 and based on Basel III as at 31 December 2014 due to modification of the regulation. The Bank uses the standard method for determining the regulatory capital requirements of the credit risk and market risk while in case of the operational risk the Advanced Measurement Approach (AMA) is applied since 31 December 2012.

The calculation of the Capital Adequacy ratio as at 31 December 2015 and 2014 is as follows:

	2015	**2014**
	Basel III	**Basel III**
Tier 1 capital	831,469	525,849
Common equity Tier 1 capital (CET1)	*831,469*	*525,849*
Additional Tier 1 capital (AT1)	-	-
Tier 2 capital	143,721	146,471
Regulatory capital	**975,190**	**672,320**
Credit risk capital requirement	232,651	217,891
Market risk capital requirement	40,619	43,188
Operational risk capital requirement	20,550	22,650
Total requirement regulatory capital	**293,820**	**283,729**
Surplus capital	**681,370**	**388,591**
CET 1 ratio	22.64%	14.83%
Capital adequacy ratio	**26.55%**	**18.96%**

Basel III: Common equity Tier 1 capital (CET1): Issued capital, Capital reserve, useable part of Tied-up reserve, General reserve, Profit reserve, Profit for the year, Treasury shares, Intangible assets, deductions due to investments, adjustments due to temporary disposals
Tier 2 capital: Subsidiary loan capital, Subordinated loan capital, deductions due to repurchased loan capital and Subordinated loan capital issued by the OTP Bank, adjustments due to temporary disposals

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

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

Contingent liabilities and commitments

	2015	**2014**
Commitments to extend credit	948,917	753,152
Guarantees arising from banking activities	419,210	366,756
from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank	*123,938*	*102,133*
Promissory obligation to OTP Financing Solutions B.V.	-	120,664
Legal disputes (disputed value)	35,382	53,729
Contingent liabilities ordered by law related to customer loans[1]	1,598	44,127
Confirmed letters of credit	171	108
Other	92,558	33,428
Total	**1,497,836**	**1,371,964**

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash-flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.
Provision due to legal disputes was HUF 1,112 million and HUF 998 million as at 31 December 2015 and 2014, respectively. (See Note 17.)

Commitments to extend credit, guarantees and letter of credit

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

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

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

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

[1] See Note 2.26.

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

Guarantees, payment undertakings arising from banking activities

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

Contingent liabilities related to OTP Mortgage Bank Ltd.

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

Derivatives

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

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

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in resolution of Annual General Meeting regarding to the amendment of CRD III. Directives and Act on Credit Institutions and Financial Enterprises.

Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.

OTP Bank ensures the share-based payment part for the management personnel of OTP Group members.

The value of the discounted share-based payment at the performance assessment is determined by Supervisory Board[1] based on the average of the three previous trade day's middle rate of OTP Bank's equity shares fixed on the Budapest Stock Exchange.
Discounted share-based payment shall contain maximum HUF 2,000 discount at the assessment date, and earnings for the shares at the payment date is determined by Supervisory Board, maximum HUF 4,000.

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

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

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

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

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

Year	Exercise 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

[1] Until the end of 2014 Board of Directors

NOTE 28: SHARE-BASED PAYMENT AND EMPLOYEE BENEFIT (in HUF mn) [continued]

Based on parameters accepted by Board of Directors, relating to the year **2010** effective pieces are follows as at 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 29: RELATED PARTY TRANSACTIONS (in HUF mn)

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

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

a) Loans provided to related parties

	2015	2014
OTP Financing Malta Company Ltd. (Malta)	344,003	-
OTP Mortgage Bank Ltd.	262,444	300,562
Merkantil Bank Ltd.	170,919	159,847
OTP Factoring Ltd.	134,220	174,422
OTP Real Estate Leasing Ltd.	23,967	27,518
OTP Bank Romania S.A. (Romania)	21,125	-
Merkantil Lease Ltd.	18,763	21,356
JSC "OTP Bank" (Russia)	11,085	68,625
OTP Financing Netherlands B.V. (the Netherlands)	7,567	82,453
OTP Leasing Ukraine	5,358	17,744
OTP Holding Malta Ltd. (Malta)	5,010	-
OTP banka Srbija a.d. (Serbia)	2,731	-
D-ÉG Thermoset Ltd.[1]	2,531	2,886
Merkantil Real Estate Leasing Ltd.	2,285	3,180
Merkantil Car Ltd.	150	1,040
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	-	149,086
OTP Financing Solutions B.V. (the Netherlands)	-	120,664
DSK Leasing AD (Bulgaria)	-	17,319
OTP Leasing d.d. (Croatia)	-	26,591
OTP Factoring Slovensko a.s. (Slovakia)	-	10,506
Inga Kettő Ltd.	-	10,281
OTP Bank JSC (Ukraine)	-	7,750
Bank Center Ltd.	-	6,000
Other	6,481	4,564
Total	**1,018,639**	**1,212,394**

[1] Associate company

NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

b) Deposits from related parties

	2015	2014
DSK Bank EAD (Bulgaria)	250,655	330,829
OTP Mortgage Bank Ltd.	70,597	148,124
OTP Banka Slovensko a.s. (Slovakia)	39,873	63,001
OTP Funds Servicing and Consulting Ltd.	32,091	26,369
OTP Bank Romania S.A. (Romania)	31,507	24,114
OTP Building Society Ltd.	28,122	33,312
JSC “OTP Bank” (Russia)	25,852	19,126
OTP banka Hrvatska d.d. (Croatia)	17,240	19,225
Crnogorska komercijalna banka a.d (Montenegro)	15,680	15,876
Inga Kettő Ltd.	15,368	1,518
Balansz Real Estate Institute Fund	8,858	2,436
Merkantil Bank Ltd.	7,233	13,018
Bank Center Ltd.	6,428	2,506
OTP Life Annuity Ltd.	3,090	3,195
OTP Factoring Ltd.	1,843	13,438
OTP Real Estate Leasing Ltd.	1,725	5,700
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	1,509	2,591
OTP Financing Malta Company Ltd. (Malta)	1,253	1,679
OTP banka Srbija a.d. (Serbia)	1,079	3,922
OTP Financing Netherlands B. V. (the Netherlands)	1,078	1,384
Monicomp Ltd.	804	1,292
Other	4,083	665
Total	**565,968**	**733,320**

c) Interests received by the Bank[1]

	2015	2014
OTP Mortgage Bank Ltd.	5,096	5,711
OTP Financing Malta Company Ltd. (Malta)	4,281	-
OTP Financing Solutions B.V. (the Netherlands)	4,033	5,627
Merkantil Bank Ltd.	2,884	4,912
OTP Factoring Ltd.	2,346	3,557
OTP Leasing Ukraine	1,101	936
Merkantil Lease Ltd.	614	766
OTP Real Estate Leasing Ltd.	524	426
OTP Holding Ltd./ OTP Financing Cyprus Co. Ltd. (Cyprus)	443	8,716
JSC “OTP Bank” (Russia)	362	1,697
OTP Financing Netherlands B.V. (the Netherlands)	347	2,141
Inga Kettő Ltd.	323	91
Bank Center Ltd.	189	273
D-ÉG Thermoset Ltd.[2]	122	152
OTP Leasing d.d. (Croatia)	86	542
DSK Leasing AD (Bulgaria)	53	356
OTP Factoring Slovensko a.s. (Slovakia)	27	264
OTP Banka Slovensko a.s. (Slovakia)	-	260
Merkantil Car Ltd.	-	96
Other	609	736
Total	**23,440**	**37,259**

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

NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

d) Interests paid by the Bank[1]

	2015	2014
DSK Bank EAD (Bulgaria)	5,711	2,811
OTP Mortgage Bank Ltd.	2,419	1,799
OTP Banka Slovensko a.s. (Slovakia)	1,045	664
Merkantil Lease Ltd.	984	1,278
OTP Building Society Ltd.	560	559
OTP Funds Servicing and Consulting Ltd.	542	715
OTP Bank Romania S.A. (Romania)	480	244
JSC “OTP Bank” (Russia)	456	460
OTP banka Hrvatska d.d. (Croatia)	264	279
Crnogorska komercijalna banka a.d (Montenegro)	133	284
OTP Factoring Ltd.	58	139
OTP Life Annuity Ltd.	53	91
Bank Center Ltd.	38	80
Merkantil Bank Ltd.	22	111
OTP banka Srbija a.d. (Serbia)	11	45
Balansz Real Estate Institute Fund	-	32
OTP Real Estate Leasing Ltd.	-	14
Other	32	20
Total	**12,808**	**9,625**

e) Commissions received by the Bank

	2015	2014
From OTP Fund Management Ltd. in relation to trading activity	9,931	10,476
From OTP Bank JSC (Ukraine) in relation to lending activity	1,202	1,666
From OTP Building Society Ltd. (agency fee in relation to finalised customer contracts)	1,200	2,973
From OTP Real Estate Investment Fund Management Ltd. in relation to trading activity	948	592
From Merkantil Bank Ltd. in relation to account management and activity as agent	757	785
From OTP Funds Servicing and Consulting Ltd. in relation to banking	421	419
From OTP Fund Management Ltd. in relation to custody activity	171	67
Total	**14,630**	**16,978**

f) Commissions paid by the Bank

	2015	2014
OTP Bank Romania S.A. (Romania) related to loan portfolio handling	177	244
Crnogorska komercijalna banka a.d. (Montenegro) related to loan portfolio handling	-	124
Total	**177**	**368**

g) Transactions related to OTP Mortgage Bank Ltd.:

	2015	2014
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	19,112	5,967
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	1,453	1,440
The gross book value of the loans sold	1,453	1,440

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

NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

h) Transactions related to OTP Factoring Ltd.:

	2015	2014
The gross book value of the loans sold	17,565	24,605
Provision for loan losses on the loans sold	7,453	12,667
Loans sold to OTP Factoring Ltd. without recourse (including interest)	4,992	7,261
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	5,120	4,677

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

i) Transactions related to OTP Banka Slovensko a.s. (Slovakia)

	2015	2014
Securities issued by OTP Banka Slovensko a.s. (Slovakia) held by OTP Bank (nominal value in HUF million)	7,202	7,872

j) Transactions related to OTP Factoring Montenegro d.o.o. (Montenegro)

	2015	2014
The gross book value of the loans sold	589	5,913
The selling price of the loans sold	-	2,775

k) Transactions related to OTP Financing Malta Company Ltd. (Malta)

	2015	2014
The gross book value of the loans sold (including interest)	315,031	31,293
The selling price of the loans sold (including interest and premium/discount)	314,737	31,506

l) Transactions related to OTP Bank Romania S.A. (Romania)

	2015	2014
The gross book value of the loans sold	7,199	-
The selling price of the loans sold	5,512	-

NOTE 29: RELATED PARTY TRANSACTIONS (in HUF mn) [continued]

m) Related party transactions with key management

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

Compensations	**2015**	**2014**
Short-term employee benefits	1,851	3,453
Share-based payment	2,276	2,937
Long-term employee benefits (on the basis of IAS 19)	290	443
Total	**4,417**	**6,833**

	2015	**2014**
Loans provided to companies owned by the Management (in the normal course of business)	24,233	11,854
Commitments to extend credit and bank guarantees	33,817	15,545
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at market conditions)	134	136

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned credit line "A" in the amount of HUF 139.3 and 139.7 million as at 31 December 2015 and 2014.

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

	2015	**2014**
Members of Board of Directors and their close family members	18	18
Members of Supervisory Board	2	4
Chief executive	2	2

The family member of a member of the Board of Directors owned AMEX Blue credit card loan in the amount of HUF 0.6 million as at 31 December 2015.

Chief executives owned AMEX Gold loading card loan in the amount of HUF 3.5 million as at 31 December 2015.

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

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

	2015	**2014**
Members of Board of Directors	629	539
Members of Supervisory Board	72	73
Total	**701**	**612**

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

NOTE 30: TRUST ACTIVITIES (in HUF mn)

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

	2015	2014
Loans managed by the Bank as a trustee	37,518	39,618

NOTE 31: 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	43%	44%
Securities issued by the OTP Mortgage Bank Ltd.	8.38%	9.77%

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

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

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

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

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

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

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

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

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

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

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

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

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

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 and Hungarian Government, deposits from the National Bank of Hungary and other banks	449,413	45,377	308,137	38,473	-	841,400
Deposits from customers	4,017,478	269,279	21,987	14,558	-	4,323,302
Liabilities from issued securities	31,140	50,160	33,839	34,339	-	149,478
Other liabilities[1]	152,750	134,665	-	-	-	287,415
Subordinated bonds and loans	1,382	156,560	-	-	110,566[2]	268,508
TOTAL LIABILITIES	**4,652,163**	**656,041**	**363,963**	**87,370**	**110,566**	**5,870,103**
Receivables from derivative financial instruments classified as held for trading	841,408	435,640	235,379	2,640	-	1,515,067
Liabilities from derivative financial instruments classified as held for trading	(869,256)	(480,115)	(295,415)	(17,375)	-	(1,662,161)
Net position of financial instruments classified as held for trading	***(27,848)***	***(44,475)***	***(60,036)***	***(14,735)***	**-**	***(147,094)***
Receivables from derivative financial instruments designated as fair value hedge	-	155,065	176,098	154	-	331,317
Liabilities from derivative financial instruments designated as fair value hedge	-	(174,364)	(195,969)	(67)	-	(370,400)
Net position of financial instruments designated as fair value hedge	**-**	***(19,299)***	***(19,871)***	***87***	**-**	***(39,083)***
Net position of derivative financial instruments total	**(27,848)**	**(63,774)**	**(79,907)**	**(14,648)**	**-**	**(186,177)**
Commitments to extend credit	96,504	649,095	203,318	-	-	948,917
Bank guarantees	46,749	40,679	103,825	227,957	-	419,210
Off-balance sheet commitments	**143,253**	**689,774**	**307,143**	**227,957**	**-**	**1,368,127**

[1] Derivative financial instruments designated as fair value hedge are not included.
[2] See Note 18.

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

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

[1] Derivative financial instruments designated as fair value hedge are not included.
[2] See Note 18.

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

As at 31 December 2015

	USD	EUR	CHF	Others	Total
Assets[1]	252,582	998,181	90,558	88,994	1,430,315
Liabilities	(371,921)	(949,870)	(25,685)	(36,639)	(1,384,115)
Off-balance sheet assets and liabilities, net	122,948	(197,317)	(63,111)	(48,910)	(186,390)
Net position	**3,609**	**(149,006)**	**1,762**	**3,445**	**(140,190)**

As at 31 December 2014

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

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

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

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

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

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

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

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

[2] 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 2.26.

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

As at 31 December 2015	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
ASSETS	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**Total**
Cash, amounts due from banks and balances with the National Bank of Hungary	**1,202,576**	**40,818**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**76,320**	**6,483**	**1,278,896**	**47,301**	**1,326,197**
fixed interest	1,202,576	40,818	-	-	-	-	-	-	-	-	-	-	1,202,576	40,818	**1,243,394**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	76,320	6,483	76,320	6,483	**82,803**
Placements with other banks, net of allowance for placement losses	**125,409**	**103,476**	**317,181**	**66,155**	**220**	**5,351**	**308**	**696**	**25,247**	**3,681**	**-**	**-**	**468,365**	**179,359**	**647,724**
fixed interest	52,836	60,993	120,240	24,595	220	424	308	696	25,247	3,681	-	-	198,851	90,389	**289,240**
variable interest	72,573	42,483	196,941	41,560	-	4,927	-	-	-	-	-	-	269,514	88,970	**358,484**
Securities held for trading	**356**	**-**	**2,125**	**23**	**7,914**	**43**	**141**	**1**	**10,345**	**52**	**72,206**	**357**	**93,087**	**476**	**93,563**
fixed interest	356	-	1,857	23	6,001	25	141	1	10,345	52	-	-	18,700	101	**18,801**
variable interest	-	-	268	-	1,913	18	-	-	-	-	-	-	2,181	18	**2,199**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	72,206	357	72,206	357	**72,563**
Securities available-for-sale	**21,671**	**317,230**	**114,804**	**7,171**	**3,256**	**9,753**	**-**	**29,529**	**847,783**	**53,479**	**43,319**	**14,665**	**1,030,833**	**431,827**	**1,462,660**
fixed interest	-	-	95,851	-	3,256	4,780	-	29,529	847,783	53,479	-	-	946,890	87,788	**1,034,678**
variable interest	21,671	317,230	18,953	7,171	-	4,973	-	-	-	-	-	-	40,624	329,374	**369,998**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	43,319	14,665	43,319	14,665	**57,984**
Loans, net of allowance for loan losses	**314,234**	**192,553**	**172,493**	**607,190**	**166,257**	**14,872**	**62,829**	**8,694**	**128,139**	**11,923**	**-**	**-**	**843,952**	**835,232**	**1,679,184**
fixed interest	2,390	700	6,530	1,502	32,250	8,643	35,934	8,694	72,613	11,923	-	-	149,717	31,462	**181,179**
variable interest	311,844	191,853	165,963	605,688	134,007	6,229	26,895	-	55,526	-	-	-	694,235	803,770	**1,498,005**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held-to-maturity	**-**	**-**	**16,087**	**-**	**23,576**	**-**	**85,778**	**-**	**683,119**	**-**	**16,241**	**-**	**824,801**	**-**	**824,801**
fixed interest	-	-	12,748	-	23,576	-	85,778	-	683,119	-	-	-	805,221	-	**805,221**
variable interest	-	-	3,339	-	-	-	-	-	-	-	-	-	3,339	-	**3,339**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	16,241	-	16,241	-	**16,241**
Derivative financial instruments	**673,749**	**668,467**	**1,351,732**	**384,815**	**217,206**	**109,734**	**46,773**	**149,426**	**39,414**	**29,997**	**446,726**	**110,203**	**2,775,600**	**1,452,642**	**4,228,242**
fixed interest	500,878	227,942	428,021	135,754	216,291	66,795	46,773	149,426	39,414	29,997	-	-	1,231,377	609,914	**1,841,291**
variable interest	172,871	440,525	923,711	249,061	915	42,939	-	-	-	-	-	-	1,097,497	732,525	**1,830,022**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	446,726	110,203	446,726	110,203	**556,929**

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

As at 31 December 2015	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest - bearing		Total		
LIABILITIES	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**HUF**	**foreign currency**	**Total**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	**272,075**	**155,355**	**14,020**	**65,193**	**63,473**	**6,772**	**168,853**	**5,779**	**72,029**	**5,573**	**-**	**-**	**590,450**	**238,672**	**829,122**
fixed interest	271,877	103,120	12,930	741	32,373	4,588	168,853	5,779	72,029	5,573	-	-	558,062	119,801	**677,863**
variable interest	198	52,235	1,090	64,452	31,100	2,184	-	-	-	-	-	-	32,388	118,871	**151,259**
Deposits from customers	**1,331,844**	**222,143**	**504,203**	**162,932**	**135,491**	**101,120**	**2,224**	**-**	**1,567,333**	**295,949**	**-**	**-**	**3,541,095**	**782,144**	**4,323,239**
fixed interest	725,778	214,876	504,189	162,430	135,491	101,120	2,224	-	8,778	-	-	-	1,376,460	478,426	**1,854,886**
variable interest	606,066	7,267	14	502	-	-	-	-	1,558,555	295,949	-	-	2,164,635	303,718	**2,468,353**
Liabilities from issued securities	**6**	**5,097**	**13**	**8,730**	**5,381**	**38,543**	**12,908**	**8,295**	**71,067**	**191**	**-**	**-**	**89,375**	**60,856**	**150,231**
fixed interest	6	4,848	13	6,578	5,381	35,587	12,908	8,295	71,067	191	-	-	89,375	55,499	**144,874**
variable interest	-	249	-	2,152	-	2,956	-	-	-	-	-	-	-	5,357	**5,357**
Derivative financial instruments	**1,248,271**	**98,126**	**1,083,679**	**640,110**	**158,671**	**134,008**	**190,632**	**6,931**	**40,977**	**72,001**	**227,762**	**315,022**	**2,949,992**	**1,266,198**	**4,216,190**
fixed interest	635,192	88,963	418,185	143,566	157,950	125,122	190,632	6,931	40,977	72,001	-	-	1,442,936	436,583	1,879,519
variable interest	613,079	9,163	665,494	496,544	721	8,886	-	-	-	-	-	-	1,279,294	514,593	1,793,887
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	227,762	315,022	227,762	315,022	542,784
Subordinated bonds and loans	**-**	**-**	**-**	**-**	**-**	**266,063**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**266,063**	**266,063**
fixed interest	-	-	-	-	-	266,063	-	-	-	-	-	-	-	266,063	**266,063**
NET POSITION	**(514,201)**	**841,823**	**372,507**	**188,389**	**55,413**	**(406,753)**	**(178,788)**	**167,341**	**(17,359)**	**(274,582)**	**427,050**	**(183,314)**	**144,622**	**332,904**	**477,526**

<u>NOTE 34:</u> INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

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

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

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

NOTE 35: EARNINGS PER SHARE

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

	2015	2014
Net (loss) / profit for the year attributable to ordinary shareholders (in HUF mn)	49,645	(74,469)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	273,524,198	278,355,195
Basic Earnings per share (in HUF)	**182**	**(268)**
Separate net profit / (loss) for the year attributable to ordinary shareholders (in HUF mn)	49,645	(74,469)
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	273,739,580	278,643,335
Diluted Earnings per share (in HUF)	**181**	**(267)**

	2015	2014
	number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	(6,475,812)	(1,644,815)
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**273,524,198**	**278,355,195**
Dilutive effect 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	**273,739,580**	**278,643,335**

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

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

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

As at 31 December 2015	Net interest income and expense	Net non-interest gain and loss	Provision for impairment	Other comprehensive income
Cash, amounts due from banks and balances with the National Bank of Hungary	26,574	-	-	-
Placements with other banks, net of allowance for placement losses	9,712	-	(3)	-
Securities held for trading	281	1,072	-	-
Securities available-for-sale	50,655	20,333	-	46,324
Loans, net of allowance for loan losses	125,229	22,065	(11,890)	-
Securities held-to-maturity	39,973	-	-	-
Derivative financial instruments	8,348	(316)	-	-
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	(17,678)	-	-	-
Deposits from customers	(26,455)	111,126	-	-
Liabilities from issued securities	(2,091)	-	-	-
Subordinated bonds and loans	(16,686)	-	-	-
Other	25			
Total	**197,887**	**154,280**	**(11,893)**	**46,324**

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

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

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

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

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

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

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

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

a) Fair value of financial assets and liabilities

	2015		2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Bank of Hungary	1,326,197	1,327,460	1,897,778	1,897,778
Placements with other banks, net of allowance for placement losses	647,724	666,128	712,112	746,469
Financial assets at fair value through profit or loss	252,140	252,140	351,753	351,753
Held for trading securities	*93,563*	*93,563*	*77,587*	*77,587*
Derivative financial instruments classified as held for trading	*158,577*	*158,577*	*274,166*	*274,166*
Securities available-for-sale	1,462,660	1,462,660	1,215,907	1,215,907
Loans, net of allowance for loan losses[1]	1,679,184	1,974,713	1,908,631	2,277,701
Securities held-to-maturity	824,801	883,697	662,947	721,436
Derivative financial instruments designated as hedging instruments	33,768	33,768	14,041	14,041
FINANCIAL ASSETS TOTAL	**6,226,474**	**6,600,566**	**6,763,169**	**7,225,085**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	829,122	829,150	1,142,491	1,128,655
Deposits from customers	4,323,239	4,307,291	4,235,256	4,242,841
Liabilities from issued securities	150,231	168,338	162,667	171,909
Derivative financial instruments designated as hedging instruments	35,701	35,701	3,463	3,463
Financial liabilities at fair value through profit or loss	144,592	144,592	375,363	375,363
Financial liabilities from OTP-MOL transaction	66,787	66,787	56,445	56,445
Subordinated bonds and loans	266,063	271,884	294,612	292,746
FINANCIAL LIABILITIES TOTAL	**5,815,735**	**5,823,743**	**6,270,297**	**6,271,422**

[1] Fair value of loans increased in the year ended 31 December 2015 and 2014 due to decrease of short-term and long-term interests.

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

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	33,869	43,538	40,702	46,128
Negative fair value of interest rate swaps classified as held for trading	(30,453)	(63,670)	(37,158)	(66,510)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	14,352	60,833	14,994	57,280
Negative fair value of foreign exchange swaps classified as held for trading	(9,265)	(60,110)	(7,615)	(55,697)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	15,393	14,032	7,932	8,539
Negative fair value of interest rate swaps designated in fair value hedge	(13,723)	(3,463)	(17,211)	(4,602)
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	102,125	152,540	103,253	144,886
Negative fair value of CCIRS classified as held for trading	(95,349)	(227,167)	(96,285)	(222,373)
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)	(9,576)	(2,143)	(9,856)
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated in fair value hedge	18,375	-	18,263	-
Negative fair value of CCIRS designated in fair value hedge	(21,978)	-	(21,872)	-
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	8,231	17,255	5,342	14,088
Negative fair value of other derivative contracts classified as held for trading	(7,155)	(14,840)	(3,900)	(11,526)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated in fair value hedge	-	9	-	4
Negative fair value of other derivative contracts designated in fair value hedge	-	-	-	-
Derivative financial assets total	**192,345**	**288,207**	**190,486**	**270,925**
Derivative financial liabilities total	**(180,293)**	**(378,826)**	**(186,184)**	**(370,564)**
Derivative financial instruments total	**12,052**	**(90,619)**	**4,302**	**(99,639)**

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

c) Hedge accounting

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

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

As at 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

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

d) Fair value hedges

1. Deposits from customers

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

	2015	2014
Fair value of the hedging instruments	-	107

2. Securities available-for-sale

OTP Bank holds fixed interest rate securities denominated in HUF 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 OTP Bank entered into pay fixed-receive floater interest rate swap transactions, where the risk from the cash-flows of the securities are swapped to payments linked to 3 or 12 month EURIBOR and the risk from the cash-flows of the bonds are swapped to payments linked to 6 month BUBOR, resulting in a decrease in the fair value exposure of the securities available-for-sale.
OTP Bank holds floating interest rate bonds denominated in EUR within the available-for-sale portfolio. The cash-flows of the securities are exposed to the change in the EUR foreign exchange rate and the risk of change in interest rates of EUR. The interest rate risk and foreign exchange risk related to these securities are hedged with CCIRS transactions.

	2015	2014
Fair value of the IRS hedging instruments	(11,266)	(2,570)
Fair value of the CCIRS hedging instruments	(3,668)	-

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

d) Fair value hedges [continued]

3. Loans to customers / corporates

OTP Bank has fixed interest rate loans denominated in various currencies. These fixed interest rate loans are exposed to fair value risk of changes of risk-free interest rates. In order to hedge the interest rate risk of the cash-flows OTP Bank entered into pay-fixed, receive-floater interest rate swap transactions, where the risk of the payments from the loans are swapped to payments linked to 3 month EURIBOR or BUBOR resulting in a decrease in the interest-rate fair value exposure of the loans to customers.
OTP 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 Bank 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 OTP Bank are exposed to the change in the HUF/EUR foreign exchange rate and the risk of change in the risk-free interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS and index option transactions. In the case of IRS transactions the fixed cash-flows were swapped to payments linked to 3 month EURIBOR or BUBOR, resulted a decrease in the interest rate and foreign exchange exposure of issued securities.
Certain structured bonds are hedged by options which give the owner the right to get amount of the structure which is equal to the structure of the hedged bond.

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

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

d) Fair value hedges [continued]

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

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

e) ***Fair value classes***

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

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

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

As at 31 December 2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	251,707	85,301	166,406	-
from this: securities held for trading	*93,130*	*85,280*	*7,850*	-
from this: positive fair value of derivative financial instruments classified as held for trading	*158,577*	*21*	*158,556*	-
Securities available-for-sale	1,434,091	670,809	757,615	5,667[1]
Positive fair value of derivative financial instruments designated as fair value hedge	33,768	-	33,768	-
Financial assets measured at fair value total	**1,719,566**	**756,110**	**963,456**	**5,667**
Negative fair value of derivative financial instruments classified as held for trading	144,592	34	144,558	-
Negative fair value of derivative financial instruments designated as fair value hedge	35,701	-	35,701	-
Financial liabilities measured at fair value total	**180,293**	**34**	**180,259**	**-**

As at 31 December 2014	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	351,319	73,090	278,229	-
from this: securities held for trading	*77,153*	*72,634*	*4,519*	-
from this: positive fair value of derivative financial instruments classified as held for trading	*274,166*	*456*	*273,710*	-
Securities available-for-sale	1,181,200	342,629	838,571	-
Positive fair value of derivative financial instruments designated as fair value hedge	14,041	-	14,041	-
Financial assets measured at fair value total	**1,546,560**	**415,719**	**1,130,841**	**-**
Negative fair value of derivative financial instruments classified as held for trading	375,363	478	374,885	-
Negative fair value of derivative financial instruments designated as fair value hedge	3,463	-	3,463	-
Financial liabilities measured at fair value total	**378,826**	**478**	**378,348**	**-**

[1] Whole portfolio includes shares of Visa Europe (See Note 39). 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.

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

	Retained Earnings and Reserves 1 January 2015	Net profit for the year ended 31 December 2015	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2015
Financial Statements in accordance with HAS	**940,826**	**(98,094)**	**(46,200)**	**84,418**	**880,950**
Premium and discount amortization of financial instruments measured at amortised cost	2,797	362	-	(683)	2,476
Effect of redemption of issued securities	14,111	(3,535)	-	-	10,576
Differences in carrying value of subsidiaries	34,115	84,418	-	(84,418)	34,115
Difference in accounting for finance leases	(873)	99	-	-	(774)
Effects of using effective interest rate method	5,934	511	-	-	6,445
Fair value adjustment of held for trading and available-for-sale financial assets	58,141	16,578	-	(7,203)	67,516
Fair value adjustment of derivative financial instruments	10,011	4,689	-	(2,084)	12,616
Reversal of statutory goodwill	40,596	-	-	-	40,596
Revaluation of investments denominated in foreign currency to historical cost	(32,671)	24,217	-	-	(8,454)
Difference in accounting of security lending	(21,981)	392	-	-	(21,589)
Treasury share transaction	-	7,372	-	(7,372)	-
Share-based payment	-	(3,810)	-	3,810	-
Payments to ICES holders	7,014	46	-	(4,133)	2,927
OTP-MOL share swap transaction	(54,067)	3,236	-	-	(50,831)
Provision for exchange of customer loans to HUF	(7,906)	7,487	-		(419)
Deferred taxation	33,557	5,677	-	2,671	41,905
Dividend paid for 2014	40,600	-	(40,600)	-	-
Dividend payable in 2015	-	-	46,200	-	46,200
Financial Statements in accordance with IFRS	**1,070,204**	**49,645**	**(40,600)**	**(14,994)**	**1,064,255**

NOTE 39: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2015

1) Government measures related to customer loan contracts

See details in Note 2.26.

2) Cessation of the indirect ownership in KITE Ltd.

See details in Note 9.

3) Capital increase at OTP Bank Romania

See details in Note 9.

4) Capital increase at OTP Bank JSC (Ukraine)

See details in Note 9.

5) Term Note Program

See details in Note 15.

6) 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 18 million (around HUF 5.667 billion). 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 securities available-for-sale line in the Statement of Comprehensive Income. The above said cash component of the purchase price will be booked in the Statement of Recognised Income at the settlement of the transaction, and shown presumably in second quarter of 2016. For the time being the value of the earn-out component cannot be reliably measured.

NOTE 40: POST BALANCE SHEET EVENTS

1) Capital increase at OTP Bank Romania

See details in Note 9.

2) Capital increase at OTP Bank JSC (Ukraine)

See details in Note 9.

3) Agreement on purchasing unit of AXA Bank Hungary

See details in Note 9.

NOTE 41: STATEMENT OF ECONOMIC SITUATION AND IMPLICATIONS ON THE BANK'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 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 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 NBH 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.

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 Bank'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 OTP 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 OTP Bank, OTP Mortgage Bank Ltd., Merkantil Bank Ltd., Merkantil Car Ltd. and OTP Real Estate Leasing Ltd. has been completed.