OTP BANK PLC.

PROPOSALS FOR THE COMPANY'S ANNUAL GENERAL MEETING

17 APRIL 2015

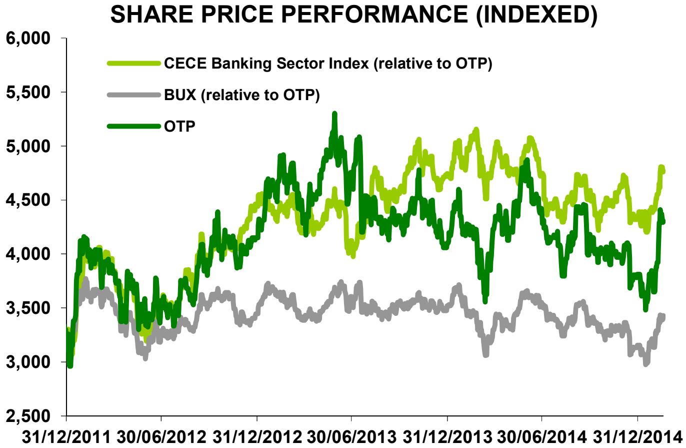
THE AGENDA OF THE ANNUAL GENERAL MEETING

THE REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS OPERATIONS IN 2014

CONSOLIDATED FINANCIAL HIGHLIGHTS AND SHARE DATA[1]

Main components of the Statement of recognised income	2013 HUF million	2014 HUF million	Change %
Consolidated after tax profit	**64,108**	**(102,258)**	**(260)**
Adjustments (total)	**(81,775)**	**(220,272)**	**169**
Consolidated adjusted after tax profit without the effect of adjustments	**145,882**	**118,014**	**(19)**
Pre-tax profit	184,894	142,341	(23)
Operating profit	447,710	414,534	(7)
Total income	864,910	826,061	(4)
Net interest income	653,126	636,172	(3)
Net fees and commissions	166,936	169,579	2
Other net non-interest income	44,848	20,310	(55)
Operating expenses	(417,201)	(411,527)	(1)
Total risk costs	(272,459)	(274,749)	1
One off items	9,643	2,556	(73)
Corporate taxes	(39,012)	(24,327)	(38)
Main components of balance sheet closing balances	2013	2014	%
Total assets	10,381,047	10,971,052	6
Total customer loans (net, FX adjusted)	**6,253,268**	**5,864,240**	**(6)**
Total customer loans (gross, FX adjusted)	**7,499,573**	**6,993,325**	**(7)**
Allowances for possible loan losses (FX adjusted)	(1,246,305)	(1,129,085)	(9)
Total customer deposits (FX adjusted)	**6,910,068**	**7,673,479**	**11**
Issued securities	445,218	267,084	(40)
Subordinated loans	267,162	281,968	6
Total shareholders' equity	1,509,332	1,264,166	(16)
Indicators based on one-off adjusted earnings	2013	2014	ppts
ROE (from adjusted net earnings)	9.6%	8.5%	(1.1)
ROA (from adjusted net earnings)	1.4%	1.1%	(0.3)
Operating profit margin	4.37%	3.88%	(0.49)
Total income margin	8.44%	7.74%	(0.70)
Net interest margin	6.37%	5.96%	(0.41)
Cost-to-asset ratio	4.07%	3.85%	(0.22)
Cost/income ratio	48.2%	49.8%	1.6
Risk cost to average gross loans	3.51%	3.68%	0.17
Total risk cost-to-asset ratio	2.66%	2.57%	(0.09)
Effective tax rate	21.1%	17.1%	(4.0)
Net loan/(deposit+retail bond) ratio (FX adjusted)	89%	75%	(14)
Capital adequacy ratio[2] (consolidated, IFRS) - Basel3	19.7%	17.5%	(2.2)
Tier1 ratio[2] - Basel3	17.4%	14.1%	(3.2)
Common Equity Tier1 ('CET1') ratio[2] - Basel3	16.0%	14.1%	(1.9)
Share Data	2013	2014	%
EPS diluted (HUF) (from unadjusted net earnings)	240	(382)	(259)
EPS diluted (HUF) (from adjusted net earnings)	546	441	(19)
Closing price (HUF)	4,100	3,811	(7)
Highest closing price (HUF)	5,302	4,875	(8)
Lowest closing price (HUF)	4,059	3,555	(12)
Market Capitalization (EUR billion)	3.9	3.4	(13)
Book Value Per Share (HUF)	5,390	4,515	(16)
Tangible Book Value Per Share (HUF)	4,699	3,948	(16)
Price/Book Value	0.8	0.8	0
Price/Tangible Book Value	0.9	1.0	11
P/E (trailing, from accounting net earnings)	17.9	(10.4)	(158)
P/E (trailing, from adjusted net earnings)	7.9	9.0	15
Average daily turnover (EUR million)	18	14	(22)
Average daily turnover (million share)	1.1	1.1	0

SHARE PRICE PERFORMANCE (INDEXED)



MOODY'S RATINGS

OTP Bank	
Foreign currency long term deposits	Ba2
Financial strength	D
OTP Mortgage Bank	
Covered mortgage bond	Baa2
OTP Bank Russia	
Foreign currency long term deposits	Ba3
Financial strength	E+
OTP Bank Ukraine	
Foreign currency long term deposits	Ca

STANDARD & POOR'S RATING

OTP Bank and OTP Mortgage Bank	
Long term credit rating	BB

FITCH'S RATING

OTP Bank Russia	
Long term credit rating	BB

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

[2] The dividend amount accrued in 2014 under Hungarian Accounting Standards was not deducted from the capital when calculating the IFRS consolidated capital adequacy ratios, because the dividend is not to be deducted from the net earnings if the net result is negative.

MANAGEMENT'S ANALYSIS OF THE FULL-YEAR 2013 RESULTS OF OTP GROUP

Diverging trends have remained in place and even strengthened throughout 2014 across the Group: while the overall macroeconomic and operating environment improved in Central and Eastern Europe, Ukraine and Russia faced worsening outlook and suffered deteriorating performance.

From the banking business perspective probably the two most important factors in Hungary were the positively shaping macroeconomic environment on one hand and the regulatory changes and rulings related to consumer (especially FX mortgage) contracts on the other. Despite the latter induced massive one-off losses for the sector, in the longer term it would indisputably create a healthier and safer operating environment.

After the modest economic growth in 2013, the GDP continued to expand in 2014 well beyond original expectations. According to preliminary data, the Hungarian GDP grew by 3.5% in 2014. Unemployment rate dropped to 7.1% (-2 ppts y-o-y) and the employment exceeded its pre-crisis levels. The key engine behind the robust growth was still the export (+8%); however alongside the expanding industrial production (+7.6%) household consumption grew notably, too. The annual inflation was negative (-0.2%) and the base rate stood at 2.1% since 23th of July following 90 bps all-in cuts in 2014. Preliminary statistics suggested that the budget deficit was below 3% already for the third consecutive year (2014: 2.5%) and the public debt to GDP ratio was 77.3% at the end of 2014.

It is also encouraging that in light of those positive trends several international organizations (OECD, EBRD) as well as investment houses upgraded their 2015 growth forecasts. The official 2015 budget set the following key targets: 2.5% GDP growth, 2.4% budget deficit coupled with public debt to GDP ratio at 75.4%, 1.3% CPI, unchanged NBH base rate and HUF/EUR at 310.1 year-end level.

The Funding for Growth Scheme of NBH has continued, following a total disbursement of HUF 701 billion under the first phase, so far HUF 472 billion was disbursed under the second one towards local SMEs, whereas contracted amounts reached HUF 585 billion. Since the amount of available sources under the new 7-year EU budget will increase substantially in line with the targets of the Scheme, NBH extended the draw-down deadline in October 2014 until to end of 2015, simultaneously raised the potentially available funding up to HUF 1,000 billion.

On 18 February the National Bank of Hungary announced the launch of Funding for Growth Scheme+ (FGS+) to be started from 16 March 2015 accordingly NBH will improve access to credit for small and medium sized enterprises that have not been able to participate in FGS so far. Under the scheme the central bank takes over 50% of credit losses from the credit institutions.

Regarding regulatory changes, with the approval of four legislative acts, in legal terms the long-running uncertainty around FX mortgages in particular and consumer contracts in broader sense has come to end. In July and September the Hungarian Parliament passed a legislation which declared the use of FX conversion margins as void and ruled unfair the unilateral amendments to consumer contracts, consequently made banks accountable and obliged them to settle with clients. Those two acts were followed by an act on the conversion of FX mortgages into Hungarian forint and another one on Fair Banking. While those acts put a material one-off burden on banks and will negatively impact their future earnings, finally a major risk factor was eliminated which not only generated constant tensions, but also set back the healthier and more predictable operation of the whole banking sector.

The central bank also played an active role in the settlement of the FX problem: it provided the necessary foreign currency need for the commercial banks to close their open position at the official rate prevailing on 7 November (308.97 HUF/EUR). OTP Bank fully hedged the open HUF/EUR positions on the FX tenders of the National Bank of Hungary, while the open EUR/CHF and EUR/JPY positions were hedged on the market until the end of 2014. Consequently the Swiss National Bank's decision on abandoning the EUR/CHF peg on 15 January 2015 and, as a result the drastic exchange rate moves had no negative impact either on OTP Bank and other Hungarian banks, or their FX mortgage clients: from 1 January 2015 monthly instalments were already calculated using the fixed FX rates.

With respect to other Group members' national economies, Slovakia, Bulgaria and Romania, as well as Montenegro can be characterized by improving macro and ongoing structural transformation, whereas Serbia made particular stabilizing efforts within the framework of an IMF-package.

There were two definite laggards, however, namely Russia and Ukraine. Their share within the consolidated performing (DPD0-90) loan book represents 8.7% and 5.5% respectively. The macroeconomic performance of those countries was well beyond the original expectations with further escalating military conflicts in Ukraine especially during the last fall. The rouble and the hryvnia were the worst performing emerging market currencies in 2014 depreciating against USD by 92% and 77% y-o-y respectively. The currency reserves of Ukraine dropped to the danger zone and the central bank practically introduced currency control. The yearly inflation was around 20% and according to quarterly statistics the y-o-y GDP contraction could be around 6.7%. In Russia consumer prices increased by more than 10%, melting oil prices put the budgetary revenues under pressure; by the end of 2014 the economy slipped into recession. In order to safeguard the value of the rouble, the Central Bank of Russia hiked the base rate to 17% on 15 December. On 26 January S&P downgraded the Russian sovereign into "BB+", thus for the first time in the last 10 years the country sank into non-investment grade. On February 20 Moody's made a similar step, also downgrading Russia into non-investment grade ("Ba1").

During 2014 and at the beginning of 2015 there have been several legislative changes across the Group having an impact on Group members' operation and profitability.

Regulatory changes related to consumer contracts, as well as future operating environment of banks in Hungary:

1. On 4 July 2014 the Parliament approved the **Act No. XXXVIII of 2014** on the "*Settlement of certain questions related to the Curia's uniformity decision on loans to customers provided by financial institutions".* The Act declared the use of FX conversion margin as void and declared a disputable presumption on the unfairness of unilateral contract amendments. Furthermore, on 24 September the Parliament also approved an Act No. XL of 2014 on the "*Settlement rules and other provision related to the Act No. XXXVIII of 2014".* The Act stipulates that in the case of FX margin and unilateral amendments to the consumer contracts the use of funds without legal cause is to be treated in each moment as principal (pre)payments, i.e. the outstanding debt obligation should be amortized.
2. On 25 November the **Act No. LXXVII of 2014** has been passed on the **"Conversion of FX mortgage loans"** which set the legal technics, terms and conditions of the procedure. The major stipulations were as follows:
    a. The applicable conversion rates are 256.47 HUF/CHF, 308.97 HUF/EUR and 2.163 HUF/JPY. The total claim should be converted in HUF.
    b. Newly converted HUF mortgage loans can be only reference rate based using 3M BUBOR as reference rate. The due date of the conversion is 1 February 2015.
    c. New interest spread: the spread level should be minimum 1% and maximum 4.5% for housing loans and 6.5% for home equity loans. In case the original contract included handling fee set in percentage term, it should be deducted from the above mentioned maximum spread levels. The new nominal interest rate, however cannot exceed the original FX mortgage loan interest rate at origination or the one being effective on 19 July 2014 (of them the lower), unless the new interest rate calculated on the basis of provisions of the law exceeds the minimum interest rate defined by the above rules.
    d. A customer may initiate on opt-out if meeting the stringent requirements set by the law.
    e. Clients may terminate the new contract within 60 days following the amendment of the contract in case they can prepay/refinance the full amount.
    f. For clients participating in the FX fixing scheme the newly calculated monthly instalment cannot be higher for the rest of the maturity of the scheme than the last monthly instalment paid. The remaining maturity of the loan should be set in a way that after the scheme expired instalments wouldn't exceed the previous monthly burden by more than 15%.
3. Parallel with the "Conversion" Law on 25 November the Parliament approved the **Act No. LXXVIII of 2014 on *"Fair Banking"*.** The major aim of the Act is to make the pricing of customer (retail) loans transparent. Accordingly, in future only two types of pricing will be applicable: either reference-rate based or fix (with certain repricing periods). Overdraft loans and credit card loans are exempt from that limitation. Also, state subsidized mortgage loan pricing was regulated by a separate act. (On 29 January a Government decree (4/2015) was approved; it did not result in any change for the pricing of newly disbursed subsidized loans.)

    Bulk of the "Fair Banking" Act came into effect from 1 February 2015. The major stipulations were as follows:

    a. a multi-level notification obligation towards customers (such as revealing the potential risk factors of the loan, denunciation conditions, enforcement of collaterals, etc.);
    b. the bank's right to unilaterally amend the contract should be explicitly set;
    c. setting the maximum APR-levels previously in place, which, according to the basic principle cannot exceed the actual base rate +24%, except for credit card and current account loans where the applicable maximum is base rate +39%;

d. interest rate of the loan can be unilaterally modified during the tenor as follows:
   - For loans with a tenor under 3 years banks should apply either fix rate for the whole maturity or reference-rate based pricing with interest spread being fixed. During the maturity neither the fix interest rate, nor the spread can be modified.
   - For loans with a tenor over 3 years banks should apply either a variable rate being fixed for the repricing period of at least 3 years, or a reference-rate based pricing where the spread is fixed for the whole maturity or at least for 3 years.
   - During the whole maturity of the loan banks may amend maximum 5 times the interest rates or spreads at the end of the repricing periods.
   - As for the interest/spread amendments their scale cannot exceed the so called interest rate /spread alteration indicator calculated by the central bank.
   - In line with the law previous contractual terms had to be modified by 15 February 2015.

4. For the above listed Acts and decrees the following **time-table** is to be abided by:
   a. Starting from 1 January 2015 the monthly instalments of the original FX loans are to be calculated with the fixed conversion rates set in the Conversion Law.
   b. On 1 February all the relevant FX mortgage loans *de jure* had to be converted into HUF. Those loans were still booked as FX-loans in the balance sheet of the bank by end-2014, however their valuation was already based on the set conversion rates.
   c. Between 1-31 March clients participating in the preferential FX mortgage prepayment scheme (invented in 2011) may turn to their bank and ask for (presumed) settlement.
   d. Between 1 March – 30 April all FX clients should receive a detailed notifications from their banks on the settlement (including the newly set monthly instalment and the modified principal), as well as the notification on the amended provisions of their contract according to the law. Thus the previous FX mortgage clients will learn the relevant information on their outstanding HUF mortgage loan contractual terms following the conversion. For those preferring to opt-out (meeting the stipulated conditions) have 30 days to announce that to their banks. Only those clients can do so where the regular monthly income in the relevant foreign currency exceeds the monthly instalment; or the client is eligible to borrow in FX according to the NBH regulation in place (monthly income should exceed the minimum wage 15 times) or the loan is going the expire not later than 31 December 2020.
   e. The new disbursement amount will be due for the first time in May (i.e. the first month following the notification).
   f. Between 1 August – 1 September the HUF-based customer loan clients will also receive notifications on the settlement of their original loans.

5. From 1 January 2015 **NBH introduced new lending rules** in order to put more stringent limits for the indebtedness of individual clients. Accordingly
   a. in future a Payment-To-Income (PTI) indicator should be applied and banks have to calculate the total eligible disbursement amount based on the legal net monthly income of the customer in a way that:
      - having a monthly income less than HUF 400,000, for HUF loans the maximum PTI cannot exceed 50%, for EUR loans 25% and all other currencies 10%, respectively;
      - having a monthly income of more than HUF 400,000, the above thresholds are 60, 30 and 15%, respectively;
   b. the applicable Loan-To-Value (LTV) ratio sets limit for the maximum loan amount. For HUF loans in case of mortgages the maximum LTV can't be higher than 80%, whereas for car loans it can't exceed 75%. With regard to FX loans, for EUR-denominated ones the relevant thresholds are 50% (previously 60%) and 45% (previously 60%), for all other currencies a 35 and 30% threshold should be applied.

6. On 9 February 2015 the **Hungarian Government and EBRD signed a Memorandum of Understanding** which stipulated that the banking sector is one of the pillars of a long term sustainable economic development. It also stressed that the Government intends to strengthen its relationship with the local banking sector. The major undertakings of the agreement are as follows:
   - the new base for calculating the banking tax will be banks' balance sheets as of the end of 2014, with the percentage applied being reduced to 0.31% from 2016 and to 0.21% from the beginning of 2017. This would result in an almost HUF 60 billion reduction of the banking tax in 2016. From 2019 the level of the banking tax will be further adjusted to the prevailing European Union norms. The Hungarian government will take the necessary steps for submitting the appropriate legislation by June 2015;

- the conversion of FX mortgages into Hungarian forints would be completed in such a way as to avoid imposing further costs on the banking sector related to exchange rate risks;
- the reduction of the banking sector's non-performing loan portfolio would be designed to reflect international best practices, in particular with respect to the transparent and market-based operation of these programmes. Further restrictions on foreclosures and evictions will be avoided and purchasing the properties of troubled retail borrowers will be expanded, while the eligibility criteria are to be relaxed;
- new regulations on private bankruptcy and retroactive termination rights of the banks' clients will not be enacted without due consultation with and support of the Hungarian Banking Association;
- the Hungarian government doesn't intend to take direct or indirect majority ownership stakes in systemically important local banks, except in case of a threat to the stability of the overall banking system, and is committed to transferring all direct and indirect majority equity stakes it currently holds in local banks to the private sector within the next three years;
- the Hungarian government is to refrain from implementing new laws or measures that may have a negative impact on the profitability of the banking sector, except when Hungarian government is obliged to implement due to its membership of the European Union;
- the Hungarian government is ensuring fair competition between, and equal treatment of, all financial institutions active on the market in Hungary.

Legislative acts or other regulatory changes related to FX mortgages having an impact of other Group members

In Romania **OTP Bank Romania** was the first one to react to the step of the Swiss National Bank abolishing the CHF/EUR peg and on 16 January 2015 it announced that in order to mitigate the negative impact on monthly instalment for 3 months it will reduce by 1.5 ppts the interest rate of those customers who had variable-rate CHF mortgage loans (in accordance with effective conditions and depending on the antecedents of the loans). Clients can apply for this scheme by 27 February at any branch. By 12 February the take-up ratio reached 40% of performing CHF mortgage loan volumes. The potential impact of the lower net interest income for 3 months is about HUF 200 million. By the end of 2014 OTP Bank Romania had HUF 134 billion equivalent net CHF mortgage loans on its balance sheet.

In **Croatia**, on 19 January 2015 the Government announced that it will fix the HKR/CHF rate at 6.39 for servicing CHF debt obligations. The decree is effective from 26 January. Given that such unilateral step raises certain constitutional concerns, the banking sector has started working on its version that could ease the temporary difficulties of clients and considers rather the individual social aspects. The potential negative impact of fixing is about HUF 470 million for 12 months. By the end of 2014 OTP Bank Croatia had HUF 22 billion equivalent CHF mortgages on its balance sheet.

Consolidated earnings: HUF 118 billion adjusted after-tax profit, declining operating income and net interest margin, moderating portfolio deteriorating from 2H, improving DPD90+ ratio and provision coverage

OTP Group posted HUF 118 billion adjusted profit in 2014 which underpins a y-o-y 19% decline against the base period. The decline is reasoned by lower total income (-7%), as well as by higher risk costs (+1%).

The annual total income without one-offs comprised HUF 826.1 billion and moderated by 4% y-o-y, within that the decline of net interest income was 3%. As for individual group members the net interest income somewhat moderated at OTP Core, dropped in Russia and Ukraine, however increased at DSK Bulgaria and at all smaller group members. Lower net interest income at the Russian and Ukrainian subsidiaries are reasoned by the FX translation effect: in rouble terms the Russian net interest income dropped only by 1%, whereas in hryvnia terms the Ukrainian net interest income advanced by 16%. The net fee and commission improved by 2% y-o-y.

The annual other net non-interest income melted down by more than 50% y-o-y; especially the quarterly drop in 4Q was material (HUF -13.6 billion) compared to the third quarter of 2014. The main reasons were as follows: at OTP Core the other net non-interest income line went down by HUF 3.7 billion q-o-q, explained mainly by revaluation losses due to regulatory changes related to FX mortgage loans (HUF -1.8 billion in 4Q); also, due to the transformation of NHB bonds into deposits the related revenues were reclassified from gain on securities into interest revenues line, this explains HUF 0.6 billion q-o-q decline of the other net non-interest income line. Moreover, treasury margins eroded (HUF -0.6 billion) and income realized on sale of fixed assets was lower in 4Q by HUF 0.3 billion. At OTP Ukraine the other income was by HUF 4.8 billion lower q-o-q, which was primarily due to the shift of revenue items previously booked on other income line into interest income (HUF -1.8 billion), also in Eastern Ukraine cash and other assets were written off

(HUF -1.1 billion); thirdly, impairment of assets played a role, too (HUF -0.8 billion). At the Serbian subsidiary other income dropped due to reclassification into interest revenues (in the amount of HUF 1.1 billion). In Croatia the HUF 0.7 billion setback of other net non-interest revenues is partly attributable to shift of certain items previously booked within other revenues to interest income. At the Hungarian Property Management Company fee income was reclassified to net fee and commission income from other income line (in the amount of HUF 1.6 billion).

Operating expenses remained under control and declined modestly (-1% y-o-y).

Within consolidated adjusted earnings there has been a material geographical re-allocation of profits: due to massive losses at the Ukrainian and Russian subsidiaries the overall profit contribution of foreign subsidiaries was negative (in HUF billion 2014: 20.8 billion, 2013: 25). OTP Core posted HUF 137 billion profit (+20% y-o-y), the improvement to a great extent was due to lower risk costs. DKS has a stellar performance in 2014 realizing HUF 39 billion profit (+30%). Also, all smaller subsidiaries posted positive bottom line results. Their total profit of HUF 1.3 billion compares very favourably to the loss of HUF 13.1 billion suffered in 2013. Unfortunately, the Russian subsidiary became loss maker for the first time since the acquisition (HUF -14.5 billion), whereas the Ukrainian subsidiary posted HUF 43 billion adjusted loss (i.e. without the losses in the Crimea and Donetsk and Lugansk regions which were showed amongst one-off items on consolidated level). The total negative result in Ukraine was almost HUF 77 billion.

The accounting loss for the last 12 months was HUF 102.3 billion versus a profit of HUF 64.1 billion in the base period.

The material y-o-y change was related mainly to the adjustment items. Those items comprised four major categories, namely:

- the estimate on the expected one-off negative impact of the regulatory changes related to consumer contracts in Hungary reached HUF 155.9 billion (after tax).
- adjustments related to the Ukrainian operation:
  - in 2Q all the goodwill under IFRS was written down. Furthermore, in 4Q the total goodwill under Hungarian Accounting Standards and also, part of the investment has been written down. Due to the related tax shield effect the total negative after-tax profit impact of those steps represented altogether HUF -5 billion; of which in 2Q there was a HUF 11.6 billion negative impact, but HUF 6.6 billion positive one in 4Q. The reason for positive tax-shield effect of HUF 6.6 billion was as follows: the entire Ukrainian goodwill under Hungarian Accounting Standards held in OTP Bank's standalone balance sheet has been written off in 4Q under HAS, and an impairment was booked in relation to the Ukrainian investment under HAS. Though under IFRS neither the goodwill write-off and investment impairment charges had direct effect neither on the consolidated balance sheet nor on the P&L, there was a related positive tax shield of altogether HUF 6.6 billion that added to the Group's IFRS accounting profit;
  - by the end of December the provision coverage on the total Crimean gross loan exposure reached 100%, which had a negative after-tax profit impact of HUF 7.9 billion in 2014;
  - in 4Q the Bank raised the provision coverage of the gross loan exposures to Donetsk and Luhansk up to 99.4%, which had a negative after-tax profit impact of HUF 18.7 billion in 4Q and HUF 25.5 billion in total in 2014. The key reason for doing so was that the normal economic activity has been practically stopped due to the armed conflict and the special circumstances. The bank closed down 15 branches out of 17 in the region, thus 2 branches remained in these regions at the end of 2014.
- the special banking tax imposed on the Hungarian and Slovakian banks with a negative after-tax profit impact of HUF 30.2 billion;
- the items related to the acquisition of Banco Popolare Croatia had an overall HUF 4.1 billion positive after-tax profit impact.

As a result, in 2014 the total volume of adjustments amounted to HUF 220.3 billion versus HUF 82 billion in the base period.

The FX-adjusted consolidated loan portfolio decline continued (-7% y-o-y). Since there have been significant write offs during 2014, the change in the performing DPD0-90 loan volumes would draw a better picture on real trends. Accordingly, the performing (DPD0-90) book eroded by 6% y-o-y. Regarding the FX-adjusted DPD0-90 volume changes, the most significant erosion was booked at OTP Core (-12%) and Ukraine (-24%). The Hungarian developments, however were distorted by a massive reduction of municipality exposure (HUF -167 billion y-o-y) as a result of the debt consolidation by the State. The consolidated retail portfolio eroded by 3% with mortgages dropping by 7%. The consumer book and the small and micro enterprise portfolio however grew (+2% and 4% respectively). The large corporate book dropped by 3%

y-o-y. As for individual performance, the Serbian and Croatian subsidiaries managed to increase their FX-adjusted loan volumes the fastest (+14% and 15% respectively); the remarkable y-o-y increase in Croatia was related mainly to the acquisition of Banco Popolare Croatia. The previously dynamically expanding Russian consumer book grew only moderately by 3% y-o-y, there was a substantial increase in Romania (+7%), Serbia (+10%), Croatia (+39%, again, supported by the acquisition) and Slovakia (+69%). The mortgage portfolio eroded at all banks, but at the Croatian subsidiary (+6%). As for the corporate exposure, the Bulgarian and Serbian subsidiaries posted remarkable increase (+17 and 25% respectively). At OTP Core the micro and SME book grew by 7% y-o-y supported also by the Lending for Growth Programme of the NBH.

The FX-adjusted deposit volumes advanced dynamically (+11% y-o-y). The biggest growth was achieved in Serbia (+47% y-o-y), but given their absolute size both the increase at OTP Core and DSK Bank was remarkable (+13% and 14% respectively). It was positive, that deposits in the Ukraine grew by 9% y-o-y. In Russia volumes moderated by 4% in 2014 (adjusted for FX-effect).

The consolidated net loan to (deposit+retail bonds) ratio dropped to 75% (-14 ppts y-o-y). The volume of issued securities eroded by 40% y-o-y mainly due to redemptions at OTP Core and OTP Bank Russia. The y-o-y 6% volume growth of subordinated bonds and loans reflects FX rate movements; no redemption or buy-back took place in 2014. On the asset side there has been a major shift in 3Q as a response to the NBH step transforming the 2 week bonds into deposits, thus encouraging the local commercial banks to convert their excess liquidity into government bonds. As a result, the volume of available for sale (AFS) securities halved y-o-y, whereas Cash and amount due from banks line increased four times. By end-2014 the gross liquid reserves of the Group were close to EUR 7 billion equivalent.

The ratio of loans with more than 90 days of delay (DPD90+) declined by 0.4 ppt y-o-y to 19.3%, mainly due to sales and write offs. Starting from September 2014 the Group actively used the partial write-off method. It can be used when the Bank has no reasonable expectation of recovery of the credit claim. However, the partial write off is applicable only for the part of claim above the maximum recoverable amount. The method has been discussed with the auditor and consensus was reached.

Within the framework of partial write offs on a consolidated level HUF 238 billion non-performing exposure was written off, mainly in case of OTP Core (HUF 66 billion), Russia (HUF 56 billion), Ukraine (HUF 27 billion) and DSK Bank (HUF 67 billion). As for product segments, in case of Hungary and Ukraine mainly corporate exposures were involved, while in Bulgaria and Russia retail portfolios. Without using this method the year-end DPD90+ ratio would have been 22.0%.

DPD90+ loan volumes adjusted for FX rate changes and the effect of loan sales and write-offs increased y-o-y and reached record level (in HUF billion 2013: 190, 2014: 254), though the massive y-o-y increase was almost exclusively related to Russia and Ukraine (in HUF billion, in Russia 2013: 89, 2014: 110, Ukraine 2013: 24, 2014: 61). While the DPD90+ formation accelerated in those countries, for the rest of the Group the stabilizing or declining trend manifested.

Consolidated risk costs somewhat increased y-o-y (+1%) and reached HUF 275 billion. The provision coverage ratio of DPD90+ loans stood at 84.3%, remaining flat y/y, however at individual levels the provision coverage edged up significantly in Ukraine (+17.7 ppts), Russia (+10.9 ppts) and at DSK Bank (+3.5 ppts).

OTP Core: adjusted after-tax profit improved by 20% y-o-y, lower net interest margin and FX-adjusted loan book, further moderating portfolio deterioration and substantially lower risk costs

The adjusted after tax profit of ***OTP Core*** (basic activity in Hungary) in 2014 reached HUF 137.4 billion underpinning a 20% y-o-y improvement. The key driver behind higher profit was the y-o-y substantially lower risk costs (-57%), while the operating income adjusted for one-offs declined by 6%. Total income moderated by 2%, whereas operating expenses grew by the same magnitude. The yearly net interest margin (3.92%) eroded by 39 bps y-o-y mainly due to a meaningful increase of total assets in 2H; the net interest income declined by 3%.

It was positive that after 1Q the FX-adjusted DPD90+ volume formation kept on demonstrating a trend-like moderation: (FX-adjusted increase without sale or write offs, in HUF billion: 1Q 2014: 33, 2Q: 8, 3Q: 6, 4Q: 1). This trend was obviously supported by the relatively stable HUF during the whole year and the intensifying use of the FX mortgage fixing scheme. With risk costs declining significantly the coverage of the DPD90+ portfolio dropped (76.5%, -8.8 ppts y-o-y). The DPD90+ ratio (17.5%) practically remained flat.

The FX-adjusted performing (DPD0-90) loan portfolio declined both y-o-y and q-o-q (-12% and -3% respectively). The gross mortgage book sank by 7%, whereas consumer loans eroded by 9% y-o-y. The massive corporate portfolio decline was due to the municipality book erosion as a result of the debt consolidation by the State. By the end of 2014 municipality loans comprised only HUF 51 billion, of which 28 billion was an exposure towards the Hungarian State. Positive though that partly being supported by the

Funding for Growth Scheme the corporate loan portfolio of OTP Bank disbursed toward Hungarian entities grew further (+4% y-o-y[3] adjusted for the effect of partial write-offs executed at OTP), whereas the banking sector's exposure without OTP Bank dropped by 3%. As a result, OTP' market share further improved and reached 13.0%[4] (+0.6 ppt y-o-y).

While the new loan origination across the sector remained fairly subdued OTP managed to demonstrate stable market positions: out of total mortgage disbursement it reached 28.3% in 2014 and within that, 30.4% in 4Q 2014.

The FX-adjusted deposit book with retail bonds expanded dynamically, by 12% y-o-y. Despite the popularity of alternative saving forms (government securities and mutual funds), retail deposits increased by 7% y-o-y. Corporate volumes grew even faster and soared by 21% y-o-y. As a result, the net loan to deposit ratio dropped to levels haven't experienced for years (53%, -14 ppts y-o-y, FX-adjusted).

Merkantil Group posted HUF 1.5 billion adjusted loss in 2014 versus HUF 2 billion profit in the base period. The weaker performance was the result of a y-o-y declining operating income (-7%) and significantly higher risk costs (+71% y-o-y). The DPD90+ ratio was 13.4%, due to sales and write offs it dropped by 1.1 ppts y-o-y, whereas the coverage stood at 89.5% (-2.5 ppts y-o-y). The FX-adjusted gross loan volumes shrank by 1% y-o-y, but new car loan origination soared by 61% y-o-y.

In 2014 ***OTP Fund Management's*** posted HUF 6.1 billion after-tax profit without banking tax underpinning a y-o-y 71% improvement. The stellar performance was related to the substantial increase of total assets under management (+20% y-o-y) reaching HUF 1,659 billion. Mutual funds and other products enjoyed growing popularity compared to traditional saving forms. As a result, net fee income surged by 45%.

Foreign subsidiaries' performance: stellar performance in Bulgaria, significantly improving Romanian and Serbian operations with Croatia, Slovakia and Montenegro remaining profitable, massive losses in Ukraine and Russia

The ***Bulgarian subsidiary*** posted HUF 39.2 billion after-tax results in 2014, 30% more than in the base period and significantly outperforming the so far best results in 2008 (HUF 31 billion). The excellent performance was only partially the result of moderating risk costs (-12%). The key driver was the y-o-y stronger operating profit (+13%). Core revenues showed a very good picture with net interest income growing by 9% and fees and commissions expanding by 11%. The net interest margin remained stable (5.37%, -16 bps y-o-y). Despite lower risk costs the coverage of the DPD90+ volumes improved substantially (91.5%, +3.5 ppts).

The FX-adjusted DPD0-90 portfolio increased by 2% y-o-y , within that the retail portfolio moderated by 2%, however the corporate book demonstrated a substantial, y-o-y 18% growth. Due to the excellent performance and strong name recognition of the bank its FX-adjusted deposits advanced by 14% enabling DSK to implement efficient deposit pricing measures. The net loan to deposit ratio dropped by 11 ppts y-o-y and reached 78%.

The ***Russian subsidiary*** suffered its first loss-making year since the acquisition in 2006. On a yearly base the total loss amounted to HUF 14.5 billion versus a profit of HUF 2.4 billion in 2013.

The decline in the annual operating profit (-6% in RUB terms) reflects the deteriorating operating environment, though increasing risk costs (+12% in RUB) were also taking their toll. Total income in RUB felt short of the base year by 1% with net interest income declining by 1% and net fees and commissions growing by 11%. The operating income was also hit by y-o-y 8% higher operating expenses (in RUB terms). While the annual NIM remained stable (18.8%), in 4Q it eroded by more than 200 bps and stood at 17.23%. FX-adjusted DPD90+ volumes (without write-offs and /sales) kept growing and increased to HUF 110 billion versus HUF 89 billion in 2013. However, due to non-performing loan write-offs/sales executed mainly in 4Q the DPD90+ ratio dropped significantly, from 18.1% to 14.7% y-o-y. Since the sold portfolio elements were 100% provisioned, those transactions produced RUB 360 million positive results. The DPD90+ coverage improved y-o-y and reached 117.5% by the end of 2014. It was positive that the risk cost rate of POS loans moderated close to 10% by the end of 4Q, however the overall risk cost rate of the total loan portfolio grew further (to 16.8%, +2.3 ppts y-o-y) reflecting the deteriorating quality of cash loan and credit card portfolios.

The lending activity in general became cautious and selective: starting from October the bank stopped sending out credit cards and in December it scaled back existing limits. From mid-December cash loan

[3] The calculation is based on the supervisory balance sheet of the National Bank of Hungary: estimated FX adjusted change of the portfolio of „Loans to enterprises – Non-financial and other financial enterprises".

[4] Based on the balance sheet data provision to the Hungarian National Bank (MNB), calculated from the aggregated financials for the „Loans to non-financial companies, other-financials companies and non-profit organisations supporting households" line of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil Bank.

origination was temporary suspended, whereas in case of POS only the best buckets were served. As a result, the bank's market share in POS eroded by 0.5 ppt to18.5%.The FX-adjusted DPD0-90 loan portfolio grew by 1% y-o-y. Despite the accelerating weakening of the RUB in 4Q and deposit withdrawals during the year the FX-adjusted deposit portfolio dropped only by 4% y-o-y. During the last quarter OTP Bank provided RUB 3 billion subordinated loan facility.

The performance of the ***Ukrainian subsidiary*** worsened massively in 2014 as a result of the deteriorating macroeconomic conditions and a substantial hryvnia weakening. The whole year loss represents HUF 76.6 billion, of that the after tax impact of additional risk cost made for the Crimean and East Ukrainian (Donetsk and Luhansk) exposures represented HUF 7.9 billion and HUF 25.5 billion respectively. The operating profit dropped by 11% y-o-y in UAH terms, annual risk costs soared three and a half times. Total income (in UAH terms) moderated by 3% y-o-y, whereas operating expenses grew by 6%. The FX-adjusted formation of DPD90+ volumes accelerated (without sales and write offs in HUF billion: 2013: 24, 2014: 61). Despite write offs the DPD90+ ratio jumped by 11.5 ppts y-o-y to 46.1%. Especially the consumer and mortgage book deterioration was fast; in case of the latter the DPD90+ ratio exceeded 70% by end-December. As a result of the massive provisioning the coverage ratio of DPD90+ loans advanced by 17.7 ppts y-o-y and reached 97.2%.

The FX-adjusted DPD0-90 loan volumes contracted by 24% y-o-y, the performing retail book suffered a meaningful 32% set back, whereas the corporate book eroded by 17%. Lending activity in general remained moderate and conservative. It is positive that deposits have been steadily growing, the portfolio advanced by 9% y-o-y (FX-adjusted) supported by a substantial inflow of corporate deposits (+38%), whereas retail deposits shrank by 4%. As a result, the net loan to deposit ratio dropped to 137% reflecting a significant adjustment. Parallel, the net group funding declined substantially.

The ***Romanian subsidiary*** posted a profitable year. Against a loss of HUF 4.1 billion in 2013 the bank realized HUF 0.8 billion in 2014. On a yearly base risk costs dropped by 20%. The key driver of the good performance however was the dynamically improving operating income (+37% y-o-y). Within core revenues net interest income advanced by 36% y-o-y, net fee and commission income improved by 7%. Due to stringent cost control operating expenses increased only modestly (+3% y-o-y). The FX-adjusted loan portfolio eroded by 2% y-o-y, while deposits advanced less robustly (+3%) compared to previous years. Still, the net loan to deposit ratio dropped by another 9 ppts to 165%. Within the loan book mainly cash loans and corporate loans advanced y-o-y (+29% and 10% respectively). Despite lower risk costs the DPD90+ coverage improved by 4.5 ppts to 80.4%. Neither the income statement, nor the balance sheet yet incorporated volumes and performance of the acquired Banca Millennium S.A.

The ***Croatian subsidiary*** remained profitable in 2014 and posted HUF 104 million. The profit falls short of the 2013 results. While the total income advanced by 12% y-o-y, risk costs grew by 35% and operating expenses by 21% respectively, mainly due to the acquisition of Banco Popolare Croatia. The operating income eroded by 5% compared to the base period, the effective tax burden materially increased. The DPD90+ ratio grew by 0.8 ppt y-o-y (13.3%) and its coverage improved (62.2%). As a result of the acquisition the FX-adjusted DPD0-90 loan book advanced by 15%, within that the retail portfolio jumped by 21% and deposits grew by 15%.

The ***Slovakian subsidiary*** managed to remain profitable and posted a modest HUF 32 million net earning versus HUF 1.2 billion in 2013. Despite the operating income improved by 44%, risk costs more than doubled. Core revenues performed nicely with net interest income growing by 15% and fees and commissions by 18% respectively. The improving operating environment was supportive for lending activity, the FX-adjusted loan book increased by 3%, while deposits grew by 6% y-o-y. Consumer lending remained in the focus of activity, volumes soared by 69% y-o-y. The DPD90+ ratio shrank by 1.2 ppts to 10.3% y-o-y; its coverage was 59.6%.

After a massive loss of HUF 13.2 billion in 2013 the ***Serbian subsidiary*** returned to profit and after 2008 it posted a positive net result again (HUF 50 million). The turnaround is reasoned by a significant improvement in operating income (more than three times), within that total income advanced by double digit. Operating expenses remained flat y-o-y. Risk costs were only portion of 2013 volumes. The FX-adjusted DPD0-90 loan portfolio grew by 14%, while deposits soared by 47%. Due to a technical reclassification net interest margin improved by 2.4 ppts y-o-y (6.76%). The DPD90+ ratio dropped to 43.8% (-5.1 ppts y-o-y), its coverage was 76.1%.

After 2013 the ***Montenegrin subsidiary*** remained profitable and posted HUF 406 million after-tax results in 2014. While the operating income improved by 8%, it was coupled with a 26% increase in risk costs. The FX-adjusted loan and deposit portfolio both declined (-9% and -8% respectively). The DPD90+ ratio only modestly grew (39.7%), its coverage remained stable (81.2%).

Consolidated and stand-alone capital adequacy ratio (in accordance with BASEL 3)

By the end of 2014 the Basel3 consolidated Common Equity Tier1 ratio under IFRS was 14.1%. The dividend amount accrued in 2014 under Hungarian Accounting Standards was not deducted from the capital when calculating the IFRS consolidated capital adequacy ratios, because the dividend is not to be deducted from the net earnings if the net result is negative. OTP Bank's stand-alone Common Equity Tier1 ratio stood at 14.8% in 4Q 2014.

Pursuant to the statement made by the National Bank of Hungary as a supervisory authority on 21 May 2014, both the "Upper Tier 2" perpetual bond and the convertible (ICES) bonds are treated as Tier2 capital elements.

Credit rating, shareholder structure

As for the credit ratings of OTP Bank and its subsidiaries, the following changes occurred in 2014: on 5 February Moody's downgraded OTP Ukraine's rating to 'Caa3' following a similar move on the sovereign, and further downgraded to 'Ca' on 9 April. Also, on 12 March Moody's upgraded the rating of covered bonds issued by OTZP Mortgage Bank from 'Baa3' to 'Baa2'. The rating for the long term currency deposits at OTP Bank and OTP Mortgage bank remained unchanged ('Ba2') with negative outlook. On 31 March Moody's withdrew its 'Ba1' rating on OTP Bank's foreign currency bonds as the bank decided not to renew its EMTN Programme given the comfortable liquidity situation. On 20 June Standard & Poor's improved OTP Bank and OTP Mortgage Bank's outlook from negative to stable; their rating of 'BB' remained unchanged. The FX deposit of OTP Bank Russia was downgraded in October by Moody's from 'Ba2' to 'Ba3', whereas Fitch kept its rating unchanged (BB).

Regarding the ownership structure of the bank, by 31 December 2014 the following investors had more than 5% influence (beneficial ownership) in the Company: the Rahimkulov family (9.01%), MOL (the Hungarian Oil and Gas Company, 8.69%), the Groupama Group (8.40%), the Lazard Group (5.16%) and the Hungarian National Asset Management Inc. (5.10%).

KEY POST BALANCE SHEET EVENTS

Hungary

- On 9 February 2015 the Hungarian government and the EBRD sealed an agreement about Hungarian banking system. For details see the Managements's analysis.
- On February 18 the National Bank of Hungary announced that FGS+ (Funding for Growth Scheme) to be launched on 16 March 2015, the NBH will improve access to credit for small and medium sized enterprises that have not been able to participate in FGS so far. By this the NBH encourages the banks to provide long-term funding at a fixed interest rate (at maximum 2.5%), to customers with medium creditworthiness constituting the majority of the SME credit market. The Monetary Council assigned an additional HUF 500 billion to the new FGS+ scheme, in which the NBH takes over 50% of credit losses from the credit institutions, but only for a term not exceeding 5 years and up to 2.5% of the entire loan portfolio held by the individual credit institutions under this scheme.

Russia

- On 9 January 2015 Fitch downgraded Russia's long-term foreign and local currency Issuer Default Ratings to 'BBB-' from 'BBB' with negative outlook.
- On 16 January Moody's downgraded Russia's government bond rating to 'Baa3' from 'Baa2'. The rating was placed on review for further downgrade.
- On 26 January S&P lowered the long-term foreign and local currency sovereign credit ratings of Russia to 'BB+' and 'BBB-', respectively. The outlook is negative.
- On 30 January Russia's central bank decreased the key policy rate from 17% to 15%.
- On 12 February in Minsk peace negotiations between Russian President Vladimir Putin, Ukrainian President Petro Poroshenko, French President Francois Hollande and German Chancellor Angela Merkel resulted in a new ceasefire deal for Eastern Ukraine.
- On 20 February Moody's downgraded Russia's foreign currency credit rating to non-investment grade (Ba1).

Ukraine

- On 5 February 2015 Ukraine's central bank raised the key rate to 19.5% from 14%.
- On 12 February the International Monetary Fund announced that Ukraine will receive USD 17.5 billion bailout under a four-year program. The total size of the financial package will reach USD 40 billion.
- On 13 February Fitch downgraded Ukraine's long-term foreign currency Issuer Default Rating to 'CC' from 'CCC' and the local currency IDR remained 'CCC'.

Romania

- On 8 January 2015 OTP Bank Romania acquired 100% stake in Banca Millennium with the settlement of purchase price.
- On 16 January OTP Bank Romania announced that the bank reduces the interest rate margin by 1.5 ppts for its clients with variable interest rate CHF mortgage loan for 3 months. For details see the Managements's analysis.
- On 21 January the Romanian Court of Registration registered a capital increase at OTP Bank Romania. The registered capital of OTP Bank Romania was increased to RON 958.3 million from RON 782.9 million and the ownership ratio of OTP Bank Plc. represents 99.99%.

Croatia

- On 19 January 2015 Croatian prime minister announced the fixing of Swiss franc at a rate 6.39 CHF/HRK for 12 months. For details see the Managements's analysis.
- On 6 February Fitch affirmed Croatia's long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB' and 'BB+', respectively. The outlook is stable.

Slovakia

- On 30 January 2015 S&P affirmed the long-term rating of Slovakia at 'A' level with positive outlook.

Serbia

- On 15 January 2015 National Bank of Serbia cut mandatory FX reserve ratios by 1 ppt in order to boost lending.
- On 16 January S&P affirmed Serbia's long-term foreign and local currency sovereign credit ratings at 'BB-' with negative outlook.
- On 3 February the Serbian parliament adopted the set of laws to strengthen bank control. The law amendments, inter alia, allows the creation of "special purpose bank" to take over non-performing assets, while the bank's quarterly contribution to deposit insurance fund is doubled.

CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)[5]

	2013 HUF million	2014 HUF million	Change %/ppts
Consolidated after tax profit	**64,108**	**(102,258)**	**(260)**
Adjustments (total)	**(81,775)**	**(220,272)**	**169**
Dividend and total net cash transfers (consolidated)	(406)	191	(147)
Goodwill/investment impairment charges (after tax)	(29,440)	(5,015)	(83)
Special tax on financial institutions and one-timer payment compensating the underperformance of the financial transaction tax (after corporate income tax)	(43,219)	(30,193)	(30)
Fine imposed by the Hungarian Competition Authority (after tax)	(3,177)	0	(100)
Corporate tax impact of the transfer of general risk reserves to retained earnings	(5,533)	0	(100)
Effect of Banco Popolare Croatia acquisition (after tax)	0	4,131	n/a
Expected one-off impact of regulatory changes related to consumer contracts in Hungary (after tax)	0	(155,907)	n/a
Risk cost created toward Crimean exposures from 2Q 2014 (after tax)	0	(7,943)	n/a
Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 (after tax)	0	(25,536)	n/a
Consolidated adjusted after tax profit without the effect of adjustments	**145,882**	**118,014**	**(19)**
Banks total without one-off items[1]	143,346	119,013	(17)
OTP CORE (Hungary)[2]	114,879	137,418	20
Corporate Centre (after tax)[3]	2,398	(1,210)	(150)
OTP Bank Russia[4]	2,356	(14,541)	(717)
CJSC OTP Bank (Ukraine)[5]	6,716	(43,166)	(743)
DSK Bank (Bulgaria)[6]	30,223	39,170	30
OBR adj. (Romania)[7]	(4,143)	765	(118)
OTP banka Srbija (Serbia)[8]	(13,246)	50	(100)
OBH (Croatia)[9]	2,210	104	(95)
OBS (Slovakia)[10]	1,153	32	(97)
CKB (Montenegro)[11]	801	391	(51)
Leasing	2,286	(1,587)	(169)
Merkantil Bank + Car, adj. (Hungary)[12]	1,951	(1,518)	(178)
Foreign leasing companies (Croatia, Bulgaria, Romania)[13]	334	(69)	(121)
Asset Management	3,680	5,530	50
OTP Asset Management (Hungary)	3,596	6,139	71
Foreign Asset Management Companies (Ukraine, Romania, Bulgaria)[14]	84	(609)	(828)
Other Hungarian Subsidiaries	(3,442)	(2,220)	(36)
Other Foreign Subsidiaries (Slovakia, United Kingdom, Montenegro, Romania, Serbia, Belize)[15]	(1,487)	(2,894)	95
Eliminations	1,499	172	(89)
Total after tax profit of HUNGARIAN subsidiaries[16]	120,882	138,780	15
Total after tax profit of FOREIGN subsidiaries[17]	25,001	(20,766)	(183)
Share of foreign profit contribution %	17%	(18%)	(36)

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

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME [6]

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
Consolidated after tax profit	**64,108**	**(102,258)**	**(260)**
Adjustments (total)	**(81,775)**	**(220,272)**	**169**
Dividends and net cash transfers (after tax)	(406)	191	(147)
Goodwill/investment impairment charges (after tax)	(29,440)	(5,015)	(83)
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Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014 (after tax)	0	(25,536)	n/a
Consolidated adjusted after tax profit without the effect of adjustments	**145,882**	**118,014**	**(19)**
Before tax profit	**184,894**	**142,341**	**(23)**
Operating profit	**447,710**	**414,534**	**(7)**
Total income	**864,910**	**826,061**	**(4)**
Net interest income	**653,126**	**636,172**	**(3)**
Net fees and commissions	**166,936**	**169,579**	**2**
Other net non-interest income	**44,848**	**20,310**	**(55)**
Foreign exchange result, net	18,183	11,287	(38)
Gain/loss on securities, net	11,037	6,489	(41)
Net other non-interest result	15,627	2,534	(84)
Operating expenses	**(417,201)**	**(411,527)**	**(1)**
Personnel expenses	(204,277)	(206,335)	1
Depreciation	(47,199)	(43,721)	(7)
Other expenses	(165,725)	(161,471)	(3)
Total risk costs	**(272,459)**	**(274,749)**	**1**
Provision for loan losses	(262,541)	(263,511)	0
Other provision	(9,918)	(11,238)	13
Total one-off items	**9,643**	**2,556**	**(73)**
Revaluation result of FX swaps at OTP Core	715	(824)	(215)
Gain on the repurchase of own Upper and Lower Tier2 Capital	6,104	0	(100)
Result of the treasury share swap at OTP Core	2,824	3,380	20
Corporate taxes	**(39,012)**	**(24,327)**	**(38)**
Performance Indicators	2013	2014	ppts
ROE (adjusted)	9.6%	8.5%	(1.1)
ROA (adjusted)	1.4%	1.1%	(0.3)
Operating profit margin	4.37%	3.88%	(0.49)
Total income margin	8.44%	7.74%	(0.70)
Net interest margin	6.37%	5.96%	(0.41)
Net fee and commission margin	1.63%	1.59%	(0.04)
Net other non-interest income margin	0.44%	0.19%	(0.25)
Cost-to-asset ratio	4.07%	3.85%	(0.22)
Cost/income ratio	48.2%	49.8%	1.6
Risk cost for loan losses-to-average gross loans	3.51%	3.68%	0.16
Risk cost for loan losses-to-average FX adjusted gross loans	3.50%	3.67%	0.17
Total risk cost-to-asset ratio	2.66%	2.57%	(0.09)
Effective tax rate	21.1%	17.1%	(4.0)
Non-interest income/total income	24%	23%	(1)
EPS base (HUF) (from unadjusted net earnings)	241	(382)	(259)
EPS diluted (HUF) (from unadjusted net earnings)	240	(382)	(259)
EPS base (HUF) (from adjusted net earnings)	547	442	(19)
EPS diluted (HUF) (from adjusted net earnings)	546	441	(19)
Comprehensive Income Statement	2013	2014	%
Consolidated after tax profit	64,108	(102,258)	(260)
Fair value adjustment of securities available-for-sale (recognised directly through equity)	(1,721)	13,019	(856)
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	531	507	(5)
Fair value adjustment of strategic open FX position hedging net investment in foreign operations	(1,357)	(4,489)	231
Foreign currency translation difference	(33,159)	(108,057)	226
Change of actuarial losses (IAS 19)	(39)	(6)	(85)
Net comprehensive income	**28,363**	**(201,284)**	**(810)**
o/w Net comprehensive income attributable to equity holders	29,379	(199,866)	(780)
Net comprehensive income attributable to non-controlling interest	(1,016)	(1,418)	40
Average exchange rate of the HUF	2013 HUF	2014 HUF	Change %
HUF/EUR	297	309	4
HUF/CHF	241	254	5
HUF/USD	224	233	4
HUF/100JPY	230	220	(4)

[6] Adjustments on the consolidated Statement of recognized income are summarised in the Supplementary data section of this report.

ASSET-LIABILITY MANAGEMENT

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

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

Refinancing sources of the European Central Bank are still available for OTP, thus the refinancing risk of maturing FX mortgage bonds is low. As a result of the high level of liquidity reserves, the Group could safely function without considerable fund raising, only refinancing loan of Funding for Growth Scheme was used in the amount of HUF 39 billion (HUF 131.5 billion was the total used amount as at end 2014).

With total maturities of EUR 431 million in 2014 that lowered the liquidity reserves, total liquidity reserves of OTP Bank remained steadily and substantially above the safety level. As of 31 December 2014, the gross liquidity buffer was above EUR 6.9 billion equivalent, which is significantly higher than the maturing debt within one year (at EUR 206 million equivalent) and the reserves required to protect against possible liquidity shocks. Due to governmental FX lending measures and FX loan conversion FX liquidity need of the Group has considerably declined. The FX positions stemming from regulatory changes are managed on Group level. The Bank fully hedged the open EUR/HUF positions on the FX tenders of the National Bank of Hungary, while the open EUR/CHF and EUR/JPY positions were hedged on the market until the end of 2014. Thus the turbulent market environment in January 2015 had no effect on P&L or liquidity. The Bank had to refinance only EUR 300 million long term FX-swaps to maintain its FX liquidity reserves at safe levels (by 31 December 2014 at EUR 1.96 billion).

The volume of issued securities decreased by 40% y-o-y. On yearly basis Hungarian retail bond volumes shrank by HUF 10 billion. In the last 12 months Hungarian mortgage bonds matured in the amount of about HUF 77 billion, out of which the largest maturity of almost EUR 200 million took place in the fourth quarter of 2014. In 2014 the Russian bank repaid bonds in the amount of RUB 13.3 billion (about HUF 77 billion calculated with end-2013 exchange rate); out of which RUB 1.1 billion matured in the fourth quarter.

The volume of subordinated debt increased by HUF 15 billion y-o-y, mainly reasoned by the HUF weakening. Unlike in 2013, there were no repurchase transactions made with regards to subordinated bonds in 2014.

… and kept its interest-rate risk exposures low.

Interest-rate risk exposure of OTP Group is determined primarily by the positions of OTP Bank Plc. and OTP Mortgage Bank Ltd. Due to the forint liabilities on OTP Bank's balance sheet, which respond to yield changes only to a moderate extent, the Bank has an interest-rate risk exposure resulting from its business operations. The Bank considers the reduction and closing of this exposure as a strategic matter. Consequently it has been reducing its interest-rate risk exposure through the purchase of fixed-rate government securities in order to offset the negative impact of declining yields on net interest income. The settlement and the conversion of FX loans to HUF decreased the interest rate risk exposure in HUF, however because of other counterbalancing effects the interest rate risk position in the second half of 2014 didn't change significantly.

The Bank maintains a closed interest-rate position in euro and Swiss franc, consequently the recent yield volatility has not caused significant changes in the FX interest income.

Market Risk Exposure of OTP Group

At 31 December 2014 the consolidated capital requirement of the trading book positions, the counterparty risk and the FX risk exposure represented HUF 45.2 billion in total, primarily due to the capital requirement of the FX risk exposure at HUF 29.3 billion.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE OTP GROUP

Main components of balance sheet closing balances	2013 HUF million	2014 HUF million	Change %
TOTAL ASSETS	**10,381,047**	**10,971,052**	**6**
Cash and amount due from banks	539,125	2,307,632	328
Placements with other banks	273,479	281,006	3
Financial assets at fair value	415,605	289,275	(30)
Securities available-for-sale	1,637,255	839,152	(49)
Net customer loans	6,245,210	5,864,241	(6)
Net customer loans (FX adjusted)	**6,253,268**	**5,864,241**	**(6)**
Gross customer loans	7,480,844	6,993,326	(7)
Gross customer loans (FX adjusted)	**7,499,573**	**6,993,326**	**(7)**
o/w Retail loans	4,919,986	4,725,322	(4)
Retail mortgage loans (incl. home equity)	2,763,612	2,590,332	(6)
Retail consumer loans	1,682,346	1,660,514	(1)
SME loans	474,028	474,476	0
Corporate loans	2,253,525	1,976,249	(12)
Loans to medium and large corporates	1,971,028	1,857,936	(6)
Municipal loans[1]	282,498	118,313	(58)
Car financing loans	254,077	230,320	(9)
Bills and accrued interest receivables related to loans	71,984	61,435	(15)
Allowances for loan losses	(1,235,634)	(1,129,085)	(9)
Allowances for loan losses (FX adjusted)	(1,246,305)	(1,129,085)	(9)
Equity investments	23,837	23,381	(2)
Securities held-to-maturity	580,051	709,369	22
Premises, equipment and intangible assets, net	455,244	365,161	(20)
o/w Goodwill, net	145,564	101,063	(31)
Premises, equipment and other intangible assets, net	309,680	264,098	(15)
Other assets	211,241	291,835	38
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,381,047**	**10,971,052**	**6**
Liabilities to credit institutions and governments	784,212	708,274	(10)
Customer deposits	6,866,606	7,673,478	12
Customer deposits (FX adjusted)	**6,910,068**	**7,673,478**	**11**
o/w Retail deposits	4,811,537	5,220,779	9
Household deposits	4,165,128	4,455,334	7
SME deposits	646,410	765,445	18
Corporate deposits	2,060,127	2,424,159	18
Deposits to medium and large corporates	1,703,106	2,024,466	19
Municipal deposits	357,021	399,693	12
Accrued interest payable related to customer deposits	38,403	28,540	(26)
Issued securities	445,218	267,084	(40)
o/w Retail bonds	70,447	60,815	(14)
Issued securities without retail bonds	374,771	206,269	(45)
Other liabilities	508,517	776,082	53
Subordinated bonds and loans	267,162	281,968	6
Total shareholders' equity	**1,509,332**	**1,264,166**	**(16)**
Indicators	2013	2014	ppts
Loan/deposit ratio (FX adjusted)	108%	91%	(17)
Net loan/(deposit + retail bond) ratio (FX adjusted)	89%	75%	(14)
90+ days past due loan volume	1,463,645	1,339,213	(9)
90+ days past due loans/gross customer loans	19.8%	19.3%	(0.5)
Total provisions/90+ days past due loans	84.4%	84.3%	(0.1)
Consolidated capital adequacy - Basel3	2013	2014	%/ppts
Capital adequacy ratio[2] (consolidated, IFRS)	19.7%	17.5%	(2.2)
Tier1 ratio[2]	17.4%	14.1%	(3.2)
Common Equity Tier1 ('CET1') capital ratio[2]	16.0%	14.1%	(1.9)
Regulatory capital[2] (consolidated)	1,440,962	1,201,874	(17)
o/w Tier1 Capital[2]	1,270,402	969,935	(24)
o/w Common Equity Tier1 capital[2]	1,170,378	969,935	(17)
Additional Tier1 Capital	100,025	0	(100)
Tier2 Capital	170,927	231,939	36
o/w Hybrid Tier2	0	96,019	n/a
Deductions from the regulatory capital	(367)	n/a	n/a
Consolidated risk weighted assets (RWA) (Credit&Market&Operational risk)	7,313,275	6,859,439	(6)
o/w RWA (Credit risk)	5,842,732	5,625,902	(4)
RWA (Market & Operational risk)	1,470,543	1,233,537	(16)
Closing exchange rate of the HUF	2013 HUF	2014 HUF	Change %
HUF/EUR	297	315	6
HUF/CHF	242	262	8
HUF/USD	216	259	20
HUF/100JPY	205	217	6

[1] As of 31 December 2014 on consolidated level out of HUF 118 billion exposure to municipalities the exposure to the Hungarian State amounted to HUF 28 billion.
[2] The dividend amount accrued in 2014 under Hungarian Accounting Standards was not deducted from the capital when calculating the IFRS consolidated capital adequacy ratios, because the dividend is not to be deducted from the net earnings if the net result is negative.

OTP BANK'S HUNGARIAN CORE BUSINESS

OTP Core Statement of recognized income:

Main components of the Statement of recognised income	2013 HUF million	2014 HUF million	Change %
After tax profit without the effect of adjustments	114,879	137,418	20
Corporate income tax	(28,957)	(23,679)	(18)
Pre-tax profit	143,836	161,097	12
Operating profit	194,390	181,952	(6)
Total income	384,587	375,668	(2)
Net interest income	273,276	266,329	(3)
Net fees and commissions	91,507	94,244	3
Other net non-interest income	19,804	15,095	(24)
Operating expenses	(190,197)	(193,716)	2
Total risk costs	(54,094)	(23,411)	(57)
Provisions for possible loan losses	(48,899)	(22,088)	(55)
Other provisions	(5,194)	(1,323)	(75)
Total one-off items	3,539	2,556	(72)
Revaluation result of FX swaps	715	(824)	115
Gain on the repurchase of own Upper and Lower Tier2 Capital	0	0	0
Revaluation result of the treasury share swap agreement	2,824	3,380	20
Revenues by Business Lines			
RETAIL			
Total income	293,090	281,268	(4)
Net interest income	214,063	197,473	(8)
Net fees and commissions	75,599	80,598	7
Other net non-interest income	3,429	3,197	(7)
CORPORATE			
Total income	43,702	47,240	8
Net interest income	27,930	32,039	15
Net fees and commissions	14,770	14,267	(3)
Other net non-interest income	1,002	934	(7)
Treasury ALM			
Total income	44,426	45,357	2
Net interest income	31,283	36,817	18
Net fees and commissions	769	-621	(181)
Other net non-interest income	12,374	9,161	(26)
Indicators (%)	2013	2014	ppts
ROE	9.4%	11.3%	1.9
ROA	1.8%	2.0%	0.2
Operating profit margin (operating profit / avg. total assets)	3.1%	2.7%	(0.4)
Total income margin	6.06%	5.53%	(0.53)
Net interest margin	4.31%	3.92%	(0.39)
Net fee and commission margin	1.44%	1.39%	(0.05)
Net other non-interest income margin	0.31%	0.22%	(0.09)
Operating costs to total assets ratio	3.0%	2.9%	(0.1)
Cost/income ratio	49.5%	51.6%	2.1
Cost of risk/average gross loans	1.56%	0.76%	(0.80)
Cost of risk/average gross loans (FX adjusted)	1.51%	0.75%	(0.76)
Effective tax rate	20.1%	14.7%	(5.4)

- ***2014 adjusted profit improved by 20%y-o-y and reached HUF 137.4 billion***
- ***The operating income declined by 6%: annual NIM (3.9%) moderated by 39 bps while the net interest income decreased by 3%, operating expenses slightly increased (+2% y-o-y)***
- ***The deterioration of the loan book further decelerated and risk costs were significantly lower***
- ***The y-o-y decline of the FX-adjusted gross loan portfolio was mainly due to lower municipality volumes (as a result of the consolidation by the state and prepayments) and further eroding mortgage book***
- ***Supported also by the Funding for Growth Programme the exposure to micro and small enterprises grew y-o-y***
- ***The overall deposit book increased significantly in the second half of the year***

P&L developments

The expected one-off impact of regulatory changes related to consumer contracts was eliminated from OTP Core's P&L. The estimated impact was shown among the adjustment items on consolidated level.

Without the effect of adjustment items[7] **OTP Core** posted a net profit of HUF 137.4 billion in 2014, underpinning a 20% y-o-y increase.

The substantial y-o-y increase of annual before tax profit (+12%) to a great extent was due to lower risk costs (-57% y-o-y). Such positive development was partially moderated by lower operating profit (-6% y-o-y).

Within the total income, the twelve months net interest income dropped by 3% y-o-y. The shrinking of the interest bearing portfolio continued in 2014, while the net interest margin eroded. In the second half of the year total assets surged having a negative effect on the net interest margin, whereas the net interest income in each period in 2014 remained stable. Furthermore, the declining yield environment y-o-y took its toll through lower deposit margins (the annual average of the base rate came down by 2 ppts y-o-y). The annual negative impact of the FX protection scheme was HUF 2.8 billion on net interest revenues for 2014 (in 2013 such item caused a HUF 2.2 billion decline in net interest income).

Net fees and commissions for the year advanced by 3% y-o-y. The drop of other non-interest income was mainly reasoned by the following items: the revaluation result booked on Other provisions line due to regulatory changes related to FX mortgage loans in Hungary was moved to the Foreign exchange result line (HUF -1.8 billion in the fourth quarter); this effect was offset by the positive hedging swap result within the net interest income. Furthermore a HUF 0.6 billion decline in the last quarter of the year was related to the central bank's decision shifting commercial banks' the 2-week bond facility into deposits effective from August. Moreover, treasury margins eroded (HUF -0.6 billion) and income realized on sale of fixed assets was lower in the fourth quarter (HUF -0.3 billion). As for the y-o-y decline in other net non-interest income a base effect played a role, too: in 2014 the realised gain on the available-for-sale government bond portfolio was much lower (HUF 4.3 billion) than a year ago (HUF 8.3 billion).

Annual operating expenses grew moderately (+2% y-o-y). Compared to 2013 personnel expenses advanced by 2% y-o-y, other operating expenses increased by 1%, partly due to higher contribution paid into the National Deposit Insurance Fund and also to fees paid into the recently established Resolution Fund (the annual deposit insurance fund fee represented HUF 1.8 billion in 2013 and 2.7 billion in 2014, respectively. The Resolution Fund contribution was HUF 0.6 billion in 2014).

Risk costs dropped by 57% y-o-y and the annual risk cost rate decreased from 1.56% to 0.76%. In the first quarter of the year a project financing loan (with a principal of HUF 35 billion) reached 90 days of delinquency, otherwise the FX-adjusted DPD90+ quarterly volume growth adjusted by sales and write-offs remained fairly contained in 2014. In the second half of 2014 HUF 104.6 billion portfolio with high coverage was written-off (mainly corporate loans), of which HUF 66 billion through partial write-offs. As a result the total volume of DPD90+ volumes further dropped and reached 8.5% lower level than at the end of previous year (2013: HUF 527.6 billion, 2014: HUF 482.8 billion). The DPD90+ ratio changed to 17.5% (+0.1 ppt y-o-y). Mainly as a result of the write-offs the provision coverage ratio of DPD90+ loans dropped by 8.8 ppts y-o-y to 76.5%. The deterioration of the consumer loan portfolio has been showing a moderating trend since the beginning of 2013.

[7] Special tax on financial institutions and one-timer payment compensating the underperformance of the financial transaction tax, dividends and net cash transfers, goodwill impairment charges, expected one-off impact of regulatory changes related to consumer contracts, the fine imposed by the Hungarian Competition Authority and the tax impact of the transfer of general risk reserves to retained earnings.

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

Main components of balance sheet (closing balances)	2013 HUF million	2014 HUF million	Change %
Total Assets	6,454,938	7,127,611	10
Net customer loans	2,584,717	2,384,193	(8)
Net customer loans (FX adjusted)	**2,662,905**	**2,384,193**	**(10)**
Gross customer loans	3,034,469	2,753,425	(9)
Gross customer loans (FX adjusted)	**3,134,508**	**2,753,425**	**(12)**
Retail loans	2,076,517	1,937,445	(7)
Retail mortgage loans (incl. home equity)	1,533,940	1,428,303	(7)
Retail consumer loans	418,981	380,316	(9)
SME loans	123,596	128,826	4
Corporate loans	1,057,991	815,980	(23)
Loans to medium and large corporates	840,904	765,098	(9)
Municipal loans[1]	217,087	50,882	(77)
Provisions	-449,752	-369,232	(18)
Provisions (FX adjusted)	**-471,603**	**-369,232**	**(22)**
Deposits from customers + retail bonds	3,903,396	4,459,304	14
Deposits from customers + retail bonds (FX adjusted)	**3,967,790**	**4,459,304**	**12**
Retail deposits + retail bonds	2,375,203	2,536,687	7
Household deposits + retail bonds	2,031,756	2,125,282	5
o/w: Retail bonds	70,447	60,815	(14)
SME deposits	343,447	411,405	20
Corporate deposits	1,592,587	1,922,617	21
Deposits to medium and large corporates	1,288,770	1,577,237	22
Municipal deposits	303,817	345,380	14
Liabilities to credit institutions	591,856	503,468	(15)
Issued securities without retail bonds	276,916	196,902	(29)
Total shareholders' equity	1,244,473	1,195,162	(4)
Loan Quality	2013	2014	%/ppts
90+ days past due loan volume (in HUF million)	527,591	482,770	(8.5)
90+ days past due loans/gross customer loans	17.4%	17.5%	0.1
Total provisions/90+ days past due loans	85.2%	76.5%	(8.7)
Market Share	2013	2014	ppts
Loans	19.0%	18.6%	(0.4)
Deposits	23.7%	26.1%	2.4
Total Assets	26.9%	27.9%	1.0
Performance Indicators	2013	2014	ppts
Gross loans to deposits	79%	63%	(17)
Net loans to (deposits + retail bonds)	66%	53%	(13)
Net loans to (deposits + retail bonds) (FX adjusted)	67%	53%	(14)
Leverage (Total Assets/Shareholder's Equity)	19.3%	16.8%	(2.5)
Leverage (Total Assets/Shareholder's Equity)	5.2x	6.0x	
Capital adequacy ratio (OTP Bank, non-consolidated, Basel3, HAS)	23.0%	19.0%	(4)
Common Equity Tier1 ratio (OTP Bank, non-consolidated, Basel3, HAS)	23.0%	14.8%	(8.2)

[1] As of 31 December 2014 out of HUF 51 billion exposure to municipalities the exposure to the Hungarian State amounted to HUF 28 billion.

Balance sheet trends

In 2014 the FX-adjusted performing (DPD0-90) loan portfolio shrank by 12% y-o-y mainly as a result of the significant drop in the corporate loan volumes (-20% y-o-y), which includes the municipality portfolio, too. This was primarily due to the 77% y-o-y drop of municipality loans (both the gross and performing book declined by the same magnitude). The reason behind such a material decline was that on 28 February the Hungarian Government took over all the remaining debt obligations of the Hungarian municipalities. The last phase of the consolidation involved HUF 102 billion municipality portfolio, of which HUF 64 billion was pre-paid and HUF 38 billion was refinanced from a loan extended by OTP Bank for the Debt Management Agency. Thus the local government consolidation had a negative impact of HUF 64 billion on OTP Core's loan volumes in the first quarter of 2014. Furthermore, from the outstanding municipality volume the Debt Management Agency prepaid HUF 60 billion in the third quarter and another 18 billion in fourth quarter of the year. As a result the closing balance showed HUF 51 billion at the end of December, of which HUF 28 billion was the obligation of the Hungarian State.

It was encouraging that partly as a result of the Funding for Growth Programme initiated by the National Bank (and without the effect of partial write offs at the bank) OTP Bank's exposure to local corporate clients[8] increased further (+4% y-o-y). During the same period of time the portfolio of Hungarian financial institutions

[8] The calculation is based on the supervisory balance sheet of the Hungarian National Bank: estimated FX adjusted change of the portfolio of „Loans to enterprises – Non-financial and other financial enterprises". Adjusted for the impact of partial write off in 2014 at OTP Core.

excluding OTP dropped by 3% y-o-y. Consequently, the market share[9] of OTP Group in loans to Hungarian companies further increased and reached 13.0%. (+0.6 ppt y-o-y).

In the first phase of the Funding for Growth Programme OTP Group managed to conclude contracts with a principal value of HUF 91 billion, out of that amount HUF 71 billion was originated under the first pillar, i.e. new placements represented 62%. The second phase of the Programme is available for clients from early October 2013 until end of 2015. The initial size of funding was set at HUF 500 billion, later increased to HUF 1,000 billion (and can be broadened with another HUF 1000 billion), however the funding is not allocated to banks, but banks can withdraw funding in line with approved client applications. Under the second phase of the Programme OTP Group already contracted in the amount of more than HUF 117 billion by the end of December, moreover loan applications in the pipeline exceeded HUF 38 billion.

The erosion of the mortgage book continued. Positive though, that mortgage loan applications and originations showed a significant increase mainly due to the positive impact of the State subsidized housing loan lending (applications in HUF billion: 2013: 79.8, 2014: 112.9, +41% y-o-y; disbursed amounts: 2013: 53.9, 2014: 73.9, +37% y-o-y). At OTP applications for subsidized housing loans in 2014 with the amount of HUF 41.6 billion represented 46% of total housing loan applications and 37% of total mortgage loan applications. OTP's market share in mortgage loan origination remained strong (2014: 28.3%).

In the fourth quarter OTP's market share exceeded 30% again (and in December it surpassed 34%). OTP Bank maintained a strong market share in the personal loan market segment, while its share in new origination shows a declining trend (2013: 52%, 2014: 42%). The outstanding portfolio also declined during the year (-9% y-o-y, FX-adjusted) partly as a result of the lower volume of current account loans due to the earlier payment of December salaries at the end of the year.

Deposits (and retail bonds) increased sharply y-o-y (adjusted for the FX-effect) supported by strong corporate inflows. The medium and large corporate deposit volumes grew by 22% y-o-y as a result of significant inflows from OTP Fund Management and other fund management companies in the third quarter of 2014. The y-o-y municipality deposit growth was supported by the debt consolidation by the state which exerted a positive impact on the financial position of local governments. On a yearly base retail deposits grew by 7% y-o-y.

OTP FUND MANAGEMENT (HUNGARY)

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

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends, net cash transfer and banking tax[1]	3,596	6,139	71
Income tax	(603)	(1,193)	98
Profit before income tax	4,200	7,332	75
Operating profit	4,140	7,288	76
Total income	6,314	9,145	45
Net interest income	0	0	0
Net fees and commissions	6,393	9,261	45
Other net non-interest income	(78)	(116)	48
Operating expenses	(2,174)	(1,857)	(15)
Other provisions	59	44	(27)
Main components of balance sheet closing balances	2013	2014	%
Total assets	9,014	12,187	35
Total shareholders' equity	6,808	9,395	38
Asset under management	2013	2014	%
Assets under management, total (w/o duplicates)	**1,384**	**1,659**	**20**
Retail investment funds (closing, w/o duplicates)	993	1,201	21
Volume of managed assets (closing, w/o duplicates)	391	458	17
Volume of investment funds (with duplicates)	1,085	1,317	21
money market	429	416	(3)
bond	318	476	50
mixed	17	20	18
security	83	97	17
guaranteed	105	111	6
other	133	197	48

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

[9] Based on the balance sheet data provision to the Hungarian National Bank (MNB), calculated from the aggregated financials for the „Loans to non-financial companies, other-financials companies and non-profit organisations supporting households" line of OTP Bank, OTP Mortgage Bank, OTP Building Society and Merkantil Bank.

In 2014 **OTP Fund Management** posted a y-o-y 71% higher, HUF 6.1 billion after tax profit, excluding the special banking tax on financial institutions. The y-o-y 76% improvement of operating income was induced by favourable dynamics in net fee income (+45% y-o-y) in line with the expanding volume of assets under management (+20% y-o-y) and the increasing success fee due to the good performance. Operating expenses dropped by 15% in comparison with the base period.

As a consequence of declining deposit rates due to the monetary easing in the last two years the interest towards investment funds remained strong. The assets under management on the market significantly increased on yearly base. Within the total portfolio fixed income, mixed and derivative funds enjoyed the strongest capital inflow.

The volume of investment funds under management of OTP Fund Management increased by HUF 232 billion y-o-y. The definite winners of capital inflow were Optima, Supra and Premium Money Market Funds. The asset growth at the Company exceeded the market growth rate, as a result the market share (without duplication) increased y-o-y by 0.6 ppt to 27.5%.

MERKANTIL GROUP (HUNGARY)

Performance of Merkantil Bank and Car:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit without the effect of adjustments	1,951	(1,518)	(178)
Income tax	(58)	0	(100)
Profit before income tax	2,009	(1,518)	(176)
Operating profit	6,341	5,900	(7)
Total income	12,478	11,972	(4)
Net interest income	14,553	15,490	6
Net fees and commissions	(2,971)	(3,002)	1
Other net non-interest income	895	(516)	(158)
Operating expenses	(6,136)	(6,072)	(1)
Total provisions	(4,332)	(7,418)	71
Provision for possible loan losses	(4,755)	(7,430)	56
Other provision	423	12	(97)
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	282,780	313,033	11
Gross customer loans	257,485	264,313	3
Gross customer loans (FX-adjusted)	267,727	264,313	(1)
Retail loans	6,534	17,291	165
Corporate loans	62,486	64,161	3
Car financing loans	198,707	182,861	(8)
Allowances for possible loan losses	(34,403)	(31,770)	(8)
Allowances for possible loan losses (FX-adjusted)	(34,871)	(31,770)	(9)
Deposits from customers	5,945	8,188	38
Deposits from customer (FX-adjusted)	5,945	8,188	38
Retail deposits	2,234	2,766	24
Corporate deposits	3,711	5,422	46
Liabilities to credit institutions	210,004	220,321	5
Issued securities	35,141	33,888	(4)
Subordinated debt	1,411	0	(100)
Total shareholders' equity	27,486	19,729	(28)
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	37,405	35,496	(5)
90+ days past due loans/gross customer loans	14.5%	13.4%	(1.1)
Cost of risk/average gross loans	1.81%	2.85%	1.04
Cost of risk/average (FX-adjusted) gross loans	1.73%	2.79%	1.06
Total provisions/90+ days past due loans	92.0%	89.5%	(2.5)
Performance Indicators	**2013**	**2014**	**ppts**
ROA	0.7%	(0.5%)	(1.3)
ROE	7.3%	(6.4%)	(13.7)
Total income margin	4.75%	4.02%	(0.73)
Net interest margin	5.54%	5.20%	(0.34)
Cost/income ratio	49.2%	50.7%	1.5

Merkantil Bank and Car posted HUF 1.5 billion aggregated negative after tax result in 2014 against HUF 2 billion profit in the base period. The presented results exclude the special tax on financial institutions and the expected one-off impact of regulatory changes related to consumer contracts (these items are shown on consolidated level, among adjustments).

The 2014 operating result decreased by 7% compared to the base period, mainly because of a drop in other income. The core revenues of the Bank indicate an improvement, the net interest income increased by 6% y-o-y. The annual net interest margin moderated to 5.2% (-34 bps y-o-y). The other non-interest income line was affected by negative result realized on securities.

The ratio of DPD90+ loans changed to 13.4% (-1.1 ppts y-o-y). In the second quarter 2014 non-performing loans were sold in the amount of HUF 10 billion, while HUF 0.4 billion loans were written off in the last quarter. The elevated risk costs were partly related to HUF 0.7 billion one-off provision on portfolio in the first quarter. The provision coverage ratio was 89.5%.

The erosion of FX-adjusted car financing loan book stopped by the end of the year, however car loans decreased by 8% y-o-y. In 2014 new car financing loan disbursements kept on growing (+61% y-o-y).

IFRS REPORTS OF THE MAIN SUBSIDIARIES

DSK GROUP (BULGARIA)

Performance of DSK Group:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	30,223	39,170	30
Income tax	(3,536)	(4,417)	25
Profit before income tax	33,760	43,587	29
Operating profit	55,090	62,392	13
Total income	92,966	102,238	10
Net interest income	72,908	79,116	9
Net fees and commissions	18,208	20,262	11
Other net non-interest income	1,849	2,860	55
Operating expenses	(37,876)	(39,846)	5
Total provisions	(21,330)	(18,805)	(12)
Provision for possible loan losses	(20,723)	(17,526)	(15)
Other provision	(608)	(1,279)	111
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	1,343,595	1,603,812	19
Gross customer loans	1,138,014	1,158,516	2
Gross customer loans (FX-adjusted)	1,207,114	1,158,516	(4)
Retail loans	953,808	872,084	(9)
Corporate loans	253,306	286,433	13
Allowances for possible loan losses	(201,300)	(159,015)	(21)
Allowances for possible loan losses (FX-adjusted)	(213,653)	(159,015)	(26)
Deposits from customers	1,054,713	1,285,044	22
Deposits from customer (FX-adjusted)	1,123,382	1,285,044	14
Retail deposits	987,005	1,127,641	14
Corporate deposits	136,376	157,403	15
Liabilities to credit institutions	44,351	47,284	7
Subordinated debt	0	0	0
Total shareholders' equity	220,752	247,993	12
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	228,539	173,716	(24)
90+ days past due loans/gross customer loans	20.1%	15.0%	(5.1)
Cost of risk/average gross loans	1.82%	1.53%	(0.29)
Cost of risk/average (FX-adjusted) gross loans	1.70%	1.48%	(0.21)
Total provisions/90+ days past due loans	88.1%	91.5%	3.4
Performance Indicators	**2013**	**2014**	**ppts**
ROA	2.3%	2.7%	0.4
ROE	14.1%	16.7%	2.6
Total income margin	7.05%	6.94%	(0.11)
Net interest margin	5.53%	5.37%	(0.16)
Cost/income ratio	40.7%	39.0%	(1.7)
Net loans to deposits (FX-adjusted)	88%	78%	(10)
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/BGN (closing)	151.8	161.0	6
HUF/BGN (average)	151.8	157.8	4

- ***2014 net profit improved by 30% y-o-y supported by favourable income dynamics and moderating risk costs***
- ***Asset quality trends remained favourable. The significant drop of the DPD90+ ratio was explained mostly by partial write-offs in the fourth quarter; the coverage ratio further increased***
- ***DPD0-90 loan volumes grew by 2% y-o-y (adjusted for FX-effect). Corporate loans increased on the back of the business development project targeting corporate clients***
- ***Despite continuing deposit rate cuts volumes increased substantially y-o-y***

In 2014 **DSK Group** posted an after-tax profit of HUF 39.2 billion representing a 30% improvement over the base period.

The operating profit improved by 13% mainly as a result of excellent core banking revenues. The net interest income advanced by 9% y-o-y (+4% in local currency terms), mainly due to lower interest expenses. The prepayment of a subordinated loan with original maturity date of 2016 to OTP Bank in October 2013 played a role in the reduction of funding costs, too. The annual net interest margin eroded slightly by 17 bps to 5.36% mainly due to the lower margin content realized from the liquidity inflow experienced in second half of 2014 (consequently, total assets went up, too).

The net fee and commission income advanced by 11% y-o-y; the growth was driven mainly by higher deposit-related fees. The increase of other net non-interest income was partly driven by the reclassification of interest income realized on the trading book from interest revenues into the other income line.

Operating expenses grew by 5% y-o-y in HUF terms, whereas costs went up by only 1% in leva terms.

Asset quality developments can be characterized as favourable: in each quarters of 2014 the FX-adjusted change of DPD90+ loan volumes indicated moderate portfolio quality deterioration(quarterly FX-adjusted change of DPD90+ loan volumes adjusted for sales and write-offs in HUF billion: 1Q 2014: 2, 2Q: 2, 3Q: 1, 4Q: -2). The ratio of loans with more than 90 days of delay dropped materially y-o-y (by 5.1 ppts to 15.0%) driven mostly by write-off of non-performing household loans. The annual risk cost declined by 12% implying a risk cost rate of 1.48%. The provision coverage of DPD90+ loans improved by 3.5 ppts y-o-y exceeding 91.5% by end-2014.

The overall loan demand remained weak. The y-o-y FX-adjusted loan volume changes were related to a great extent to write-offs executed primarily in the fourth quarter of 2014. Performing (DPD0-90) loan volumes showed a 2% growth both in yearly comparison. In 2014 new retail loan disbursement declined by 11%. The FX-adjusted DPD0-90 mortgage loan portfolio declined by 6% y-o-y; increased prepayments played a role, too (pursuant to a new legislation prepayment fees were abolished from July 2014). The performing consumer loan portfolio remained stable y-o-y.

From mid-2013 DSK launched a business development project targeting SME and corporate clients with the aim of improving efficiency and potentially market share both in lending and deposit collection. Accordingly, in order to galvanize SME and corporate lending, in the first quarter of 2014 5 new financial outlets were opened and another 13 units during the second quarter. Consequently, from the second quarter of 2014 new corporate loan volumes started to accelerate gradually (in the fourth quarter they practically doubled y-o-y). DPD0-90 corporate loan volumes grew by 18% y-o-y. Simultaneously, the Bank could gain market share in this segment: it went up from 5.8% to 6.7% in the last 12 months.

The FX-adjusted deposit base – despite persistently lower interest rates versus market rates – grew by 7% y-o-y. Consequently, the net loan to deposit ratio at DSK dropped to multi-year low level (78%) demonstrating an excellent liquidity position at the bank.

The capital adequacy ratio of DSK Bank stood at 18.0% at the end of December 2014 (+1.7 ppts y-o-y). In the second quarter DSK Bank paid around HUF 25 billion equivalent dividend to the mother company.

OTP BANK RUSSIA

Performance of OTP Bank Russia:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	2,356	(14,541)	(717)
Income tax	(1,053)	3,137	(398)
Profit before income tax	3,409	(17,678)	(619)
Operating profit	124,223	101,028	(19)
Total income	207,493	179,392	(14)
Net interest income	184,041	158,972	(14)
Net fees and commissions	21,990	21,378	(3)
Other net non-interest income	1,462	(958)	(166)
Operating expenses	(83,270)	(78,364)	(6)
Total provisions	(120,814)	(118,706)	(2)
Provision for possible loan losses	(121,310)	(117,623)	(3)
Other provision	496	(1,083)	(318)
Main components of balance sheet closing balances	2013	2014	%
Total assets	940,320	750,747	(20)
Gross customer loans	833,223	568,709	(32)
Gross customer loans (FX-adjusted)	586,202	568,709	(3)
Retail loans	550,151	532,543	(3)
Corporate loans	33,099	34,169	3
Car financing loans	2,952	1,997	(32)
Gross DPD0-90 customer loans (FX-adjusted)	481,233	484,930	1
Retail loans	447,594	451,555	1
Allowances for possible loan losses	(160,989)	(98,436)	(39)
Allowances for possible loan losses (FX-adjusted)	(110,825)	(98,436)	(11)
Deposits from customers	554,645	402,729	(27)
Deposits from customer (FX-adjusted)	417,772	402,729	(4)
Retail deposits	324,275	314,977	(3)
Corporate deposits	93,497	87,752	(6)
Liabilities to credit institutions	56,343	107,492	91
Subordinated debt	15,728	23,884	52
Total shareholders' equity	177,906	111,779	(37)
Loan Quality	2013	2014	%/ppts
90+ days past due loan volume (in HUF million)	150,982	83,779	(45)
90+ days past due loans/gross customer loans	18.1%	14.7%	(3.4)
Cost of risk/average gross loans	14.47%	16.78%	2.31
Cost of risk/average (FX-adjusted) gross loans	21.47%	20.37%	(1.10)
Total provisions/90+ days past due loans	106.6%	117.5%	10.9
Performance Indicators	2013	2014	ppts
ROA	0.2%	(1.7%)	(1.9)
ROE	1.3%	(10.0%)	(11.3)
Total income margin	21.09%	21.22%	0.13
Net interest margin	18.70%	18.80%	0.10
Cost/income ratio	40.1%	43.7%	3.6
Net loans to deposits (FX-adjusted)	114%	117%	3
FX rates	2013 HUF	2014 HUF	Change %
HUF/RUB (closing)	6.6	4.5	(32)
HUF/RUB (average)	7.0	6.1	(13)

- ***HUF 14.5 billion loss in 2014 due to y-o-y lower operating profit and still high risk costs***
- ***Further portfolio deterioration, DPD90+ ratio shrank to 14.7% after portfolio cleaning, DPD90+ coverage further improved (117%)***
- ***Operating costs grew by 8% in RUB terms with increasing cost/income ratio: 2014 43.7%, +3.6 ppts y-o-y***

The HUF denominated financial figures of OTP Bank Russia are distorted by the HUF/RUB moves: in 2014 the closing rate showed a y-o-y 32% devaluation of RUB against HUF; whereas the average yearly rate depreciated by 13% y-o-y. Therefore local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

After tax loss of **OTP Bank Russia** for 2014 amounted to HUF 14.5 billion reasoned by moderate loan disbursements and higher risk cost needed due to worsening portfolio quality under the deteriorating operating environment. The negative result also contain the operating costs related to the set-up of a new online bank (Touch Bank), which amounted to HUF 2.2 billion in 2014. The new entity operates separately from the Bank via online channels and targets affluent customer segments. The operational launch is expected in spring 2015.

In 2014 operating profit dropped by 19% y-o-y, given the 14% drop of total income and 6% decline of operating expenses. The core trends are better represented in RUB terms, due to the significant RUB devaluation against HUF: 2014 operating profit declined by 6% compared to 2013, as a result of a 1% decrease in total income and 8% increase of operating expenses. The major component of total income is net interest income, which also declined by 1% y-o-y in rouble terms. The DPD0-90 portfolio grew by 1% y-o-y (FX-adjusted), whereas loan margins slightly decreased; on the liability side deposit margins increased. Total income dynamics were positively influenced by the y-o-y 11% growth of net F&C income in RUB terms, mainly related to the lower expenses paid to POS agents. Other net non-interest income was negative, about -HUF 1 billion in 2014, which was mainly caused by losses on securities portfolio and FX-revaluation – related mostly to the capital market volatility and RUB devaluation during the year. 2014 operating expenses increased by 8% y-o-y in RUB terms, mainly due to the almost 8% average CPI in the last twelve months; moreover costs related to the set-up of Touch Bank also appeared on this line. Consequently, the cost-to-income ratio worsened by 3.6 ppts to 43.7% y-o-y in 2014. The branch network consisted of 198 branches at the end 2014, and the number of employees decreased to 5,952 in 2014. The number of active points of sales increased by 4.6% y-o-y, so the overall network consisted of about 33.8 thousand sales points

Due to the unfavourable economic environment deterioration of the loan portfolio continued, however the pace of deterioration slightly slowed down in the fourth quarter. FX-adjusted DPD90+ volume growth excluding the impact of sold/written-off non-performing loans totalled to HUF 110 billion after the HUF 89 billion registered in 2013. In the course of 2014 the volume of sold and written-off loans more than doubled on annual basis, and amounted to RUB 22.6 billion (HUF 104 billion). The profit on loan sale in the amount of RUB 8.3 billion was about RUB 360 million, which improved the risk cost figures. Due to the portfolio cleaning DPD90+ ratio improved to 14.7%. Coverage of DPD90+ loans improved by 10.9 ppts to 117.5% y-o-y, while in the same period risk cost on average FX-adjusted gross loans decreased by 1.1 ppts to 20.4%.

The Bank's reaction to the deteriorating market environment (significant rouble devaluation, base rate hike in the total of 900 bps in the fourth quarter) was to selectively limit the disbursements of different products and make changes in the pricing policy. So the decline of FX-adjusted DPD0-90 POS loans portfolio was 0.4% y-o-y. As a result of the general setback on the market and with the bank focusing on product profitability, POS disbursements were lower by 3.7% on yearly basis. The bank kept its number two position in the league table. With regards to credit card business, the FX-adjusted DPD0-90 portfolio increased in 2014 (+2.1% y-o-y), although since October no new credit cards have been sent out and the Bank cut back part of the card limits in December. The bank was the seventh largest player in this segment at the end of 2014, end of 2013 alike. Due to the market turbulences, since the middle of December cash loan disbursement has been suspended, nevertheless, the FX-adjusted DPD0-90 cash loan portfolio increased by 10% y-o-y. The corporate loan portfolio slightly increased in 2014 with regards to the FX-adjusted DPD0-90 loans (+2% y-o-y).

As a favourable development, after the decline in the first half of the year, deposits grew both in the third and fourth quarter, thus the yearly FX-adjusted decline was 4% altogether. In the last quarter the Bank managed to increase its deposit base despite the unfavourable market environment – deposit rates were increased in line with market trends at the end of December in order to reverse the deposit outflows. FX-adjusted net loan-to-deposit ratio stood at 117% (+3 ppts y-o-y).

The Bank paid back issued bonds in the amount of RUB 13.3 billion in 2014. Because of this and other bill of exchange repayments, volume of issued securities in RUB terms decreased by 95% in 2014. At the same time, in order to fulfil the higher funding need at the end of the year – on top of the deposit collection – the bank utilised intragroup funding lines, which have already been repaid in January 2015. In the fourth quarter of 2014 the Russian subsidiary received RUB 3 billion subordinated loan with 10 years maturity from the mother company, so its capital adequacy ratio stood at 12.1% at the end of 2014.

OTP BANK UKRAINE

Performance of OTP Bank Ukraine:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit without the effect of adjustments	6,716	(43,166)	(743)
Income tax	(4,447)	4,156	(193)
Profit before income tax	11,163	(47,322)	(524)
Operating profit	40,285	27,269	(32)
Total income	72,811	52,078	(28)
Net interest income	53,385	45,327	(15)
Net fees and commissions	17,020	10,306	(39)
Other net non-interest income	2,406	(3,555)	(248)
Operating expenses	(32,526)	(24,809)	(24)
Total provisions	(29,122)	(74,591)	156
Provision for possible loan losses	(27,431)	(71,947)	162
Other provision	(1,692)	(2,644)	56
Main components of balance sheet closing balances	2013	2014	%
Total assets	617,730	422,286	(32)
Gross customer loans	666,425	568,214	(15)
Gross customer loans (FX-adjusted)	657,007	568,214	(14)
Retail loans	310,827	300,456	(3)
Corporate loans	305,480	234,785	(23)
Car financing loans	40,699	32,973	(19)
Gross DPD0-90 customer loans (FX-adjusted)	404,563	306,027	(24)
Retail loans	141,858	95,895	(32)
Corporate loans	238,028	196,577	(17)
Car financing loans	24,677	13,555	(45)
Allowances for possible loan losses	(183,559)	(254,881)	39
Allowances for possible loan losses (FX-adjusted)	(197,106)	(254,881)	29
Deposits from customers	240,843	228,803	(5)
Deposits from customer (FX-adjusted)	209,502	228,803	9
Retail deposits	143,434	137,545	(4)
Corporate deposits	66,068	91,258	38
Liabilities to credit institutions	208,352	143,171	(31)
Subordinated debt	41,071	37,735	(8)
Total shareholders' equity	113,236	4,383	(96)
Loan Quality	2013	2014	%/ppts
90+ days past due loan volume (in HUF million)	230,744	262,187	14
90+ days past due loans/gross customer loans	34.6%	46.1%	11.5
Cost of risk/average gross loans	4.06%	11.65%	7.59
Cost of risk/average (FX-adjusted) gross loans	4.07%	11.74%	7.67
Total provisions/90+ days past due loans	79.6%	97.2%	17.6
Performance Indicators	2013	2014	ppts
ROA	1.1%	(8.3%)	(9.4)
ROE	6.0%	(73.4%)	(79.4)
Total income margin	11.45%	10.01%	(1.44)
Net interest margin	8.40%	8.72%	0.32
Cost/income ratio	44.7%	47.6%	2.9
Net loans to deposits (FX-adjusted)	220%	137%	(83)
FX rates	2013 HUF	2014 HUF	Change %
HUF/UAH (closing)	26.2	16.4	(37)
HUF/UAH (average)	27.4	19.9	(27)

- ***The HUF 43 billion loss realized in 2014 was due to higher risk costs driven by UAH depreciation and accelerating portfolio quality deterioration***
- ***The Bank closed its operation in Crimea in the second quarter; in Donetsk and Luhansk counties the provision coverage of total gross loans reached 99.4%***
- ***In the rest of the country lending activity remained weak: cash lending suspended in April but resumed in the third quarter can be still characterized as muted; POS loan disbursement lags behind that in the base period***
- ***Deposits kept expanding, as a result the net loan/deposit ratio declined further. The intra-group funding provided to the Ukrainian operation declined in 2014***

The financial performance and indicators of OTP Bank Ukraine in HUF terms were significantly distorted by the HUF/UAH exchange rate moves: in the fourth quarter of 2014 the closing rate of UAH showed a 37%

y-o-y depreciation against HUF, whereas the average annual FX rate weakened by 27% y-o-y. Therefore local currency P&L and balance sheet dynamics can be materially different from those in HUF terms.

In the second quarter OTP Bank decided to close down its business in the Crimea.

Methodological note: as one-off elements not related to the normal course of business activity, the risk costs created in relation to the Crimean exposures from the second quarter of 2014 in the amount of HUF 9 billion, as well as risk costs made for exposures to the Donetsk and Luhansk counties from the third quarter of 2014 in the amount of HUF 28.9 billion were eliminated from the Ukrainian P&L and were shown amongst the adjustment items on consolidated level. Balance sheet items were not adjusted.

In the course of 2014 the operation and performance of **OTP Bank Ukraine** was affected in several ways by the developments of internal and foreign affairs and the deterioration of the operating environment.

In the second quarter the Bank closed its operation in the Crimea, 8 branches were closed. As a result of the risk cost set aside from the second quarter of 2014 the provision coverage reached 100% of the gross loan exposure to Crimea.

In Donetsk and Luhansk counties as a result of risk costs set aside from third quarter the provision coverage of the total gross loan portfolio reached 99.4%. The remaining net loan exposure to these counties (including accrued interest) amounted to HUF 3 billion equivalent at the end of 2014. In the fourth quarter of 2014 the Bank closed down 15 branches in these regions, thus the number of banking outlets declined to 2 at the end of 2014 (in Ukraine altogether 24 branches were shut down in 2014). In these regions currently there is no corporate or retail lending activity.

As for the consumer lending in the rest of the country, stricter lending conditions were already introduced in the first quarter. From 9 April cash loan disbursement was suspended. However it was resumed in the second half of August, newly disbursed volumes in the fourth quarter remained weak and comprised only 14% of those a year ago. As a result, DPD0-90 cash loan volumes melted down by 38% y-o-y. From the second quarter of 2014 the cross-sale of credit cards declined to practically zero, therefore DPD0-90 volumes contracted by 9% y-o-y. As a consequence of stricter lending conditions new POS loan origination melted down by more than 40% y-o-y in 2014. DPD0-90 POS loan volumes went down by 31% y-o-y. The mortgage book further declined. Regarding corporate lending the activity is focused rather on using existing credit limits. As a result, the FX-adjusted total DPD0-90 loan portfolio contracted by 24% y-o-y.

Total deposits grew by 9% y-o-y (adjusted for the FX-effect). After an 8% decline of deposit volumes in first and second quarter they already grew by the same magnitude and in the third and fourth quarter by another 5% q-o-q, respectively. In the second half of the year the expansion was driven by strong corporate deposit inflows. Local currency retail deposits are the major source of UAH consumer lending and the offered deposit rates moved up in the course of 2014 alongside the overall deposit pricing. The net loan-to-deposit ratio dropped to 137%, which marks multi-year low.

The intragroup funding (without subordinated debt) provided to the Ukrainian banking group declined by altogether USD 445 million in 2014 and reached HUF 140 billion equivalent at the end of 2014.

The bank posted a pre-tax adjusted loss of HUF 47.3 billion in 2014. The after-tax loss reaching HUF 43.2 billion was partially mitigated by the deferred tax asset.

The annual operating profit in HUF terms dropped by 32% y-o-y, but the underlying business performance is better described by the 11% decline in local currency terms. Within total income the net interest income advanced by 16% in UAH terms as a result of higher loan volumes in UAH terms on one hand and slightly better net interest margin in UAH terms on the other.

The annual net fee and commission income dropped by 17% in UAH terms as a result of lower fees related to deposits and cash settlement, but also due to lower fee income since the second quarter reasoned by the decline in newly disbursed consumer loans sold with payment protection policies. The significant setback of other non-interest revenues can be attributable to the negative result realized on this line in the fourth quarter of 2014, which is explained mainly by the write-off of cash and other assets in Eastern-Ukraine (amounting to HUF 1.1 billion), and the leasing revenues being reclassified into interest revenues (this item explains HUF 1.8 billion decline in other income line). Additionally, impairment of assets played a role in the quarterly decline in the fourth quarter, too (-HUF 0.8 billion).

Operating expenses went up by 6% y-o-y in UAH terms.

The annual risk costs jumped to three and a half times in UAH terms, partly due to the UAH depreciation against USD which requires higher provision coverage on FX loans. Furthermore, the worsening sovereign credit rating also called for higher risk costs. The new DPD90+ formation reflected a remarkable deterioration from the second quarter of 2014 versus a fairly moderate DPD90+ volume growth in the first quarter

(FX-adjusted DPD90+ volume growth excluding the impact of loan sales and write-offs in HUF billion in 1Q 2014: 3, 2Q: 18, 3Q:14, 4Q: 26). The DPD90+ ratio increased to 46.1%; the quarterly development was influenced by write-offs, too. The provision coverage ratio went up further and reached 97.2% marking 17.7 ppts yearly increase.

The shareholders' equity of the Ukrainian banking group under IFRS reached HUF 4.4 billion at the end of 2014, which already consists of the impact of the conversion of UAH 800 million equivalent subordinated debt into equity booked in the last quarter of 2014. Compared to December 2013 the shareholders' equity of the Ukrainian banking group in HUF terms dropped as a result of weakening UAH against HUF, whereas losses realized in 2014 had a negative impact on equity, too. The Ukrainian shareholders' equity includes that of 3 entities: the Bank, the Leasing and Factoring companies. The standalone equity of the Bank under IFRS reached HUF 28.4 billion. The standalone capital adequacy ratio of the Bank under local regulation stood at 10.4% at the end of 2014, thus it exceeded the regulatory minimum. This capital adequacy ratio under local regulation did not incorporate the impact of the capital conversion booked in the fourth quarter of 2014. The equity of the Leasing company was HUF -2.7 billion on 31 December 2014. Leasing and Factoring companies are exempt from banks' capital adequacy rules. The Ukrainian Factoring company received HUF 19 billion equivalent capital increase in September 2014, but had a negative equity of HUF 21.3 billion at the end of December 2014. In 2015 the equity of the Factoring company is expected to be raised by converting mother company financing into equity.

OTP BANK ROMANIA

Performance of OTP Bank Romania:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(4,143)	765	(118)
Income tax	0	0	0
Profit before income tax	(4,143)	765	(118)
Operating profit	7,147	9,806	37
Total income	20,375	23,409	15
Net interest income	14,254	19,388	36
Net fees and commissions	2,269	2,429	7
Other net non-interest income	3,852	1,592	(59)
Operating expenses	(13,228)	(13,603)	3
Total provisions	(11,290)	(9,041)	(20)
Provision for possible loan losses	(11,109)	(8,881)	(20)
Other provision	(181)	(160)	(11)
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	449,789	476,352	6
Gross customer loans	407,380	428,995	5
Gross customer loans (FX-adjusted)	435,558	428,995	(2)
Retail loans	337,008	320,845	(5)
Corporate loans	98,550	108,150	10
Allowances for possible loan losses	(55,094)	(61,538)	12
Allowances for possible loan losses (FX-adjusted)	(59,037)	(61,538)	4
Deposits from customers	200,514	222,126	11
Deposits from customer (FX-adjusted)	216,073	222,126	3
Retail deposits	152,871	181,011	18
Corporate deposits	63,202	41,115	(35)
Liabilities to credit institutions	206,315	209,315	1
Total shareholders' equity	29,100	34,980	20
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	72,595	76,564	5
90+ days past due loans/gross customer loans	17.8%	17.8%	0.0
Cost of risk/average gross loans (%)	2.78%	2.12%	(0.66)
Cost of risk/average (FX-adjusted) gross loans	2.58%	2.05%	(0.53)
Total provisions/90+ days past due loans	75.9%	80.4%	4.5
Performance Indicators	**2013**	**2014**	**ppts**
ROA	(0.9%)	0.2%	1.1
ROE	(13.4%)	2.4%	15.8
Total income margin	4.47%	5.06%	0.59
Net interest margin	3.13%	4.19%	1.06
Cost/income ratio	64.9%	58.1%	(6.8)
Net loans to deposits (FX-adjusted)	174%	165%	(9)
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/RON (closing)	66.3	70.2	6
HUF/RON (average)	67.2	69.5	3

In 2014 **OTP Bank Romania** realized HUF 0.8 billion profit versus a loss of HUF 4.1 billion in the base period, which demonstrates a significant turnaround.

The full-year operating profit grew by 37%. The biggest contributor to total revenues, the net interest income improved due to the continued shift toward high APR consumer loans, therefore consumer loans' share within the total assets has been steadily growing. Furthermore, the Bank made successful steps to curb interest expenses. The 7% y-o-y growth of net fee and commission income was due to the strengthening business activity. The setback in other net non-interest income was mainly due to the volatile FX result.

Operating expenses increased by 3% in HUF terms, whereas in RON terms they were practically stable.

The portfolio quality demonstrates favourable developments: the increase of DPD90+ loan volumes (adjusted for FX rate changes and sold and written off volumes) remained relatively modest in each quarters of 2014, in line with trends experienced since 2H 2013. The DPD90+ ratio remained stable y-o-y at 17.8%, supported also by write-offs in the corporate segment in the fourth quarter of 2014. The coverage ratio improved to 80.4% (+4.5 ppts y-o-y).

The total annual risk costs moderated by 20%, despite additional provisioning of altogether HUF 2.1 billion emerged in 2014 in line with the central bank requirements.

The FX-adjusted gross loan portfolio contracted by 2% in yearly comparison. Despite cash loan disbursement in 2014 fell short of that in the base period by 23%, their volumes kept on increasing dynamically (+13% y-o-y). The mortgage portfolio continued eroding (-6% y-o-y). Corporate volumes however picked up and expanded by 10% y-o-y (performing corporate loan volumes showed an even stronger growth rate of 14% y-o-y).

Total deposit volumes expanded by 3% y-o-y (adjusted for the FX-effect). The growth of household deposits reached 6%, whereas deposit rates eroded in line with overall market trends. The share of sight deposits increased since loan disbursements linked to regular income transfers continued gaining ground. SME deposits grew remarkably in the last 12 months (+46% y-o-y). Corporate deposits showed large volatility in each quarters in 2014 and dropped altogether by 35% y-o-y (FX-adjusted).

The Bank's capital adequacy ratio stood at 12.7% by the end of December, the same as a year ago.

On 30 July OTP Bank Romania agreed on purchasing 100% of Millennium Bank for EUR 39 million. The transaction has not been completed in 2014, similar to the consolidation of Millennium Bank, therefore the 2014 balance sheet and income statement of OTP Bank Romania does not include volumes and performance of Millennium Bank. The transaction has been completed on 8 January 2015 after the settlement of the purchase price, thus OTP Bank Romania gained 100% ownership in the target company. The capital increase of RON 175.3 million from OTP Bank was registered by the Romanian Court of Registration in January 2015.

OTP BANKA HRVATSKA (CROATIA)

Performance of OTP banka Hrvatska:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit without the effect of adjustments	2,210	104	(95)
Income tax	(587)	(524)	(11)
Profit before income tax	2,797	628	(78)
Operating profit	7,910	7,528	(5)
Total income	22,697	25,427	12
Net interest income	16,010	17,924	12
Net fees and commissions	4,878	5,203	7
Other net non-interest income	1,808	2,300	27
Operating expenses	(14,787)	(17,899)	21
Total provisions	(5,113)	(6,900)	35
Provision for possible loan losses	(5,142)	(5,747)	12
Other provision	29	(1,153)	

Main components of balance sheet closing balances	2013	2014	%
Total assets	538,112	654,793	22
Gross customer loans	379,177	467,749	23
Gross customer loans (FX-adjusted)	402,380	467,749	16
Retail loans	247,310	298,265	21
Corporate loans	154,650	169,209	9
Car financing loans	420	275	(34)
Allowances for possible loan losses	(29,213)	(38,725)	33
Allowances for possible loan losses (FX-adjusted)	(30,927)	(38,725)	25
Deposits from customers	421,276	518,313	23
Deposits from customer (FX-adjusted)	452,534	518,313	15
Retail deposits	404,009	463,720	15
Corporate deposits	48,525	54,593	13
Liabilities to credit institutions	40,944	51,453	26
Subordinated debt	1,521	0	(100)
Total shareholders' equity	62,880	71,156	13
Loan Quality	2013	2014	%/ppts
90+ days past due loan volume (in HUF million)	47,493	62,222	31
90+ days past due loans/gross customer loans	12.5%	13.3%	0.8
Cost of risk/average gross loans	1.41%	1.36%	(0.05)
Cost of risk/average (FX-adjusted) gross loans	1.32%	1.32%	0.00
Total provisions/90+ days past due loans	61.5%	62.2%	0.7
Performance Indicators	2013	2014	ppts
ROA	0.4%	0.0%	(0.4)
ROE	3.6%	0.2%	(3.4)
Total income margin	4.29%	4.26%	(0.03)
Net interest margin	3.03%	3.01%	(0.02)
Cost/income ratio	65.1%	70.4%	5.3
Net loans to deposits (FX-adjusted)	82%	83%	1
FX rates	2013 HUF	2014 HUF	Change %
HUF/HRK (closing)	38.9	41.1	6
HUF/HRK (average)	39.2	40.4	3

On 24 April 2014 OTP banka Hrvatska accomplished the purchase process of Banco Popolare Croatia (BPC) acquiring a 98.37% stake in the bank. The Croatian P&L was adjusted for certain items which are directly in connection with the acquisition and integration, these corrections are shown on consolidated level, among adjustment items. In the third quarter OBH increased its stake in BPC to 100%. The integration of BPC was successfully completed by the end of the year.

OTP banka Hrvatska posted HUF 104 million after tax profit in 2014 (with BPC) against HUF 2.2 billion in the base period. The operating profit lagged behind that of in the base period by 5% y-o-y, while rising risk costs pushed down the results, moreover the effective tax rate notably increased.

The annual net interest income went up by 12% y-o-y as a result of changing accounting rules in the last quarter: the rental income (HUF 0.3 billion) was reclassified from other income to net interest income. The net interest margin remained stable at 3%.

Operating expenses surged notably due to the consolidation of BPC's costs. Due to accounting changes in the fourth quarter the depreciation of real estate revaluation in amount of HUF 1.1 billion was reclassified to other risk costs from operating cost.

The DPD90+ ratio indicates a y-o-y 0.8 ppt increase (13.3%). The annual risk costs for loan losses went up by 12% y-o-y, which is explained by deteriorating portfolio and further provisioning for ongoing litigations on CHF mortgage loans (2014: HUF 0.6 billion). The coverage ratio of DPD90+ loans (62.2%) improved by 0.7 ppt y-o-y.

The FX-adjusted DPD0-90 loan book advanced by 15% y-o-y as a result of the BPC acquisition. BPC loan portfolio contributed mainly to the retail book; this and the success of cash loan lending were reflected in the 40% y-o-y growth in consumer loans. The corporate loan volumes grew at a fast pace as well, mainly municipal segment expanded notably (+22% y-o-y).

The FX-adjusted deposit book surged by 15% y-o-y.

The capital adequacy ratio reached 15% at the end of December.

OTP BANKA SLOVENSKO (SLOVAKIA)

Performance of OTP Banka Slovensko*:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	1,153	32	(97)
Income tax	(351)	(334)	(5)
Profit before income tax	1,503	366	(76)
Operating profit	4,099	5,894	44
Total income	14,908	17,098	15
Net interest income	12,088	14,207	18
Net fees and commissions	3,101	3,000	(3)
Other net non-interest income	(280)	(109)	(61)
Operating expenses	(10,810)	(11,204)	4
Total provisions	(2,595)	(5,528)	113
Provision for possible loan losses	(2,594)	(5,277)	103
Other provision	(2)	(251)	
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	425,219	464,296	9
Gross customer loans	339,602	369,624	9
Gross customer loans (FX-adjusted)	360,216	369,624	3
Retail loans	281,769	298,109	6
Corporate loans	78,002	71,234	(9)
Car financing loans	445	281	(37)
Allowances for possible loan losses	(22,670)	(22,785)	1
Allowances for possible loan losses (FX-adjusted)	(24,044)	(22,785)	(5)
Deposits from customers	332,452	375,687	13
Deposits from customer (FX-adjusted)	352,881	375,687	6
Retail deposits	327,676	358,890	10
Corporate deposits	25,206	16,797	(33)
Liabilities to credit institutions	25,821	17,729	(31)
Issued securities	24,881	18,609	(25)
Subordinated debt	8,627	14,818	72
Total shareholders' equity	27,028	30,501	13
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	39,044	38,211	(2)
90+ days past due loans/gross customer loans	11.5%	10.3%	(1.2)
Cost of risk/average gross loans	0.82%	1.49%	0.67
Cost of risk/average (FX-adjusted) gross loans	0.77%	1.45%	0.68
Total provisions/90+ days past due loans	58.1%	59.6%	1.5
Performance Indicators	**2013**	**2014**	**ppts**
ROA	0.3%	0.0%	(0.3)
ROE	4.3%	0.1%	(4.2)
Total income margin	3.73%	3.84%	0.11
Net interest margin	3.03%	3.19%	0.16
Cost/income ratio	72.5%	65.5%	(7.0)
Net loans to deposits (FX-adjusted)	95%	92%	(3)
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/EUR (closing)	296.9	314.9	6
HUF/EUR (average)	296.9	308.7	4

* P&L account lines and indicators are adjusted for banking tax and Deposit Protection Fund contributions

In 2014 **OTP Banka Slovensko** posted HUF 32 million adjusted[10] after tax profit. The reason for the significant y-o-y drop was the doubling of risk cost. As a favourable development, the rate of DPF contribution shrank to one-fifth in 2H, and there was no banking tax paid in the last quarter of 2014. According to the law, the rate of banking tax will be halved (0.2%) starting from 2015.

The main reason for the 76% drop of pre-tax profit is the 113% y-o-y surge of risk cost. In 2014 operating profit grew by 44% y-o-y, due to the increasing total income and stringent cost control. Total income grew by 15% y-o-y supported by the higher loan portfolio and the y-o-y 11 bps improvement of total income margin. Due to the outstanding retail loan (especially consumer loans) and SME loan disbursement dynamics and lower funding cost NII increased by 18% y-o-y. Net fee and commission income decreased by 3% on the yearly basis (-7% in EUR terms), partly reasoned by the lower income as a result of corporate and municipal deposit outflow. Due to the stringent cost control operating expenses remained unchanged y-o-y in local

[10] Adjustments include the elimination of banking tax and DPF contribution paid by OBS; these are treated as an adjustment in the consolidated results.

currency terms (+4% in HUF). As a result of those developments the cost-to-income ratio improved in 2014 by 7 ppts to 65.5% y-o-y.

DPD90+ portfolio decreased y-o-y by 2% in the course of 2014, partly because of NPL sale/write-off in the amount of EUR 20 million. The DPD90+ ratio improved by 1.2 ppts y-o-y to 10.3%. Provision coverage of DPD90+ loans increased by 1.6 ppts to 59.6% on the yearly basis.

FX-adjusted DPD0-90 loans expanded by 4% y-o-y, mainly due to the dynamic growth of consumer loans. Due to the lower yield environment and the fierce pricing competition mortgage loan disbursements in 2014 fell back y-o-y, and the FX-adjusted gross portfolio shrank by 3% y-o-y. Retail consumer loans kept growing, thee yearly growth was 69%. Corporate loan segment suffered a decrease y-o-y (-9%).

FX-adjusted deposits grew by 6% on yearly basis. Bulk of the annual growth was generated by the retail and SME segment (+10% y-o-y), while corporate deposits dropped significantly (-33% y-o-y). FX-adjusted net loan-to-deposit ratio stood at 92% by the end of 2014 (-2.9 ppts y-o-y).

After the EUR 18 million subordinated capital increase in the third quarter 2014, OBS received another EUR 10 million share capital in the fourth quarter; thus the capital adequacy ratio increased to 13.5% by the end of 2014.

OTP BANKA SRBIJA (SERBIA)

Performance of OTP banka Srbija:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	(13,246)	50	(100)
Income tax	(11)	4	(137)
Profit before income tax	(13,235)	46	(100)
Operating profit	409	1,359	232
Total income	7,580	8,556	13
Net interest income	4,553	6,613	45
Net fees and commissions	1,671	1,851	11
Other net non-interest income	1,356	92	(93)
Operating expenses	(7,171)	(7,197)	0
Total provisions	(13,644)	(1,313)	(90)
Provision for possible loan losses	(13,002)	(1,202)	(91)
Other provision	(642)	(111)	(83)
Main components of balance sheet closing balances	**2013**	**2014**	**%**
Total assets	86,136	109,509	27
Gross customer loans	91,648	99,011	8
Gross customer loans (FX-adjusted)	94,717	99,011	5
Retail loans	44,283	44,549	1
Corporate loans	50,435	54,462	8
Allowances for possible loan losses	(36,989)	(33,010)	(11)
Allowances for possible loan losses (FX-adjusted)	(37,916)	(33,010)	(13)
Deposits from customers	43,614	66,934	53
Deposits from customer (FX-adjusted)	45,531	66,934	47
Retail deposits	38,224	43,850	15
Corporate deposits	7,308	23,084	216
Liabilities to credit institutions	6,984	6,206	(11)
Subordinated debt	8,349	2,542	(70)
Total shareholders' equity	24,050	30,197	26
Loan Quality	**2013**	**2014**	**%/ppts**
90+ days past due loan volume (in HUF million)	44,793	43,355	(3)
90+ days past due loans/gross customer loans	48.9%	43.8%	(5.1)
Cost of risk/average gross loans	14.31%	1.26%	(13.05)
Cost of risk/average (FX-adjusted) gross loans	13.74%	1.24%	(12.50)
Total provisions/90+ days past due loans	82.6%	76.1%	(6.5)
Performance Indicators	**2013**	**2014**	**ppts**
ROA	(12.7%)	0.1%	12.8
ROE	(53.8%)	0.2%	54.0
Total income margin	7.25%	8.75%	1.50
Net interest margin	4.35%	6.76%	2.41
Cost/income ratio	94.6%	84.1%	(10.5)
Net loans to deposits (FX-adjusted)	125%	99%	(26)

FX rates	2013 HUF	2014 HUF	Change %
HUF/RSD (closing)	2.6	2.6	0
HUF/RSD (average)	2.6	2.6	0

OTP banka Srbija posted HUF 50 million profit after tax in 2014, against the negative result of HUF 13.2 billion in the base period. The 2014 positive result was due to y-o-y lower risk costs, while the operating profit developed favourably as well.

The annual total revenues expanded by 13% y-o-y, fuelled mainly by rise of DPD0-90 loan volumes and decreasing funding costs. The notable change in net interest income and other income is explained by local accounting rule changes: suspended interest income (HUF 1.1 billion) was transferred from other income line to net interest income line. Excluding the effect of this methodological change the net interest income went up significantly by 21% y-o-y, while other income moderated by 10% y-o-y; the latter reflects negative FX results. The increasing number of money transactions alongside the expanding deposit book caused 11% y-o-y surge in net fee income.

The DPD90+ ratio improved to 43.8% (-5.1 ppts y-o-y), due to increasing gross loan portfolio and loan write-offs. In the last quarter corporate loan volumes were written off in the amount of HUF 4 billion. The risk costs materially diminished in 2014. The coverage ratio of DPD90+ loans changed to 76.1% (-6.4 ppts y-o-y).

The FX-adjusted DPD0-90 loan book expanded by 14% y-o-y. Mainly the rise of large corporate loan book (+8% y-o-y) caused this expansion. The retail volumes stagnated, while the Bank focused its lending activity on consumer loans which grew by 10% y-o-y (FX-adjusted) due to the success of cash loan products.

FX-adjusted deposits increased by 47% y-o-y, mainly as a result of corporate deposit inflow (+216% y-o-y). The net loan-to-deposit ratio declined to 99%, which is the lowest for the last couple of years.

The capital adequacy ratio of the Bank reached 31.5% at the end of December.

CRNOGORSKA KOMERCIJALNA BANKA (MONTENEGRO)

Performance of CKB:

Main components of P&L account	2013 HUF million	2014 HUF million	Change %
After tax profit w/o dividends and net cash transfer	801	391	(51)
Income tax	0	19	n/a
Profit before income tax	801	372	(54)
Operating profit	3,506	3,789	8
Total income	10,516	11,518	10
Net interest income	7,804	8,359	7
Net fees and commissions	2,475	2,877	16
Other net non-interest income	237	282	19
Operating expenses	(7,010)	(7,729)	10
Total provisions	(2,705)	(3,417)	26
Provision for possible loan losses	(3,007)	(3,069)	2
Other provision	302	(348)	(215)
Main components of balance sheet closing balances	2013	2014	%
Total assets	196,209	195,770	0
Gross customer loans	164,124	158,297	(4)
Gross customer loans (FX-adjusted)	174,062	158,297	(9
Retail loans	73,670	70,955	(4)
Corporate loans	100,392	87,342	(13)
Allowances for possible loan losses	(49,836)	(50,981)	2
Allowances for possible loan losses (FX-adjusted)	(52,854)	(50,981)	(4)
Deposits from customers	145,882	142,593	(2)
Deposits from customer (FX-adjusted)	155,441	142,593	(8)
Retail deposits	127,162	114,506	(10)
Corporate deposits	28,279	28,087	(1)
Liabilities to credit institutions	18,013	19,990	11
Subordinated debt	4,173	2,219	(47)
Total shareholders' equity	21,151	22,840	8

Loan Quality	2013	2014	%/ppts
90+ days past due loan volume (in HUF million)	61,339	62,808	2
90+ days past due loans/gross customer loans	37.4%	39.7%	2.3
Cost of risk/average gross loans	1.93%	1.90%	(0.03)
Cost of risk/average (FX-adjusted) gross loans	1.80%	1.85%	0.05
Total provisions/90+ days past due loans	81.2%	81.2%	0
Performance Indicators	**2013**	**2014**	**ppts**
ROA	0.4%	0.2%	(0.2)
ROE	4.2%	1.8%	(2.4)
Total income margin	5.20%	5.88%	0.68
Net interest margin	3.86%	4.26%	0.4
Cost/income ratio	66.7%	67.1%	0.4
Net loans to deposits (FX-adjusted)	78%	75%	(3)
FX rates	**2013 HUF**	**2014 HUF**	**Change %**
HUF/EUR (closing)	296.9	314.9	6
HUF/EUR (average)	296.9	308.7	4

The Montenegrin **CKB Bank** posted HUF 391 million after tax profit in 2014 (-51% y-o-y), as a result of the 8% increase in operating profit and higher risk cost (+26%).

Total income as well as operating expenses grew by 10% y-o-y in 2014. Net interest margin improved by 41 bps to 4.26% y-o-y, owing to favourable deposit pricing enabled by the cutback of excess liquidity. So interest expenses dropped by 43% in EUR terms. Net fees and commissions income grew by 16% y-o-y.

With regards to operating expenses, the 10% yearly growth in 2014 was driven mainly by the growth of personnel costs in relation to the cut-back of employees in 2H – in the last 12 months number of employees decreased by 22 to 427. On the whole cost-to-income ratio of CKB grew in 2014 (2014: 67,1%, +0.4 ppt y-o-y).

DPD90+ ratio grew to 39.7% by the end of 2014 (+2.3 ppts y-o-y). Provision coverage of DPD90+ loans decreased by 0.1 ppt to 81.2% y-o-y. Risk indicators are biased because of the write-off of non-performing loans in the fourth quarter in the amount of EUR 32 million and due to the purchase of loans from OTP by the Montenegrin factoring company in the amount of EUR 30 million.

The FX-adjusted DPD0-90 loans decreased by 12% y-o-y, partly because of a loan disbursed in the third quarter of 2013 to the Montenegrin state and repaid gradually in 2014, but also due to scheduled large corporate loan repayments in 2014. FX-adjusted retail loans decreased by 4% y-o-y. Throughout the whole year cash loan sales were spectacular with 8% y-o-y volume increase. The mortgage loan book kept shrinking (-11% y-o-y); and the corporate and municipal loan book also decreased (-13% y-o-y).

The FX-adjusted deposit base decreased by 8% y-o-y mainly as a result of the cut-back of deposit volumes due to the strong liquidity position of the bank. Net loan-to-deposit ratio stood at 75% at the end of 2014 (-3 ppts y-o-y). The Montenegrin bank repaid EUR 7 million subordinated loan to the Group in the last quarter of 2014. Its capital adequacy ratio stood at 14.75% at the end of 2014.

STAFF LEVEL AND OTHER INFORMATION

The closing staff number of OTP Group (including the number of employed selling agents) was 35,240 as of 31 December 2014. In 2014 there was a decrease in Russia and the Ukraine in the headcount of agents as consumer lending slowed down.

OTP Group provides services through 1,421 branches and close to 4,000 ATMs in 9 countries of the CEE region. In Hungary, OTP Bank has an extensive distribution network, which includes 380 branches and 1,976 ATM terminals. The bank (Hungary) has around 52 thousands POS terminals.

	31/12/2014				31/12/2013			
	Branches	ATM	POS	Headcount (closing)	Branches	ATM	POS	Headcount (closing)
OTP Core	380	1.976	52.336	8.244	382	2.017	51.683	8.615
DSK Group	385	883	4.936	4.527	378	873	4.396	4.514
OTP Bank Russia (w/o employed agents)	198	228	1.203	5.992	200	222	3.038	6.020
OTP Bank Ukraine (W/o employed agents)	116	133	317	3.004	140	158	353	3.282
OTP Bank Romania	84	122	1.471	918	84	122	1.185	930
OTP banka Hrvatska	117	242	1.967	1.201	102	223	1.526	993
OTP Banka Slovenko	61	139	196	668	68	123	187	655
OTP banka Srbija	51	121	2.305	642	51	119	2.371	663
CKB	29	80	4.821	427	29	82	4.688	449
Foreign subsidiaries, total	**1.041**	**1.948**	**17.216**	**17.379**	**1.052**	**1.922**	**17.744**	**17.506**
Other Hungarian and foreign subsidiaries				818				843
OTP Group (w/o employed agents)				**26.411**				**26.964**
OTP Bank Russia - employed agents				*7.722*				*8.593*
OTP Bank Ukraine - employed agents				*1.077*				*2.336*
OTP Group (aggregated)	**1.421**	**3.924**	**69.552**	**35.240**	**1.434**	**3.939**	**69.427**	**37.893**

STATEMENT ON CORPORATE GOVERNANCE PRACTICE

Corporate governance practice

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

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

System of internal controls

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

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

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

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

General meeting

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

Committees

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

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

Members of the Audit Committee[3]
Dr. Gábor Horváth – Chairman
Mr. Tibor Tolnay
Mr. Dominique Uzel
Dr. Gellért Vági Márton

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

[3] The Audit Committee was founded by the General Meeting on 25 April 2014.

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

Operation of the executive boards

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

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

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

The Board of Directors held 7, the Supervisory Board held 8 meetings, while the Audit Committee gathered 1 time in 2014. In addition, resolutions were passed by the Board of Directors on 126, by the Supervisory Board on 8 and by the Audit Committee on 7 occasions by written vote.

ENVIRONMENTAL POLICY, ENVIRONMENTAL PROJECTS

As a dominant provider of financial services within the CEE region and a key player of the Hungarian economy, OTP Bank is committed to environmental protection and nature conservation, and to continuously improving its environmental performance. Sustainability, responsibility and ethical business practice are cornerstones of our company policy, therefore with regard to environmental protection the Group has set the goal of prevention, responsible thinking and full legal compliance. OTP Bank strives not only to comply with legislation – at both group and parent company level – but also to proactively meet general social and environmental protection expectations.

Despite the fact that OTP Group's indirect environmental impacts and its opportunities in environmental protection are related primarily to its roles as a responsible service provider and employer, environmental protection scores high among its sustainability-related goals. Environmental protection involves a number of enterprises and fields of activities within the Group.

Environmental management

The Bank's environmentally responsible operations and compliance with the relevant legislation are governed by its Environmental Policy, which was introduced in 2009, along with other internal policies. The Bank manages environmental issues through a standardised system that affects various organisational units within the Bank. In order to ensure compliance with environmental regulations, the Bank also employs an environmental expert.

The company strives to improve its environmental performance, cut emissions and apply environmentally-friendly solutions primarily by reviewing and optimising its existing processes.

Actions

OTP Bank implemented a variety of measures in 2014 to alleviate its environmental load and strengthen environmental awareness within the Group.

Programmes undertaken for consciously scaling back resource utilisation and costs continued throughout the year at all subsidiaries. Besides the general energy efficiency measures (such as the replacement of the obsolete energy wasting equipment, the purchase of energy-efficient computers and monitors, and the use of optimised LED lighting), the assessment of the additional use of renewable energy sources (heat pumps, solar panels, geothermal energy) also features on the agenda.

At the same time, the activities and measures in this field have, for several years, been determined primarily by the Group's efforts to control and rationalise its operating expenses. Moreover, as part of its sustainability strategy it participates in conveying and encouraging the enhancement of environmental awareness.

Expansion of the energy management system to the Hungarian branch offices

In 2012 OTP Bank launched its multi-tier energy management system, which is responsible for the energy monitoring of the branch offices operating in the various types of buildings (office blocks, separate buildings, shopping centres etc.). The key objective of the project is to rationalise the energy consumption, to cut the volume of used energy and thereby to abate emission. Owing to the installation of metering, monitoring and information systems the continuous supply of data has made it possible to optimise the energy consumption of the various branch offices through a central information and remote controlling system. The system that initially covered a total of 32 branch offices was expanded to another 112 branch offices in 2013 and by the end of 2014 the number of the participating branch offices increased to 254. The operation of the system enables the Bank to save massive volumes of heating, cooling and lighting energy year after year.

Waste management

The paper consumption within the Group represents the highest environmental burden, therefore the reduction thereof is an ongoing duty of the Bank. The volume of waste is reduced primarily by curbing consumption, the separate collection of waste, as well as by the recycling of the products and equipment. The separate collection and removal of hazardous waste takes place on a continuous basis, in accordance with the relevant legislation.

In terms of waste management the separate collection of waste is a standard practice: the office waste paper, the packaging waste such as PET bottles, cardboard and metal cans of drinks, glass bottles, as well the used batteries and accumulators are collected selectively, i.e. separately from the communal waste. The data related to separate waste collection (in respect of the centrally managed buildings of the Bank) show that in terms of magnitude the various waste fractions are identical with the volume of the waste generated year on year. The only exception is the paper waste, where as a result of separate collection the volume of removed paper was higher by 7.5 tons, which is an increase of more than 10% within one year.

Paper consumption and recycling

The Bank has been making continuous efforts, in 2014 as well, to reduce the paper consumption, primarily by less printing or the replacing thereof by electronic means; in most of the countries the Bank launched a separate project for this.

- The reduction of the office paper consumption was a priority objective in 2014 as well at the group members: in Slovakia this was achieved primarily by giving preference to electronic channels and raising the employees' awareness;
- all subsidiary banks reduced the volume of documents to be printed for the customers (in Ukraine by 14%);
- DSK Bank implemented a software that supports digital documentation
- OTP Bank Ukraine cut the volume of paper-based documents to be printed upon POS and cash loan disbursements by about 50%;
- OTP Banka Slovensko is continuously encouraging the use of electronic account balances and electronic signatures at its branch offices;
- OTP Bank permitted the waiving of the cash withdrawal, cash deposit and bank transfer documents;
- OTP Bank continuously encourages its customers to use the green bank account statement as a result of which the proportion of e-account statements has increased to 34%.

In Hungary, OTP Bank switched to the use of recycled paper for the customer advices. The changeover applies to all retail and corporate bank account statements. Owing to this the ratio of recycled paper has increased significantly in the Bank, and by 2014 it reached 60%. In 2014 the volume of paper handed over in the head office buildings for recycling increased by 10% in Hungary. The volume of filing folders and dossiers, as well as the brochures and customer leaflets in the branches made of recycled paper continues to be high.

Additional measures

Additional measures related to the operating activities are typically connected to procurements and resource utilisation, which reduce the Bank's CO2 emission year after year. Out of these the most important measures include the procurement of IT equipment, the reduction of paper consumption and the substitution of business trips.

Year after year the OTP Group is increasingly exploiting the possibilities of video conferencing. The development of the infrastructure to the necessary extent was completed: it is available in the head office buildings and in the largest branches as well. This resulted in saving a significant volume of carbon dioxide emission by avoiding travels by plane and car.

Our motor vehicle fleet is gradually becoming increasingly environmentally friendly. The emission resulting from business travels further decreased owing to the procurement of new cars of high environmental protection class, and to the reduction of the motor vehicle fleet. As regards the transportation of OTP Bank's archives and printed matters the volume of covered distance fell by 13-14% due to the more efficient transport arrangements. The number of business trips was reduced by 10% and 25% in Russia and at DSK Bank, respectively. The car fleet of our Bank was reduced by 5%.

The group members develop bicycle depots at the head office buildings and upon the renovation of the branches. In 2014 new bicycle depots were established, amongst others, in Hungary, Ukraine, Montenegro and Bulgaria.

In Serbia we operate a dedicated transport service, transporting the employees to Belgrade from the neighbouring towns.

OTP Bank is making efforts to propagate good practices and at the same time it is also continuously seeking for new environmentally friendly solutions.

Prizes, awards

DSK Bank won the prize of the European Business Awards. The Bank was awarded the Champion of National Environmental Protection and Enterprise Sustainability title for its operation committed to sustainability.

Awareness raising and social responsibility

Through its extensive clientele and high degree of social integration the Bank is able to exert influence on those it is doing business with. Therefore it not only shares its environmental programmes with its customers and employees, but also endeavours to involve them.

The Bank pursues environmental awareness not only in respect of its own operations but at the same time it also encourages and supports green affairs of particular importance for society. One example of this is the strategic partnership entered into with the Hungarian Hikers' Association (MTSZ). Protecting the environment and encouraging others as well to adopt a conduct of environmental awareness are important elements of OTP Bank's responsibility. The mission and objectives of the Association are in line with those of the Bank. The tasks undertaken by the Association include the representation of hikers' interests, the technical/professional development, promotion and facilitation of hiking.

CKB Bank has been participating in the afforestation project entitled "Young People for Green Montenegro" launched by the NGO Forum NME. As part of the campaign our Montenegrin colleagues help replant the forests by organising themselves in volunteer teams.

We wish to make the protection of our environment important for all of our employees and customers, therefore we provide ongoing information with regard to our environmental protection efforts on our corporate social responsibility site: www.otpbank.hu/csr

SUPPLEMENTARY DATA

FOOTNOTES TO THE TABLE 'CONSOLIDATED NET PROFIT BREAKDOWN BY SUBSIDIARIES (IFRS)'

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

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

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

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

(4) The profit impact of the repurchase from the perpetual EUR 500 million subordinated Notes series executed in the fourth quarter of 2013 was eliminated from the performance of both parties, OTP Bank (Hungary) and OTP Bank Russia, since the transaction had no direct impact on consolidated earnings. The pre-tax gain realised on the perpetual EUR 500 million subordinated Notes transaction within the Group in the third quarter of 2014 was eliminated from the performance of OTP Bank Russia.

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

(6) From the third quarter of 2010, statements are based on the aggregated financials of DSK Group and the Bulgarian factoring company, OTP Factoring Bulgaria LLC. DSK Group balance sheet contains the loans sold to the factoring company at before sale gross value and the related provisions as well.

(7) Net earnings are adjusted with the result of CIRS swap transactions executed with OTP Bank Hungary in relation to interbank financing. Before transfer balance sheet numbers are displayed. From the second quarter of 2010 the statement of recognised income and balance sheet of OTP Faktoring SRL was included.

(8) Including the financial performance of OTP Factoring Serbia d.o.o from the fourth quarter of 2010.

(9) Includes the financial result and volumes of OTP Faktoring d.o.o. Banco Popolare Croatia has been consolidated into OBH's results from the second quarter of 2014.

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

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

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

(13) From the fourth quarter of 2009: OTP Leasing Romania IFN S.A. (Romania), Z plus d.o.o. (Croatia) (until 3Q 2011), OTP Leasing d.d. (Croatia), DSK Leasing AD (Bulgaria).

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

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

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

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

CALCULATION OF ADJUSTED LINES OF IFRS PROFIT AND LOSS STATEMENTS PRESENTED IN THE BUSINESS REPORT

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

Adjustments:

- As non-recurring results, the after tax effect of the following items are shown separately on the Statement of Recognised Income: received dividends, received and paid cash transfers, goodwill write-offs, the tax shield effect of investment write-offs, special tax on financial institutions, the one-timer payment compensating the underperformance of the financial transaction tax in 2013, the fine imposed by the Hungarian Competition Authority in the fourth quarter of 2013, the corporate tax impact of the transfer of general risk reserves to retained earnings, the effect of Banco Popolare Croatia acquisition, the expected one-off impact of regulatory changes related to consumer contracts in Hungary, the risk cost created toward Crimean exposures from the second quarter of 2014, the risk cost related toward exposure to Donetsk and Luhansk from the third quarter of 2014 and the net loss from early repayment of FX mortgage loans in Hungary. Beside the Slovakian banking levy, from the first quarter of 2014 the total amount of the special banking tax includes and the Slovakian Deposit Protection Fund contributions being introduced again in 2014.
- Other non-interest income elements stemming from provisioning release in connection with provisions on loans originated before the acquisitions of the subsidiaries have been reclassified to and deducted from the volume of provisions for possible loan losses in the income statement.
- From the second quarter of 2014 OTP Bank's share in the change in the shareholders' equity of companies consolidated with equity method is reclassified from the After tax dividends and net cash transfers line to the Net other non-interest result (adj) without one-offs line.
- Other non-interest income is shown together with gains/losses on real estate transactions, but without the above mentioned income from the release of pre-acquisition provisions and without received cash transfers. However other non-interest expenses stemming from non-financial activities are added to the adjusted net other non-interest income line, therefore the latter incorporates the net amount of other non-interest income from non-financial activities.
- Out of other expenses, other provisions are deducted and shown separately as other risk costs in the adjusted income statement. Other provisions contain provisioning on off-balance sheet liabilities and on legal contests, provisioning on securities, shares and other investments as well as provisioning on other assets.
- Other administrative expenses have been adjusted in the following way in order to create a category comprising administrative cost items exclusively. Other costs and expenses and other non-interest expenses were included into the adjusted Other non-interest expenses. At the same time, the following cost items were excluded from adjusted other non-interest expenses: paid cash transfers – except for movie subsidies and cash transfers to public benefit organisations –, Other non-interest expenses stemming from non-financial activities, Special tax on financial institutions and the one-timer payment compensating the underperformance of the financial transaction tax.
- From the fourth quarter of 2010 onwards, the fee expenses paid by Merkantil Group to car dealers ('dealer fees') were registered as interest expense in the accounting income statement. Earlier this item had been booked as fee expense. In order to create a comparable time series, since the fourth quarter of 2010 dealer fees have been reclassified from net interest income to net fees and commissions – both on the consolidated and on a standalone level.
- Within the aggregated income statement of Merkantil Bank and Car, other risk cost related to leasing companies – as investments of the Merkantil Group – is eliminated. The reason behind is that this provisioning is eliminated in the consolidated income statement of OTP Group, and only the net result of the leasing companies is making part of OTP Group's consolidated net earnings.
- Performing indicators such as cost/income ratio, net interest margin, risk cost to average gross loans as well as ROA and ROE ratios are calculated on the basis of the adjusted profit and loss statement, excluding adjustment items such as received dividends and net cash transfers, the after tax effect of the goodwill write-downs, the effect of special banking tax, the effect of Banco Popolare Croatia acquisition, the expected one-off impact of regulatory changes related to consumer contracts in Hungary, the risk cost created toward Crimean exposures from the second quarter of 2014, the risk cost related toward exposures to Donetsk and Luhansk from the third quarter of 2014 and the net loss from early repayment of FX mortgage loans in Hungary.
- OTP Group is hedging the revaluation result of the FX provisions on its FX loans by keeping hedging open FX positions. In the accounting statement of recognized income, the revaluation of FX provisions is part of the risk costs (within line "Provision for loan losses"), whereas the revaluation result of the hedging open FX positions is made through other non-interest income (within line "Foreign exchange result, net"). The two items have the

same absolute amount but an opposite sign. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L. By modifying only the structure of the income statement, this correction does not have any impact on the bottom line net profits.

- In the third quarter of 2012 and in the second quarter of 2013, seven subsidiaries of OTP Real Estate Ltd. were for the first time consolidated into OTP Group. The cumulated loss of the companies' previous operation was recognised as Other expenses in the accounting P&L, while loan loss and other provisioning earlier made by OTP Bank and OTP Real Estate in relation to these companies were released. By influencing only the structure of the income statement, the net effect of these two entries was neutral to consolidated net earnings. As an adjustment to the accounting statement of income, these items are eliminated from the adjusted P&L.
- Tax deductible transfers paid by Hungarian group members from the third quarter of 2012 were reclassified from Other non-interest expenses to Corporate income tax. As a result, the net P&L effect of the transfers (i.e. the paid transfer less the related tax allowances) is recognised in the corporate income tax line of the adjusted P&L.
- From 2012 credit institutions' contribution tax was recognised in the accounting P&L of OTP Group and OTP Core as OTP Core's burden share in the fixed exchange rate scheme provided to Hungarian FX mortgage debtors. The paid contribution tax equals 50% of the forgiveness provided on the interest payments of the clients. In the adjusted P&L the contribution tax is reclassified from other (administrative) expenses and to a lesser extent from other risk cost to net interest income.
- The financial transaction tax paid from the beginning of 2013 in Hungary is reclassified from other (administrative) expenses to net fee and commission income, both on consolidated and OTP Core level.
- The revaluation result booked on Other provisions line due to regulatory changes related to FX mortgage loans in Hungary are moved to the Foreign exchange result line.
- Within the report, FX-adjusted statistics for business volumes are disclosed. For FX adjustment, the closing cross currency rates for the current period were used to calculate the HUF equivalent of loan and deposit volumes in the base periods. Thus the FX adjusted volumes will be different from those published earlier.

ADJUSTMENTS ON THE CONSOLIDATED STATEMENT OF RECOGNIZED INCOME (IFRS)

in HUF million	2013	2014
Net interest income	**653,728**	**636,097**
(-) Agent fees paid to car dealers by Merkantil Group	(2,319)	(2,047)
(+) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(2,206)	(2,796)
Net interest income (adj.) with one-offs	**653,841**	**635,348**
(-) Revaluation result of FX swaps at OTP Core (booked within net interest income)	715	(824)
Net interest income (adj.) without one-offs	**653,126**	**636,172**
Net fees and commissions	**201,757**	**215,656**
(+) Agent fees paid to car dealers by Merkantil Group	(2,318)	(2,047)
(+) Financial Transaction Tax	(32,503)	(44,030)
Net fees and commissions (adj.)	**166,936**	**169,579**
Foreign exchange result	**18,279**	**156,918**
(-) Revaluation result of FX positions hedging the revaluation of FX provisions	96	144,203
(+) Revaluation result booked on Other risk cost line due to regulatory changes related to FX mortgage loans in Hungary	0	(1,428)
Foreign exchange result (adj.) with one-offs	**18,183**	**11,287**
Foreign exchange result (adj.) without one-offs	**18,183**	**11,287**
Gain/loss on securities, net	**11,546**	**6,911**
Gain/loss on securities, net (adj.) with one-offs	**11,546**	**6,911**
(-) Revaluation result of the treasury share swap agreement (booked as Gain on securities, net (adj.) at OTP Core)	508	422
Gain/loss on securities, net (adj.) without one-offs	**11,038**	**6,489**
Gains and losses on real estate transactions	**1,552**	**734**
(+) Other non-interest income	**24,840**	**13,645**
(-) Received cash transfers	43	5
(-) Non-interest income from the release of pre-acquisition provisions	156	1,260
(+) Other other non-interest expenses	(4,940)	(7,665)
(+) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	224	0
(+) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	254	0
(+) Change in shareholders' equity of companies consolidated with equity method	0	1,648
(-) Badwill booked in relation to Banco Popolare Croatia acquisition	0	4,563
Net other non-interest result (adj.) with one-offs	**21,731**	**2,534**
(-) Gain on the repurchase of own Upper and Lower Tier2 Capital (booked as Net other non-interest result (adj.) at OTP Core and at the Corporate Centre)	6,104	0
Net other non-interest result (adj.) without one-offs	**15,627**	**2,534**
Provision for loan losses	**(262,569)**	**(446,830)**
(+) Non-interest income from the release of pre-acquisition provisions	156	1,260
(-) Revaluation result of FX provisions	(96)	(144,203)
(-) Release of loan loss provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	224	0
(-) Risk cost created toward Crimean exposures from 2Q 2014	0	(8,953)
(-) Risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014	0	(28,903)
Provision for loan losses (adj.)	**(262,541)**	**(263,511)**
After tax dividends and net cash transfers	**(11,909)**	**(7,481)**
(-) Sponsorships, subsidies and cash transfers to public benefit organisations	(13,819)	(12,277)
(-) Dividend income of swap counterparty shares kept under the treasury share swap agreement	2,316	2,957
(-) Change in shareholders' equity of companies consolidated with equity method	0	1,648
After tax dividends and net cash transfers	**(406)**	**191**
Depreciation	**(78,017)**	**(65,947)**
(-) Goodwill impairment charges (OTP Bank JSC (Ukraine))	(30,819)	(22,225)
Depreciation (adj.)	**(47,198)**	**(43,722)**
Income taxes	**(20,944)**	**51,385**
(-) Corporate tax impact of goodwill/investment impairment charges	1,379	17,210
(-) Corporate tax impact of the special tax on financial institutions	6,825	6,818
(+) Tax deductible transfers	(11,562)	(9,734)
(-) Corporate tax impact of the one-timer payment compensating the underperformance of the Financial Transaction Tax	3,091	0
(-) Corporate tax impact of the fine imposed by the Hungarian Competition Authority	745	0
(-) Corporate tax impact of the transfer of general risk reserves to retained earnings	(5,533)	0
(-) Corporate tax impact of the badwill booked in relation to Banco Popolare Croatia acquisition	0	(913)
(-) Corporate tax shield on earlier loss of Banco Popolare Croatia	0	913
(-) Corporate tax impact of provision on potential expenses in relation to BPC merger	0	108
(-) Corporate tax impact of the expected one-off impact of regulatory changes related to consumer contracts in Hungary	0	37,464
(-) Corporate tax impact of risk cost created toward Crimean exposures from 2Q 2014	0	1,010
(-) Corporate tax impact of risk cost created toward exposures to Donetsk and Luhansk from 3Q 2014	0	3,368
Corporate income tax (adj.)	**(39,013)**	**(24,327)**

in HUF million	2013	2014
Other operating expense, net	**(39,795)**	**(232,906)**
(+) Provision on securities available-for-sale and securities held-to-maturity	**11**	**0**
(-) Other costs and expenses	(10,756)	(6,354)
(-) Other non-interest expenses	(19,366)	(19,975)
(-) Release of other provisioning related to the consolidation of the subsidiaries of OTP Real Estate Ltd.	254	0
(-) Provision on potential expenses in relation to Banco Popolare Croatia merger	0	(539)
(-) Expected one-off impact of regulatory changes related to consumer contracts in Hungary	0	(193,371)
(-) Revaluation result booked on Other risk cost line due to regulatory changes related to FX mortgage loans in Hungary	0	(1,428)
Other provisions (adj.)	**(9,916)**	**(11,239)**

Other administrative expenses	**(244,477)**	**(236,410)**
(+) Other costs and expenses	(10,756)	(6,354)
(+) Other non-interest expenses	(19,366)	(19,976)
(-) Paid cash transfers	(14,426)	(12,309)
(+) Film subsidies and cash transfers to public benefit organisations	(13,819)	(12,277)
(-) Other non-interest expenses	(4,939)	(7,666)
(-) Special tax on financial institutions	(36,867)	(37,011)
(-) Tax deductible transfers	(11,562)	(9,734)
(-) Credit institutions' contribution tax paid in relation to the fixed exchange rate scheme	(2,205)	(2,798)
(-) Financial Transaction Tax	(32,503)	(44,029)
(-) One-timer payment compensating the underperformance of the Financial Transaction Tax	(16,267)	0
(-) Fine imposed by the Hungarian Competition Authority	(3,922)	0
Other non-interest expenses (adj.)	**(165,727)**	**(161,470)**

STATEMENT OF RECOGNIZED INCOME OF OTP BANK PLC., ACCORDING TO HUNGARIAN ACCOUNTING STANDARDS (UNCONSOLIDATED, AUDITED)

HUF million	2013	2014	Change %
Net interest income	236,691	223,408	**(6)**
Interest received and similar income	569,465	436,638	(23)
Interest paid and similar charges	(332,774)	(213,230)	(36)
Net fee and commission income	**130,819**	**143,473**	**10**
Commissions and fees received or due	158,788	169,874	7
Commissions and fees paid or payable	(27,969)	(26,401)	(6)
Other income	**96,704**	**65,320**	**(32)**
Income from securities	47,283	43,095	(9)
Net profit or net loss on financial operations	(4,268)	(60,686)	1322
Other operating income	53,689	82,911	54
General administrative expenses	**(130,397)**	**(132,303)**	**1**
Depreciation	**(15,370)**	**(16,692)**	**9**
Other operating charges	**(151,416)**	**(294,483)**	**94**
Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**(51,706)**	**(28,377)**	**(45)**
Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	**48,322**	**37,508**	**(22)**
Difference between formation and utilization of general risk provisions	**6,305**	**0**	**(100)**
Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**(9,831)**	**(25,439)**	**159**
Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	**4,782**	**724**	**(85)**
Profit or loss on ordinary activities	**164,903**	**(26,861)**	**(116)**
Extraordinary profit or loss	(10,453)	(13,490)	29
Profit or loss before tax	**154,450**	**(40,351)**	**(126)**
Taxes on income	(32,265)	(1,367)	(96)
Profit or loss after tax	**122,185**	**(41,718)**	**(134)**
General reserve	(12,218)	41,718	(441)
Profit reserves used for dividends and profit-sharing	0	40,600	n/a
Dividend and profit-sharing payable	(40,600)	(40,600)	0
Profit or loss for the financial year	**69,367**	**0**	**(100)**

BALANCE SHEET OF OTP BANK PLC., ACCORDING TO HUNGARIAN ACCOUNTING STANDARDS (UNCONSOLIDATED, AUDITED)

HUF million	2013	2014	Change %
Total assets	**6,600,634**	**7,319,679**	**11**
1. Liquid assets	140,312	1,897,146	1252
2. Treasury bills and similar securities	1,838,166	1,028,682	(44)
3. Loans and advances to credit institutions	639,166	738,467	16
4. Loans and advances to customers	**2,140,217**	**1,922,912**	**(10)**
5. Debt securities, including fixed-income securities	883,338	804,952	(9)
6. Shares and other variable-yield securities	127,985	121,241	(5)
7. Shares and participations in corporations held as financial fixed assets	926	588	(37)
8. Shares and participating interests in affiliated companies	496,548	488,226	(2)
9. Intangible assets	128,552	63,945	(50)
10. Tangible assets	71,414	68,114	(5)
11. Own shares	6,731	7,073	5
12. Other assets	30,755	37,851	23
13. Prepayments and accrued income	96,524	140,482	46
Total liabilities	**6,600,634**	**7,319,679**	**11**
1. Amounts owed to credit institutions	910,780	1,153,744	27
2. Amounts owed to customers	**3,730,071**	**4,277,541**	**15**
3. Debts evidenced by certificates	215,550	199,822	(7)
4. Other liabilities	82,199	78,536	(4)
5. Accruals and deferred income	149,066	185,053	24
6. Provisions for liabilities and charges	58,314	111,841	92
7. Subordinated liabilities	324,656	344,316	6
8. Shareholders' equity	1,129,998	968,826	(14)
Performance indicators			
Loans and advances to customers/amounts owed to customers	57%	45%	(22)

STATEMENT OF RECOGNIZED INCOME OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS (CONSOLIDATED, AUDITED, ACCOUNTING STRUCTURE)

HUF million	2013	2014	Change %
Loans	771,542	708,873	(8)
Placements with other banks	207,951	94,941	(54)
Amounts due from banks and balances with the National Banks	4,207	16,498	292
Securities held for trading	924	0	(100)
Securities available-for-sale	71,743	41,969	(42)
Securities held-to-maturity	33,002	39,934	21
Other interest income	0	7,015	n/a
Interest income	*1,089,369*	*909,230*	*(17)*
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	(189,539)	(100,615)	(47)
Deposits from customers	(197,236)	(138,179)	(30)
Liabilities from issued securities	(34,896)	(13,826)	(60)
Subordinated bonds and loans	(11,412)	(13,883)	22
Other interest expense	(2,558)	(6,630)	159
Interest expense	*(435,641)*	*(273,133)*	*(37)*
Net interest income	**653,728**	**636,097**	**(3)**
Provision for impairment on loans	(262,943)	(446,820)	70
Provision for impairment on placement losses	374	(10)	(103)
Provision for impairment on loans and placement losses	(262,569)	(446,830)	70
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES	391,159	189,267	(52)
Income from fees and commissions	257,135	265,392	3
Expense from fees and commissions	(55,378)	(49,736)	(10)
NET PROFIT FROM FEES AND COMMISSIONS	201,757	215,656	7
Foreign exchange gains, net (+)	18,279	156,918	758
Gains on securities, net	11,546	6,911	(40)
Gains on real estate transactions	1,552	734	(53)
Dividend income	2,474	4,824	95
Other operating income	24,840	13,645	(45)
Other operating expense	(39,785)	(232,906)	485
NET OPERATING GAIN/(LOSS)	18,907	(49,874)	(364)
Personnel expenses	(204,277)	(206,335)	1
Depreciation and amortization	(78,017)	(65,947)	(15)
Other administrative expenses	(244,477)	(236,410)	(3)
OTHER ADMINISTRATIVE EXPENSES	(526,771)	(508,692)	(3)
PROFIT/(LOSS) BEFORE INCOME TAX	**85,052**	**(153,643)**	**(281)**
Income tax	(20,944)	51,385	(345)
NET PROFIT/(LOSS) FOR THE YEAR	**64,108**	**(102,258)**	**(260)**

BALANCE SHEET OF OTP BANK PLC., ACCORDING TO IFRS STANDARDS (CONSOLIDATED, AUDITED)

HUF million	2013	2014	Change %
Cash, amounts due from banks and balances with the National Bank of Hungary	539,125	2,307,632	328
Placements with other banks, net of allowance for placement losses	273,479	281,006	3
Financial assets at fair value through profit or loss	415,605	289,275	(30)
Securities available-for-sale	1,637,255	839,152	(49)
Loans, net of allowance for loan losses	6,245,210	5,864,241	(6)
Investments in subsidiaries, associates and other investments	23,837	23,381	(2)
Securities held-to-maturity	580,051	709,369	22
Property, equipments and intangible assets	455,244	365,161	(20)
Other assets	211,241	291,835	38
TOTAL ASSETS	**10,381,047**	**10,971,052**	**6**
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	784,212	708,274	(10)
Deposits from customers	6,866,606	7,673,478	12
Liabilities from issued securities	445,218	267,084	(40)
Financial liabilities at fair value through profit or loss	87,164	183,994	111
Other liabilities	421,353	592,088	41
Subordinated bonds and loans	267,162	281,968	6
TOTAL LIABILITIES	**8,871,715**	**9,706,886**	**9**
Share capital	28,000	28,000	0
Retained earnings and reserves	1,532,164	1,288,757	(5)
Treasury shares	(55,599)	(55,940)	1
Non-controlling interest	4,767	3,349	(30)
TOTAL SHAREHOLDERS' EQUITY	**1,509,332**	**1,264,166**	**(16)**
TOTAL LIABILTITIES AND SHAREHOLDERS' EQUITY	**10,381,047**	**10,971,052**	**6**

FINANCIAL STATEMENTS ON 2014

HAS (UNCONSOLIDATED)

OTP BANK PLC.

ASSETS

Figures in million HUF

		31 December 2013	31 December 2014
1.	**Liquid assets**	**140,312**	**1,897,146**
2.	**Treasury bills and similar securities**	**1,838,166**	**1,028,682**
	a) held for trading	1,282,855	86,326
	b) held as financial fixed assets	555,311	942,356
2/A.	Valuation difference on treasury bills	-	-
3.	**Loans and advances to credit institutions**	**639,166**	**738,467**
	a) repayable on demand	16,961	17,006
	b) other loans and advances in connection with financial services	613,770	706,406
	ba) with remaining maturity of less than one year	544,549	579,866
	Showing separately: - to affiliated companies	385,831	424,838
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	-	-
	- to clearing houses	-	-
	bb) with a remaining maturity of more than one year	69,221	126,540
	Showing separately: - to affiliated companies	69,221	126,540
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	-	-
	- to clearing houses	-	-
	c) in connection with investment services	8,435	15,055
	Showing separately: - to affiliated companies	97	146
	- to other companies linked by virtue of participating interests	-	-
	- to clearing houses	-	-
3/A.	Valuation difference on loans and advances to credit institutions	-	-
4.	**Loans and advances to customers**	**2,140,217**	**1,922,912**
	a) in connection with financial services	2,101,075	1,895,186
	aa) with a remaining maturity of less than one year	872,931	951,566
	Showing separately: - to affiliated companies	405,489	436,111
	- to other companies linked by virtue of participating interests	17,861	1,096
	ab) with a remaining maturity of more than one year	1,228,144	943,620
	Showing separately: - to affiliated companies	359,620	243,152
	- to other companies linked by virtue of participating interests	5,061	8,132
	b) in connection with investment services	39,142	27,726
	Showing separately: - to affiliated companies	1,566	1,910
	- to other companies linked by virtue of participating interests	-	-
	ba) receivables in connection with investment services on the exchange markets	-	-
	bb) receivables in connection with investment services outside the exchange mar	-	-
	bc) receivables from customers in connection with investment services	39,142	27,726
	bd) claims from clearing corporations	-	-
	be) receivables in connection with other investment services	-	-
4/A.	Valuation difference on loans and advances to customers	-	-
5.	**Debt securities, including fixed-income securities**	**883,338**	**804,952**
	a) issued by local governments and other public bodies	22,690	-
	(not including treasury bills and similar securities)		
	aa) held for trading	1,754	-
	ab) held as financial fixed assets	20,936	-
	b) securities issued by other borrowers	860,648	804,952
	ba) held for trading	104,356	304,086
	Showing separately: - issued by affiliated companies	61,122	231,342
	- issued by other companies linked by virtue of participating interests	-	-
	- own shares repurchased	41,392	48,240
	bb) held as financial fixed assets	756,292	500,866
	Showing separately: - issued by affiliated companies	709,069	474,862
	- issued by other companies linked by virtue of participating interests	5,939	6,299
5/A.	Valuation difference on debt securities	-	-
6.	**Shares and other variable-yield securities**	**127,985**	**121,241**
	a) shares and participations in corporations held for trading	91,512	83,222
	Showing separately: - issued by affiliated companies	-	-
	- issued by other companies linked by virtue of participating interests	91,512	83,222
	b) variable-yield securities	36,473	38,019
	ba) held for trading	26	20
	bb) held as financial fixed assets	36,447	37,999
6/A.	Valuation difference on shares and other variable-yield securities	-	-

		31 December 2013	31 December 2014
7.	**Shares and participations in corporations held as financial fixed assets**	**926**	**588**
	a) shares and participations in corporations held as financial fixed assets	926	588
	Showing separately: - participating interests in credit institutions	-	-
	b) adjusted value of shares and participations in corporations held as financial	-	-
	Showing separately: - participating interests in credit institutions	-	-
7/A.	Valuation difference on shares and participations in corporations held as financial fixed assets	-	-
8.	**8) Shares and participating interests in affiliated companies**	**496,548**	**488,226**
	a) shares and participations in corporations held as financial fixed assets	496,548	488,226
	Showing separately: - participating interests in credit institutions	397,103	351,569
	b) adjusted value of shares and participations in corporations held as financial fixed assets	-	-
	Showing separately: - participating interests in credit institutions	-	-
9.	**Intangible assets**	**128,552**	**63,945**
	a) intangible assets	128,552	63,945
	b) adjusted value of intangible assets	-	-
10.	**Tangible assets**	**71,414**	**68,114**
	a) tangible assets for financial and investment services	67,932	64,674
	aa) land and buildings	49,966	49,307
	ab) machinery, equipment, fittings, fixtures and vehicles	15,187	13,363
	ac) tangible assets in course of construction	2,765	2,004
	ad) payments on account	14	-
	b) tangible assets not directly used for financial and investment services	3,482	3,440
	ba) land and buildings	2,617	2,589
	bb) machinery, equipment, fittings, fixtures and vehicles	862	851
	bc) tangible assets in course of construction	3	-
	bd) payments on account	-	-
	c) adjusted value of tangible assets	-	-
11.	**Own shares**	**6,731**	**7,073**
12.	**Other assets**	**30,755**	**37,851**
	a) stocks	1,062	635
	b) other receivables	29,693	37,216
	Showing separately: - from affiliated companies	21,579	20,494
	- from other companies linked by virtue of participating interests	247	5
12/A.	Valuation difference on other receivables	-	-
12/B.	Positive valuation difference on derivatives	-	-
13.	**Prepayments and accrued income**	**96,524**	**140,482**
	a) accrued income	91,563	135,488
	b) accrued costs and expenses	3,862	4,686
	c) deferred charges	1,099	308
	Total assets	**6,600,634**	**7,319,679**
	Showing separately:		
	- CURRENT ASSETS	*3,140,319*	*4,006,943*
	[1+2/a+3/a+3/ba+3/c+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12+		
	+ the sums from 2/A, 3/A, 4/A, 5/A, 6/A, 12/A and 12/B as pertaining		
	to the previous items]		
	- FIXED ASSETS	*3,363,791*	*3,172,254*
	[2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10+ the sums from 2/A, 3/A,		
	4/A, 5/A, 6/A, 7/A, 12/A and 12/B as pertaining to the previous items]		

OTP BANK PLC.

LIABILITIES

Figures in million HUF

		31 December 2013	31 December 2014
1.	**Amounts owed to credit institutions**	**910,780**	**1,153,744**
	a) repayable on demand	13,867	15,649
	b) with agreed maturity dates or periods of notice in connection with financial services	896,844	1,138,074
	ba) with remaining maturity of less than one year	701,102	990,976
	Showing separately: - to affiliated companies	306,849	668,974
	- to other companies linked by virtue of participating interests	3,019	8,500
	- to the NBH	9,406	27,900
	- to clearing houses	-	-
	bb) with remaining maturity of more than one year	195,742	147,098
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	- to the NBH	53,599	76,213
	- to clearing houses	-	-
	c) in connection with investment services	69	21
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	- to clearing houses	-	-
1/A.	Valuation difference on amounts owed to credit institutions	-	-
2.	**Amounts owed to customers**	**3,730,071**	**4,277,541**
	a) savings deposits	117,207	113,446
	aa) repayable on demand	64,315	56,205
	ab) with remaining maturity of less than one year	52,892	57,241
	ac) with remaining maturity of more than one year	-	-
	b) other liabilities in connection with financial services	3,609,254	4,157,107
	ba) repayable on demand	1,293,713	1,644,180
	Showing separately: - to affiliated companies	12,636	10,979
	- to other companies linked by virtue of participating interests	16,926	3,442
	bb) with remaining maturity of less than one year	2,291,543	2,482,812
	Showing separately: - to affiliated companies	37,921	53,041
	- to other companies linked by virtue of participating interests	12,270	11,561
	bc) with remaining maturity of more than one year	23,998	30,115
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	c) in connection with investment services	3,610	6,988
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	ca) liabilities in connection with investment services on the stock exchange marke	-	-
	cb) liabilities in connection with investment services outside the stock exchange i	-	-
	cc) liabilities to customers in connection with investment services	3,610	6,988
	cd) liabilities to clearing corporations	-	-
	ce) liabilities in connection with other investment services	-	-
2/A.	Valuation difference on amounts owed to customers	-	-
3.	**Debts evidenced by certificates**	**215,550**	**199,822**
	a) debt securities in issue	208,441	193,342
	aa) with remaining maturity of less than one year	68,883	62,812
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	ab) with remaining maturity of more than one year	139,558	130,530
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	b) other debt securities issued	231	231
	ba) with remaining maturity of less than one year	231	231
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	bb) with remaining maturity of more than one year	-	-
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-

		31 December 2013	31 December 2014
	c) debt instruments treated as securities for accounting purposes, which are not recognized as debt securities under the Capital Markets Act	6,878	6,249
	ca) with remaining maturity of less than one year	3,394	3,083
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	cb) with remaining maturity of more than one year	3,484	3,166
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
4.	**Other liabilities**	**82,199**	**78,536**
	a) with remaining maturity of less than one year	82,199	78,277
	Showing separately: - to affiliated companies	1,942	994
	- to other companies linked by virtue of participating interests	94	215
	b) with remaining maturity of more than one year	-	259
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
4/A.	Negative valuation difference on derivatives	-	-
5.	**Accruals and deferred income**	**149,066**	**185,053**
	a) deferred income	3,897	4,535
	b) deferred costs and expenses	144,997	180,364
	c) deferred income	172	154
6.	**Provisions for liabilities and charges**	**58,314**	**111,841**
	a) provisions for pension and severance pay	2,500	426
	b) provisions for contingent liabilities and for (future) commitments	7,543	7,888
	c) general risk provisions	-	-
	d) other provisions	48,271	103,527
7.	**Subordinated liabilities**	**324,656**	**344,316**
	a) subordinated loan capital	176,201	186,871
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
	b) other contributions received from members in respect of co-operative credit institutic	-	-
	c) other subordinated liabilities	148,455	157,445
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
8.	**Subscribed capital**	**28,000**	**28,000**
	Showing separately: - own shares repurchased on nominal value	140	161
9.	**Subscribed capital called but unpaid (-)**	-	-
10.	**Capital reserve**	**52**	**52**
	a) difference between the par value and the purchase price of shares and securities (pre	-	-
	b) other	52	52
11.	**General reserve**	**153,935**	**112,217**
12.	**Profit reserve (±)**	**870,357**	**819,999**
13.	**Tied-up reserves**	**8,287**	**8,558**
14.	**Revaluation reserve**	-	-
	a) revaluation reserve on value adjustments	-	-
	b) fair value reserve	-	-
15.	**Profit or loss for the financial year (±)**	**69,367**	-
	Total liabilities	**6,600,634**	**7,319,679**
	Showing separately:		
	- SHORT-TERM LIABILITIES	4,575,818	5,398,475
	(1/a+1/ba+1/c+1/A+2/aa+2/ab+2/ba+2/bb+2/c+2/A+3/aa+ +3/ba+3/ca+4/a+4/A)		
	- LONG-TERM LIABILITIES	687,438	655,484
	(1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)		
	- EQUITY CAPITAL (8-9+10+11±12+13+14±15)	1,129,998	968,826

OTP BANK PLC.

PROFIT AND LOSS ACCOUNT

Figures in million HUF

		Year ended 31 December 2013	Year ended 31 December 2014
1.	Interest received and similar income	569,465	436,638
	a) interest received and similar income from fixed-income securities	141,515	122,509
	Showing separately: - from affiliated companies	65,522	51,288
	- from other companies linked by virtue of participating interests	-	-
	b) other interest received and similar income	427,950	314,129
	Showing separately: - from affiliated companies	79,530	68,374
	- from other companies linked by virtue of participating interests	992	1,477
2.	Interest paid and similar charges	332,774	213,230
	Showing separately: - to affiliated companies	48,286	44,836
	- to other companies linked by virtue of participating interests	799	668
	BALANCE (1-2)	**236,691**	**223,408**
3.	Income from securities	47,283	43,095
	a) income held for trading from shares and participations in corporations (dividends and profit-sharing)	2,383	3,031
	b) income from participating interests in affiliated companies (dividends and profit-sharing)	44,599	40,045
	c) income from other securities (dividends and profit-sharing)	301	19
4.	Commissions and fees received or due	158,788	169,874
	a) in connection with other financial services	139,755	146,855
	Showing separately: - from affiliated companies	13,068	12,948
	- from other companies linked by virtue of participating interests	358	404
	b) in connection with investment services (not including trading operations)	19,033	23,019
	Showing separately: - from affiliated companies	8,816	10,957
	- from other companies linked by virtue of participating interests	1	1
5.	Commissions and fees paid or payable	27,969	26,401
	a) in connection with other financial services	27,420	25,708
	Showing separately: - to affiliated companies	1,101	1,307
	- to other companies linked by virtue of participating interests	1,925	2,171
	b) in connection with investment services (not including trading operations)	549	693
	Showing separately: - to affiliated companies	24	22
	- to other companies linked by virtue of participating interests	20	26
6.	Net profit or net loss on financial operations [6.a)-6.b)+6.c)-6.d)]	(4,268)	(60,686)
	a) in connection with other financial services	29,196	26,698
	Showing separately: - from affiliated companies	2,522	1,194
	- from other companies linked by virtue of participating interests	-	1,431
	- valuation difference	-	-
	b) in connection with other financial services	33,469	89,385
	Showing separately: - from affiliated companies	32,993	(43,641)
	- from other companies linked by virtue of participating interests	(1,025)	15,744
	- valuation difference	-	-
	c) in connection with investment services (income from trading operations)	39,091	47,218
	Showing separately: - from affiliated companies	772	654
	- from other companies linked by virtue of participating interests	1	773
	- value readjustments of transferable securities held for trading	-	-
	- valuation difference	-	-
	d) in connection with investment services (expenses on trading operations)	39,086	45,217
	Showing separately: - to affiliated companies	343	579
	- to other companies linked by virtue of participating interests	-	1,579
	- value adjustments in respect of securities held for trading	-	57
	- valuation difference	-	-
7.	Other operating income	53,689	82,911
	a) income from operations other than financial and investment services	12,372	12,722
	Showing separately: - from affiliated companies	4,425	4,198
	- from other companies linked by virtue of participating interests	3	-
	b) other income	41,317	70,189
	Showing separately: - from affiliated companies	10,521	45,316
	- from other companies linked by virtue of participating interests	-	-
	- value readjustments in respect of stocks	1	-

Figures in million HUF

		Year ended 31 December 2013	Year ended 31 December 2014
8.	General administrative expenses	130,397	132,303
	a) staff costs	80,055	83,066
	aa) wages and salaries	53,327	55,117
	ab) other employee benefits	8,102	8,716
	Showing separately: - social security costs	2,245	2,544
	= costs relating to pensions	1,557	1,576
	ac) contributions on wages and salaries	18,626	19,233
	Showing separately: - social security costs	18,193	17,945
	= costs relating to pensions	1	-
	b) other administrative expenses (materials and supplies)	50,342	49,237
9.	Depreciation	15,370	16,692
10.	Other operating charges	151,416	294,483
	a) charges on operations other than financial and investment services	8,567	7,726
	Showing separately: - to affiliated companies	57	25
	- to other companies linked by virtue of participating interests	2	16
	b) other charges	142,849	286,757
	Showing separately: - to affiliated companies	5,301	105,848
	- to other companies linked by virtue of participating interests	-	12
	- value adjustments in respect of stocks	3	-
11.	Value adjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	51,706	28,377
	a) value adjustments in respect of loans and advances	41,324	23,740
	b) risk provisions for contingent liabilities and for (future) commitments	10,382	4,637
12.	Value readjustments in respect of loans and advances and risk provisions for contingent liabilities and for (future) commitments	48,322	37,508
	a) value readjustments in respect of loans and advances	42,610	33,273
	b) risk provisions for contingent liabilities and for (future) commitments	5,712	4,235
12/A	Difference between formation and utilization of general risk provisions	6,305	-
13	Value adjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other	9,831	25,439
14.	Value readjustments in respect of transferable debt securities held as financial fixed assets, shares and participations in affiliated companies and in other companies linked by virtue of participating interests	4,782	724
15.	**Profit or loss on ordinary activities**	**164,903**	**(26,861)**
	Showing separately: - PROFIT OR LOSS ON FINANCIAL AND INVESTMENT SERVICES [1-2+3+4-5+6+7.b)-8-9- 10.b)-11+12-13+14]	161,098	(31,857)
	- PROFIT OR LOSS ON OPERATIONS OTHER THAN FINANCIAL AND INVESTMENT SERVICES [7.a)-10.a)]	3,805	4,996
16.	Extraordinary income	3,953	6,483
17.	Extraordinary charges	14,406	19,973
18.	Extraordinary profit or loss (16-17)	(10,453)	(13,490)
19.	**Profit or loss before tax (+15+18)**	**154,450**	**(40,351)**
20.	Taxes on income	32,265	1,367
21.	**Profit or loss after tax (+19-20)**	**122,185**	**(41,718)**
22.	General reserve (±)	(12,218)	41,718
23.	Profit reserves used for dividends and profit-sharing	-	40,600
24.	Dividend and profit-sharing payable	40,600	40,600
	Showing separately: - to affiliated companies	-	-
	- to other companies linked by virtue of participating interests	-	-
25.	**Profit or loss for the financial year (+21-/+22+23-24)**	**69,367**	-

CASH-FLOW STATEMENT

figures in HUF million

	Description	2013	2014
1.	Interest Income	569,465	436,638
2.	Income from other financial services (expect value adjustments in respect of securities and the positive valuation difference of receivables)	168,951	173,553
3.	Other income (except value readjustments in respect of provisions, value adjustments in respect of stocks and readjustments in respect of extraordinary depreciation)	11,588	46,370
4.	+Income from other investment financial services (except value adjustments in respect of securities and positive valuation difference)	58,124	70,237
5.	Income from operations other than financial and investment services	12,372	12,722
6.	Dividend income	47,283	43,095
7.	Extraordinary income	23	48
8.	Interest charges	-332,774	-213,230
9.	Charges on other financial services (except value adjustments in respect of securities and the negative valuation difference of receivables)	-59,206	-104,428
10.	Other charges (except provisions, value adjustments in respect of stocks, and extraordinary depreciation)	-114,720	-154,509
11.	Charges on investment services (except value adjustments in respect of securities and negative valuation difference)	-39,635	-45,853
12.	Charges on operations other than financial and investment services	-8,567	-7,726
13.	General administrative expenses	-130,397	-132,303
14.	Extraordinary charges (not including corporate tax payable for the financial year)	-12,882	-13,418
15.	Corporate tax payable for the financial year	-32,265	-1,367
16.	Dividends paid	-33,595	-40,594
17.	**OPERATING CASH-FLOW**	**103,765**	**69,235**
18.	± Variation in liabilities (increase (+), decrease (-))	117,313	790,698
19.	± Variation in receivables (increase (-), decrease (+))	172,111	111,283
20.	± Variation in stocks (increase (-), decrease (+))	-82	427
21.	± Variation in securities shown under current assets (increase (-), decrease (+))	-218,813	1,229,075
	Description	**2013**	**2014**
22.	± Variation in securities shown under fixed assets (increase (-), decrease (+))	-197,556	-351,637
23.	± Variation in tangible assets in course of construction (including payments on account) (increase (-), decrease (+))	-369	778
24.	± Variation in intangible assets (increase (-), decrease (+))	-14,993	-661
25.	± Variation in tangible assets (except tangible assets in course of construction and payments on account) (increase (-), decrease (+))	-9,131	-5,538
26.	± Variation in prepayments and accrued income (increase (-), decrease (+))	15,822	-43,958
27.	± Variation in accruals and deferred income (increase (+), decrease (-))	-55,661	35,986
28.	+ Issue of shares at par value	-	-
29.	+ Non-repayable funds received by virtue of legal regulation	-	-
30.	- Non-repayable funds transferred by virtue of legal regulation*	-17,193	-78,854
31.	- Nominal value of shares and share certificates withdrawn	-	-
32.	**NET CASH-FLOW**	**-104,787**	**1,756,834**
	Net cash-flow showing separately:		
33.	- variation in cash in hand (HUF and foreign currencies, checks)	4,790	-1,909
34.	- variation in account balances (HUF and foreign currency accounts placed with the NBH, deposit accounts with remaining maturity of less than one year, and current deposit accounts maintained in HUF at other credit institutions by virtue of specific other legislation)	-109,577	1,758,743

* - Supplementary payments covering the losses of the subsidiaries

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

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

	HUF million
Loss after taxation	-41,718
Release of General reserves	41,718
Retained earnings used for dividends, shares	40,600
Dividend	--
Net profit	--

A PART OF THE PROPOSAL OF RESOLUTION

For the year ended 2014 the General Meeting determines

the parent company's balance sheet with HUF 7,319,679 million as total assets,

HUF -41,718 million as loss after taxation, whilst allocating the HUF 41,718 million loss after taxation as follows:

HUF 41,718 million shall be recognized as release of general reserves,

HUF 40,600 million shall be paid as dividends from profit reserves,

thus the net profit is HUF 0 million.

The dividend per share is HUF 145, compared to the face value of shares it's 145%. The actual rate of dividend paid to shareholders is calculated and paid based on the Articles of Association, so the Company for its own shares distributes the dividends among the shareholders who are entitled for dividends. The dividend shall be paid from 15th June 2015 in accordance with the policy determined in the Articles of Association.

The General Meeting determines the Company's consolidated balance sheet with total assets of HUF 10,971,052 million, and with HUF -102,258 million as net profit. The profit for shareholders is HUF -101,985 million.

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

FINANCIAL STATEMENTS ON 2014

IFRS (CONSOLIDATED)

OTP BANK PLC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(in HUF mn)

	Note	2014	2013
Cash, amounts due from banks and balances with the National Banks	4.	2,307,632	539,125
Placements with other banks, net of allowance for placement losses	5.	281,006	273,479
Financial assets at fair value through profit or loss	6.	289,275	415,605
Securities available-for-sale	7.	839,152	1,637,255
Loans, net of allowance for loan losses	8.	5,864,241	6,245,210
Associates and other investments	9.	23,381	23,837
Securities held-to-maturity	10.	709,369	580,051
Property and equipment	11.	206,440	261,523
Intangible assets	11.	158,721	193,721
Other assets	12.	291,835	211,241
TOTAL ASSETS		**10,971,052**	**10,381,047**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	13.	708,274	784,212
Deposits from customers	14.	7,673,478	6,866,606
Liabilities from issued securities	15.	267,084	445,218
Financial liabilities at fair value through profit or loss	16.	183,994	87,164
Other liabilities	17.	592,088	421,353
Subordinated bonds and loans	18.	281,968	267,162
TOTAL LIABILITIES		**9,706,886**	**8,871,715**
Share capital	19.	28,000	28,000
Retained earnings and reserves		1,288,757	1,532,164
Treasury shares	21.	(55,940)	(55,599)
Non-controlling interest	22.	3,349	4,767
TOTAL SHAREHOLDERS' EQUITY		**1,264,166**	**1,509,332**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,971,052**	**10,381,047**

Budapest, 17 March 2015

OTP BANK Nyrt.

elnök-vezérigazgató

Dr. Sándor Csányi
Chairman and Chief Executive Officer

OTP BANK PLC.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME FOR THE YEAR ENDED 31 DECEMBER 2014 (in HUF mn)

	Note	2014	2013
Interest Income:			
Loans		708,873	771,542
Placements with other banks		94,941	207,951
Securities available-for-sale		41,969	71,743
Securities held-to-maturity		39,934	33,002
Amounts due from banks and balances with the National Banks		16,498	4,207
Securities held for trading		-	924
Other		7,015	-
Total Interest Income		***909,230***	***1,089,369***
Interest Expense:			
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		100,615	189,539
Deposits from customers		138,179	197,236
Liabilities from issued securities		13,826	34,896
Subordinated bonds and loans		13,883	11,412
Other		6,630	2,558
Total Interest Expense		***273,133***	***435,641***
NET INTEREST INCOME		**636,097**	**653,728**
Provision for impairment on loan and placement losses	*5.,8.,2*	446,830	262,569
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES		**189,267**	**391,159**
Income from fees and commissions	*24.*	265,392	257,135
Expense from fees and commissions	*24.*	49,736	55,378
Net profit from fees and commissions		**215,656**	**201,757**
Foreign exchange gains, net		156,918	18,279
Gains on securities, net		6,911	11,546
Dividend income		4,824	2,474
(Provision) / Release of provision on securities available-for-sale and held-to-maturity		(297)	11
Other operating income	*25.*	14,379	26,392
Other operating expense	*25.*	(232,609)	(39,795)
- from this: provision on contingent liabilities due to regulations related to customer loans	*25.*	(194,798)	-
Net operating (loss) / gain		**(49,874)**	**18,907**
Personnel expenses		206,335	204,277
Depreciation and amortization	*11.*	65,947	78,017
Other administrative expenses		236,410	244,477
Other administrative expenses	*25.*	**508,692**	**526,771**
(LOSS) / PROFIT BEFORE INCOME TAX		**(153,643)**	**85,052**
Income tax	*26.*	51,385	(20,944)
NET (LOSS) / PROFIT FOR THE YEAR		**(102,258)**	**64,108**
From this, attributable to:			
Non-controlling interest		**(273)**	**(91)**
Owners of the company		**(101,985)**	**64,199**
Consolidated earnings per share (in HUF)			
Basic	*38.*	**(382)**	**241**
Diluted	*38.*	**(382)**	**240**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(in HUF mn)

	2014	**2013**
NET (LOSS) / PROFIT FOR THE YEAR	**(102,258)**	**64,108**
Fair value adjustment of securities available-for-sale	13,019	(1,721)
Derivative financial instruments designated as Cash-flow hedge	507	531
Net investment hedge in foreign operations	(4,489)	(1,357)
Foreign currency translation difference	(108,057)	(33,159)
Change of actuarial losses related to employee benefits	(6)	(39)
NET COMPREHENSIVE INCOME	**(201,284)**	**28,363**
From this, attributable to:		
Non-controlling interest	(1,418)	(1,016)
Owners of the company	(199,866)	29,379

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH-FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in HUF mn)

OPERATING ACTIVITIES	**Note**	**2014**	**2013**
(Loss) / Profit before income tax		**(153,643)**	**85,052**
Goodwill impairment	*11.*	22,225	30,819
Depreciation and amortization	*11.*	43,722	47,198
Provision / (Release of provision) for impairment on securities	*7.,10.*	297	(11)
Provision for impairment on loan and placement losses	*5.,8.*	446,830	262,569
Provision for impairment on investments	*9.*	1,244	1,370
Provision for impairment on other assets	*12.*	5,066	4,313
Provision on assets subject to operating leases		1,048	-
Provision on investment properties		3,612	-
Provision for impairment on off-balance sheet commitments and contingent liabilities	*17.*	195,310	3,990
Share-based payment	*2.,29.*	4,393	5,704
Change of actuarial losses related to employee benefits		(6)	(39)
Unrealized (losses) / gains on fair value change of securities held for trading		(2,907)	859
Unrealized (losses) / gains on fair value change of derivative financial instruments		(33,140)	4,921
Net changes in assets and liabilities in operating activities			
Changes in financial assets at fair value through profit or loss		250,821	(219,517)
Net increase in loans, net of allowance for loan losses		(48,611)	(113,672)
Increase in other assets before provisions for impairment		20,557	(67,833)
Increase in assets subject to operating lease before provisions for impairment		(24,442)	-
Increase in investment properties before provision for impairment		(27,034)	-
Net increase in deposits from customers		806,872	315,898
Decrease in other liabilities		(26,908)	(1,785)
Net (increase) / decrease in compulsory reserves at the National Banks		(41,130)	7,414
Dividend income		(4,824)	(2,474)
Income tax paid		(20,571)	(21,739)
Net Cash Provided by Operating Activities		**1,418,781**	**343,037**
INVESTING ACTIVITIES			
Net (increase) / decrease in placement with other banks before allowance for placements losses		(7,537)	83,761
Increase in securities available-for-sale		(15,402,966)	(24,460,762)
Decrease in securities available-for-sale		16,213,064	24,233,421
Net decrease / (increase) in investments in subsidiaries		2,490	(2,711)
Net increase in investments in associates		(3,278)	(14,560)
Buy-out of non-controlling interests		-	(1,124)
Dividend income		4,824	2,474
Increase in securities held-to-maturity		(156,594)	(161,411)
Decrease in securities held-to-maturity		31,094	10,673
Additions to property, equipment and intangible assets		11,526	(59,286)
Disposals of property, equipment and intangible assets		12,455	15,190
Net increase in advances for investments included in other assets		(27)	(29)
Net Cash Provided by / (Used in) Investing Activities		**705,051**	**(354,364)**

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CASH-FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in HUF mn)
[continued]

FINANCING ACTIVITIES	Note	2014	2013
Net (decrease) / increase in amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks		(75,938)	249,888
Cash received from issuance of securities		56,165	72,186
Cash used for redemption of issued securities		(234,299)	(270,091)
Increase / (Decrease) in subordinated bonds and loans		14,806	(24,333)
Decrease in non-controlling interest		(1,418)	(1,016)
Foreign currency translation		(106,925)	(32,270)
Payments to ICES holders[14]		(4,003)	(4,111)
Net change in Treasury shares		(4,249)	(1,316)
Dividend paid		(40,594)	(33,592)
Net Cash Used in Financing Activities		**(396,455)**	**(44,655)**
Net increase / (decrease) in cash and cash equivalents		**1,727,377**	**(55,982)**
Cash and cash equivalents at the beginning of the period		**275,947**	**331,929**
Cash and cash equivalents at the end of the period		**2,003,324**	**275,947**

Analysis of cash and cash equivalents

Cash, amounts due from banks and balances with the National Banks		539,125	602,521
Compulsory reserve established by the National Banks		(263,178)	(270,592)
Cash and cash equivalents at the beginning of the period		**275,947**	**331,929**
Cash, amounts due from banks and balances with the National Banks	*4.*	2,310,476	539,125
Net cash outflow due to acquisition	*31.*	(2,844)	-
Compulsory reserve established by the National Banks	*4.*	(304,308)	(263,178)
Cash and cash equivalents at the end of the period		**2,003,324**	**275,947**

[14] See more details in Note 20.

OTP BANK PLC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(in HUF mn)

	Note	Share capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury shares	Non-controlling interest	Total
Balance as at 1 January 2013		**28,000**	**52**	**10,800**	**1,579,188**	**(55,468)**	**(53,802)**	**5,783**	**1,514,553**
Net profit for the year		-	-	-	64,199	-	-	(91)	64,108
Other Comprehensive Income		-	-	-	(34,820)	-	-	(925)	(35,745)
Share-based payment	*29.*	-	-	5,704	-	-	-	-	5,704
Dividend for the year 2012		-	-	-	(33,600)	-	-	-	(33,600)
Sale of Treasury shares	*21.*	-	-	-	-	-	17,943	-	17,943
Treasury shares									
– gain on sale		-	-	-	481	-	-	-	481
– acquisition	*21.*	-	-	-	-	-	(19,740)	-	(19,740)
Payments to ICES holders	*20.*	-	-	-	(3,248)	-	-	-	(3,248)
Buy-out of non-controlling interests		-	-	-	(1,124)	-	-	-	(1,124)
Balance as at 31 December 2013		**28,000**	**52**	**16,504**	**1,571,076**	**(55,468)**	**(55,599)**	**4,767**	**1,509,332**
Net profit for the year		-	-	-	(101,985)	-	-	(273)	(102,258)
Other Comprehensive Income		-	-	-	(97,881)	-	-	(1,145)	(99,026)
Share-based payment	*29.*	-	-	4,393	-	-	-	-	4,393
Dividend for the year 2013		-	-	-	(40,600)	-	-	-	(40,600)
Sale of Treasury shares	*21.*	-	-	-	-	-	27,180	-	27,180
Treasury shares									
– loss on sale		-	-	-	(3,908)	-	-	-	(3,908)
– acquisition	*21.*	-	-	-	-	-	(27,522)	-	(27,522)
Payments to ICES holders	*20.*	-	-	-	(3,425)	-	-	-	(3,425)
Balance as at 31 December 2014		**28,000**	**52**	**20,897**	**1,323,277**	**(55,468)**	**(55,941)**	**3,349**	**1,264,166**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

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

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

These Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 17 March 2015.

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

	2014	2013
Domestic and foreign private and institutional investors	97%	97%
Employees	2%	2%
Treasury shares	1%	1%
Total	**100%**	**100%**

The Bank and its subsidiaries ("Entities of the Group", together the "Group") provide a full range of commercial banking services through a wide network of 1,434 branches. The Group has operations in Hungary, Bulgaria, Russia, Ukraine, Croatia, Romania, Slovakia, Serbia and Montenegro.

The number of employees at the Group:

	2014	2013
The number of employees at the Group	35,919	38,203
The average number of employees at the Group	35,796	37,487

1.2. Base of Accounting

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

The Group's presentation currency is the Hungarian Forint ("HUF").

Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position in accordance with International Financial Reporting Standards ("IFRS").

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

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2014

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:

- IFRS 10 “Consolidated Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 “Joint Arrangements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” - Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” - Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 “Financial instruments: presentation”- Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

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

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

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

- Amendments to 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 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),

- 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),
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

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

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2016).

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

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

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the Consolidated Financial Statements except of the application of IFRS 9 which might have significant impact on the Group Consolidated Financial Statements, the Group will analyse the impact after the adoption of the standard by EU.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

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

2.2. Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's presentation currency are translated into HUF are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rates quoted by OTP as at the date of the Consolidated Financial Statements. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

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

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank exercises control. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 31. However, certain subsidiaries in which the Bank holds a significant interest have not been consolidated because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.13.).
As the ultimate parent, the Bank is preparing consolidated financial statement of the Group.

2.4. Accounting for acquisitions

Business combinations are accounted for using purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Statement of Financial Position and accounted for as indicated below.
The acquisition date is the date on which the acquirer effectively obtains control over the acquiree. Before this date, it should be presented as Advance for investments within Other assets.
Goodwill, which represents the residual cost of the acquisition after obtaining the control over the acquiree in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements.

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

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

2.5. Securities held-to-maturity

Investments in securities, traded in active market (with fixed or determinable cash-flows) are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment losses recognized to reflect irrecoverable amounts.

The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognized in each period represents a constant yield on the investment.
Such securities comprise mainly securities issued by the Hungarian and foreign Government, discounted Treasury bills, mortgage bonds and corporate bonds.

2.6. Financial assets at fair value through profit or loss

2.6.1. Securities held for trading

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Securities held for trading are measured at subsequent reporting dates at fair value. Unrealized gains and losses on held for trading securities are recognized in profit or loss and included in the Consolidated Statement of Recognized Income for the period. Such securities consist of corporate shares, Hungarian and foreign government bonds, discounted treasury bills and other securities.

2.6.2. Derivative financial instruments

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

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

Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Recognized Income.

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

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

Changes in fair value of derivatives that are designated and qualify as cash-flow hedges and that prove to be highly effective in relation to the hedged risk are recognized as reserve in other comprehensive income. Amounts deferred in equity are transferred to the Consolidated Statement of Recognized Income and classified as revenue or expense in the periods during which the hedged assets and liabilities effect

the Consolidated Statement of Recognized Income for the period. The ineffective element of the hedge is charged directly to the Consolidated Statement of Recognized Income.
The Group terminates the hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

2.8. Offsetting

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

2.9. Embedded derivatives

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

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

2.10. Securities available-for-sale

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

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

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

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

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

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

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

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

Allowance for loan and placement losses with other banks represent Management assessment for potential losses in relation to these activities.
The allowances for loan and placement losses are maintained to cover losses that have been specifically identified. Collective impairment losses of portfolios of loans, for which no objective evidence of impairment has been identified on an individual basis, are maintained to reduce the carrying amount of the portfolios of financial assets with similar credit risk characteristics to their estimated recoverable amounts at the balance sheet date. The expected cash-flows for portfolios of similar assets are estimated based on historical loss experience. Historical loss experience is the basis for calculating the expected loss, which is adjusted by the loss confirmation period, which represents the average time lag between occurrence of a loss event and confirmation of the loss. This concept enables recognition of those losses that have occurred in the portfolio at the balance sheet date.
If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into net operating income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss shall be reversed by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

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

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

2.12. Sale and repurchase agreements, security lending

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

2.13. Associates and other investments

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

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

2.14. Property and equipment, Intangible assets

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

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

Intangible assets	
Software	3.33-50%
Property rights	1-50%
Property	1-50%
Office equipment and vehicles	2.5-50%

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

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

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

Reducing the foreign currency risk caused by firm commitment, forward foreign currency contracts may be concluded to ensure the amount payable in foreign currency on a specified future date on one hand and to eliminate the foreign currency risk arising until settlement date of the contract on the other hand.
In the case of effective hedge the realised profit or loss of hedging instrument is stated as the part of the cost of the hedged asset as it has arisen until recognising the asset and it is tightly connecting to the purchasing.

2.15. Financial liabilities

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

2.16. Leases

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

The Group as a lessor

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

The Group as a lessee

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

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

2.17. Investment properties

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

2.18. Treasury shares

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

2.19. Interest income and interest expense

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

2.20. Fees and Commissions

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

2.21. Dividend income

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

2.22. Income tax

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

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

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

2.23. Off-balance sheet commitments and contingent liabilities

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

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

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

2.24. Share-based payment and employee benefit

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

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

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

2.25. Consolidated Statement of Cash-flows

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

2.26. Segment reporting

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

2.27. Comparative figures

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

2.28. Government measures related to customer loan contracts

Act XXXVIII of 2014 on "Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to customer loan agreements[1] provided by financial institutions" ("Curia Law") was promulgated on 18 July 2014.

[1] Uncovered consumer loans and covered retail – mortgage and mortgage backed – loans, excluding SME loans are considered as

The Hungarian Parliament has adopted on 24 September 2014 the Act XL of 2014 on "Rules of the settlement and certain other issues put in Act XXXVIII of 2014 on Settlement of certain issues concerning the Uniformity Decision of the Supreme Court related to customer loan agreements provided by financial institutions" ("Act on Settlement"), based on that financial institutions need to settle up with their clients on account of overpayments arisen from invalidity of the bid-ask exchange rate spread and unilateral amendment of contractual clauses.
Act on Settlement has specified the regulations of Curia Law; obligation of settlement does not apply to credit cards, current account loans and mortgage housing loans supported by State. Furthermore amount due to customers can be reduced by total amount of allowances.
Act LXXVII of 2014 on "Settlement of certain issues concerning the modification of the currency and interest conditions related to customer loan agreements" was promulgated. The act includes regulations about the conversion of foreign currency customer mortgage loans into HUF which became legally effective on 1 February 2015 ("Act on Conversion into HUF"). Hereinafter three acts together are called as Acts on Customer Loans.

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

a) Act on Settlement

The Group's reimbursement obligation related to invalidity of the bid-ask exchange rate spread will be prospectively in amount of HUF 32.4 billion. Related to bid-ask exchange rate spread the Group recognised provision for impairment in the amount of HUF 1,776 million during the year 2013.
Based on unilateral amendment of contractual clauses being assumed unfair, the Group, based on estimation of the amount of expected obligation related to loans under legal proceeding, recognised provision for impairment in the amount of HUF 127.6 billion. In case of these amounts, provision for impairment on mortgage loans concerned in conversion into HUF was recognised at foreign exchange rates applied in conversion into HUF in financial statements as at 31 December 2014 (CHF: 256.47; EUR: 308.97; JPY: 2.163).
In case of loans not concerned in conversion into HUF – mostly foreign currency customer loans – the provision for impairment was recognized at foreign exchange rates according to NBH as at 31 December 2014 in these financial statements.
The Group is recognising the provision on contingent liabilities related to Act on Settlement among the other off-balance sheet commitments and contingent liabilities in the IFRS Consolidated Statements.

b) Act on Conversion into HUF

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

The foreign currency loans concerned in conversion into HUF and the relating fees need to be derecognised at the time of conversion into HUF from IFRS financial statements and the HUF loans need to be recognised as newly granted loans. According to IFRS, HUF loans shall be recognised initially at fair value and for the new loans below-market interest test should be prepared. Based on expected negative fair value of loans, and due to the conversion into HUF of foreign currency loans, provision for impairment was recognised for covering the expected loss of the hedging positions broken up in the amount of HUF 36,598 million in the Group's Consolidated IFRS Financial Statements.

c) Effect of the Acts on Customer Loans on the Group

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

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customer loans.

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

	Bid-ask exchange rate spread	Unilateral amendment of interests	Unilateral amendment of fees	Total
OTP	7,377	34,926	1,824	44,127
OTP Mortgage Bank Ltd.	13,978	74,493	66	88,537
Merkantil Bank Ltd.	9,480	5,622	4,964	20,066
Merkantil Car Ltd.	1,107	537	639	2,283
OTP Real Estate Leasing Ltd.	462	4,501	-	4,963
Subtotal	**32,404**	**120,079**	**7,493**	**159,976**
Provision for impairment on foreign currency customer loans concerned in conversion into HUF				36,598
Total				**196,574**

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

OTP Mortgage Bank Ltd.	56,581
Merkantil Bank Ltd.	16,826
OTP Real Estate Leasing Ltd.	4,897
Total	**78,304**

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

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

d) Introduction of deferred tax relating to Acts on Customer Loans

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

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

The Bank recognized 33.2 billion HUF deferred tax receivable in the separate financial statements prepared for year 2014 due to the expecting tax receivable based on Act on Settlement and considering the contribution provided to the subsidiaries.

[1] on Corporate Tax and Dividend Tax

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

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

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

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

3.1. Impairment on loans and placements

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

3.2. Valuation of instruments without direct quotations

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

3.3. Provisions

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

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

3.4. Impairment on goodwill

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

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

	2014	2013
Cash on hand		
In HUF	66,332	68,063
In foreign currency	143,668	120,069
	210,000	**188,132**

Amounts due from banks and balances with the National Banks

	2014	2013
Within one year:		
In HUF[1]	1,798,959	51,807
In foreign currency	298,035	298,528
	2,096,994	**350,335**
Over one year:		
In HUF	-	-
In foreign currency	-	435
	-	**435**
Accrued interest	638	223
	2,097,632	**350,993**
Total	**2,307,632**	**539,125**
Compulsory reserve set by the National Banks	**304,308**	**263,178**

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

	2014	2013
Within one year		
In HUF	12,522	32,424
In foreign currency	266,384	235,898
	278,906	**268,322**
Over one year		
In HUF	-	-
In foreign currency	2,032	4,911
	2,032	**4,911**
Accrued interest	115	277
Provision for impairment on placement losses	(47)	(31)
Total	**281,006**	**273,479**

[1] Securities issued by the NBH were changed into two-weeks NBH deposit during the year ended 31 December 2014.

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

	2014	2013
Balance as at 1 January	**31**	**1,111**
Provision for the year	874	28
Release of provision for the year	(854)	(367)
Use of provision	-	(712)
Foreign currency translation difference	(4)	(29)
Closing balance	**47**	**31**

Interest conditions of placements with other banks:

	2014	2013
In HUF	0.4% - 6.6%	0.1% - 9.0%
In foreign currency	0.01% - 14.9%	0.01% - 11.9%

	2014	2013
Average interest rates on placements with other banks	1.22%	1.48%

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

	2014	2013
Securities held for trading		
Shares	59,231	73,703
Government bonds	22,942	34,817
Discounted Treasury bills	3,414	2,159
Securities issued by the NBH[1]	-	209,347
Other securities	4,439	14,615
Other non-interest bearing securities	3,989	5,912
	94,015	**340,553**
Accrued interest	625	987
Total	**94,640**	**341,540**

[1] Securities issued by the NBH were changed into two-weeks NBH deposit during the year ended 31 December 2014.

Positive fair value of derivative financial instruments classified held for trading

	2014	2013
CCIRS and mark-to-market CCIRS[1] classified as held for trading	85,010	8,444
Foreign exchange swaps classified as held for trading	48,636	5,357
Interest rate swaps classified as held for trading	43,401	53,667
Option contracts classified as held for trading	7,128	-
Foreign exchange forward contracts classified as held for trading	6,237	104
Other derivative transactions classified as held for trading	4,223	6,493
	194,635	**74,065**
Total	**289,275**	**415,605**

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

	2014	2013
Denominated in HUF (%)	81.7%	86.9%
Denominated in foreign currency (%)	18.3%	13.1%
Total	**100.0%**	**100.0%**

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

	2014	2013
Denominated in HUF (%)	54.0%	9.5%
Denominated in foreign currency (%)	46.0%	90.5%
Total	**100.0%**	**100.0%**

	2014	2013
Interest rates on securities held for trading	1.5% - 11.0%	2.9% - 13.0%
Average interest rates on securities held for trading	2.06%	1.46%

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

	2014	2013
Within five years		
With variable interest	1,125	7,245
With fixed interest	23,466	249,085
	24,591	**256,330**
Over five years		
With variable interest	6	663
With fixed interest	6,198	3,945
	6,204	**4,608**
Non-interest bearing securities	63,220	79,615
Total	**94,015**	**340,553**

[1] CCIRS: Cross Currency Interest Rate Swaps (See Note 28.)

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

	2014	2013
Securities available-for-sale		
Government bonds	680,323	318,263
Discounted Treasury bills	42,168	38,088
Corporate bonds	37,457	71,148
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*11,598*	*67,930*
	11,598	*67,930*
Non-listed securities:		
In HUF	*3,261*	*3,218*
In foreign currency	*22,598*	*-*
	25,859	*3,218*
Bonds issued by NBH[1]	-	1,151,208
Subtotal	**759,948**	**1,578,707**

	2014	2013
Other securities	21,138	8,562
Other non-interest bearing securities	43,646	41,702
From this:		
Listed securities:		
In HUF	-	-
In foreign currency	*7,114*	*6,521*
	7,114	*6,521*
Non-listed securities:		
In HUF	*28,346*	*27,013*
In foreign currency	*8,186*	*8,168*
	36,532	*35,181*
	824,732	**1,628,971**
Accrued interest	15,694	9,250
Provision for impairment on securities available-for-sale	(1,274)	(966)
Total	**839,152**	**1,637,255**

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

	2014	2013
Denominated in HUF (%)	84.6%	82.6%
Denominated in foreign currency (%)	15.4%	17.4%
Total	**100.0%**	**100.0%**

[1] Securities issued by the NBH were changed into two-weeks NBH deposit during the year ended 31 December 2014.

An analysis of government bonds by currency (%):

	2014	2013
Denominated in HUF (%)	81.2%	47.1%
Denominated in foreign currency (%)	18.8%	52.9%
Total	**100.0%**	**100.0%**

	2014	2013
Interest rates on securities available-for-sale denominated in HUF	1.7% - 8.0%	2.9% - 8.0%
Interest rates on securities available-for-sale denominated in foreign currency	0.3% - 28.0%	0.3% - 22.0%

	2014	2013
Average interest rates on securities available-for-sale denominated in HUF	3.07%	4.10%
Average interest rates on securities available-for-sale denominated in foreign currency	5.85%	9.12%

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

	2014	2013
Within five years		
With variable interest	2,701	4,258
With fixed interest	616,404	1,500,316
	619,105	**1,504,574**
Over five years		
With variable interest	117	3,730
With fixed interest	161,864	78,965
	161,981	**82,695**
Non-interest bearing securities	43,646	41,702
Total	**824,732**	**1,628,971**

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

	2014	2013
Balance as at 1 January	**966**	**1,226**
Provision for the year	297	1
Release of provision	-	(1)
Use of provision	-	(265)
Foreign currency translation difference	11	5
Closing balance	**1,274**	**966**

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

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

	2014	2013
Short-term loans and promissory notes (within one year)	2,245,818	2,537,167
Long-term loans and promissory notes (over one year)	4,690,266	4,875,633
	6,936,084	**7,412,800**
Accrued interest	57,242	68,044
Provision for impairment on loan losses	(1,129,085)	(1,235,634)
Total	**5,864,241**	**6,245,210**

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

	2014	2013
In HUF	29%	27%
In foreign currency	71%	73%
Total	**100%**	**100%**

Interest rates of the loan portfolio are as follows:

	2014	2013
Short-term loans denominated in HUF	0.04% - 42.0%	0.3% - 40.4%
Long-term loans denominated in HUF	0.04% - 42.0%	0.3% - 40.4%
Short-term loans denominated in foreign currency	0.01% - 64.9%	0.01% - 66%
Long-term loans denominated in foreign currency	0.01% - 66.9%	0.01% - 64.9%

	2014	2013
Average interest rates on loans denominated in HUF	4.68%	4.94%
Average interest rates on loans denominated in foreign currency	16.23%	16.54%

	2014	2013
Gross loan portfolio on which interest to customers is not being accrued	17.9%	18.4%

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

	2014	2013
Balance as at 1 January	**1,235,634**	**1,154,176**
Provision for the year	708,743	514,614
Release of provision	(319,393)	(328,859)
Partial write-off[1]	(237,593)	-
Increase due to acquisition	772	-
Use of provision	(85,494)	(79,996)
Foreign currency translation difference	(173,584)	(24,301)
Closing balance	**1,129,085**	**1,235,634**

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

	2014	2013
Provision for impairment (Release of provision) on placement losses	10	(374)
Provision for impairment on loan losses	446,820	262,943
Total	**446,830**	**262,569**

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

	2014	2013
Investments		
Investments in associates (non-listed)	17,768	15,583
Other investments (non-listed) at cost[2]	8,917	12,485
	26,685	**28,068**
Provision for impairment on investments	(3,304)	(4,231)
Total	**23,381**	**23,837**

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

	2014	2013
Balance as at 1 January	**4,231**	**2,968**
Provision for the year	1,244	1,370
Change due to merge	(1,927)	-
Use of provision	(245)	(132)
Foreign currency translation difference	1	25
Closing balance	**3,304**	**4,231**

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

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

	2014	2013
Government bonds	692,410	564,522
Mortgage bonds	522	493
Discounted Treasury bills	519	457
Corporate bonds	7	1,070
	693,458	**566,542**
Accrued interest	16,725	14,284
Provision for impairment on securities held-to-	(814)	(775)
Total	**709,369**	**580,051**

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

	2014	2013
Within five years		
With variable interest	7,438	16,457
With fixed interest	375,972	212,112
	383,410	**228,569**
Over five years		
With variable interest	-	-
With fixed interest	310,048	337,973
	310,048	**337,973**
Total	**693,458**	**566,542**

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

	2014	2013
Denominated in HUF (%)	92.7%	89.8%
Denominated in foreign currency (%)	7.3%	10.2%
Total	**100%**	**100%**

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

	2014	2013
Interest rates of securities held-to-maturity with variable interest	0.02% - 2.5%	0.02% - 4.25%
Interest rates of securities held-to-maturity with fixed interest	0.9% - 12.0%	2.6% - 10.9%

	2014	2013
Average interest rates on securities held-to-maturity	6.34%	6.71%

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

	2014	2013
Balance as at 1 January	**775**	**770**
Provision for the year	-	21
Release of provision	-	(32)
Foreign currency translation difference	39	16
Closing balance	**814**	**775**

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

For the year ended 31 December 2014

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

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

[1] Assets subject to operating lease and investment properties are differentiated according to their purposes for use so they had been transferred from tangible and intangible assets to other assets (see more details in Note 12.).

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

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

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

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

The Bank prepared the IFRS goodwill impairment tests of the subsidiaries based on two different net present value calculation methods that shows the same result; however they represent different economical logics. On one hand is the discount cash-flow method (DCF) that calculates the value of the subsidiaries by discounting their expected cash-flow; on the other hand the economic value added (EVA) method estimates the value of the subsidiaries from the initial invested capital and the present value of the economic profit that the companies are expected to generate in the future.

The Bank applied a cash-flow model with an explicit period between 2015-2017, except in the case of "OTP Bank" JSC (Russia) and JSC OTP Bank (Ukraine) where the explicit period was 2015-2019, where for 2015 the actual, accepted annual financial plans are included and the actual financial strategic plans (2016-2017) were used as forecasts for the period between 2018 and 2019.

Present value calculation with the DCF method

The Bank calculated the expected cash-flow for the given period based on the expected after tax profit of the companies. For calculating the discount factor it was considered the base rates of the national banks in the actual macro forecasts as risk free rates and the Group calculated risk premiums by modifying the country risk premiums that are published on damodaran.com with the CDS of the different countries spread as at 31 December 2014.

The values of the subsidiaries in the DCF method were then calculated as the sum of the discounted cash-flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

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

Present value calculation with the EVA method

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

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

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

For the year ended 31 December 2013

Cost	Intangible assets and goodwill	Property	Office equipment and vehicles	Construction in progress	Total
Balance as at 1 January	**363,524**	**214,736**	**187,618**	**18,928**	**784,806**
Additions	32,622	11,394	22,509	29,217	95,742
Foreign currency translation differences	(7,438)	(901)	(893)	97	(9,135)
Disposals	(13,939)	(2,605)	(20,562)	(22,755)	(59,861)
Change in consolidation scope	142	10	234	854	1,240
Balance as at 31 December	**374,911**	**222,634**	**188,906**	**26,341**	**812,792**

Depreciation and Amortization	Intangible assets and goodwill	Property	Office equipment and vehicles	Construction in progress	Total
Balance as at 1 January	**125,775**	**44,867**	**125,022**	**-**	**295,664**
Charge for the year (without goodwill impairment)	22,192	5,644	19,362	-	47,198
Goodwill impairment	30,819	-	-	-	30,819
Foreign currency translation differences	6,164	173	(776)	-	5,561
Disposals	(3,818)	(963)	(17,135)	-	(21,916)
Change in consolidation scope	58	78	86	-	222
Balance as at 31 December	**181,190**	**49,799**	**126,559**	**-**	**357,548**
Net book value					
Balance as at 1 January	**237,749**	**169,869**	**62,596**	**18,928**	**489,142**
Balance as at 31 December	**193,721**	**172,835**	**62,347**	**26,341**	**455,244**

An analysis of the changes in the goodwill for the year ended 31 December 2013 is as follows:

Cost	Goodwill
Balance as at 1 January	**189,619**
Additions	-
Foreign currency translation difference	(13,236)
Impairment for the current period	(30,819)
Balance as at 31 December	**145,564**
Net book value	
Balance as at 1 January	**189,619**
Balance as at 31 December	**145,564**

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

List of units	HUF mn
JSC "OTP Bank" (Russia)	61,534
DSK Bank EAD	28,541
OTP Bank JSC (Ukraine)	26,179
OTP banka Hrvatska d.d.	17,236
OTP Bank Romania S.A.	5,900
Monicomp Ltd.	5,732
OTP Banka Slovensko a.s.	88
Other[1]	354
Total	**145,564**

Summary of the impairment test for the year ended 31 December 2013
Based on the valuations of the subsidiaries HUF 30,819 million consolidated IFRS goodwill impairment was recorded for OTP Bank JSC (Ukraine).

NOTE 12: OTHER ASSETS[2] (in HUF mn)

	2014	2013
Deferred tax receivables	61,009	5,286
Investment properties[3]	31,322	-
Assets subject to operating lease[2]	24,668	-
Inventories	43,936	63,136
Fair value of derivative financial instrument designated as fair value hedge	30,454	26,803
Prepayments and accrued income	24,513	19,305
Trade receivables	12,121	14,581
Receivable from the National Asset Management	9,718	12,295
Receivables from card operations[4]	9,615	-
Current income tax receivable	8,843	6,938
Other advances	5,695	8,426
Variation margin	3,996	3,623
Receivables from investment services	3,960	3,155
Receivables due from pension funds and investment funds	3,874	2,115
Loans sold under deferred payment scheme	2,299	-
Other receivables from Hungarian Government	2,233	5,042
Receivables from leasing activities	1,086	976
Advances for securities and investments	691	664
Other	44,704	62,143
Subtotal	**324,737**	**234,488**
Provision for impairment on other assets[5]	(32,902)	(23,247)
Total	**291,835**	**211,241**

[1] Other category includes: OTP Real Estate Leasing Ltd., Nimo 2002 Ltd., POK DSK-Rodina a.d.
[2] 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 2014. Unrealised gains/losses on derivative financial instruments are recovering in accordance with their maturity.
[3] Assets subject to operating lease and investment properties are differentiated according to their purposes for use so they had been transferred from tangible and intangible assets to other assets (see more details in Note 11.).
[4] Accounting of receivables from card operations recognized due to different timing of cash settlement has changed for the year ended 31 December 2014.
[5] Provision for impairment on other assets mainly consists of provision for impairment on investment properties and inventories.

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

	2014	2013
Interest rate swaps designated as fair value hedge	14,032	9,733
CCIRS and mark-to-market CCIRS designated as fair value hedge	13,940	15,472
Foreign exchange swaps designated as fair value hedge	2,437	1,520
Forward security agreements designated as fair value hedge	-	44
Other transactions designated as fair value hedge	45	34
Total	**30,454**	**26,803**

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

	2014	2013
Balance as at 1 January	**23,247**	**21,265**
Provision for the year	9,726	4,313
Provision due to transfer[1]	2,353	-
Use of provision	(2,573)	(2,422)
Foreign currency translation difference	149	91
Closing balance	**32,902**	**23,247**

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

	2014	2013
Within one year		
In HUF	148,264	352,641
In foreign currency	302,971	162,714
	451,235	**515,355**
Over one year		
In HUF	150,012	139,958
In foreign currency	106,137	127,436
	256,149	**267,394**
Accrued interest	890	1,463
Total[2]	**708,274**	**784,212**

[1] Provisions on assets subject to operating lease and investment properties which were transferred from tangible and intangible assets to the other assets (see more details in Note 11 and Note 25.).

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

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

	2014	2013
Within one year		
In HUF	1.2% - 5.2%	0.2% - 5.8%
In foreign currency	0.05% - 18.8%	0.02% - 8.9%
Over one year		
In HUF	0.1% - 5.2 %	0.2% - 5.2 %
In foreign currency	0.1% - 18.0%	0.1% - 18.0%

	2014	2013
Average interest rates on amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	1.72%	2.13%

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2014	2013
Within one year		
In HUF	3,716,886	3,045,371
In foreign currency	3,667,694	3,518,242
	7,384,580	**6,563,613**
Over one year		
In HUF	101,733	140,582
In foreign currency	158,624	124,008
	260,357	**264,590**
Accrued interest	28,541	38,403
Total	**7,673,478**	**6,866,606**

Interest rates on deposits from customers are as follows:

	2014	2013
Within one year		
In HUF	0.01% - 10.3%	0.01% - 10.3%
In foreign currency	0.01% - 29.0%	0.01% - 27.0%
Over one year		
In HUF	0.01% - 3.1%	0.01% - 5.0%
In foreign currency	0.01% - 26.0%	0.01% - 28.5%

	2014	2013
Average interest rates on deposits from customers denominated in HUF	0.80%	1.62%
Average interest rates on deposits from customers denominated in foreign currency	5.52%	6.98%

An analysis of deposits from customers by type, is as follows[1]:

	2014		2013	
Retail deposits	4,566,737	60%	4,269,711	62%
Corporate deposits	2,693,704	35%	2,235,522	33%
Municipality deposits	384,496	5%	322,970	5%
Total	**7,644,937**	**100%**	**6,828,203**	**100%**

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

	2014	2013
With original maturity		
Within one year		
In HUF	28,812	50,795
In foreign currency	53,225	163,580
	82,037	**214,375**
Over one year		
In HUF	162,582	175,889
In foreign currency	13,051	43,806
	175,633	**219,695**
Accrued interest	9,414	11,148
Total	**267,084**	**445,218**

Interest rates on liabilities from issued securities are as follows:

	2014	2013
Issued securities denominated in HUF	0.10% - 10.0%	0.25% - 10.0%
Issued securities denominated in foreign currency	0.23% - 10.5%	0.44% - 4.0%

	2014	2013
Average interest rates on issued securities	4.01%	6.61%

[1] Without accrued interest liability.

Issued securities denominated in HUF as at 31 December 2014 (in HUF mn)

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP TBSZ 2015/I	26/02/2010-28/12/2010	30/12/2015	5,438	5.5	fixed	
2	OTP TBSZ 2016/I	14/01/2011-05/08/2011	15/12/2016	1,176	5.5	fixed	
3	OTP TBSZ 2016/II	26/08/2011-29/12/2011	15/12/2016	638	5.5	fixed	
4	OTP TBSZ 4 2015/I	13/01/2012-22/06/2012	15/12/2015	471	6.5	fixed	
5	OTP TBSZ 4 2015/II	21/12/2012	15/12/2015	48	6	fixed	
6	OTP TBSZ 4 2016/I	18/01/2013-15/02/2013	15/12/2016	157	5	fixed	
7	OTP TBSZ 6 2017/I	13/01/2012-22/06/2012	15/12/2017	233	6.5	fixed	
8	OTP 2015/Ax	25/03/2010	30/03/2015	4,429	indexed	floating	hedged
9	OTP 2015/Bx	28/06/2010	09/07/2015	4,060	indexed	floating	hedged
10	OTP 2015/Dx	22/03/2012	23/03/2015	385	indexed	floating	hedged
11	OTP 2015/Ex	18/07/2012	20/07/2015	376	indexed	floating	hedged
12	OTP 2015/Hx	28/12/2012	27/12/2015	170	indexed	floating	hedged
13	OTP 2016/Ax	11/11/2010	03/11/2016	3,654	indexed	floating	hedged
14	OTP 2016/Bx	16/12/2010	19/12/2016	2,786	indexed	floating	hedged
15	OTP 2016/Ex	28/12/2012	27/12/2016	332	indexed	floating	hedged
16	OTP 2016/Fx	22/03/2013	24/03/2016	670	indexed	floating	hedged
17	OTP 2017/Ax	01/04/2011	31/03/2017	4,347	indexed	floating	hedged
18	OTP 2017/Bx	17/06/2011	20/06/2017	4,243	indexed	floating	hedged
19	OTP 2017/Cx	19/09/2011	25/09/2017	3,186	indexed	floating	hedged
20	OTP 2017/Dx	20/10/2011	19/10/2017	475	indexed	floating	hedged
21	OTP 2017/Ex	21/12/2011	28/12/2017	3,449	indexed	floating	hedged
22	OTP 2018/Ax	03/01/2012	09/01/2018	702	indexed	floating	hedged
23	OTP 2018/Bx	22/03/2012	22/03/2018	4,091	indexed	floating	hedged
24	OTP 2018/Cx	18/07/2012	18/07/2018	3,523	indexed	floating	hedged
25	OTP 2018/Dx	29/10/2012	26/10/2018	2,930	indexed	floating	hedged
26	OTP 2018/Ex	28/12/2012	28/12/2018	3,029	indexed	floating	hedged
27	OTP 2019/Ax	25/06/2009	01/07/2019	263	indexed	floating	hedged
28	OTP 2019/Bx	05/10/2009-05/02/2010	14/10/2019	368	indexed	floating	hedged
29	OTP 2019/Cx	14/12/2009	20/12/2019	314	indexed	floating	hedged
30	OTP 2019/Dx	22/03/2013	21/03/2019	4,400	indexed	floating	hedged
31	OTP 2019/Ex	28/06/2013	24/06/2019	3,344	indexed	floating	hedged
32	OTP 2020/Ax	25/03/2010	30/03/2020	340	indexed	floating	hedged
33	OTP 2020/Bx	28/06/2010	09/07/2020	362	indexed	floating	hedged
34	OTP 2020/Cx	11/11/2010	05/11/2020	234	indexed	floating	hedged
35	OTP 2020/Dx	16/12/2010	18/12/2020	215	indexed	floating	hedged
36	OTP 2020/Ex	18/06/2014	22/06/2020	4,100	indexed	floating	hedged
37	OTP 2020/Fx	10/10/2014	16/10/2020	3,500	indexed	floating	hedged
38	OTP 2020/Gx	15/12/2014	21/12/2020	3,250	indexed	floating	hedged
39	OTP 2021/Ax	01/04/2011	01/04/2021	289	indexed	floating	hedged
40	OTP 2021/Bx	17/06/2011	21/06/2021	332	indexed	floating	hedged
41	OTP 2021/Cx	19/09/2011	24/09/2021	300	indexed	floating	hedged
42	OTP 2021/Dx	21/12/2011	27/12/2021	365	indexed	floating	hedged
43	OTP 2022/Ax	22/03/2012	23/03/2022	280	indexed	floating	hedged
44	OTP 2022/Bx	18/07/2012	18/07/2022	265	indexed	floating	hedged
45	OTP 2022/Cx	29/10/2012	28/10/2022	296	indexed	floating	hedged
46	OTP 2022/Dx	28/12/2012	27/12/2022	343	indexed	floating	hedged
47	OTP 2023/Ax	22/03/2013	24/03/2023	395	indexed	floating	hedged
48	OTP 2023/Bx	28/06/2013	26/06/2023	280	indexed	floating	hedged
49	OTP 2024/Ax	18/06/2014	21/06/2024	270	indexed	floating	hedged
50	OTP 2024/Bx	10/10/2014	16/10/2024	400	indexed	floating	hedged
51	OTP 2024/Cx	15/12/2014	20/12/2024	320	indexed	floating	hedged
	Subtotal			**79,823**			

	Name	Date of issue	Maturity	Nominal value (in HUF mn)	Interest conditions (in % p.a.)		Hedged
52	OTP 2020/RF/A	12/07/2010	20/07/2020	2,370	indexed	floating	hedged
53	OTP 2020/RF/B	12/07/2010	20/07/2020	1,131	indexed	floating	hedged
54	OTP 2020/RF/C	11/11/2010	05/11/2020	2,475	indexed	floating	hedged
55	OTP 2021/RF/A	05/07/2011	13/07/2021	1,946	indexed	floating	hedged
56	OTP 2021/RF/B	20/10/2011	25/10/2021	1,961	indexed	floating	hedged
57	OTP 2021/RF/C	21/12/2011	30/12/2021	385	indexed	floating	hedged
58	OTP 2021/RF/D	21/12/2011	30/12/2021	256	indexed	floating	hedged
59	OTP 2021/RF/E	21/12/2011	30/12/2021	34	indexed	floating	hedged
60	OTP 2022/RF/A	22/03/2012	23/03/2022	1,053	indexed	floating	hedged
61	OTP 2022/RF/B	22/03/2012	23/03/2022	351	indexed	floating	hedged
62	OTP 2022/RF/C	28/06/2012	28/06/2022	124	indexed	floating	hedged
63	OTP 2022/RF/D	28/06/2012	28/06/2022	155	indexed	floating	hedged
64	OTP 2022/RF/E	29/10/2012	31/10/2022	331	indexed	floating	hedged
65	OTP 2022/RF/F	28/12/2012	28/12/2022	236	indexed	floating	hedged
66	OTP 2023/RF/A	22/03/2013	24/03/2023	231	indexed	floating	hedged
67	OTP DNT HUF 150107	30/06/2014	07/01/2015	615	indexed	floating	hedged
68	OTP EK 2015/I	29/07/2013	29/01/2015	5,467	4.25	fixed	
69	OTP OJK 2016/I	26/08/2011-	26/08/2016	106	6.14	fixed	
70	OTP OJK 2017/I	27/01/2012-	27/01/2017	22	7	fixed	
71	OJB 2015/I	10/06/2005	10/06/2015	3,218	7.7	fixed	
72	OJB 2015/J	28/01/2005	28/01/2015	7	8.69	fixed	
73	OJB 2016/I	03/02/2006	03/02/2016	1,249	7.5	fixed	
74	OJB 2016/II	31/08/2006	31/08/2016	4,685	10	fixed	
75	OJB 2016/J	18/04/2006	28/09/2016	114	7.59	fixed	
76	OJB 2019/I	17/03/2004	18/03/2019	31,517	9.48	fixed	
77	OJB 2019/II	25/05/2011	18/03/2019	1,079	9.48	fixed	
78	OJB 2020/I	19/11/2004	12/11/2020	5,503	9	fixed	
79	OJB 2020/II	25/05/2011	12/11/2020	1,486	9	fixed	
80	Other[1]			33,976			
	Subtotal			**102,083**			
	Subtotal issued securities in HUF			**181,906**			
	Unamortized premium			(3,889)			
	Fair value adjustment			13,377			
	Total issued securities in HUF			**191,394**			

[1] From the total amount HUF 33,745 million is mobil deposits of Merkantil Bank.

Issued securities denominated in foreign currency as at 31 December 2014 (in HUF mn)

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
1	OTP EUR 1 2015/I	20/12/201	10/01/201	EUR	6.93	2,183	1.65	fixed	
2	OTP EUR I 2015/II	17/01/201	31/01/201	EUR	4.89	1,541	1.65	fixed	
3	OTP EUR I 2015/III	31/01/201	14/02/201	EUR	4.40	1,384	1.65	fixed	
4	OTP EUR I 2015/IV	14/02/201	28/02/201	EUR	4.07	1,281	1.65	fixed	
5	OTP EUR I 2015/V	28/02/201	14/03/201	EUR	3.41	1,074	1.5	fixed	
6	OTP EUR I 2015/VI	14/03/201	28/03/201	EUR	3.97	1,250	1.5	fixed	
7	OTP EUR I 2015/VII	21/03/201	04/04/201	EUR	0.84	263	1.5	fixed	
8	OTP EUR I 2015/VIII	11/04/201	25/04/201	EUR	4.34	1,368	1.5	fixed	
9	OTP EUR I 2015/IX	18/04/201	02/05/201	EUR	1.00	315	1.5	fixed	
10	OTP EUR 1 2015/X	09/05/201	23/05/201	EUR	3.85	1,212	1.5	fixed	
11	OTP EUR I 2015/XI	23/05/201	06/06/201	EUR	4.59	1,444	1.5	fixed	
12	OTP EUR I 2015/XII	06/06/201	20/06/201	EUR	2.75	867	1.5	fixed	
13	OTP EUR I 2015/XIII	20/06/201	04/07/201	EUR	2.28	719	1.5	fixed	
14	OTP EUR 1 2015/XIV	04/07/201	18/07/201	EUR	2.67	839	1.25	fixed	
15	OTP EUR 1 2015/XV	18/07/201	01/08/201	EUR	1.78	560	1.25	fixed	
16	OTP EUR 1 2015/XVI	30/07/201	13/08/201	EUR	3.80	1,195	1.5	fixed	
17	OTP EUR 1 2015/XVII	08/08/201	22/08/201	EUR	3.24	1,020	1.25	fixed	
18	OTP EUR 1 2015/XVIII	29/08/201	12/09/201	EUR	10.49	3,305	1.25	fixed	
19	OTP EUR 1 2015/XIX	12/09/201	26/09/201	EUR	5.45	1,716	1.25	fixed	
20	OTP EUR 1 2015/XX	03/10/201	17/10/201	EUR	13.24	4,168	1.25	fixed	
21	OTP EUR 1 2015/XXI	22/10/201	05/11/201	EUR	8.44	2,659	1	fixed	
22	OTP EUR 1 2015/XXII	31/10/201	14/11/201	EUR	3.12	984	1	fixed	
23	OTP EUR 1 2015/XXIII	14/11/201	28/11/201	EUR	5.52	1,739	1	fixed	
24	OTP EUR 1 2015/XXIV	28/11/201	12/12/201	EUR	5.19	1,635	1	fixed	
25	OTP EUR 1 2015/XXV	19/12/201	02/01/201	EUR	9.43	2,969	1	fixed	
26	OTP EUR 2 2015/I	11/01/201	11/01/201	EUR	0.16	51	3	fixed	
27	OTP EUR 2 2015/II	25/01/201	25/01/201	EUR	0.17	52	2.75	fixed	
28	OTP EUR 2 2015/III	01/02/201	01/02/201	EUR	0.16	50	2.75	fixed	
29	OTP EUR 2 2015/IV	15/02/201	15/02/201	EUR	0.15	46	2.75	fixed	
30	OTP EUR 2 2015/V	01/03/201	01/03/201	EUR	0.26	83	2.75	fixed	
31	OTP EUR 2 2015/VI	22/03/201	22/03/201	EUR	0.20	62	2.75	fixed	
32	OTP EUR 2 2015/VII	05/04/201	05/04/201	EUR	0.31	99	2.75	fixed	
33	OTP EUR 2 2015/VIII	19/04/201	19/04/201	EUR	0.30	94	2.75	fixed	
34	OTP EUR 2 2015/IX	10/05/201	10/05/201	EUR	0.73	230	2.75	fixed	
35	OTP EUR 2 2015/X	24/05/201	24/05/201	EUR	0.36	112	2.5	fixed	
36	OTP EUR 2 2015/XI	07/06/201	07/06/201	EUR	0.39	123	2.5	fixed	
37	OTP EUR 2 2015/XII	21/06/201	21/06/201	EUR	0.21	66	2.5	fixed	
38	OTP EUR 2 2015/XIII	28/06/201	28/06/201	EUR	0.27	86	2.5	fixed	
39	OTP EUR 2 2015/XIV	12/07/201	12/07/201	EUR	0.12	39	2.25	fixed	
40	OTP EUR 2 2015/XV	26/07/201	26/07/201	EUR	0.63	198	2.25	fixed	
41	OTP EUR 2 2015/XVI	16/08/201	16/08/201	EUR	0.78	246	2.25	fixed	
42	OTP EUR 2 2015/XVII	30/08/201	30/08/201	EUR	0.42	133	2.25	fixed	
43	OTP EUR 2 2015/XVIII	13/09/201	13/09/201	EUR	0.64	202	2.25	fixed	
44	OTP EUR 2 2015/XIX	27/09/201	27/09/201	EUR	0.51	159	2.25	fixed	
45	OTP EUR 2 2015/XX	11/10/201	11/10/201	EUR	0.30	94	2.25	fixed	
46	OTP EUR 2 2015/XXI	31/10/201	31/10/201	EUR	2.32	732	2.25	fixed	
47	OTP EUR 2 2015/XXII	15/11/201	15/11/201	EUR	1.16	364	2.25	fixed	
48	OTP EUR 2 2015/XXIII	29/11/201	29/11/201	EUR	1.26	398	2	fixed	
49	OTP EUR 2 2015/XXIV	20/12/201	20/12/201	EUR	1.55	488	2	fixed	
50	OTP EUR 2 2016/I	17/01/201	17/01/201	EUR	0.90	282	2	fixed	
51	OTP EUR 2 2016/II	31/01/201	31/01/201	EUR	0.87	274	2	fixed	
52	OTP EUR 2 2016/III	14/02/201	14/02/201	EUR	0.96	303	2	fixed	
53	OTP EUR 2 2016/IV	28/02/201	28/02/201	EUR	0.69	217	1.9	fixed	
54	OTP EUR 2 2016/V	14/03/201	14/03/201	EUR	0.74	233	1.8	fixed	
55	OTP EUR 2 2016/VI	21/03/201	21/03/201	EUR	0.21	66	1.8	fixed	
	Subtotal					**43,272**			

	Name	Date of issue	Maturity	Type of FX	Nominal value (FX mn)	Nominal value (HUF mn)	Interest conditions (in % p.a.)		Hedged
56	OTP EUR 2 2016/VII	11/04/201	11/04/201	EUR	0.74	232	1.8	fixed	
57	OTP EUR 2 2016/VIII	18/04/201	18/04/201	EUR	0.20	63	1.8	fixed	
58	OTP EUR 2 2016/IX	09/05/201	09/05/201	EUR	0.66	207	1.8	fixed	
59	OTP EUR 2 2016/X	23/05/201	23/05/201	EUR	0.60	189	1.8	fixed	
60	OTP EUR 2 2016/XI	06/06/201	06/06/201	EUR	0.64	201	1.8	fixed	
61	OTP EUR 2 2016/XII	20/06/201	20/06/201	EUR	0.64	202	1.5	fixed	
62	OTP EUR 2 2016/XIII	04/07/201	04/07/201	EUR	0.46	145	1.5	fixed	
63	OTP EUR 2 2016/XIV	18/07/201	18/07/201	EUR	0.31	99	1.5	fixed	
64	OTP EUR 2 2016/XV	30/07/201	30/07/201	EUR	1.58	498	1.5	fixed	
65	OTP EUR 2 2016/XVI	08/08/201	08/08/201	EUR	0.37	116	1.5	fixed	
66	OTP EUR 2 2016/XVII	29/08/201	29/08/201	EUR	1.32	417	1.5	fixed	
67	OTP EUR 2 2016/XVIII	12/09/201	12/09/201	EUR	1.01	319	1.5	fixed	
68	OTP EUR 2 2016/XIX	03/10/201	03/10/201	EUR	1.92	605	1.25	fixed	
69	OTP 2015/Cx	27/12/201	29/12/201	EUR	0.85	267	indexed	floating	hedged
70	OTP 2015/Fx	21/12/201	23/12/201	EUR	2.07	653	indexed	floating	hedged
71	OTP 2016/Cx	22/04/201	22/04/201	EUR	1.42	448	indexed	floating	hedged
72	OTP 2016/Dx	22/12/201	29/12/201	EUR	1.08	341	indexed	floating	hedged
73	OTP 2017/Fx	19/06/201	16/06/201	EUR	0.78	245	indexed	floating	hedged
74	OTP 2018/Fx	19/12/201	21/12/201	EUR	0.62	195	indexed	floating	hedged
75	OTP_VK_USD_2_2016/	28/11/201	28/11/201	USD	1.40	362	1.1	fixed	
76	OMB2015_I	30/08/201	06/03/201	EUR	5	1,575	4.1	floating	hedged
77	Mortgage bonds OTP VII	21/12/200	21/12/201	EUR	22.47	7,076	0.23	floating	
78	Mortgage bonds OTP	28/09/201	28/09/201	EUR	7.96	2,507	4.0	fixed	
79	OTPRU 15/03	06/03/201	03/03/201	RUB	299.71	1,334	10.5	fixed	
80	Other[1]					4,493			
	Subtotal					**22,789**			
	Subtotal issued securities in FX					**66,061**			
	Unamortized premium					139			
	Fair value adjustment					76			
	Total issued securities in FX					**66,276**			
	Accrued interest					9,414			
	Total issued securities					**267,084**			

Term Note Program in the value of HUF 500 billion for the year of 2013/2014

On 9 July 2013 the Bank initiated term note program in the value of HUF 500 billion with the intention of issuing registered dematerialized bonds in public. The Authority approved on 30 July 2013 the prospectus of Term Note Program and the disclosure as at 17 July 2013. 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.

54,204 pieces of fixed bonds with nominal value of EUR 100 each in the total nominal amount of EUR 5,420,400 have been introduced to the Budapest Stock Exchange. On 10 September 2014 the NBH approved the disclosure and the prospectus as at 27 August 2014.

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

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

The Issuer can initiate to introduce the bonds issued under the program to the Budapest, Slovakian, Romanian and Bulgarian Stock Exchange.

[1] Other category includes promissory notes issued by OTP Banka Slovensko a.s. in the amount of HUF 1,133 million and by JSC "OTP Bank" (Russia) in the amount of HUF 3,360 million.

Certain structured bonds are hedged by interest rate swaps ("IRS") which may transfer to a transferee a fixed rate and enter into an interest rate swap with the transferee to receive a fixed interest rate and pay a variable interest rate and amount of the structure if any based on a notional amount which is equal to the notional amount of the hedged bond. In certain cases amount of the structure is hedged by options which give the owner the right to get amount of the structure which is equal to the structure of the hedged bond. The hedge is highly effective if changes in fair value or cash-flows attributable to the hedged risk during the period for which the hedge is designated are within a range of 80-125 per cent.

The cash-flows of the fixed rate securities issued by the Bank are exposed to the change in the HUF/EUR foreign exchange rate and the risk of change in the quoted interest rates of EUR and HUF. The interest rate risk and foreign exchange risk related to these securities are hedged with EUR and HUF IRS transactions, where the fixed interests were swapped to payments linked to 3 month HUF BUBOR and EURIBOR, resulting a decrease in the interest rate and foreign exchange exposure of issued securities.

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

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

	2014	**2013**
Interest rate swaps classified as held for trading	63,691	67,881
CCIRS and mark-to-market CCIRS classified as held for trading	53,724	7,521
Foreign exchange swaps classified as held for trading	51,537	5,316
Option contracts classified as held for trading	6,215	3,047
Foreign exchange forward contracts classified as held for trading	5,582	1,989
Forward security agreements classified as held for trading	478	394
Forward rate agreements classified as held for trading (FRA)	61	369
Other transactions classified as held for trading	2,706	647
Total	**183,994**	**87,164**

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

	2014	2013
Provision for impairment on off-balance sheet commitments and contingent liabilities	217,351	22,180
Fair value of derivative financial instruments designated as fair value hedge	85,679	74,695
Financial liabilities from OTP-MOL share swap transaction[2]	56,445	71,548
Liabilities from investment services	41,264	53,068
Accrued expenses	33,015	32,701
Salaries and social security payable	25,583	26,111
Liabilities connected to Cafeteria benefits	22,700	21,475
Accounts payable	22,373	18,231
Current income tax payable	14,707	21,786
Giro clearing accounts	13,119	7,964
Deferred tax liabilities	9,855	17,559
Clearing, settlement and pending accounts	7,284	8,135
Advances received from customers	3,266	2,546
Liabilities connected to leasing activities	1,080	1,235
Liabilities connected to loans for collection	909	1,044
Loans from government	738	774
Liabilities related to housing loans	244	105
Dividend payable	140	133
Other	36,102	39,892
Subtotal	**591,854**	**421,182**
Accrued interest	234	171
Total	**592,088**	**421,353**

[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 of amount being settled in 2014 is HUF 423 million as at 31 December 2014. Unrealised gains/losses on derivative financial instruments is recovering in accordance with their maturity. Besides the total other liabilities mentioned above which are expected to be recovered or settled more than twelve months after the reporting period it should be mentioned accrued contractual liabilities, compulsory pension reserve, guarantee deposits in relation with leasing activities, loans from government and liabilities from preferential dividend shares.

[2] On 16 April 2009 OTP Bank Plc. and MOL Hungarian Oil and Gas Plc. entered into a 3 years share swap transaction. MOL obtained 24 million pieces of Bank's ordinary shares (8.57% of the ordinary shares) and OTP obtained approximately 5 million pieces of MOL shares. Both parties were granted by an American style call and put option to initiate the gross physical settlement of shares back to the issuer until 11 July 2012. On 11 July 2012 the parties amended the final maturity of the share swap agreement for 11 July 2017 until which any party can initiate cash or physical settlement of the transaction. There is no compulsory settlement of shares at the maturity of the swap agreement. The agreement contains additional settlement provisions in case of certain movement of relative share prices of the parties subject to net cash or net share settlement. Due to the loss of control over the Treasury shares, the Treasury shares were derecognized and MOL shares were recognized as held for trading securities. The written put option over OTP ordinary shares were accounted as a deduction from equity with the amount of HUF 55.5 billion and a recognition of a corresponding liability. As at 31 December 2014 and 2013 HUF 56,445 and HUF 71,548 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.

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

	2014	2013
Provision on contingent liabilities due to regulations related to customer loans[1]	196,574	-
Provision for litigation	7,454	3,267
Provision for losses on other off-balance sheet commitments and contingent liabilities related to lending	3,566	10,189
Provision for expected pension commitments	3,430	1,253
Provision for other liabilities	6,327	7,471
Total	**217,351**	**22,180**

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

	2014	2013
Balance as at 1 January	**22,180**	**19,727**
Provision for the year	195,310	3,990
Change due to acquisition	1,756	-
Use of provision	(1,031)	(1,498)
Foreign currency translation differences	(864)	(39)
Closing balance	**217,351**	**22,180**

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

	2014	2013
CCIRS and mark-to-market CCIRS designated as fair value hedge	79,940	71,512
Interest rate swaps designated as fair value hedge	3,463	2,639
Foreign exchange swaps designated as fair value hedge	2,276	499
Forward security agreements designated as fair value hedge	-	45
Total	**85,679**	**74,695**

[1] See details in Note 2.28.

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

	2014	2013
Within one year:		
In HUF	-	-
In foreign currency	16,779	72
	16,779	**72**
Over one year:		
In HUF	-	-
In foreign currency	264,018	263,884
	264,018	**263,884**
Accrued interest	1,171	3,206
Total	**281,968**	**267,162**

Interest rates on subordinated bonds and loans are as follows:

	2014	2013
Denominated in foreign currency	0.6% - 8.25%	0.8% - 8.25%

	2014	2013
Average interest rates on subordinated bonds and loans	5.10%	4.13%

Subordinated bonds and loans can be detailed as follows:

Type	Nominal value	Date of issuance	Date of maturity	Issue price	Interest conditions	Interest rate as at 31 December 2014
Subordinated bond	EUR 93.45 million	04/03/2005	04/03/2015	100%	Three-month EURIBOR + 0.55% quarterly	-
Subordinated bond	EUR 247.7 million	07/11/2006	Perpetual, but callable after 10 years	99.375%	Fixed 5.875% annual in the first 10 years (payable annually), three-month EURIBOR + 3%, variable after year 10 (payable quarterly)	-
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%
Subordinated loan	USD 65 million	21/04/2008	13/10/2015	100%	Variable, six-month LIBOR + 1.4%	1.72%
Subordinated bond	RUB 4.2 million	30/04/2004	21/06/2015	100%	Variable monthly, based on the Russian National Bank's interest rate	8.25%

[1] European Medium Term Note Program

NOTE 19: SHARE CAPITAL (in HUF mn)

	2014	2013
Authorized, issued and fully paid:		
Ordinary shares	28,000	28,000

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

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

	2014	2013
Capital reserve	52	52
General reserve	153,935	153,935
Retained earnings	814,399	870,357
Tied-up reserve	8,558	8,287
Total	**976,944**	**1,032,631**

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

These Financial Statements subject to approval by the Board of Directors in the Annual General Meeting in March 2015. In 2014 the Bank paid dividend of HUF 40,600 million from the profit of the year 2013, which meant 145 HUF payable dividend by share to the shareholders. In 2015 dividend of HUF 40,600 million are expected to be proposed by the Management from the profit of the year 2014, which means 145 HUF payable dividends by share to the shareholders.

The retained earnings and reserves according to IFRS contains the retained earnings (HUF 686,000 million and HUF 664,856 million) and reserves (HUF 602,757 million and HUF 867,308 million) as at 31 December 2014 and 2013 respectively. The reserves include mainly net profit for the year attributable to the owners of the company, the fair value adjustment of securities available-for-sale, additional reserves of Income Certificates Exchangeable for Shares ("ICES"), changes in equity accumulated in the previous year at the subsidiaries, changes due to consolidation and exchange differences.

In the Consolidated Financial Statement the Group recognizes the non-monetary items on historical cost. The difference between the historical cost of the non-monetary items in forint amount and the translated foreign currencies into the presentation currency using the exchange rate at the balance sheet date, is presented among the shareholders' equity as difference of translation. The accumulated amounts of exchange differences were HUF 121,306 million and HUF 14,381 million as at 31 December 2014 and 2013 respectively.

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

3.95% during the first 10 years, thereafter the Issuer has the right to redeem the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%. OTP has discretional right to cancel the interest payments. The interest payable is non-cumulative.

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

NOTE 21: TREASURY SHARES (in HUF mn)

	2014	2013
Nominal value (Ordinary shares)	1,818	1,797
Carrying value at acquisition cost	55,940	55,599

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

Change in number of shares:

	2014	2013
Number of shares as at 1 January	**17,972,405**	**18,755,373**
Additions	6,474,942	4,247,043
Disposals	(6,272,000)	(5,030,011)
Closing number of shares	**18,175,347**	**17,972,405**

Change in carrying value:

	2014	2013
Balance as at 1 January	**55,599**	**53,802**
Additions	27,522	19,740
Disposals	(27,181)	(17,943)
Closing balance	**55,940**	**55,599**

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

	2014	2013
Balance as at 1 January	**4,767**	**5,783**
Changes due to ownership structure	(177)	(423)
Non-controlling interest included in net profit for the year	(273)	(91)
Foreign currency translation difference	(968)	(502)
Closing balance	**3,349**	**4,767**

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

	2014	2013
Provision for impairment on loan losses		
Provision for the year	708,743	514,614
Release of provision	(319,393)	(328,859)
Provision for impairment on loan losses	57,470	77,188
	446,820	**262,943**
Provision for impairment / (Release of provision) on placement losses		
Provision for the year	874	28
Release of provision	(854)	(367)
Release of provision for impairment on placement losses	(10)	(35)
	10	**(374)**
Provision for impairment on loan and placement	**446,830**	**262,569**

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

Income from fees and commissions	**2014**	**2013**
Deposit and account maintenance fees and commissions	109,765	98,726
Fees and commissions related to the issued bank cards	45,997	50,757
Fees related to cash withdrawal	29,477	32,757
Fees and commissions related to lending	21,495	21,336
Fees and commissions related to fund management	20,215	15,168
Fees and commissions related to security trading	12,643	10,961
Other	25,800	27,430
Total	**265,392**	**257,135**

Expense from fees and commissions	**2014**	**2013**
Fees and commissions paid on loans	12,489	14,023
Fees and commissions related to issued bank cards	11,907	8,780
Interchange fees	7,351	10,356
Fees and commissions related to collection of loans	2,856	5,601
Fees and commissions related to deposits	2,579	2,428
Cash withdrawal transaction fees	2,158	2,970
Fees and commissions related to security trading	1,610	1,152
Postal fees	836	836
Money market transaction fees and commissions	794	1,074
Insurance fees	532	1,860
Other	6,624	6,298
Total	**49,736**	**55,378**
Net profit from fees and commissions	**215,656**	**201,757**

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

Other operating income	**2014**	**2013**
Gains on real estate transactions	734	1,552
Other income from non-financial activities	13,645	24,840
Total	**14,379**	**26,392**

Other operating expenses	**2014**	**2013**
Provision on contingent liabilities due to regulations related to customer loans[1]	194,798	-
Provision for impairment on other assets	5,066	4,313
Provision for assets subject to operating lease[2]	1,048	-
Provision for investment properties[2]	3,612	-
Provision for impairment on investments[3]	1,244	1,370
Provision for off-balance sheet commitments and contingent liabilities	512	3,990
Other expense from non-financial activities	19,975	19,366
Other operating costs	6,354	10,756
Total	**232,609**	**39,795**

Other administrative expenses	**2014**	**2013**
Personnel expenses		
Wages	151,467	150,462
Taxes related to personnel expenses	41,319	40,677
Other personnel expenses	13,549	13,138
Subtotal	**206,335**	**204,277**
Depreciation and amortization[4]	**65,947**	**78,017**
Other administrative expenses		
Taxes, other than income tax [5]	116,148	121,002
Administration expenses, including rental fees	51,119	50,775
Services	40,515	44,831
Professional fees	16,892	14,490
Advertising	11,736	13,379
Subtotal	**236,410**	**244,477**
Total	**508,692**	**526,771**

[1] See details in Note 2.28.

[2] Provisions on assets subject to operating lease and investment properties which were transferred from tangible and intangible assets to the other assets (see more details in Note 12.).

[3] See details in Note 9.

[4] See details in Note 11.

[5] Special tax of financial institutions was paid by the Group in the amount of HUF 37 billion and HUF 36.9 billion for the year 2014 and 2013 respectively, recognized as an expense thus decreased the corporate tax base. In the year period ended 31 December 2014 financial transaction duty was paid by the Bank in the amount of HUF 44 billion.

NOTE 26: INCOME TAX (in HUF mn)

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

Deferred tax is calculated at the income tax rate of 9% in Montenegro, 10% in Bulgaria, 12,5% in Cyprus, 15% in Serbia, 16% in Romania, 18% in Ukraine, 19% in Hungary, 20% in Croatia, Russia and the United Kingdom, 22% in Slovakia and 25% in the Netherlands.

The breakdown of the income tax expense is:

	2014	**2013**
Current tax expense	16,520	24,542
Deferred tax benefit	(67,905)	(3,598)
Total	**(51,385)**	**20,944**

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

	2014	**2013**
Balance as at 1 January	**(12,273)**	**(17,295)**
Deferred tax benefit	67,905	3,598
Deferred tax related to items recognized directly in equity and in Other Comprehensive Income	(1,418)	1,173
Foreign currency translation difference	(3,060)	251
Closing balance	**51,154**	**(12,273)**

A breakdown of the deferred tax assets and liabilities are as follows:

	2014	**2013**
Refundable tax in accordance with Acts on Customer[1]	33,226	-
Tax loss carry forward	15,207	3,114
Provision for impairment on investments (Goodwill)	10,705	-
Fair value adjustment of securities held for trading and securities available-for-sale	8,704	6,626
Repurchase agreement and security lending	4,176	4,458
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	593	313
Premium and discount amortization on bonds	177	-
Difference in accounting for leases	177	306
Difference in depreciation and amortization	73	-
Fair value adjustment of derivative financial instruments	8	8
Adjustment from effective interest rate method	-	5,572
Other	23,167	6,176
Deferred tax asset	**96,213**	**26,573**

[1] See details in Note 2.28.

	2014	2013
Fair value adjustment of securities held for trading and securities available-for-sale	(16,193)	(10,255)
Difference in depreciation and amortization	(5,051)	(8,835)
Fair value adjustment of derivative financial instruments	(5,031)	(1,987)
Difference in accounting for leases	(3,992)	(66)
Net effect of treasury share transactions	(2,681)	(2,934)
Adjustment from effective interest rate method	(2,380)	(2,063)
Temporary differences arising on consolidation	(1,817)	(1,741)
Accounting of equity instrument (ICES)	(1,333)	(1,912)
Provision for off-balance sheet commitments and contingent liabilities, derivative financial instruments	(110)	-
Premium and discount amortization on bonds	(23)	(215)
Other	(6,448)	(8,838)
Deferred tax liabilities	**(45,059)**	**(38,846)**
Net deferred tax asset / (liability)	**51,154**	**(12,273)**

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

	2014	2013
(Loss) / Profit before income tax	(153,643)	85,052
Income tax (income) / expense at statutory tax rates	(26,793)	22,603

Income tax adjustments due to permanent differences are as follows:

	2014	2013
Differences in carrying value of subsidiaries	14,982	3,267
Share-based payment	835	1,084
Reversal of statutory general provision	-	1,198
Amount removed from statutory general provision to retained earnings	-	5,533
OTP-MOL share swap transaction	(80)	(186)
Revaluation of investments denominated in foreign currency to historical cost	(185)	3,243
Difference of accounting of equity instrument (ICES)	(211)	49
Treasury share transactions	(917)	113
Use of tax allowance in the current year	(2,479)	(9,523)
Deferred use of tax allowance[1]	(6,335)	(459)
Tax refund in accordance with Acts on Customer Loans	(28,306)	-
Other	(1,896)	(5,978)
Income tax (income) / expense	**(51,385)**	**20,944**
Effective tax rate[2]	**33.44%**	**24.62%**

[1] From year 2011 legal regulation has allowed to recognize the financial support provided to sight-team sport as extraordinary expense and corporate tax allowance in the financial statements prepared on the base of HAS. The Bank couldn't apply this tax allowance in the financial statements prepared according to the HAS in 2012, since the tax base for year 2012 was negative. In IFRS financial statements this amount was settled as deferred tax.

[2] Effective tax rate has changed due to deferred tax receivable recognized in relation with the expecting tax receivable based on Act on Settlement and considering the contribution provided to the subsidiaries.

NOTE 27: FINANCIAL RISK MANAGEMENT (in HUF mn)

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

27.1. Credit risk

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

27.1.1. Analysis by loan types and by DPD categories

Classification into DPD categories

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

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

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

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

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

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

As at 31 December 2014

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

As at 31 December 2013

Loan type	Up to 90 days	91-360 days	Above 360 days	Total carrying amount / allowance
Mortgage loans	2,061,992	97,883	463,222	**2,623,097**
Corporate loans	1,566,018	49,897	288,784	**1,904,699**
Consumer loans	1,550,838	108,550	256,894	**1,916,282**
SME loans	306,767	11,967	133,497	**452,231**
Car-finance loans	188,221	13,286	38,594	**240,101**
Municipal loans	271,379	106	965	**272,450**
Gross portfolio	**5,945,215**	**281,689**	**1,181,956**	**7,408,860**
Placement with other banks	273,224	-	9	**273,233**
Bill of exchange	3,940	-	-	**3,940**
Total gross portfolio	**6,222,379**	**281,689**	**1,181,965**	**7,686,033**
Allowance for loans	(198,928)	(156,362)	(880,344)	**(1,235,634)**
Allowance for placements	(23)	-	(8)	**(31)**
Total allowance	**(198,951)**	**(156,362)**	**(880,352)**	**(1,235,665)**
Total net portfolio	**6,023,428**	**125,327**	**301,613**	**6,450,368**
Accrued interest				
for loans				68,044
for placements				277
Total accrued interest				**68,321**
Total net loans				**6,245,210**
Total net placements				**273,479**
Total net exposures				**6,518,689**

The Group's loan portfolio decreased by 6.1% in year 2014. Analysing the contribution of loan types to the loan portfolio, the share of the mortgage loan types slightly increased, the consumer and municipal loan type slightly decreased, while the other types of loans remained almost the same as at 31 December 2014 comparing with the previous year. As a consequence of the economic situation, the qualification of the loan portfolio deteriorated in the previous year, but for the end of 2014 the ratio of the more than 90 days past due to the above 360 days past due loans compared to the gross loan portfolio decreased from 19% to 18.6%. Among the qualified loan portfolio, the loans classified to the risk class of "more than 90 until 360 days past due" expanded at the fastest level.

The Group has a prudent provisioning policy, the indicator which describes the coverage of loans by provision for impairment on loans classified as "Above 360 days", was the same 74.5% as at 31 December 2014 and 31 December 2013 respectively.

Not impaired loan portfolio

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

As at 31 December 2014

Loan type	Not past due	Up to 90 days	91-360 days	Above 360 days	Total
Mortgage loans	1,254,458	150,032	6,170	7,526	1,418,186
Corporate loans	839,949	13,341	886	1,566	855,742
Consumer loans	374,485	57,522	207	166	432,380
Placement with other banks	280,891	-	-	-	280,891
SME loans	182,352	8,557	1,305	1,403	193,617
Municipal loans	97,866	263	19	34	98,182
Car-finance loans	52,772	20,917	128	3	73,820
Total	**3,082,773**	**250,632**	**8,715**	**10,698**	**3,352,818**

As at 31 December 2013

Loan type	Not past due	Up to 90 days	91-360 days	Above 360 days	Total
Mortgage loans	1,227,900	174,115	6,044	6,134	1,414,193
Corporate loans	822,027	18,792	406	1,205	842,430
Consumer loans	402,625	62,689	494	201	466,009
Placement with other banks	246,744	20	-	-	246,764
SME loans	191,023	10,848	1,328	2,130	205,329
Municipal loans	210,005	-	14	33	210,052
Car-finance loans	34,343	25,179	236	1	59,759
Total	**3,134,667**	**291,643**	**8,522**	**9,704**	**3,444,536**

Loans not past due or past due, but not impaired cover only balance sheet items.
The ratio of the gross value of the loans neither past due nor impaired compared to the whole portfolio slightly increased from 40.85% to 42.72% as at 31 December 2014 comparing to the end of the previous year. The ratio of the mortgage loans and placements with other banks compared to the portfolio of loans neither past due nor impaired increased slightly during year 2014, while the ratio of the municipal loans decreased mostly.

The loans that are past due but not impaired are concentrated mainly in the mortgage loan type. In the other loan types the low level of loans past due but not impaired is a consequence of the prudent provisioning policy of the Group.

Loans individually assessed for provision

The individually rated exposures contain both the loans and the off-balance sheet commitments. The rating has been performed based on the factors used at determining the provision for impairment for them.
An analysis of financial assets that are individually determined to be impaired, the factors taken into consideration at the assessment, the provision for impairment for them and the collaterals considered as at 31 December 2014 and 31 December 2013 is as follows:

As at 31 December 2014

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

As at 31 December 2013

Considered factors	**Carrying value**	**Allowance for impairment**	**Collateral value**	**Off-balance sheet commitments**	**Provision for off-balance sheet commitments**
Delay of payment	246,409	152,413	187,509	54	1
Decrease of client classification	158,892	39,529	119,532	7,510	4,369
Legal proceedings	179,831	132,950	67,360	190	94
Regularity of payment	472	196	222	-	-
Loan characteristics	54,200	7,448	19,775	-	-
Country risk	3,425	1,224	2,687	-	-
Cross default	12,906	5,695	4,592	1,396	219
Business lines risks	12,062	3,130	4,645	5,399	143
Restructuring	1,716	243	561	-	-
Other	22,159	7,399	16,714	6,000	379
Corporate total	**692,072**	**350,227**	**423,597**	**20,549**	**5,205**
Delay of payment	1,695	517	4,053	-	-
Legal proceedings	856	460	996	-	-
Decrease of client classification	3,170	164	-	99	1
Restructuring	4,746	47	3,667	-	-
Regularity of payment	1,221	12	-	-	-
Cross default	882	124	-	-	-
Other	14,583	456	-	1,044	10
Municipal total	**27,153**	**1,780**	**8,716**	**1,143**	**11**
Placements with other banks	**-**	**-**	**-**	**-**	**-**
Total	**719,225**	**352,007**	**432,313**	**21,692**	**5,216**

By 31 December 2014 the volume of the individually rated portfolio increased by 6.7% in the corporate loan type. Among the rating factors of the corporate loan type, the decrease is mostly based on the legal proceedings and loan characteristics, while increase is based on the regularity of payment and country risk. The decrease is more significant in the municipal loan portfolio, where the decrease is mostly based on the improving regularity of payment, restructuring, and on the improving client classification. The increase is based only on the delay of payment.

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

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

Loan portfolio by countries

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

Country	2014 Carrying amount of gross loan and placement with other banks portfolio	2014 Allowance	2013 Carrying amount of gross loan and placement with other banks portfolio	2013 Allowance
Hungary	2,888,007	357,121	3,216,051	436,238
Bulgaria	1,220,609	160,427	1,183,984	202,410
Russia	588,601	101,079	859,917	163,704
Ukraine	578,876	254,910	673,677	183,574
Croatia	510,344	39,442	417,850	30,892
Romania	484,602	69,475	474,080	63,308
Slovakia	370,649	22,920	335,866	22,824
Montenegro	186,890	71,542	200,175	80,312
United Kingdom	123,716	2,075	54,179	1,867
Serbia	112,822	33,037	108,274	36,998
Cyprus	47,333	10,476	50,082	10,412
Germany	22,440	91	28,289	81
United States of America	24,387	51	11,611	33
Austria	9,981	5	8,655	4
Switzerland	8,267	149	6,480	2
Czech Republic	6,829	13	6,299	-
France	5,284	1	14,772	-
Seychelles	4,877	4,855	4,624	2,317
Norway	4,649	25	1,404	2
Italy	4,598	3	180	1
Turkey	1,812	8	1,228	-
Denmark	1,660	-	1,062	-
Poland	1,454	-	3,417	-
The Netherlands	1,067	21	4,828	4
Sweden	263	8	1,759	8
Ireland	193	69	209	66
Kazakhstan	171	30	191	25
Japan	157	-	126	-
Belgium	86	6	11,506	1
Latvia	58	32	44	28
Spain	57	1	28	-
Australia	55	-	107	-
Island	41	29	39	27
Canada	38	-	128	-
Egypt	685	480	685	480
Luxembourg	-	-	3	2
Other[1]	1,271	751	284	45
Total[2]	**7,212,829**	**1,129,132**	**7,682,093**	**1,235,665**

The loan portfolio decreased mostly in Russia, Ukraine and Hungary, and increased in the Croatia and Slovakia but there were no significant changes in the other countries of Group members'. Their stock of provision increased mostly in Ukraine, Croatia and Romania, decreased in Russia, Bulgaria and Hungary due to the slightly decreased loan portfolio but there were no significant movements in none of the other countries.
In some countries the stock of provision increased due to local regulations on the base of which it is compulsory to account fix rate of provision on the non-qualified portfolio.

[1] Other category in the year of 2014 includes e.g.: Bosnia and Herzegovina, Greece, Hong Kong, Vietnam, Moldova, Macedonia, United Arab Emirates, Brazil, Israel, Slovenia, India, South Korea, Finland, Morocco, Armenia and Kyrgyzstan.
[2] Without the amount of bill of exchange.

27.1.2. Collaterals

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

Types of collaterals	**2014**	**2013**
Mortgages	5,323,528	5,899,371
Assignments (revenue or other receivables)	407,051	380,540
Guarantees of state or organizations owned by state	277,260	273,258
Guarantees and warranties	114,034	109,589
Cash deposits	74,435	83,890
Securities	34,508	56,813
Other	793,137	842,311
Total	**7,023,953**	**7,645,772**

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

Types of collaterals	**2014**	**2013**
Mortgages	2,737,324	3,064,157
Assignments (revenue or other receivables)	330,466	320,435
Guarantees of state or organizations owned by state	207,379	220,281
Guarantees and warranties	86,475	91,271
Cash deposits	42,956	50,080
Securities	16,723	12,054
Other	455,811	524,689
Total	**3,877,134**	**4,282,967**

The coverage level of the loan portfolio (total collaterals) decreased by 0.7%, as well as the coverage level to the extent of the exposures decreased by 1.05% as at 31 December 2014.

The fair value of collaterals related to past due, but not impaired loans

An analysis of the fair value of collaterals related to past due, but not impaired loans, total collaterals and to the extent of the exposures as at 31 December 2014 and 31 December 2013 is as follows:

Fair value of the collaterals (total collaterals)	**2014**	**2013**
Mortgage loans	268,137	310,271
Corporate loans	47,563	53,944
SME loans	46,095	51,357
Car-finance loans	17,640	20,507
Consumer loans	4,020	3,367
Municipal loans	88	64
Placements with other banks	-	-
Total	**383,543**	**439,510**

Fair value of the collaterals (to the extent of the exposures)	**2014**	**2013**
Mortgage loans	151,743	173,702
Corporate loans	14,788	18,728
SME loans	10,822	13,747
Car-finance loans	13,012	16,115
Consumer loans	1,320	760
Municipal loans	253	32
Placements with other banks	-	-
Total	**191,938**	**223,084**

The collaterals above are related to only on-balance sheet exposures.

27.1.3. Restructured loans

	2014		**2013**	
	Gross portfolio	**Allowance**	**Gross portfolio**	**Allowance**
Corporate loans	197,382	43,685	266,418	80,658
Retail loans	76,124	6,636	95,370	9,094
SME loans	14,046	2,018	16,381	1,954
Municipal loans	71	3	1,386	28
Total	**287,623**	**52,342**	**379,555**	**91,734**

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 / SME / municipal business line** contains every loan which is relevant restructured and less than 91 days delinquent. Loan is considered as relevant restructured if:

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

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

27.1.4. Financial instruments by rating categories[1]

Securities held for trading as at 31 December 2014

	Aaa	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba3	Not rated	Total
Shares	633	12	138	10	41	21	67	-	-	-	58,309[2]	59,231
Government bonds	1,044	-	-	-	-	-	4,072	5,093	12,733	-	-	22,942
Discounted Treasury bills	-	-	-	-	-	-	3,127	-	287	-	-	3,414
Other securities	-	-	-	-	-	-	-	-	4,175	-	264	4,439
Other non-interest bearing securities	-	-	-	-	-	-	-	1,672	-	18	2,299	3,989
Total	**1,677**	**12**	**138**	**10**	**41**	**21**	**7,266**	**6,765**	**17,195**	**18**	**60,872**	**94,015**
Accrued interest												625
Total												**94,640**

Securities available-for-sale as at 31 December 2014

	Aaa	A1	Baa2	Baa3	Ba1	Ba3	B1	Caa1	Caa3	C	Not rated	Total
Government bonds	-	-	40,092	210,045	418,796	-	-	-	1,078	117	10,195	680,323
Discounted Treasury bills	-	-	-	9,873	32,295	-	-	-	-	-	-	42,168
Corporate bonds	322	-	79	-	5,542	2,412	10	526	-	-	28,566	37,457
Other securities	-	-	-	-	20,826	-	-	-	-	-	312	21,138
Other non-interest bearing securities	48	22	-	483	-	-	-	-	-	-	43,093	43,646
Total	**370**	**22**	**40,171**	**220,401**	**477,459**	**2,412**	**10**	**526**	**1,078**	**117**	**82,166**	**824,732**
Accrued interest												15,694
Total												**840,426**

[1] Moody's ratings
[2] These contain mostly corporate shares listed on Budapest Stock Exchange.

Securities held-to-maturity as at 31 December 2014

	Aaa	A1	A2	Baa2	Baa3	Ba1	Caa3	Not rated	Total
Government bonds	4,497	-	22,681	1,184	11,065	641,644	10,648	691	692,410
Mortgage bonds	-	522	-	-	-	-	-	-	522
Discounted Treasury bills	-	-	-	-	-	346	-	173	519
Corporate bonds	-	-	-	-	-	-	-	7	7
Total	**4,497**	**522**	**22,681**	**1,184**	**11,065**	**641,990**	**10,648**	**871**	**693,458**
Accrued interest									16,725
Total									**710,183**

27.2. Market risk

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

27.2.1. Market Risk sensitivity analysis

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

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

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approach. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure. The FX Var rose due to significant increase of USD/RUB volatility.

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

Historical VaR (99%, one-day) by risk type	**Average**	
	2014	**2013**
Foreign exchange	1,263	241
Interest rate	391	488
Equity instruments	12	14
Diversification	(278)	(181)
Total VaR exposure	**1,388**	**562**

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

27.2.2. Foreign currency sensitivity analysis

The following table details the Group's sensitivity to an increase and decrease in the HUF exchange rate against the EUR, 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 and was long amounted to1.9 million CHF as at 31 December 2014. High portion of strategic positions is considered as effective hedge of future profit inflows of investment of foreign subsidiaries, and so FX risk affects the Group's other comprehensive income and not its earnings.

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

Probability	**Effects to the Consolidated Statement of Recognized Income in 3 months period**	
	2014	**2013**
	In HUF billion	In HUF billion
1%	(15.2)	(12.7)
5%	(10.6)	(8.7)
25%	(4.6)	(3.6)
50%	(0.8)	(0.3)
25%	2.9	2.8
5%	7.9	7.0
1%	11.7	9.9

Notes:

(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.

(2) The HUF/EUR volatility remained at its long term average, so the probability of losses or gains has not changed significantly.

(3) Monte Carlo simulation is based on the empirical distribution of the historical exchange rate movements between 2002 and 2014.

27.2.3. Interest rate sensitivity analysis

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

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

The simulations were prepared by assuming two scenarios:

(1) HUF base rate decreases gradually to 1.5% (probable scenario)

(2) HUF base rate decreases gradually to 0.1% (alternative scenario)

The net interest income in a one year period after 31 December 2014 would be decreased by HUF 1,030 million (probable scenario) and HUF 4,098 million (alternative scenario) as a result of these simulation. The same simulation indicated HUF 2,208 million (probable scenario) and HUF 3,432 million (alternative scenario) decrease in the Net interest income in a one year period after 31 December 2013. This effect is counterbalanced by capital gains (HUF 899 million for probable scenario, HUF 3,689 million for alternative scenario) as at 31 December 2014 and (HUF 1,344 million for probable scenario, HUF 1,978 million for alternative scenario) as at 31 December 2013 on the government bond portfolio held for hedging (economic).

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

Description	2014 Effects to the net interest income (one-year period)	2014 Effects to capital (Price change of AFS government bonds)	2013 Effects to the net interest income (one-year period)	2013 Effects to capital (Price change of AFS government bonds)
HUF (0.1%) parallel shift	(361)	374	(410)	240
EUR (0.1%) parallel shift	(503)	-	(451)	-
USD (0.1%) parallel shift	(50)	-	(3)	-
Total	**(914)**	**374**	**(864)**	**240**

27.2.4. Equity price sensitivity analysis

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

Description	2014	2013
VaR (99%, one day, HUF million)	13	14
Stress test (HUF million)	(43)	(60)

27.2.5. Capital management

Capital management

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

Capital adequacy

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

The Group has entirely complied with the regulatory capital requirements in 2014 as well as in 2013.

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

For international comparison purposes, the Group calculated the Regulatory capital based on IFRS data, and the consolidated Capital adequacy ratio based on this. The capital adequacy calculations of the Group were prepared in accordance with Basel II at the end of 2013, while due to the modifications of the regulations it was calculated on the base of Basel III as at 31 December 2014. The Capital adequacy ratio of the Group (Basel III) was 17.5%, the Regulatory capital was HUF 1,201,874 million and the Total regulatory capital requirement was HUF 548,755 million as at 31 December 2014. The same ratios calculated as at 31 December 2013 according to Basel II were the following: 19.9%, HUF 1,440,962 million and HUF 579,408 million.

Calculation on IFRS basis	**2014**		**2013**
	Basel III		**Basel II**
Core capital (Tier 1) = Common Equity Tier 1 (CET 1)	***969,935***	***Core capital (Tier 1)***	***1,264,286***
		Positive components	*1,513,448*
Issued capital	28,000	Issued capital	28,000
Reserves	1,280,396	Reserves	1,385,423
Other capital components	(113,047)	Other issued capital components	100,025
Fair value corrections	25,389	Negative components	(249,162)
Non-controlling interests	736		
Treasury shares	(55,940)	Treasury shares	(55,599)
Goodwill and other intangible assets	(158,681)	Goodwill and other intangible assets	(193,563)
Other adjustments	(36,918)		
Additional Tier 1 (AT1)	-		
Supplementary capital (Tier 2)	***231,939***	***Supplementary capital (Tier 2)***	***177,043***
Subordinated bonds and loans	133,217	Subordinated bonds and loans	164,393
Other issued capital components	96,019	Fair value corrections	12,650
Components recognized in T2 capital issued by subsidiaries	2,703		
		Deductions	***(367)***
Regulatory capital[1]	**1,201,874**	**Regulatory capital**	**1,440,962**
Credit risk capital requirement	450,073	Credit risk capital requirement	461,765
Market risk capital requirement	26,848	Market risk capital requirement	37,295
Operational risk capital requirement	71,834	Operational risk capital requirement	80,348
Total requirement regulatory capital	**548,755**	**Total requirement regulatory capital**	**579,408**
Surplus capital	**653,119**	**Surplus capital**	**861,554**
CET 1 ratio	14.1%	CET 1 ratio	-
Tier 1 ratio	14.1%	Tier 1 ratio	17.5%
Capital adequacy ratio	**17.5%**	**Capital adequacy ratio**	**19.9%**

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

Basel II

The positive components of the Core capital are the following: Issued capital, Other reserve, Profit reserve, Changes in the equity of subsidiaries, Changes due to consolidation, Profit for the year, Other issued capital components.

The negative components of the Core capital are the following: Treasury shares, Goodwill and other Intangible assets, Dividends.

The components of the Supplementary capital are the following: Supplementary loan capital, Subordinated loan capital, Revaluation reserves, Fair value adjustments, Share based payments, Cash-flow hedges, Net investment hedge in foreign operations (in Supplementary Capital), Other issued capital.

The components of the Deductions: deductions due to investments.

Basel III

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

Supplementary capital (Tier 2): Subordinated loan capital, Supplementary loan capital, Other issued capital components, Components recognized in T2 capital issued by subsidiaries.

The capital adequacy of the foreign subsidiary banks prescribed by the local regulator, and the compliance with these prescriptions is as follows:

Subsidiary bank	Country	2014	2013
JSC “OTP Bank” (Russia)	Russia	12.1%	14.0%
OTP Bank JSC (Ukraine)	Ukraine	10.4%	20.6%
DSK Bank EAD	Bulgaria	18.0%	16.4%
OTP Bank Romania S.A.	Romania	12.7%	12.7%
OTP banka Srbija a.d.	Serbia	31.5%	37.8%
OTP banka Hrvatska d.d.	Croatia	15.0%	16.7%
OTP Banka Slovensko a. s.	Slovakia	13.5%	10.6%
Crnogorska komercijalna banka	Montenegro	15.8%	14.4%

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

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

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

Contingent liabilities

	2014	2013
Commitments to extend credit	999,732	1,266,185
Guarantees arising from banking activities	368,670	312,994
Contingent liabilities ordered by law related to customer loans[1]	157,693	-
from this: obligation related to application of the bid-ask exchange rate spread	*31,297*	-
from this: obligation related to unilateral amendment of contractual clauses	*126,396*	-
Legal disputes (disputed value)	71,808	66,988
Confirmed letters of credit	25,581	25,919
Other	208,915	138,422
Total	**1,832,399**	**1,810,508**

Legal disputes

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

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash-flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provisions due to legal disputes were HUF 7,454 million and HUF 3,267 million as at 31 December 2014 and 2013, respectively. (See Note 17.)

Complying with Act CXX of 2001 on the capital market, the Bank announces that action for damages initiated by DOO VEKTRA JAKIC in bankruptcy in the amount of EUR 80 million against OTP before the Commercial Court in Bijelo Polje (Montenegro) has been dismissed entirely and the court decided in favour of OTP. The decision of the court is subject to appeal. The Bank considers the claim is entirely unfounded as it is confirmed by the court of first instance.

The Competition Council of the Hungarian Competition Authority with its resolution issued on 18 June 2014 established that OTP committed a violation of law, therefore the company was obliged to pay a fine in the amount of HUF 38 million.

Commitments to extend credit, guarantees and letters of credit

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

[1] See details in Note 2.28.

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

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

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

Guarantees, payment undertakings arising from banking activities

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

Derivatives

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

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

Cross-currency interest rate swaps

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

Equity and commodity swaps

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

Forward rate agreements (FRA)

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

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

Foreign exchange options

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

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

Previously approved option program required a modification thanks to the introduction of the Bank Group Policy on Payments accepted in 9/2011 resolution of Annual General Meeting regarding to the amendment of CRD III. directives and Act on Credit Institutions and Financial Enterprises.
Key management personnel affected by the Bank Group Policy receive compensation based on performance assessment generally in the form of cash bonus and equity shares in a ratio of 50-50%. Assignment is based on OTP shares, furthermore performance based payments are deferred in accordance with the rules of Credit Institutions Act.
The Bank ensures the share-based payment part for the management personnel of the Group members.
The value of the discounted share-based payment at the performance assessment is determined by Board of Directors based on the average of the three previous trade day's middle rate of the Bank's equity shares fixed on the Budapest Stock Exchange.
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 Board of Directors, 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 the Board of Directors made a decision to cancel the share-based payment in the referred countries.

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 Employee Benefits shall be applied in accounting for all employee benefits, except those to which IFRS 2 Share-based Payment applies. In case of the jubilee benefits both standards contain regulations.
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Post-employment benefits are employee benefits (other than termination and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Other long-term employee benefits are all employee benefits other than short-term employee benefits, postemployment benefits and termination benefits.

Board of Directors determined the parameters for the share-based payment relating to the year 2010-2013 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
	for the year 2010		**for the year 2011**		**for the year 2012**		**for the year 2013**	
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
2016	-	-	-	-	2,886	3,500	2,522	3,500
2017	-	-	-	-	-	-	2,522	3,500

Based on parameters accepted by Board of Directors relating to the year **2010** effective pieces are follows as at 31 December 2014:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2014	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	497,451	-	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2011** as at 31 December 2014:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2014	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	214,805	609,137	394,332	4,491	-
Share purchasing period starting in 2015	724,886	-	-	-	-

Effective pieces are follows in exercise periods of each year relating to the year **2012** as at 31 December 2014:

	Effective pieces	Approved pieces of shares	Exercised until 31 December 2014	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	720,281	1,156,631	436,350	4,502	-
Share purchasing period starting in 2015	649,653	-	-	-	-
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 2014:

	Effective pieces	Approved pieces of shares	Exercised until 30 June 2014	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 starting in 2015	843,340	-	-	-	-
Share purchasing period starting in 2016	495,340	-	-	-	-
Share purchasing period starting in 2017	549,909	-	-	-	-

Effective pieces relating to the periods starting in 2015-2017 settled during valuation of performance of year 2011-2013, can be modified based on risk assessment and personal changes.

In connection with shares as a part of the Bank Group Policy on Payments modified by 7/2013 resolution of Annual General Meeting and the share-based compensation for Board of Directors detailed in 8/2013 resolution of Annual General Meeting and connecting compensation based on performance assessment accounted as equity-settled share based transactions, HUF 4,393 million was recognized as expense as at 31 December 2014.

NOTE 30: RELATED PARTY TRANSACTIONS (in HUF mn)

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

Compensations	**2014**	**2013**
Short-term employee benefits	8,373	9,534
Share-based payment	2,937	3,297
Other long-term employee benefits	739	965
Termination benefits	135	89
Total	**12,184**	**13,885**

	2014	**2013**
Commitments to extend credit and guarantees	15,690	1,221
Loans provided to companies owned by the Management (normal course of business)	13,357	38,828
Credit lines of the members of Board of Directors and the Supervisory Board and their close family members (at normal market conditions)	334	559

	2014	2013
Loans provided to unconsolidated subsidiaries	1,304	1,124

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 164.3 million and HUF 175.4 million as at 31 December 2014 and as at 31 December 2013.

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

	2014	2013
Members of Board of Directors and their close family	24	26
Members of Supervisory Board	4	4
Chief executives	2	-

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

	2014	2013
Members of Board of Directors and their close family	38	51
Members of Supervisory Board	-	3

One member of Board of Directors and its family member owned AMEX Blue credit card loan in the amount of HUF 0.6 million as at 2014 and 31 December 2013, respectively.

Chief executives owned AMEX Gold credit card loan in the amount of HUF 3.5 million as at 2014 and 31 December 2013, respectively.

The members of the Board of Directors, members of the Supervisory Board, chief executives and their close family members owned AMEX Platinum credit card loan in the amount of HUF 23.5 and 10.5 million , respectively as at 31 December 2014 and 31 December 2013.

Members of Board of Directors, members of Supervisory Board and chief executives owned other kinds of credit card loan, which are not listed above in the amount of HUF 18.2 and 35.4 million as at 2014 and 31 December 2013, respectively.

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

	2014	2013
Members of Board of Directors	539	545
Members of Supervisory Board	73	71
Total	**612**	**616**

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

NOTE 31: ACQUISITION (in HUF mn)

a) Purchase and consolidation of subsidiaries

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

The fair value of the assets and liabilities acquired, and the related negative goodwill (gain from bargain purchase) is as follows:

	2014
Cash, amounts due from banks and balances with the National Ban	1,719
Placements with other banks, net of allowance for placement losses	26,797
Financial assets at fair value through profit or loss	-
Securities available-for-sale	4,555
Loans, net of allowance for loan losses	52,566
Associates and other investments	-
Securities held-to-maturity	-
Property and equipment	2,320
Intangible assets	248
Other assets	188
Amounts due to banks, the Hungarian Government, deposits from the National Banks	(4,067)
Deposits from customers	(72,565)
Liabilities from issued securities	-
Financial liabilities at fair value through profit or loss	-
Other liabilities	(2,798)
Subordinated bonds and loans	-
Net assets	**8,963**
Non-controlling interest	-
Negative goodwill	(4,400)
Cash consideration	**4,563**

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

	2014
Cash consideration	(4,563)
Cash acquired	1,719
Net cash outflow	**(2,844)**

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

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

Significant subsidiaries

Name	Ownership (Direct and Indirect)		Activity
	2014	**2013**	
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank JSC (Ukraine)	100.00%	100.00%	commercial banking services
JSC “OTP Bank” (Russia)	97.86%	97.81%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Srbija a.d. (Serbia)	97.90%	97.56%	commercial banking services
OTP Banka Slovensko a. s. (Slovakia)	99.26%	99.21%	commercial banking services
OTP Financing Malta Company Ltd. (Malta)	100.00%	-	refinancing activities
OTP Factoring Ltd.	100.00%	100.00%	work-out
OTP Mortgage Bank Ltd.	100.00%	100.00%	mortgage lending
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
Merkantil Bank Ltd.	100.00%	100.00%	finance lease
Merkantil Car Ltd.	100.00%	100.00%	finance lease
OTP Building Society Ltd.	100.00%	100.00%	flat finance and reconstruction
OTP Fund Management Ltd.	100.00%	100.00%	fund management
Crnogorska komercijalna banka a.d. (Montenegro)	100.00%	100.00%	commercial banking services
OTP Financing Netherlands B.V. (the Netherlands)	100.00%	100.00%	refinancing activities
OTP Holding Ltd. (Cyprus)/ OTP Financing Cyprus	100.00%	100.00%	refinancing activities
Bank Center No. 1. Ltd.	100.00%	100.00%	real estate lease
Inga Kettő Ltd.	100.00%	100.00%	property management
OTP Funds Servicing and Consulting Ltd.	100.00%	100.00%	fund services
OTP Real Estate Leasing Ltd. (previously OTP Flat Lease Ltd.)	100.00%	100.00%	real estate leasing
OTP Life Annuity Ltd.	100.00%	100.00%	life annuity services

Significant associates[1]

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

As at 31 December 2014

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

As at 31 December 2013

	KITE Mezőgazdasági Szolgáltató és Kereskedelmi Ltd.	*D-ÉG Thermoset Ltd.*	*Company for Cash Services Ltd.*	*Suzuki Pénzügyi Szolgáltató Ltd.*	*Total*
Total assets	48,717	5,961	2,130	636	**57,444**
Total liabilities	18,774	4,540	83	9	**23,406**
Shareholders' equity	29,943	1,421	2,047	627	**34,038**
Total revenues	221,461	6,412	1,017	37	**228,927**

NOTE 33: TRUST ACTIVITIES (in HUF mn)

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

	2014	**2013**
The amount of loans managed by the Group as a trustee	39,706	42,345

[1] Based on unaudited financial statements.

NOTE 34: CONCENTRATION OF ASSETS AND LIABILITIES

	2014	2013
In the percentage of the total assets		
Receivables from, or securities issued by the Hungarian Government or the NBH[1]	27.9%	21.0%

There were no other significant concentrations of the assets or liabilities of the Group as at 31 December 2014 or as at 31 December 2013.

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

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

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

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

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

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

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

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

[1] Securities issued by the NBH were changed into two-weeks NBH deposit during the year ended 31 December 2014.

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

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

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

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

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

As at 31 December 2013	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Without maturity	Total
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	467,393	60,220	197,362	84,786	-	809,761
Deposits from customers	5,515,729	1,110,320	264,421	23,144	-	6,913,614
Liabilities from issued securities	65,351	211,232	111,567	65,940	-	454,090
Other liabilities[1]	329,973	15,572	12,223	1,222	-	358,990
Subordinated bonds and loans	3,211	4,311	178,764	-	104,842[2]	291,128
TOTAL LIABILITIES	**6,381,657**	**1,401,655**	**764,337**	**175,092**	**104,842**	**8,827,583**
Receivables from derivative financial instruments classified as held for trading	741,284	103,784	56,205	14,920	-	916,193
Liabilities from derivative financial instruments classified as held for trading	(772,367)	(114,122)	(94,783)	(32,048)	-	(1,013,320)
Net notional value of financial instruments classified as held for trading	**(31,083)**	**(10,338)**	**(38,578)**	**(17,128)**	**-**	**(97,127)**
Receivables from derivative financial instruments designated as fair value hedge	250,813	249,030	688,987	3,942	-	1,192,772
Liabilities from derivative financial instruments designated as fair value hedge	(261,502)	(264,224)	(735,838)	(2,579)	-	(1,264,143)
Net notional value of financial instruments designated as fair value hedge	**(10,689)**	**(15,194)**	**(46,851)**	**1,363**	**-**	**(71,371)**
Net notional value of derivative financial instruments total	**(41,772)**	**(25,532)**	**(85,429)**	**(15,765)**	**-**	**(168,498)**
Commitments to extend credit	652,949	379,707	158,340	69,161	6,028	1,266,185
Bank guarantees	53,902	78,177	154,536	25,876	503	312,994
Off-balance sheet commitments	**706,851**	**457,884**	**312,876**	**95,037**	**6,531**	**1,579,179**

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

As at 31 December 2014

	USD	EUR	CHF	Others	Total
Assets	434,794	1,887,373	817,241	2,278,135	5,417,543
from this: loans concerned in conversion into HUF[3]	-	27,842	402,150	74,704	504,696
Liabilities	(428,962)	(1,887,894)	(139,131)	(2,263,759)	(4,719,746)
from this: provision for loans concerned in conversion into HUF[1]	-	(1,531)	(73,854)	(3,870)	(79,255)
Off-balance sheet assets and liabilities, net	(9,117)	(40,166)	(277,512)	55,425	(271,370)
Net position	**(3,285)**	**(40,687)**	**400,598**	**69,801**	**1,124,224**

[1] Without derivative financial instruments designated as fair value hedge.
[2] See Note 18.
[3] Loans were converted into HUF at foreign exchange rates applied in conversion due to Acts on Customer loans, so these do not bear further foreign currency risk or exposure. Loans denominated in JPY are included by others. See Note 2.28.

As at 31 December 2013

	USD	EUR	CHF	Others	Total
Assets	490,095	1,523,379	934,116	2,620,053	5,567,643
Liabilities	(423,536)	(1,477,154)	(209,899)	(2,312,443)	(4,423,032)
Off-balance sheet assets and liabilities, net	44,933	(2,758)	(743,924)	(109,072)	(810,821)
Net position	**111,492**	**43,467**	**(19,707)**	**198,538**	**333,790**

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

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

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

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

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

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

As at 31 December 2014

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

As at 31 December 2014

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

As at 31 December 2013

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, amounts due from banks and balances with the National Banks	**51,834**	**51,999**	**208**	**143**	**-**	**54**	**-**	**84**	**-**	**-**	**68,122**	**366,681**	**120,164**	**418,961**	**539,125**
fixed rate	*49,234*	*15,062*	*14*	*9*	*-*	*54*	*-*	*84*	*-*	*-*	*-*	*-*	*49,248*	*15,209*	*64,457*
variable rate	*2,600*	*36,937*	*194*	*134*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*2,794*	*37,071*	*39,865*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*68,122*	*366,681*	*68,122*	*366,681*	*434,803*
Placements with other banks, net of allowance for placements losses	**32,423**	**189,021**	**-**	**27,182**	**-**	**919**	**-**	**-**	**-**	**4,804**	**1,033**	**18,097**	**33,456**	**240,023**	**273,479**
fixed rate	*32,423*	*168,781*	*-*	*7,059*	*-*	*919*	*-*	*-*	*-*	*4,677*	*-*	*-*	*32,423*	*181,436*	*213,859*
variable rate	*-*	*20,240*	*-*	*20,123*	*-*	*-*	*-*	*-*	*-*	*127*	*-*	*-*	*-*	*40,490*	*40,490*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,033*	*18,097*	*1,033*	*18,097*	*19,130*
Securities held for trading	**211,318**	**81**	**2,515**	**2,104**	**4,629**	**6,019**	**604**	**2,019**	**3,562**	**28,279**	**73,201**	**7,209**	**295,829**	**45,711**	**341,540**
fixed rate	*211,318*	*81*	*2,327*	*2,104*	*4,484*	*5,808*	*604*	*2,019*	*3,562*	*28,279*	*-*	*-*	*222,295*	*38,291*	*260,586*
variable rate	*-*	*-*	*188*	*-*	*145*	*211*	*-*	*-*	*-*	*-*	*-*	*-*	*333*	*211*	*544*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*73,201*	*7,209*	*73,201*	*7,209*	*80,410*
Securities available-for-sale	**1,152,169**	**38,649**	**10,449**	**36,614**	**26,967**	**52,259**	**37,793**	**48,589**	**87,696**	**96,282**	**30,794**	**18,994**	**1,345,868**	**291,387**	**1,637,255**
fixed rate	*1,152,169*	*36,443*	*10,449*	*35,109*	*26,967*	*52,259*	*37,793*	*48,066*	*87,696*	*96,282*	*-*	*-*	*1,315,074*	*268,159*	*1,583,233*
variable rate	*-*	*2,206*	*-*	*1,505*	*-*	*-*	*-*	*523*	*-*	*-*	*-*	*-*	*-*	*4,234*	*4,234*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30,794*	*18,994*	*30,794*	*18,994*	*49,788*
Loans, net of allowance for loan losses	**927,001**	**2,354,717**	**267,460**	**884,164**	**58,677**	**401,809**	**38,844**	**193,812**	**305,968**	**496,783**	**53,295**	**262,680**	**1,651,245**	**4,593,965**	**6,245,210**
fixed rate	*2,349*	*336,096*	*8,559*	*136,371*	*13,891*	*350,547*	*4,400*	*191,254*	*31,227*	*461,702*	*-*	*-*	*60,426*	*1,475,970*	*1,536,396*
variable rate	*924,652*	*2,018,621*	*258,901*	*747,793*	*44,786*	*51,262*	*34,444*	*2,558*	*274,741*	*35,081*	*-*	*-*	*1,537,524*	*2,855,315*	*4,392,839*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*53,295*	*262,680*	*53,295*	*262,680*	*315,975*
Securities held-to-maturity	**-**	**1,653**	**10,682**	**2,692**	**5,368**	**25,977**	**57,681**	**1,301**	**434,086**	**26,693**	**12,782**	**1,136**	**520,599**	**59,452**	**580,051**
fixed rate	*-*	*1,429*	*-*	*2,199*	*341*	*25,946*	*57,681*	*1,301*	*434,086*	*26,693*	*-*	*-*	*492,108*	*57,568*	*549,676*
variable rate	*-*	*224*	*10,682*	*493*	*5,027*	*31*	*-*	*-*	*-*	*-*	*-*	*-*	*15,709*	*748*	*16,457*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*12,782*	*1,136*	*12,782*	*1,136*	*13,918*
Derivative financial instruments	**577,139**	**1,217,265**	**473,140**	**1,004,215**	**75,883**	**100,740**	**12,228**	**28,152**	**30,284**	**21,430**	**-**	**666**	**1,168,674**	**2,372,468**	**3,541,142**
fixed rate	*255,095*	*787,732*	*30,759*	*189,203*	*52,259*	*97,755*	*12,149*	*28,152*	*30,284*	*21,430*	*-*	*-*	*380,546*	*1,124,272*	*1,504,818*
variable rate	*322,044*	*429,533*	*442,381*	*815,012*	*23,624*	*2,985*	*79*	*-*	*-*	*-*	*-*	*-*	*788,128*	*1,247,530*	*2,035,658*
non-interest-bearing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*666*	*-*	*666*	*666*

As at 31 December 2013

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearin		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Amounts due to banks, the Hungarian Government, deposits from the National Bank of Hungary and other banks	**328,326**	**169,044**	**10,336**	**60,570**	**67,457**	**11,223**	**798**	**10,264**	**85,647**	**26,184**	**12,323**	**2,040**	**504,887**	**279,325**	**784,212**
fixed rate	*315,291*	*135,680*	*6,548*	*1,839*	*1,041*	*9,822*	*798*	*10,171*	*85,647*	*25,541*	-	-	*409,325*	*183,053*	*592,378*
variable rate	*13,035*	*33,364*	*3,788*	*58,731*	*66,416*	*1,401*	-	*93*	-	*643*	-	-	*83,239*	*94,232*	*177,471*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*12,323*	*2,040*	*12,323*	*2,040*	*14,363*
Deposits from customers	**1,485,295**	**1,972,383**	**483,898**	**472,617**	**208,557**	**727,571**	**106,210**	**85,970**	**900,609**	**239,337**	**9,022**	**175,137**	**3,193,591**	**3,673,015**	**6,866,606**
fixed rate	*1,119,266*	*917,332*	*463,338*	*463,968*	*208,450*	*595,679*	*106,210*	*73,423*	*16,490*	*29,523*	-	-	*1,913,754*	*2,079,925*	*3,993,679*
variable rate	*366,029*	*1,055,051*	*20,560*	*8,649*	*107*	*131,892*	-	*12,547*	*884,119*	*209,814*	-	-	*1,270,815*	*1,417,953*	*2,688,768*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*9,022*	*175,137*	*9,022*	*175,137*	*184,159*
Liabilities from issued securities	**6,767**	**3,510**	**17,874**	**33,748**	**21,372**	**126,792**	**26,578**	**39,431**	**153,519**	**3,610**	**8,556**	**3,461**	**234,666**	**210,552**	**445,218**
fixed rate	*6,436*	*3,510*	*17,729*	*21,524*	*20,713*	*126,792*	*25,040*	*39,431*	*121,923*	*3,610*	-	-	*191,841*	*194,867*	*386,708*
variable rate	*331*	-	*145*	*12,224*	*659*	-	*1,538*	-	*31,596*	-	-	-	*34,269*	*12,224*	*46,493*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	*8,556*	*3,461*	*8,556*	*3,461*	*12,017*
Derivative financial instruments	**434,554**	**1,368,756**	**64,868**	**1,459,170**	**44,510**	**129,093**	**28,699**	**28,541**	**22,221**	**21,096**	-	**624**	**594,852**	**3,007,280**	**3,602,132**
fixed rate	*434,025*	*593,255*	*63,836*	*155,299*	*40,519*	*106,518*	*28,699*	*28,541*	*22,221*	*21,096*	-	-	*589,300*	*904,709*	*1,494,009*
variable rate	*529*	*775,501*	*1,032*	*1,303,871*	*3,991*	*22,575*	-	-	-	-	-	-	*5,552*	*2,101,947*	*2,107,499*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*624*	-	*624*	*624*
Subordinated bonds and loans	-	**100**	-	**27,746**	-	**15,117**	-	-	-	**221,041**	-	**3,158**	-	**267,162**	**267,162**
fixed rate	-	-	-	-	-	-	-	-	-	*221,041*	-	-	-	*221,041*	*221,041*
variable rate	-	*100*	-	*27,746*	-	*15,117*	-	-	-	-	-	-	-	*42,963*	*42,963*
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	*3,158*	-	*3,158*	*3,158*
Net position	**696,942**	**339,592**	**187,478**	**(96,737)**	**(170,372)**	**(422,019)**	**(15,135)**	**109,751**	**(300,400)**	**163,003**	**209,326**	**491,043**	**607,839**	**584,633**	**1,192,472**

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

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

	2014	2013
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	(101,985)	64,199
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (number of share)	267,035,159	266,914,990
Basic Earnings per share (in HUF)	**(382)**	**241**
Consolidated net profit for the year attributable to ordinary shareholders (in HUF mn)	(101,985)	64,199
Modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS (number of share)	267,323,299	267,148,860
Diluted Earnings per share (in HUF)	**(382)**	**240**

	2014	2013
	Number of shares	
Weighted average number of ordinary shares	280,000,010	280,000,010
Average number of Treasury shares	12,964,851	13,085,020
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS	**267,035,159**	**266,914,990**
Dilutive effects of options issued in accordance with the Remuneration Policy / Management Option Program and convertible into ordinary shares[1]	288,140	233,870
The modified weighted average number of ordinary shares outstanding during the year for calculating diluted EPS	**267,323,299**	**267,148,860**

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

[1] The dilutive effect is in connection with the Remuneration Policy.

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

As at 31 December 2014

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

As at 31 December 2013

	Net interest gain and loss	Net non-interest gain and loss	Provision for impairment	Other Comprehensive Income
Cash, amounts due from banks and balances with the National Banks	4,207	-	-	-
Placements with other banks, net of allowance for placements losses	5,151	-	374	-
Securities held for trading	924	313	-	-
Securities available-for-sale	71,743	7,936	-	(2,125)
Loans, net of allowance for loan losses	765,042	7,312	(262,943)	-
Securities held-to-maturity	33,002	(87)	11	-
Derivative financial instruments	25,307	(1,569)	-	-
Amounts due to banks , the Hungarian Government, deposits from the National Banks and other banks	(13,826)	-	-	-
Deposits from customers	(191,514)	157,707	-	-
Liabilities from issued securities	(34,896)	-	-	-
Subordinated bonds and loans	(11,412)	-	-	-
Total	**653,728**	**171,612**	**(262,558)**	**(2,125)**

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

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

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

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

a) Fair value of financial assets and liabilities

	2014		2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash, amounts due from banks and balances with the National Banks	2,307,632	2,307,632	539,125	539,125
Placements with other banks, net of allowance for placements losses	281,006	280,999	273,479	280,984
Financial assets at fair value through profit or loss	289,275	289,275	415,605	415,605
Securities held for trading	*94,640*	*94,640*	*341,540*	*341,540*
Fair value of derivative financial instruments classified as held for trading	*194,635*	*194,635*	*74,065*	*74,065*
Securities available-for-sale	839,152	839,152	1,637,255	1,637,255
Loans, net of allowance for loan losses	5,864,241	6,506,922	6,245,210	6,635,614
Securities held-to-maturity	709,369	704,875	580,051	588,899
Fair value of derivative financial instruments designated as fair value hedge	30,454	30,454	26,803	26,803
Financial assets total	**10,321,129**	**10,959,309**	**9,717,528**	**10,124,285**

	2014		2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Amounts due to banks, the Hungarian Government, deposits from the National Banks and other banks	708,274	708,284	784,212	765,467
Deposits from customers	7,673,478	7,672,819	6,866,606	6,874,230
Liabilities from issued securities	267,084	317,834	445,218	461,956
Fair value of derivative financial instruments designated as fair value hedge	85,679	85,679	74,695	74,695
Fair value of derivative financial instruments classified as held for trading	183,994	183,994	87,164	87,164
Subordinated bonds and loans	281,968	281,968	267,162	247,605
Financial liabilities total	**9,200,477**	**9,250,578**	**8,525,057**	**8,511,117**

b) Fair value of derivative instruments

	Fair value		Notional value, net	
	2014	**2013**	**2014**	**2013**
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	43,401	53,667	45,929	59,566
Negative fair value of interest rate swaps classified as held for trading	(63,691)	(67,881)	(67,678)	(74,603)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	48,636	5,357	42,458	5,512
Negative fair value of foreign exchange swaps classified as held for trading	(51,537)	(5,316)	(48,154)	(5,876)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated as fair value hedge	14,032	9,733	8,539	5,836
Negative fair value of interest rate swaps designated as fair value hedge	(3,463)	(2,639)	(4,602)	682
Foreign exchange swaps designated as fair value hedge				
Positive fair value of foreign exchange swaps designated as fair value hedge	2,437	1,520	2,276	2,097
Negative fair value of foreign exchange swaps designated as fair value hedge	(2,276)	(499)	(2,066)	(587)
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	85,010	8,133	83,611	8,883
Negative fair value of CCIRS classified as held for trading	(53,724)	(7,521)	(51,012)	(9,126)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	-	311	-	171
Negative fair value of mark-to-market CCIRS classified as held for trading	-	-	-	-

	Fair value		Notional value, net	
	2014	2013	2014	2013
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated as fair value hedge	13,940	13,934	14,095	13,826
Negative fair value of CCIRS designated as fair value hedge	(70,364)	(68,742)	(70,124)	(70,004)
Mark-to-market CCIRS designated as fair value hedge				
Positive fair value of mark-to-market CCIRS designated as fair value hedge	-	1,538	-	1,295
Negative fair value of mark-to-market CCIRS designated as fair value hedge	(9,576)	(2,770)	(9,856)	(3,339)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated as fair value hedge	45	78	39	2,617
Negative fair value of other derivative contracts designated as fair value hedge	-	(45)	-	(547)
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	17,588	6,597	14,592	2,845
Negative fair value of other derivative contracts classified as held for trading	(15,042)	(6,446)	(11,844)	(15,041)
Derivative financial assets total	**225,089**	**100,868**	**211,539**	**102,648**
Derivative financial liabilities total	**(269,673)**	**(161,859)**	**(265,336)**	**(178,441)**
Derivative financial instruments total	**(44,584)**	**(60,991)**	**(53,797)**	**(75,793)**

c) Hedge accounting

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

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

As at 31 December 2014

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

As at 31 December 2013

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 7,095 million	Interest rate
3) Net investment hedge in foreign operations[1]	CCIRS and issued securities	HUF (1,743) million	Foreign exchange

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

d) Fair value hedges

1. Deposits from customers

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

	2014	2013
Fair value of the hedging instruments	107	101

2. Securities available-for-sale

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

	2014	2013
Fair value of the hedging instruments	(2,570)	(879)

3. Loans to customers

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

	2014	2013
Fair value of the hedging instruments	(417)	(518)

4. Issued securities

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

	2014	2013
Fair value of the hedging IRS instruments	13,449	8,379
Fair value of the hedging index option	9	12

As at 31 December 2014

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

As at 31 December 2013

Types of hedged items	Types of hedging instruments	Fair value of the hedged items	Fair value of the hedging instruments	Gains/ Losses on the hedged items	Gains/ Losses on hedging instruments
Securities available-for-sale	IRS	HUF 23,629 million	HUF (879) million	HUF (388) million	HUF 388 million
Loans to customers	IRS	HUF 12,866 million	HUF (518) million	HUF (540) million	HUF 540 million
Deposits from customers	IRS	HUF 5,224 million	HUF 101 million	HUF (197) million	HUF 197 million
Liabilities from issued securities	IRS	HUF 94,344 million	HUF 8,379 million	HUF (6,640) million	HUF 6,640 million
Liabilities from issued securities	Index option	HUF 644 million	HUF 12 million	HUF (8) million	HUF 8 million

e) Fair value classes

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

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

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

As at 31 December 2014

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

As at 31 December 2013

	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	414,618	321,194	93,424	-
from this: securities held for trading	340,553	321,133	19,420	-
from this: positive fair value of derivative financial instruments classified as held for trading	74,065	61	74,004	-
Securities available-for-sale	1,628,005	1,474,724	153,254	27
Positive fair value of derivative financial instruments designated as fair value hedge	26,803	7	26,796	-
Financial assets measured at fair value total	**2,069,426**	**1,795,925**	**273,474**	**27**
Negative fair value of derivative financial instruments classified as held for trading	87,164	18	87,146	-
Negative fair value of derivative financial instruments designated as fair value hedge	74,695	-	74,695	-
Financial liabilities measured at fair value total	**161,859**	**18**	**161,841**	**-**

There were no transfers from and to Level 3 among the financial instruments in year 2014 and 2013.

Movements in Level 3 financial instruments measured at fair value

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

Movement on securities available-for-sale in Level 3	Opening balance	Increase	Closing balance
OTP Factoring Ltd.	-	2,103	**2,103**
OTP Factoring Ukarine LLC	-	1,175	**1,175**
DSK Bank EAD	-	967	**967**
OTP banka Srbija a.d.	27	75	**102**
Total	**27**	**4,320**	**4,347**

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

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

The reportable segments of the Group on the base of IFRS 8 are the following:
OTP Core Hungary, Russia, Ukraine, Bulgaria, Romania, Serbia, Croatia, Slovakia, Montenegro, Leasing subsidiaries, Asset Management subsidiaries, Other subsidiaries and Corporate Center.
OTP Core is an economic unit for measuring the result of core business activity of the Group in Hungary. Financials for OTP Core are calculated from the consolidated financial statements of the companies engaged in the Group's underlying banking operation in Hungary. These companies include OTP Bank Hungary Plc., OTP Mortgage Bank Ltd., OTP Building Society Ltd., OTP Factoring Ltd., OTP Financing Netherlands Ltd., OTP Holding Ltd., OTP Financing Cyprus and OTP Financing Solutions B.V.
Corporate Centre: it is separated from OTP Core consolidated financial statements, this is a virtual entity responsible for rendering debt and capital market related to services to the subsidiaries across the Group, mainly in the form of capital and credit financing.

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

The reportable business and geographical segments of the Group are those components where:

- separated incomes and expenses, assets and liabilities can be identified and assignable to the segments,
- transactions between the different segments were eliminated,
- the main decisive board of the Group regularly controls the operating results,
- separated financial information is available.

Goodwill / investment impairment and their tax saving effect:

HUF 22,225 million goodwill impairment was recognized as at 31 December 2014 for OTP Bank JSC (Ukraine), while at the end of 2013 HUF 30,819 million was the effect of goodwill impairment after tax for the same company.

The tax saving effect was HUF (17,210) million in relation with goodwill and investment impairment of OTP Bank JSC (Ukraine) in the year ended as at 31 December 2014. The total saving effect was HUF (5,015) million in the year 2014 while the same effect at the same company was recognized in the amount of HUF (29,440) in year 2013.

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

As at 31 December 2014

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

( ) used at: provisions, impairment and expenses

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

As at 31 December 2013

Main components of the Consolidated Statement of Recognized Income in HUF million	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of accounting reports	Adjustements on the accounting in Recognized Income	OTP Group - consolidated - in the Consolidated Statement of Recognized Income - structure of management reports	OTP CORE (Hungary)	Foreign banks subtotal (without adjustments)	OAO OTP Bank (Russia)	OTP Bank JSC (Ukraine)	DSK Bank EAD (Bulgaria)	OTP Bank Romania S.A. (Romania)	OTP banka Srbija a.d. (Serbia)	OTP banka Hrvatska d.d. (Croatia)	OTP Banka Slovensko a.s. (Slovakia)	Crnogorska komercijalna banka a.d. (Montenegro)	Non-banking subsidiaries subtotal	Leasing subsidiaries	Asset Management subsidiaries	Other subsidiaries	Corporate Centre	Eliminations and adjustments
	a	b	1=a+b 1= 2+3+12+16+17	2	3=4+…+11	4	5	6	7	8	9	10	11	12=13+14+15	13	14	15	16	17
Net profit for the year	**64,108**		**64,108**																
Adjustments (total)		**(81,775)**	**(81,775)**																
Dividends and net cash transfers (after income tax)		(406)	(406)																
Goodwill/investment impairment (after income tax)		(29,440)	(29,440)																
Bank tax on financial institutions (after income tax)		(43,219)	(43,219)																
Fine imposed by the Hungarian Competition Authority (after income tax)		(3,177)	(3,177)																
Corporate tax impact of the transfer of general risk reserves to retained earnings		(5,533)	(5,533)																
Consolidated adjusted net profit for the year	**64,108**	**81,773**	**145,882**	**114,879**	**26,066**	**2,356**	**6,715**	**30,222**	**(4,143)**	**(13,246)**	**2,209**	**1,152**	**801**	**1,038**	**2,286**	**3,681**	**(4,929)**	**2,398**	**1,501**
Profit before income tax	**85,052**	**99,841**	**184,894**	**143,836**	**36,051**	**3,409**	**11,162**	**33,758**	**(4,143)**	**(13,235)**	**2,796**	**1,503**	**801**	**2,005**	**2,357**	**4,284**	**(4,636)**	**2,832**	**170**
Adjusted operating profit	**347,621**	**100,088**	**447,710**	**194,390**	**242,667**	**124,223**	**40,285**	**55,089**	**7,147**	**409**	**7,909**	**4,099**	**3,506**	**12,688**	**6,566**	**4,226**	**1,896**	**(3,272)**	**1,237**
Adjusted total income	874,392	(9,482)	864,910	384,587	449,345	207,493	72,811	92,965	20,375	7,580	22,696	14,909	10,516	46,423	17,447	6,692	22,284	(3,105)	(12,340)
Adjusted net interest income	653,728	(602)	653,126	273,276	365,043	184,041	53,385	72,908	14,254	4,553	16,010	12,088	7,804	20,042	15,490	66	4,486	(3,105)	(2,130)
Adjusted net profit from fees and commissions	201,757	(34,821)	166,936	91,507	71,612	21,990	17,020	18,208	2,269	1,671	4,878	3,101	2,475	3,876	(2,555)	6,690	(259)	0	(59)
Adjusted other net non-interest income	18,907	25,941	44,848	19,804	12,690	1,462	2,406	1,849	3,852	1,356	1,808	(280)	237	22,505	4,512	(64)	18,057	0	(10,151)
Adjusted other administrative expenses	(526,771)	109,570	(417,201)	(190,197)	(206,678)	(83,270)	(32,526)	(37,876)	(13,228)	(7,171)	(14,787)	(10,810)	(7,010)	(33,735)	(10,881)	(2,466)	(20,388)	(167)	13,576
Total risk costs	**(262,569)**	**(9,890)**	**(272,459)**	**(54,093)**	**(206,616)**	**(120,814)**	**(29,123)**	**(21,331)**	**(11,290)**	**(13,644)**	**(5,113)**	**(2,596)**	**(2,705)**	**(10,683)**	**(4,209)**	**58**	**(6,532)**	**0**	**(1,067)**
Adjusted provision for impairment on loan and placement losses (without the effect of revaluation of FX)	(262,569)	28	(262,541)	(48,899)	(204,318)	(121,310)	(27,431)	(20,723)	(11,109)	(13,002)	(5,142)	(2,594)	(3,007)	(7,544)	(4,413)	0	(3,131)	0	(1,780)
Other provision (adjustment)	0	(9,918)	(9,918)	(5,194)	(2,298)	496	(1,692)	(608)	(181)	(642)	29	(2)	302	(3,139)	204	58	(3,401)	0	713
Total other adjustments (one-off items)[1]	**0**	**9,643**	**9,643**	**3,539**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,104**	**0**
Income tax	**(20,944)**	**(18,068)**	**(39,012)**	**(28,957)**	**(9,985)**	**(1,053)**	**(4,447)**	**(3,536)**	**0**	**(11)**	**(587)**	**(351)**	**0**	**(967)**	**(71)**	**(603)**	**(293)**	**(434)**	**1,331**
Total Assets	**10,381,047**	**0**	**10,381,047**	**6,454,938**	**4,597,110**	**940,320**	**617,730**	**1,343,595**	**449,789**	**86,136**	**538,112**	**425,219**	**196,209**	**552,425**	**325,716**	**9,742**	**216,967**	**1,561,552**	**(2,784,978)**
Total Liabilities	**8,871,715**	**0**	**8,871,715**	**5,210,465**	**3,921,006**	**762,414**	**504,495**	**1,122,843**	**420,689**	**62,086**	**475,231**	**398,191**	**175,057**	**444,291**	**294,859**	**2,315**	**147,117**	**865,010**	**(1,569,057)**

( ) used at: provisions, impairment and expenses

[1] One-off items consist of: revaluation result of FX swap at OTP Core in the amount of HUF 715 million; gain on the repurchase of own upper and lower Tier 2 capital in the amount of HUF 6,104 million; result of the treasury share swap agreement in the amount of HUF 2,824 million.

NOTE 42: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2014

1) Government measures related to customer loan contracts

See details in Note 2.28.

2) Acquisition in Croatia

By setting the purchase price on 24 April 2014, the Group accomplished its Croatian acquisition.
On 31 January 2014 OTP banka Hrvatska d.d. signed a purchase agreement with the Croatian Banco Popolare d.d. on acquiring a 98.37% stake in the bank. Following the submission of all the relevant documents the Croatian Central Bank approved the purchase of the majority stake. OTP banka Hrvatska accomplished the merge with Banco Popolare in December, 2014. The Group gained whole control over the company and will be fully consolidated from January, 2015.
As a result of the deal OTP banka Hrvatska d.d. will enhance its presence in Northern Croatia, Zagreb and Slavonia in particular, mainly in the retail segment.

3) Purchase of Banco Comercial Português

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

4) Incorporation of OTP Financing Malta Company Ltd.

On 29 October 2014 OTP Financing Malta Company Ltd. was incorporated in Malta. The company has a share capital of EUR 105,000,000 and is under 100% ownership (direct and indirect) of the Bank.

5) Incorporation of OTP Holding Malta Ltd.

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

6) Term Note Program

See details in Note 15.

7) Judgment of the Competition Council of the Hungarian Competition Authority

See details in Note 28.

8) Legal dispute in Montenegro

See details in Note 28.

NOTE 43: POST BALANCE SHEET EVENTS

1) Act on Fair banking

Act LXXVIII of 2014 known as Act on Fair banking was promulgated that modified the Act CLXII of 2009 on Consumer Credit. The Act on Fair banking is aimed at making the variation in interest of customer loan contracts transparent and traceable. Regulations of the act are effective from 1 February 2015.
The Act includes new regulations for modification of loan contracts, rules for uncharged cancellation by clients, special directions for foreign currency loans and rules of change for new contract conditions. The Act prescribes in relation with unilateral amendment of contractual clauses that interest, spread, cost and fee can be solely modified disadvantageously. Disadvantageous amendment for clients is not allowed in other conditions.

2) The impact of CHF strengthening started in January 2015 on the Group

On 15 January 2015 the Swiss National Bank announced the abandonment of the CHF's exchange rate floor set at 1.2 against the euro. After the decision, the CHF sharply and substantially strengthened against the EUR and other foreign currencies in the CEE region: the CHF appreciated against the EUR from 1.2 CHF/EUR to under the parity, then it went up to 1.08 until 19 February. According to NBH's data the CHF strengthened by 20% against the HUF on the day of the announcement, the devaluation moderated to 7% until 19 February.
In Hungary, according to the Act on Conversion into HUF the CHF mortgage loans are to be converted to forint loans at 256.47 CHF/HUF exchange rate. The conversion became legally effective on 1 February 2015. (A customer may initiate on opt-out if meeting the criteria set by the law.) Starting from 1 January 2015 the monthly instalments of the FX mortgage loans must be calculated with the fixed rates set in the law on conversion, thus clients under the scope of the conversion law did not experience any negative effect of the CHF strengthening.
The Bank fully hedged the open EUR/HUF positions derived from the conversion of FX mortgage loans to HUF on the FX tenders of the NBH, while the open EUR/CHF and EUR/JPY positions were hedged on the market until the end of 2014.
Within the Hungarian household loan portfolio at the end of 2014 the net volume of CHF customer loans at OTP Core stood at HUF 12 billion equivalent, and the net volume of CHF car financing loans at Merkantil Bank Ltd. reached HUF 82 billion equivalent. The car financing loans are not subject to the conversion law. However, the monthly instalments' increase due to the CHF strengthening may be mitigated (to a different extent at individual clients) by the reduction in the nominal interest rate according to Curia Law and Act on Settlement, and the compensation may lower the loan principal.
In Romania the subsidiary of the Bank had HUF 134 billion equivalent net CHF mortgage loan volumes at the end of 2014. OTP Bank Romania S.A. was the first one to react to the step of the Swiss National Bank abolishing the peg to the euro: on 16 January 2015 the Romanian subsidiary announced that in order to mitigate the negative impact of CHF appreciation on monthly instalments the interest margin will be reduced by 1.5 ppts for 3 months for those customers who had variable-rate CHF mortgage loans (in accordance with effective conditions and depending on the antecedents of the loans). Clients can apply for this scheme until 27 February 2015 in the branches. By 12 February the take-up ratio reached 40% of performing CHF mortgage loan volumes.
The Croatian subsidiary held HUF 22 billion equivalent net CHF mortgage loan volumes on its balance sheet at the end of 2014. On 19 January 2015 the Croatian Government announced that the CHF/HRK rate will be fixed at 6.39 for 12 months. The measure took effect on 26 January.

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

In 2014, economic developments in Hungary were shaped by sluggish external demand, supportive international money market environment, and intensifying domestic demand. The Eurozone's economy picked up speed in the second half of the year, and a number of Eurozone periphery countries came out of recession. Money market background was supportive – even though the Fed started phasing out its Quantitative Easing, the Bank of Japan and the European Central Bank introduced further monetary stimuli measures. The dollar's firming, the plunging commodity prices and the Russian conflict adversely affected emerging markets, but this had little effect on the less commodity-oriented Central and Eastern European region.

Hungary's economy grew by 3.5% in 2014, stronger than the 1.5% expansion in 2013. Last year broke the trend of the preceding years, when the main driving force of growth was net exports. Instead, an increase in investments became the key driver in 2014, while net exports' contribution to growth became negative for the first time after a long while. In addition to investments, consumption also picked up: the consumption expenditure of households rose about 1.5% in 2014, following the stagnation in 2013.

As a combined effect of the election year and the end of the seven-year EU budget, public investments surged at an extraordinary pace, but gross fixed capital formation also started to increase in the private sector. The key drivers in the latter were mostly car manufacturing, and the related capacity increasing projects in the supplier network.

Picking up from the stagnation in 2013, the households' consumption expenditure could go up in 2014. But its rise lagged behind that of real income, allowing retail savings to expand faster. The improvement on the labour market was pronounced mostly in the first half-year, the increase in employment came to a halt by the end of the year. The low interest rate environment and the higher real incomes led to a turnaround in private investments too, helping housing-related lending and housing investments start to rise.

Following a record low of 1.7% in 2013, inflation fell further: consumer prices dropped by 0.2% in 2014. In addition to the government's measures, the favourable development in agricultural product prices, and oil prices' plunge in the last four months of the year all contributed to the lower inflation rate.

A steady fall in inflation justified the continuation of the rate cut cycle in the first half of the year, which ended with a 20-basis-point cut in July, at 2.1%. In the supportive international backdrop (abundance of liquidity), government bond yields fell further.

Funding for Growth Scheme

On 11 September 2013 the National Bank of Hungary decided on extending the Funding for Growth Scheme with a second phase which is to be open from 1 October 2013 till 31 December 2015. The total amount of refinancing available for banks in the second phase was originally set at HUF 500 billion, in September 2014 the total amount of available funding was lifted to HUF 1,000 billion. The limit can be increased to a maximum of HUF 2,000 billion by the Monetary Council. Similarly to the first phase, the central bank refinancing carries zero interest rate, a maximum 10-year tenor and can be lend over to SMEs by applying a maximum interest margin of 2.5%. The goal of the first pillar is to originate new loans, whereas the second pillar is for refinancing forint or foreign currency denominated liabilities of SMEs. The share of loan contracts concluded under the second pillar must not surpass 10% of the total amount of contracts concluded under the two pillars. The maximum available amount of loans for SMEs is limited at HUF 10 billion in each pillar.

Under the second phase of the Programme the Group already contracted in the amount of more than HUF 117 billion until the end of 2014, moreover loan applications in the pipeline exceeded HUF 38 billion.

The macroeconomic outlook of Russia and Ukraine significantly deteriorated last year.

The sanctions imposed because of the escalating Russia-Ukraine conflict, coupled with the dramatic fall in crude oil prices have significantly slowed down **Russia's** GDP growth, to 0.5%. The rouble's weakening pushed the USD/RUB to 58 by December, up from 37 in September. Although the 76% year-on-year depreciation offsets the lower oil price's effect on budgetary and export revenues (in rouble terms), it projects considerable recession through multiple factors. First, in an attempt to fend off market turbulence, the Central Bank of Russia raised its benchmark rate by 10.5 percentage points, to 17% which, together with the higher instalment burden of companies' foreign currency loans, holds back investment activity. The Russian economy's foreign currency exposure is clearly low and the country can exploit its competitiveness advantages in the medium term, but the weaker currency comes at a price: year-on-year inflation reached 11.4% in December. This will lead to a rare decrease in real wages, damaging consumption. Russia's balance of payments position remained stable, but the USD 131 billion net capital outflow in 2014 is a red flag. The central bank's reserves stood at USD 389 billion at the end of December, about four times the reserve requirement.

In **Ukraine**, the revolution at the beginning of 2014 ousted President Viktor Yanukovych. In response, Russia de facto separated the Crimean peninsula from Ukraine and provided support to separatists in Eastern Ukraine, which lead to warfare in the Donetsk and Luhansk regions. Because of capital flight and despite the IMF loan, Ukraine's currency, the hryvnia depreciated by 92% over the year. Ukraine's central bank lifted its base rate by 7.5 percentage points to 14% in 2014. Industrial production and GDP may have contracted by 10.7% and 7.5% year on year, respectively. By December, inflation grew to 24.9% year on year, partly because of the hike in the retail price of natural gas in April. Public debt ratio doubled between the end of 2013 and 2014 (to 66%). In February 2015 the expansion and extension of the IMF programme was announced. Originally the credit facility amounted to USD 27 billion, of which USD 17 billion was provided by the IMF. According to the IMF the credit line will be widened to USD 40 billion. In the meantime the Ukrainian government downgraded its GDP growth forecast for 2015: the economy is estimated to contract by 5.5% against the previous forecast of 4.3%.

The Bank's operation in Russia

Since the second half of 2013 the Bank has put particular emphasis on the improvement of consumer loan products' profitability, in line with the fine-tuning of the risk profile of these portfolios and the efficiency of collection activities. Both the stricter underwriting rules applied by the Bank, the measures introduced by the supervisory authorities, the economic slowdown and the cyclical setback of the consumer loan market eventually resulted in moderated loan dynamics in 2014. As a reaction to the deterioration of the operating environment in the fourth quarter of 2014 (significant weakening of the rouble, 900 bps base rate hike in total) the Bank halted or limited new loan disbursement and made certain pricing steps. Since October no new credit cards have been sent out and the Bank cut back part of the card limits in December. Due to the market turbulences, since the middle of December cash loan disbursement has been suspended.
The total FX-adjusted deposit base dropped by 10% in the first quarter of 2014 quarter-over-quarter, than it remained stable in the second quarter and grew already both in the third and fourth quarter, thus the yearly FX-adjusted decrease was 4% altogether. In the fourth quarter the Bank managed to increase its deposit base (+3% quarter-over-quarter, FX-adjusted) despite the unfavourable market environment –deposit rates were increased in line with market trends at the end of December in order to reverse the deposit outflows.

In the course of 2014 the deposit base of JSC "OTP Bank" (Russia) increased nominally by 7% in RUB terms due to the devaluation of RUB. Due to the fact that the liquidity demand of maturing

capital market instruments and the funding need of higher loan volumes increased, the net funding provided by the Partner Company to the Russian bank grew to USD 320 million by the end of 2014 from USD -204 million in 2013 (which practically meant that JSC "OTP Bank" (Russia) was net lender to the Group in 2013). It is important to note that the partner company funding provided at the end of 2014 contained a significant safety buffer due to the long Russian holiday period and the uncertainties stemming from the market turbulences. This is proved well by the fact that the net partner company funding dropped to USD 9 million at the end of January 2015.
In 2015 JSC "OTP Bank" (Russia) will have RUB 300 million capital market redemptions (this is the total outstanding amount of issued bonds), so from a liquidity perspective the emphasis will be put on keeping the loan and deposit volume developments in balance. Given that the deposit of JSC "OTP Bank" (Russia) deposit base remained stable despite the liquidity shock the Russian banking system suffered, the liquidity risks are deemed to be moderate in 2015, too.

The Bank paid back issued bonds in the amount of RUB 13.3 billion in 2014, out of which RUB 1.1 billion matured in the fourth quarter of 2014. In the fourth quarter the Russian subsidiary received RUB 3 billion subordinated loan with 10 years maturity from the Partner Company, whereas in 2014 JSC "OTP Bank" (Russia) repaid altogether RUB 1.2 billion equivalent subordinated debt to the parent company. The capital adequacy ratio of JSC "OTP Bank" (Russia) stood at 12.1% at the end of 2014.

In 2015 the DPD0-90 loan portfolio is expected to decline, which, together with a stable deposit base might result in improving liquidity position, but lower revenues. Due to the increased funding cost net interest income might decrease in 2015. The operating environment is not expected to improve materially, thus with respect to elevated risk costs no material turnaround is expected in 2015. The Russian operation is expected to remain loss-making in 2015.

The Bank's operation in Ukraine

In 2014 both the retail and corporate lending activity of the Ukrainian banking group became muted. In the consumer lending segment more stringent lending standards were introduced already in the first quarter of 2014. Cash loan disbursement was suspended from 9 April 2014. However, it was resumed in the second half of August, but since then newly sold cash loan volumes significantly lagged behind those in the base period (in the fourth quarter the volume of new disbursements reached only 14% that a year ago). From the second quarter of 2014 the cross-sale of credit cards declined to practically zero. As for the retail lending the Bank has remained active only in the point of sale (POS) loan segment. As a consequence of stricter lending conditions new POS loan origination melted down by more than 40% year-over-year in 2014. Regarding corporate lending the activity is focused rather on using existing credit limits.

Customer deposit volumes showed a 9% year-over-year increase (adjusted for the FX-effect). After the 7% FX-adjusted quarter-over-quarter decline in the first quarter, the second quarter saw a 7% increase followed by a 4% expansion in the third quarter and a 5% growth in the fourth quarter of 2014. The net loan to deposit ratio came down to 137% at the end of 2014, which marks multi-year low.
The decline of USD deposits did not cause liquidity problems, because this coincided with the decline of FX loan volumes. Latter was attributable not only to the loan repayments, but to the elevated provisioning, too, which required the Bank to purchase USD from its UAH liquidity reserves. Both the USD liquidity generated through these transactions and the FX liquidity coming from repayments of performing FX loans was used by the Ukrainian banking group (including the bank, the Leasing and Factoring company) to repay partner company financing, which declined by altogether USD 445 million in 2014 (without subordinated debt). In January 2015 an additional USD 30 million intragroup funding was paid back by OTP Bank JSC (Ukraine).

The UAH liquidity is managed in Ukraine and the Ukrainian bank has to prepare for any UAH liquidity needs. The excess UAH liquidity is invested typically in assets maturing within 1 month, mainly central bank instruments, collateralized money market instruments (FX swap, repo). The excess liquidity can be invested in uncollateralized instruments only in small amount, with strict counterparty risk limits and a maturity of 1-7 days. In 2014 the maturing Ukrainian government bonds were not rolled over, at the beginning of 2015 the amount of Ukrainian government bonds kept on the balance sheet reached only UAH 26 million. The UAH liquidity has to safely cover at all times the UAH money market and capital market redemptions within 3 months as well as the potential UAH deposit shocks.

The shareholders' equity of the Ukrainian banking group under IFRS consists of the impact of the conversion of UAH 800 million equivalent subordinated debt into equity booked in the fourth quarter of 2014. The decision about the capital increase was signed on 12 December 2014, which meant issue of additional 64,563 pieces of ordinary shares. Compared to December 2013 the shareholders' equity of the Ukrainian banking group in HUF terms dropped as a result of weakening UAH against HUF, whereas losses realized in 2014 had a negative impact on equity, too. The Ukrainian shareholders' equity includes that of 3 entities: the Bank, the Leasing and Factoring companies. The standalone capital adequacy ratio of the Bank under local regulation stood at 10.4% at the end of 2014, thus it exceeded the regulatory minimum. This capital adequacy ratio under local regulation did not incorporate the impact of the capital conversion booked in the fourth quarter of 2014. Leasing and Factoring companies are exempt from banks' capital adequacy rules. The Ukrainian Factoring company that received HUF 19 billion equivalent capital increase in September 2014 (through converting debt into equity). In 2015 the equity of the Factoring Company is expected to be raised by converting partner company financing into equity.

In the second quarter of 2014 the Bank decided to close down its business in the Crimea, 8 branches were closed there. In Donetsk and Luhansk counties where special circumstances prevail the Bank closed altogether 15 branches, thus the number of banking outlets declined to 2 at the end of 2014. Significant additional risk cost was created both in Crimea and the Eastern Ukrainian region (Donetsk and Luhansk), as a result the provision coverage of total gross loans reached 100% in Crimea and went up to 99.4% in case of gross loan exposures toward Donetsk and Luhansk regions.
The Ukrainian market and operating environment was volatile, especially in the time period between the end of 2014 and the writing of the report: after the conflict intensified again the parties reached a cease-fire accord and the IMF assistance programme is likely to be expanded, but despite all of these the UAH weakened further against the dollar. This points to further losses in Ukraine in 2015 both in case of OTP Bank JSC (Ukraine) and the Factoring company. By the end of 2014 the large majority of exposures toward Crimea, Donetsk and Luhansk counties were covered by provisions. If the territorial conflict did not escalate, and if the operating environment changed in the positive direction in Donetsk and Luhansk counties paving the way for banks to operate normally, that could create the possibility to release part of the provision already created there. The key focus areas are the optimisation of the operation and the gradual reduction of OTP's exposures. The funds expected to be granted to the country by supranational institutions as well as the related requirements to implement structural changes in the economy might stabilize the economic situation and the exchange rate of the UAH.

REPORT OF THE AUDIT COMMITTEE ON THE ANNUAL FINANCIAL STATEMENTS FOR 2014 AND ITS PROPOSAL FOR THE USE OF THE AFTER-TAX PROFIT

In 2014 the Audit Committee conducted its activity and performed its duties in compliance with the procedures regulated in Act V of 2013 on the Civil Code, as well as with the regulations set out in its own rules of procedure as approved by the Bank's Supervisory Board.

In support of the work of the Bank's Supervisory Board, and as part of a close working relationship between the various committees, the Audit Committee, in addition to what was discussed at the meetings of the Supervisory Board

- *monitored*
  - the content of the Bank's interim financial statements approved by the auditor,
- *received a briefing*
  - on the amendment of the Internal Audit Directorate's audit schedule for 2014,
- *approved*
  - the Bank's stand-alone financial statements prepared in accordance with International Financial Reporting Standards in respect of the first half of 2014, and
  - the Bank's consolidated financial statements prepared in accordance with International Financial Reporting Standards in respect of the first half of 2014, and
- *gave a preliminary opinion on*
  - the content of the report entitled “Annual report on risk management, internal control mechanisms and the operation of corporate governance functions”, to be proposed to the Supervisory Board.

Prior to the General Meeting the Audit Committee examined and evaluated the audited annual financial statements and the consolidated annual financial statements featuring as items on the agenda of the General Meeting, and heard the briefing of the auditor.

Based on the documentation made available to it in respect of the 2014 business year, the Audit Committee has concluded that OTP Bank Plc. prepared its annual financial statements in accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, Act C of 2000 on Accounting, and Government Decree 250/2000. (XII. 24.) on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises.

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

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

The Audit Committee, based on the reports it has read and evaluated, and in agreement with the auditor, finds that the Bank's Board of Directors may submit for approval to the General Meeting, in respect of the 2014 Business year:

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

*with **a balance sheet total of HUF 7,319,679 million,** and*

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

***with a balance sheet total of HUF 10,971,052 million,** and*

- ***after-tax profit** under HAS **of HUF -41,718 million.***

The Audit Committee agrees with the proposal of the Board of Directors that **dividend in an amount of HUF 145** per share be paid out of the profit reserves in accordance with the Company's Bylaws.

REPORT OF THE SUPERVISORY BOARD ON THE ANNUAL FINANCIAL STATEMENTS FOR 2014 AND ITS PROPOSAL REGARDING THE USE OF THE AFTER-TAX PROFIT

In 2014 the Supervisory Board conducted its activity and performed its duties in compliance with the procedures regulated in Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, and in accordance with Act V of 2013 on the Civil Code, as well as with the regulations set out in its own rules of procedure.

The Supervisory Board continued to perform its **controlling function** in 2014, protecting the assets of the company and the interests of the shareholders.

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

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

- *based on the financial statements, it continuously monitored*
  - the development of the Bank's interim results,
  - the content of the Bank's interim financial statements approved by the auditor,
  - the development of the quality of the Bank Group's portfolio,
  - compliance with the provisions of the Act on Credit Institutions and Financial Enterprises,
  - the control activity of the members of the bank group that are included in its scope of supervisory control, and
  - the fulfilment of the resolutions passed by the Supervisory Board.
- *it heard briefings*
  - on OTP Bank Plc.'s business activity in 2013,
  - on corporate governance matters in 2013,
  - on the continued operation of OTP Bank Plc. in compliance with the provisions of the new Civil Code, and regarding a recommendation for the amendment of the Bylaws,
  - on the activity of the Remuneration Committee in 2013, as well as on the implementation and annual review of the remuneration policy of OTP Bank Plc. and the Bank Group, and regarding a recommendation for the amendment of the rules of the Remuneration Policy,
  - on OTP Bank Plc.'s Declaration on Remuneration,
  - on the risk maps prepared by subsidiaries that fall under the institutional effect of the Remuneration Policy, and on the review thereof based on group-level considerations relating to the assumption of risk, as well as on the amendment of the personal effect of the Remuneration Policy made on the basis of the evaluation of risks, on the amendment of the performance measurement and evaluation criteria for the year 2014, on the amendment of the rules applicable to the performance measurement and evaluation system of OTP Bank Plc. and the Bank Group subsidiaries, as well as
  - on the Board of Directors' authorisation with regard to the acquisition of own shares,
  - on the bank-security situation of OTP Bank Plc. and the foreign subsidiary banks,
  - on OTP Bank Plc.'s compliance activities in 2013, and the proposal for the annual program for 2014,
  - on the status of the group-level implementation of the Unified Internal Audit System and the improvement of the system, and

- on the lessons learnt from customer reports regarding the Bank's services, on the HFSA's consumer protection audits, and on the customer complaints received by the foreign subsidiary banks in 2013,
- on the complaint management action plans of the subsidiary banks,
- in respect of the operation of the Internal Audit Directorate in accordance with Article 154, section (12) of the Credit Institutions Act, and
- organisational changes affecting the Internal Audit Directorate.

➢ *it obtained information*

- on the Supervisory measures taken in respect of the Bank. As a part of this, it established that in 2014 the Supervisory Authority

  ❖ on the basis of individual customer complaints, imposed consumer protection fines on 3 occasions, in a total of HUF 850,000, due to a breach of the statutory provisions on the prohibition of commercial practices that are unfair to consumers, and
  ❖ following an ex-officio targeted consumer protection audit, imposed a consumer protection fine of HUF 8,000,000 for a breach of the statutory provisions relating to the provision of preliminary information when initiating the amendment of a contract relating to the provision of payment services, and a consumer protection fine of HUF 52,000,000 for a breach of the statutory provisions on the prohibition of detrimentally unilateral contract amendments relating to the provision of payment services, through the introduction of a new fee.

➢ *it provided for*

- an **audit of the practical implementation of the Remuneration Policy** of OTP Bank and the Bank Group in **2013**. The audit found that the Bank Group's Remuneration Policy is an integral part of the corporate governance system, which is implemented throughout the entire Bank Group. The Bank Group's Remuneration Policy, in accordance with the relevant directive of the European Union, is conducive to effective and successful risk management, is not intended to encourage the Bank and Bank Group subsidiaries to take on risks that exceed their risk assumption limits, and is consistent with the business strategy, objectives, values and long-term interests of the Bank and the Bank Group subsidiaries, and promotes the realisation of these. In accordance with the regulatory requirements, the provisions relating to the form of benefits that are based on performance evaluation were implemented, as a key rule. The Bank notified the relevant persons of the fact that they had come under the effect of the Remuneration Policy, and of the proportion of performance-based remuneration determined at individual level. The domestic and foreign Bank Group members under the consolidated supervision of OTP Bank Plc. performed the annual review of the operation and practical application of their Remuneration Policy.

➢ *it approved*

- the internal audit reports prepared in respect of the audit of the implementation of tasks stipulated in the Resolution issued following the **audit** carried out by the **Hungarian Financial Supervisory Authority** in 2012.
- in relation to its tasks determined in its own rules of procedure, the annual report on **risk management, internal control mechanisms and the operation of corporate governance functions**
- the **basic regulations** defining the activity of the **Internal Audit Directorate** that is under its professional supervision, and
- the **rules of procedure of the Audit Committee** established by the annual ordinary General Meeting of 2014.

The Supervisory Board fulfilled its professional **oversight role** in accordance with the stipulations of the Credit Institutions Act, by commenting on and subsequently approving the regulations on "OTP Bank Plc.'s Internal Audit Procedures", which determines the operating conditions of the internal audit organisation (Internal Audit Directorate) under its professional oversight, as well as through the audits conducted by the Internal Audit Directorate.

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

<u>As a part of its oversight of the internal auditing units, the Supervisory Board</u>

- commented on, and subsequently approved, the **annual audit plan** of the Internal Audit Directorate and the Bank Group members subject to consolidated supervision, which was elaborated on the basis of risk analyses. In addition to the audits prescribed as compulsory in the statutory provisions and the Supervisory Recommendations, it designated the topics that were examined in the context of a group-level audit, such as the monitoring activity of corporate lending, and the audits relating to the methodology and practice for testing IT systems, and to the data reporting in connection with the adequacy of collateral and the recognition of collaterals for the calculation of the consolidated capital requirement. It approved the series of group-level audits launched in previous years with respect to a check on the settlement of employee expenses, the controlling of activities performed under contract, the quality assurance of internal audit, and the classification of corporate customers and the auditing of the transaction rating system. In addition to this, it approved the topics for the next series of audits to be commenced, which, based on the requirements of the Bank Group's Governance Regulations, comprise an audit of the adequacy of the subsidiary banks' controlling data reporting, the restructuring decisions made at local level, and the level of IT support for CRM processes.

  Based on the audit plan for 2014 and other, unscheduled tasks, the Internal Audit Directorate **completed 216 audits** and **commenced 35 audits** during the year. Following the completed audits, it drew up **1,428** accepted **recommendations**.

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

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

Prior to the ordinary annual General Meeting of 2014, and prior to the present ordinary annual General Meeting of 2015, the Supervisory Board, in fulfilment of its statutory obligation, **reviewed** all the material business policy reports on the agenda of the General Meeting, as well as all the proposals relating to matters that fall within the exclusive competence of the company's supreme body.

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

The Supervisory Board gave a preliminary opinion on the Bank's **Corporate Governance Reports,** and gave approval for them to be proposed to the General Meeting.

In 2014 the Supervisory Board made a proposal – based on prior agreement with the Board of Directors – regarding the identity and remuneration of the **auditor** to be selected at the General Meeting, and as part of a separate agenda item, it shall also make its recommendation in this regard at this year's meeting.

The Supervisory Board is satisfied that the Bank has fulfilled its statutory obligations in that it has **published** its material data, its declaration on remuneration, its Declaration on Remuneration and the information that is required by law to be made public.

The Supervisory Board evaluated **the performance of the senior officers during the business year** and made a proposal – to the 2014 and 2015 Annual General Meetings – on whether to grant the senior officers discharge from liability.

The Supervisory Board prepared and proposed to the General Meeting its report on **the 2013 annual (parent-bank and consolidated) financial statements** and the proposal for the **use of the after-tax profit.**

Based on the documents made available to it in respect of the 2014 business year, the Audit Committee has concluded that OTP Bank Plc. prepared its annual financial statements in accordance with the provisions of Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, Act C of 2000 on Accounting, and Government Decree 250/2000. (XII. 24.) on special provisions regarding the annual reporting and book-keeping obligation of credit institutions and financial enterprises.

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

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

The Supervisory Board of OTP Bank Plc. judges that in the course of OTP Bank Plc.'s activity throughout the year, legality and shareholder interests were upheld, and that the profit ratios developed in accordance with the management's preliminary expectations.

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

- the non-consolidated financial statements on the 2014 business year prepared in accordance with Hungarian Accounting Standards (HAS)

*with **a balance sheet total of HUF 7,319,679 million,** and*

- the consolidated annual financial statements on the 2014 business year prepared in accordance with International Financial Reporting Standards

***with a balance sheet total of HUF 10,971,052 million,** and*

- ***after-tax profit** under HAS **of HUF -41,718 million,** and*

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

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

The Supervisory Board agrees with the proposal of the Board of Directors that **dividend in an amount of HUF 145** per share be paid out of the profit reserves in accordance with the Company's Bylaws.

REPORTS OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE ANNUAL FINANCIAL STATEMENT FOR 2014

FREE TRANSLATION OF THE HUNGARIAN ORIGINAL

Deloitte.

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Translation of the Hungarian original

INDEPENDENT AUDITORS' REPORT

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of OTP Bank Plc. (the "Bank") for the year 2014, which comprise the balance sheet as at December 31, 2014 - which shows total assets of 7,319,679 million HUF and a net result for the year of 0 million HUF-, and the related profit and loss account for the year then ended and the supplement comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of OTP Bank Plc. as at December 31, 2014, and its financial performance for the year then ended in accordance with the Accounting Act.

Other Reporting Obligation: Report on the Business Report

We have examined the accompanying business report of OTP Bank Plc., for the year 2014.

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

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

In our opinion, the business report of OTP Bank Plc., for the year 2014. corresponds to the figures included in the financial statements of OTP Bank Plc., for the year 2014.

Budapest, March 17, 2015

The original Hungarian version has been signed.

Gábor Gion

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

dr. Attila Hruby

registered statutory auditor
007118

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Company Registration Number: 01-09-071057

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OTP Bank Plc. (the "Bank") and its subsidiaries for the year 2014, which consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2014 - which shows total assets of 10,971,052 million HUF, - and the related consolidated statement of recognized income, consolidated statement of comprehensive income – which shows a net loss for the year of 102,258 million HUF -, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of OTP Bank Plc. and its subsidiaries as at December 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Reporting Obligation: Report on the Consolidated Business Report

We have examined the accompanying consolidated business report of OTP Bank Plc. for the year 2014.

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

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

In our opinion, the consolidated business report of OTP Bank Plc. for the year 2014. corresponds to the figures included in the consolidated financial statements of OTP Bank Plc. for the year 2014.

Budapest, March 17, 2015

....	....
Gábor Gion	dr. Attila Hruby
Deloitte Auditing and Consulting Ltd. 1068 Budapest, Dózsa György út 84/C. 000083	registered statutory auditor 007118

RESOLUTION PROPOSAL

The Annual General Meeting accepts the Board of Directors' report on the Company's financial activity for the year ended 2014, furthermore with full knowledge of the Independent Auditor's Report, the Audit Committee's Report and the Supervisory Board's report, accepts the proposal of the parent company's annual financial statements in accordance with Act on Accounting and the Bank's consolidated financial statements in accordance with the International Financial Reporting Standards, and the proposal for the allocation of the profit after taxation.

The Annual General Meeting determined the balance sheet for the year ended 2014 with total assets of HUF 7,319,679 million and with profit after taxation of HUF -41,718 million. The profit after taxation for the period shall be allocated as follows: HUF 41,718 million shall be utilized from general reserves, HUF 40,600 million shall be paid as dividend from profit reserves, thus the net profit for the year is HUF 0 million.

The dividend per share is HUF 145, compared to the face value of shares it's 145%. The actual rate of dividend paid to shareholders is calculated and paid based on the Articles of Association, so the Company for its own shares distributes the dividends among the shareholders who are entitled for dividends. The dividend shall be paid from 15 June 2015. in accordance with the policy determined in the Articles of Association.

The General Meeting determines the Company's consolidated balance sheet with total assets of HUF 10,971,052 million, and with HUF -102,258 million as net profit. The profit for shareholders is HUF -101,985 million.

APPROVAL OF THE CORPORATE GOVERNANCE REPORT

Corporate Governance Report

Introduction

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

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

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

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

1.) Statement on Corporate Governance Practice

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

1.1. Management bodies

Board of Directors

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

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

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

Executive members:

Dr. Sándor Csányi
Chairman & CEO

Dr. Sándor Csányi graduated from the College of Finance and Accountancy in 1974 with a bachelor's degree in business administration and in 1980 from the Budapest University of Economic Sciences with a degree in economics. He is an economist with a specialisation in finance, and is also a qualified pricing specialist and certified auditor. After graduation he worked at the Revenue Directorate and then at the Secretariat of the Ministry of Finance, after which, between 1983 and 1986, he was a departmental head at the Ministry of Agriculture and Food Industry. From 1986 to 1989 he worked as a head of department at Magyar Hitel Bank. He was deputy CEO of K&H Bank from 1989 to 1992. He has been Chairman & CEO of OTP Bank Plc. since 1992. He is a member of the European Advisory Board of MasterCard, one of the world's leading payment card companies, and is Vice Chairman of the Board of Directors of MOL Plc., Co-Chairman of the National Association of Entrepreneurs and Employers (VOSZ), and Co-Chairman of the Chinese-Hungarian Business Council. He has been Chairman of the Hungarian Football Association (MLSZ) since July 2010.
As of 31 December 2014 he held 108,866 ordinary OTP shares (while the total number of OTP shares held by him directly and indirectly was 608,866).

Dr. Antal Pongrácz
Deputy Chairman, Deputy CEO
Staff Division

Dr. Antal Pongrácz graduated from the Budapest University of Economic Sciences and earned a PhD in 1971. From 1969 he worked as an analyst at the Petrochemical Investment Company, then as a group manager at the Revenue Directorate until 1975. From 1976 he held various executive positions at the Ministry of Finance. After that, he was the first Deputy Chairman of the State Office for Youth and Sports. Between 1988 and 1990 he was the first Deputy CEO of OTP Bank. Between 1991 and 1994 he was CEO, and then Chairman & CEO, of the European Commercial Bank Rt. Between 1994 and 1998 he was Chairman & CEO of Szerencsejáték Rt, then in 1998-99 he served as CEO of Hungarian flagship carrier, Malév. Since 2001 he has been executive director of OTP Bank's Staff Division and more recently, Deputy CEO. He has been a member of OTP Bank's Board of Directors since 2002, and its Chairman since 9 June 2009. Since 12 April 2012 he has been Chairman of the Supervisory Board of OTP banka Hrvatska d.d.
As of 31 December 2014 he held 25,427 ordinary OTP shares.

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

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

the Credit Approval and Risk Management Division and Chairman of the Board of Directors at OTP Factoring Ltd. He has been a member of OTP Bank's Board of Directors since 27 April 2012.
As of 31 December 2014 he held 45,752 ordinary OTP shares.

Non-executive members:

Mihály Baumstark
Agricultural engineer, economist

Mr. Mihály Baumstark holds degrees in agricultural engineering and agricultural economics. He was employed by the Ministry of Agriculture and Food Industry between 1978 and 1989. When he left the Ministry he was deputy head of the Investment Policy Department. After this he was managing director of Hubertus Rt., and from 1999 to 2012 he was deputy CEO and then Chairman & CEO of Villányi Winery Ltd. (now Csányi Winery Ltd.). He is currently retired. He was a member of OTP Bank's Supervisory Board from 1992 to 1999, and has been a non-executive member of OTP Bank's Board of Directors since 1999. He has been a member of OTP Bank's Remuneration Committee since 2011, and of its Nomination Committee since 2014.
As of 31 December 2014 he held 25,600 ordinary OTP shares.

Dr. Tibor Bíró
College Associate Professor
Budapest Business School

Dr. Tibor Bíró graduated from the Budapest University of Economic Sciences with a degree in business administration. He is a certified auditor and chartered accountant. He was head of the Finance Department of Tatabánya City Council's Executive Committee between 1978 and 1982, then from 1982 a professor at the College of Finance and Accounting, and between 1990 and 2013 head of department at the Budapest Business School.
From 2000 onwards, for a period of ten years, he was a member of the Presidium of the Budapest branch of the Chamber of Hungarian Auditors, and currently works as a member of the Chamber's Education Committee. He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been a member of OTP Bank's Remuneration Committee since 2009, and of its Nomination Committee since 2014.
As of 31 December 2014 he held 38,956 ordinary OTP shares.

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

Péter Braun earned a degree in electrical engineering from the Technical University of Budapest. Between 1954 and 1989 he worked for the Research Institute for Electrical Energy, with his last position there being head of department. After that, he was the managing director of K&H Bank Rt., working in its Computer and Information Centre. He was Deputy CEO of OTP Bank from 1993 until his retirement in 2001. Since the second half of 2009 he has been the chairman of the Chief Information Officers' Association (VISZ). He has been a member of OTP Bank's Board of Directors since 1997.
As of 31 December 2014 he held 298,505 ordinary OTP shares.

<u>Tamás Erdei</u>

Tamás Erdei graduated in 1978 with a degree from the College of Finance and Accounting. He began his professional career at OTP, in a variety of administrative roles (his last position was branch manager), before going on to work at the Ministry of Finance in the area of bank supervision.
Since 1983 he has been employed by the Hungarian Foreign Trade Bank (today MKB), where he gradually worked his way up through the ranks. In 1985 he became managing director, in 1990 he was appointed deputy CEO, then in 1994 he was made CEO, and from 1997 until the end of March 2012 he was chairman and CEO.
Between 1997 and 2008 he was the elected president of the Hungarian Banking Association.
He is the chairman of the Supervisory Board of the International Children's Safety Service.
He has been a member of OTP Bank's Board of Directors since 27 April 2012. He has been a member of OTP Bank's Risk Assumption and Risk Management Committee, and of its Nomination Committee, since 2014.
As of 31 December 2014 he held 16,039 ordinary OTP shares.

<u>Zsolt Hernádi</u>
Chairman & CEO
MOL Plc.

Zsolt Hernádi graduated in 1986 from the department of industrial planning at the Karl Marx University of Economic Science. Between 1989 and 1994 he held a number of positions at Kereskedelmi és Hitelbank Rt., where from 1992 to 1994 he was deputy CEO of the financial institution. Between 1994 and 2001 he was CEO and a member of the Board of Directors at Magyar Takarékszövetkezeti Bank Rt. He has been a member of MOL's Board of Directors since 1994, and its Chairman since 2000, while since 11 June 2001 he has been the company's Chairman and CEO. He is also a member of the Corporate Governance and Remuneration Committee of MOL's Board of Directors. He has been a member of OTP Bank's Board of Directors since 29 April 2011. His membership has been suspended since 3 April 2014.
As of 31 December 2014 he held 25,600 ordinary OTP shares.

<u>Dr. István Kocsis</u>
Managing Director
Merkantil Bank Zrt.

Dr. István Kocsis obtained his degree in mechanical engineering from the Mechanical Engineering Faculty of the Technical University of Budapest in 1976, and earned his PhD in 1985. Career highlights: 2002-2005 Paks Nuclear Power Plant, CEO; 2005-2008 Hungarian Power Companies Ltd. (MVM Zrt.), CEO; 2008-2011, CEO of Budapest Transport Corporation (BKV Zrt.); since 2011 Managing Director of Merkantil Bank Zrt. <u>Offices held</u>: Chairman of the Ányos Jedlik Society; chairman of the Scientific Society For Measurement, Automation and Informatics; member of the Social Senate of the University of Pecs; member of the national Presidium of the Hungarian Chamber of Commerce and Industry; chairman of the endowment advisory board of the Duna-Mecsek Regional Development Foundation.
Non-executive member of OTP Bank's Board of Directors since 1997. Membership suspended since 3 October 2012.
As of 31 December 2014 he held 3,635 ordinary OTP shares.

Dr. László Utassy
Chairman & CEO
Merkantil Bank Zrt.

Dr. László Utassy graduated from the Faculty of Law of ELTE University in Budapest in 1978.
He held various positions at the State Insurance Company between 1978 and 1995 and then went on to work at ÁB-Aegon Rt. He was Chairman & CEO of OTP Garancia Insurance from 1996 to 2008. He was managing director of OTP Bank between 2009 and 2010. Since 1 January 2011 he has been Chairman & CEO of Merkantil Bank Ltd. He has been a member of OTP Bank's Board of Directors since 2001.
As of 31 December 2014 he held 300,915 ordinary OTP shares.

Dr. József Vörös
Professor, Head of Institute
University of Pécs

Dr. József Vörös earned a degree in economics from the Budapest University of Economic Science in 1974. In 1984 he earned a PhD in economics from the Hungarian Academy of Sciences, and a Doctor of Science degree in 1993. He has been a member of the Hungarian Academy of Sciences since 2013. Between 1990 and 1993 he was the dean of the Faculty of Business and Economics, Janus Pannonius University (JPTE) in Pécs. In 1993 he attended a course in management for senior executives at Harvard University. From 1994 he was a professor at JPTE, and was the senior Vice Rector of the University from 2004-2007, between 2007 and 2011 he was chairman of the Board of Trustees. He has been a non-executive member of OTP Bank's Board of Directors since 1992. He has been Chairman of OTP Bank's Remuneration Committee since 2009, and of its Risk Assumption and Risk Management Committee since 2014.
As of 31 December 2014 he held 140,914 ordinary OTP shares.

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

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

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

The table below provides a brief overview of the number of Board of Directors meetings held in 2014, and of the attendance at these meetings:

Board of Directors meetings
2014

Date	*Present*	*Absent*
*24 Feb.**	*10*	*-*
10 Mar.	*10*	*-*
24 Mar.	*9*	*1*
*21 May***	*9*	*-*
10 Jun.	*9*	*-*
18 Sept.	*6*	*3*
11 Dec.	*8*	*1*

Note:
In 2014 the Board of Directors met on a total of 7 occasions. In addition, resolutions were passed on 126 occasions by written vote.
***With effect from 3 October 2012 the board membership of Dr. István Kocsis was suspended, and thus the Board of Directors continued its work with 10 full members until 3 April 2014.*
***With effect from 3 April 2014 the board membership of Zsolt Hernádi was suspended, and thus the Board of Directors continued its work with 9 full members.*

The items on the agenda of the Board of Directors included, among other things, the tasks stipulated by law, such as making a decision on convening, and specifying the agenda of, the General Meeting, the acceptance of the documents submitted to the annual ordinary General Meeting, preparing a proposal concerning the annual report prepared in accordance with the Accounting Act and the use of the after-tax profit, preparation of the report on the management, on the Company's asset/liability position and on its business policy, measures taken to ensure the appropriate management of the Bank's trading books.
Additional, strategic tasks are, for example, the approval and annual review of the Bank's strategy, determination of its business plan, a review of the Bank's asset/liability position based on the quick reports, review of the Bank's liquidity situation, evaluation of changes in the qualified receivables portfolio, approval and review of the regulations that fall within the Board of Director's scope of authority (collateral evaluation, risk assumption, customer rating, etc.), regular review of compliance with the Credit Institutions Act and Act CXX of 2001 on the Capital Market (hereinafter: Capital Market Act), compliance, and customer complaints management. Furthermore, the Board of Directors is informed of any undertaking of obligations in excess of HUF 3 billion.
In addition, as part of its operative duties, the Board of Directors may make case-by-case decisions in respect of transactions that exceed the threshold value limit.

Supervisory Board

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

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

In order to avoid conflicts of interest, the General Meeting may not appoint the members of the Board of Directors and their close relatives to the Supervisory Board. The rules pertaining to the election and recall of the employee-representative member of the Board of Directors are determined by the Workers' Council operating at the Company, and this member is not considered to be independent by the Company.
The Supervisory Board establishes its own procedural rules.

The Company's internal audit organisation is governed by the Supervisory Board, in keeping with the provisions specified in the Credit Institutions Act. The Supervisory Board exercises the right of prior approval in respect of the establishment, termination and remuneration of the managers and employees of the internal audit organisation.

Members of the Supervisory Board of OTP Bank Plc.:

Tibor Tolnay
Chairman of the Supervisory Board
Chairman & CEO
Magyar Építő Zrt.

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

Dr. Gábor Horváth
Deputy Chairman of the Supervisory Board
Lawyer

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

Antal Kovács
Deputy CEO, Retail Division
OTP Bank Plc.

Mr. Antal Kovács graduated from the Budapest University of Economics with a degree in economics. He began his professional career in 1990 at the Nagyatád branch of K&H Bank, where he worked as a branch manager between 1993 and 1995. He has been working at OTP Bank Plc. since 1995, first as a county director and from 1998 as the executive director of OTP Bank's South Transdanubian Region. Since 1 July 2007 he has served as OTP Bank's Deputy CEO. He has received additional training at the International Training Centre for Bankers and on various courses held by the World Trade Institute. He has been a member of OTP Bank's Supervisory Board since 2004.

He has been Chairman of the Supervisory Board of OTP Bank Romania SA since 12 December 2012. He has been Chairman of the Board of Directors of OTP Mortgage Bank Ltd. and OTP Building Society Ltd. since 24 April 2014.
As of 31 December 2014 he held 27,074 ordinary OTP shares.

András Michnai
Executive Director
OTP Bank Plc.

András Michnai, who represents the employees of OTP Bank, graduated from the College of Finance and Accounting with a degree in business economics.
He has been an employee of the Bank since 1974, and until 1981 held a variety of posts in the branch network. From 1981 he held a management position in the central network coordination department and then in the network. From 1994, as deputy management director, he participated in the central coordination of the branch network. From 2005 he headed the Bank's independent Compliance Department (since 2011 a Directorate) as executive director, a post he held until 30 April 2014. He further expanded his professional skills, earning a Master's degree at the College of Finance and Accounting, and is a registered tax advisor. He has been a member of OTP Bank's Supervisory Board since 2008.
He has been Secretary of OTP Bank's Employees' Trade Union since December 2011.
As of 31 December 2014 he held 6,528 ordinary OTP shares.

Dominique Uzel
Director
Groupama International SA

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

Dr. Márton Gellért Vági
General Secretary
Hungarian Football Association

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

The **Supervisory Board** meets at least six times a year.
The meetings of the Supervisory Board are convened by the chairman. The meetings must also be convened if a member of the Supervisory Board or at least two members of the Board of Directors, or the auditor, requests it in writing, indicating the objectives and reasons for the meeting.
The Supervisory Board passes its resolutions in accordance with the rules of procedure, by simple majority; minutes are taken of its meetings, and its resolutions are documented.
The table below provides a brief overview of the number of Supervisory Board meetings held in 2014, and of the attendance at these meetings:

Supervisory Board Meetings
2014

Date	*Present*	*Absent*
28 Feb.	*5*	*1*
14 Mar.	*5*	*1*
25 Mar.	*5*	*1*
25 Apr	*5*	*1*
13 Jun.	*4*	*2*
26 Sept.	*6*	*-*
21 Oct.	*5*	*1*
11 Dec.	*5*	*1*

Note:
In 2014 the Supervisory Board met on a total of 8 occasions. In addition, resolutions were passed on 8 occasions by written vote.

The main function of the Supervisory Board is to see to it that the Bank has a comprehensive and effectively operating system of oversight and control. The agendas of the meetings included, among other things, the review of documents to be submitted to the annual ordinary General Meeting, a report on the annual financial statements and on the proposal concerning the use of the after-tax profit, the review of the Bank's annual and interim financial reports, and the proposal to the General Meeting regarding the auditor to be elected as well as his/her remuneration.

The tasks concerning the management of the internal audit unit includes the acceptance of the audit plan at the bank-group level, and the discussion of the report at the bank-group level of the audits performed by the internal audit units and of the performance of the audit tasks at the bank-group level. Additional agenda items include compliance with the provisions of the Credit Institutions Act, the situation in terms of implementation at group level of the Unified Internal Audit System and the further development of the system, a review of the implementation of the resolutions that close the audits performed by the authorities, a review of the volume and composition of the qualified receivables portfolio, changes in impairment and the risk provisioning obligations, report on compliance activity, etc.

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

Audit Committee

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

The following fall within the competence of the Audit Committee:
- giving an opinion on the financial statements prepared in accordance with the Accounting Act;
- drafting the agreement to be concluded with the auditor, obtaining a written declaration on the person nominated for the post of auditor, which specifies whether there is a conflict-of-interest relationship between the company and the nominee;
- liaising with the auditor, and as a part of this, monitoring compliance with the professional standards and conflict-of-interest rules applicable to the auditor, and where necessary making a recommendation to the Supervisory Board regarding any measures to be taken;
- assisting the work of the Supervisory Board in the interest of ensuring the appropriate monitoring of the financial reporting system, and as a part of this, assessing the operation of the financial reporting system and making recommendations regarding any measures that need to be taken;
- receiving regular briefings on the work schedule of Internal Audit and of the independent auditor; receiving the auditor's reports on any identified problems;
- issuing a preliminary opinion on the annual report, presented to the Supervisory Board, on the operation of risk management, the internal control mechanisms and the corporate governance functions.

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

The table below provides a brief overview of the number of Audit Committee meetings held in 2014, and of the attendance at these meetings:

Audit Committee meetings
2014

Date	*Present*	*Absent*
25 Apr.	4	1

Note:
In 2014 the Audit Committee met on a total of 1 occasion. In addition, resolutions were passed on 7 occasions by written vote.

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

1.2. The operation of the committees

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

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

Management Coordination Committee
The primary function of the committee is to act as an operative decision-making forum to ensure that the Bank can respond flexibly and effectively to market and regulatory factors and that the Bank as a whole can act in a coordinated fashion. The committee does not diminish the competence of the Bank's related standing committees and acts as an operative forum of coordination between the special areas in order to resolve complex questions. Similarly to the Management Committee, it fulfils a coordination and decision-making function in the Bank as a whole, but its role – unlike the strategic role of the Management Committee – is mainly operative in nature. Owing to the operative nature of the committee, it holds its meetings on an ad hoc basis, without a preliminary work plan, generally on a monthly basis.

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

The following additional permanent committees operate within the Company for the performance of specific tasks:

- Asset-Liability Committee (ALCO)
- Product Development, Sales and Pricing Committee (TÉÁB)
- International Product Development, Sales and Pricing Committee (NTÉÁB)
- Work-Out Committee (WOB)
- Credit and Limits Committee (HLB)
- Group Investment Committee (CsBB)
- Group Operational Risk Management Committee (OpRisk)

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

b) **Other committees:**

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

Remuneration Committee
The Remuneration Committee is a committee that was established by the Board of Directors and meets on a continuous basis, which assists in elaborating the principles for the remuneration of the CEO and the deputy CEOs (hereinafter: Management) and the members of the Board of Directors and Supervisory Board (hereinafter: Office Holders), makes a recommendation in respect of the system or remuneration, and monitors it.
The Remuneration Committee exercises its authority as a body.

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

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

1.3. Members of OTP Bank Plc.'s senior management[62] *(with CV):*

Dr. Sándor Csányi
Chairman & CEO

Dr. Antal Pongrácz
Deputy Chairman, Deputy CEO
Staff Division

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

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

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

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

Mr. László Bencsik has been deputy CEO of OTP Bank, and head of the Strategy and Finance Division, since August 2009.
He joined OTP Bank in September 2003, when he became executive director of the Bank Operations Management Directorate, and the manager with overall responsibility for controlling and planning.
From 2000 to 2003 he was a project manager at consulting firm McKinsey & Company.
Between 1996 and 2000 he worked as a consultant at Andersen Consulting (now Accenture). In 1996 he graduated from the Faculty of Business Administration at the Budapest University of Economic Sciences, and in 1999 he obtained a Masters in Business Administration (MBA) from INSEAD Business School in France.
Since 13 March 2012 he has been Chairman of the Supervisory Board of DSK Bank.
As of 31 December 2014 he held 14,039 ordinary OTP shares.

[62] The employment relationship of Deputy CEO Dániel Gyuris terminated on 15 April 2014 (for his CV, see Annual Report - 2013).
Deputy CEO Ákos Takáts was head of the IT and Bank Operation Division until 30 June 2014 (for his CV, see Annual Report - 2013).

<u>Miroslav Stanimirov Vichev</u>
Deputy CEO
IT and Operation Division
Miroslav Vichev graduated in 1988 with a degree from Sophia Technical University. During his career he has held senior positions in the banking sector, and at various large technology corporations and consulting firms.
From 2003 he was employed by DSK Bank as the head of its IT and Operations Division. Between 2007 and 2014 he held the post of Deputy CEO there.
He has been a Deputy CEO of OTP Bank and head of the IT and Operation Division since 1 July 2014.
As of 31 December 2014 he held no ordinary OTP shares.

<u>László Wolf</u>
Deputy CEO
Commercial Banking Division

László Wolf graduated from the Budapest University of Economic Sciences in 1983. After graduation, he worked at the Bank Relations Department of the National Bank of Hungary for 8 years, and then served as head of Treasury at BNP-KH-Dresdner Bank between 1991 and 1993. From April 1993 he was executive director of OTP Bank's Treasury Directorate, and since 1994 he has been Deputy CEO of the Commercial Banking Division. He has been Chairman of the Board of Directors of OTP banka Srbija since 10 December 2010.
As of 31 December 2014 he held 542,895 ordinary OTP shares.

1.4 Internal control system

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

<u>Internal audit</u>

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

The internal audit system extends to all of the company's organisational units, business lines and activities, including outsourced activities. To ensure effective auditing, the system's structure is subdivided both vertically and horizontally. On the one hand, the system consists of several modular control levels, while on the other it is segmented in line with the departmental structure of the organisation. The elements of the internal audit system are comprised of in-process and management controls, and an independent internal audit unit and management information system.

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

The independent internal audit organisation has an annual audit plan which is approved by the Supervisory Board. The annual plan is prepared using a risk-based methodology and, in addition to focusing on the areas that entail regulatory, business and operational risk, and the other main risk exposures, it also takes into account the company's prevailing strategic priorities.
The internal audit system, which is applied consistently throughout the Bank Group, includes shareholder audits conducted at the foreign and domestic group members as well as the professional oversight of the internal audit organisations of the financial institutions that are subject to consolidated supervision as specified in the Credit Institutions Act. Uniform internal audit methods are created, continuously developed and implemented in respect of the operation and activities of the bank group members' internal audit units. Internal audit also liaises regularly and cooperates with external auditing bodies.

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

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

Risk management

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

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

The Risk Strategy determines, with respect to the entire Bank Group, the framework for risk management and the principles and guidelines of risk assumption.

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

Compliance

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

Auditor

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

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

1.5. Disclosure of information

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

The Company discloses information in strict compliance with the provisions of Act IV of 2006 on Companies (hereinafter: Companies Act), Act V of 2013 on the Civil Code (hereinafter: Civil Code), the Capital Market Act, the Credit Institutions Act, Act CXXXVIII of 2007 on Investment Firms and Commodity. Dealers, and the Regulations governing their Activities (hereinafter: Investment Services Act), Act C of 2000 on Accounting (hereinafter: Accounting Act) and Ministry of Finance Decree 24/2008 (VIII. 15), as well as the relevant regulations of the BSE. In addition, the Company has effective internal regulations that ensure compliance with the obligation to disclose information.

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

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

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

The proposal pertaining to the remuneration of the chairman and members of the Board of Directors and the chairman and members of the Supervisory Board constitute a part of the proposals of the General Meeting.

The Company has detailed risk management regulations that include every type of risk (liquidity, market, country, counterparty, credit, operational, compliance) which are consistent with the statutory regulations pertaining to prudential banking operation. The Annual Report provides information about the Company's risk management practices, the relevant limits and compliance with the limits.

The Company has detailed internal regulations pertaining to insiders and potential insiders that fully comply with the restrictions and prohibitions regulated in detail by the Capital Market Act. In addition, the guidelines pertaining to securities trading by insiders are also available on the website. All transactions involving the Company's shares performed by the members of the Board of Directors and the Supervisory Board are published by the Company in accordance with the rules on disclosure, and the shareholdings in the Company of the officers of the Company (number of shares) are published in the Company's Annual Report.

The Board of Directors has assessed the effectiveness of information disclosure processes in 2014, and found them to be satisfactory.

1.6. Overview of the exercising of shareholders' rights

Participation in the General Meeting and voting rights

Shareholders may exercise their right of participation and their voting rights at the General Meeting, in person or by proxy.

The letters of proxy must be set forth in a notarised deed or a private document of full probative force. In the event that a shareholder is represented at the General Meeting by its legal representative (e.g. director, managing director, mayor etc.), the authenticated deed issued by the court or court of registration concerning the right of representation, or a certificate testifying to the election of the mayor, must be presented at the venue of the General Meeting.

The letters of proxy must be handed over at the location specified in the invitation to the General Meeting, within the allotted time. If the letter of proxy was issued outside Hungary, it must satisfy, in terms of its form, the statutory provisions pertaining to the authentication or counter-authentication of documents issued outside Hungary. Information on the subject can be obtained from the Hungarian representation offices abroad.

A condition of participation and voting in the General Meeting is that

- o the shareholding as at the time of the shareholder matching procedure is corroborated by the result of the shareholder matching procedure;
- o the holder of the shares has been effectively entered into the Company's Share Register by the time of its closure in accordance with point 8.4;
- o the shareholder's shareholding or voting right does not violate the statutory provisions or the provisions of the Company's Bylaws, which the Company ascertains through a check following receipt of the result of a holder matching procedure from KELER Zrt;

The rules on participation in the General Meeting and the exercising of voting rights on the part of GDR holders are contained in the Custody Agreement concluded between the Bank of New York and OTP Bank.

Further details are contained in the Company's Bylaws on our website.

1.7. Brief description of the rules related to the conducting of the General Meeting

The Company requests a shareholder-matching procedure for the date of the General Meeting (including any repeated General Meeting), as a corporate event, from the Central Clearing House and Depository (Budapest) Ltd. (KELER Zrt.). The shareholder-matching procedure may take place only in the period between the 7th and 5th trading day at the stock exchange prior to the General Meeting (including any repeated General Meeting). The rules pertaining to the shareholder-matching procedure are contained in the effective regulations of KELER.

The Company, at 18:00 Budapest time on the second working day before the General Meeting (or repeated General Meeting), deletes all the data in the Share Register and at the same time registers the results of the shareholder identification process in the Share Register, and closes it with the results of the shareholder identification. After this any entry related to the shareholder's holding may only be made, at the earliest, on the working day following the closure of the General Meeting or following the day of the non-quorate General Meeting..

The General Meeting must be announced in the manner specified in respect of announcements made by the Company, at least 30 days before the projected date of the General Meeting, unless otherwise stipulated in the Civil Code and the Credit Institutions Act.

The invitation must include the following:

a) the Company's official name and registered office;
b) the date and place of the General Meeting;
c) the manner in which the General Meeting is to be held;
d) the agenda of the General Meeting;
e) the provisions contained in section 8.5 of the Bylaws, with the reminder that shareholders may participate in and vote at the General Meeting only in compliance therewith;
f) information about the place and date of the handing over of the letters of proxy;
g) in the event that there is no quorum, the place and date of the reconvened General Meeting

h) the time of shareholder identification and closure of the Share Register,
i) the fact that in order to exercise shareholder's rights the shareholder must be listed in the Share Register at the time of its closure, but subsequent to this the shares may be freely traded without this affecting the ability to exercise shareholder's rights,
j) the conditions, stipulated in the Bylaws, for exercising the shareholder's right to request information,
k) the conditions, stipulated in the Bylaws, for exercising the shareholder's right to supplement the agenda of the General Meeting, and
l) information regarding the time, place and means (including the address of the Company's website) of accessing the motions and proposed resolutions on the agenda of the General Meeting.

Questions not listed on the agenda may be discussed by the General Meeting only if all shareholders are present and they give their unequivocal consent thereto.

The General Meeting is regarded as having a quorum if the votes of the attending shareholders represent more than half of the total votes embodied by shares entitling the holder to vote.

If a duly convened General Meeting still does not have a quorum, then the repeated General Meeting shall have a quorum in respect of the agenda items set forth in the invitation irrespectively of the extent of the voting rights represented by those in attendance. If the agenda of the General Meeting includes a proposal relating to the withdrawal of the shares from any regulated market (hereinafter: delisting), then the repeated General Meeting shall have a quorum in respect of such agenda item if shareholders representing more than half of the votes embodied by the shares conferring voting rights are in attendance.

If a General Meeting that has a quorum cannot pass a resolution in respect of all the items on the agenda, it may decide to suspend the meeting and to convene a follow-up General Meeting, while indicating the new time and place. The General Meeting may only be suspended once, and the follow-up General Meeting must be held within 30 days of the suspension.

In respect of the quorum of a suspended and then reconvened General Meeting (follow-up General Meeting), the general rules apply. The follow-up General Meeting may pass decisions only in respect of the announced agenda items of the original General Meeting in respect of which the original General Meeting did not make a decision.

The General Meeting is chaired by the Chairman of the Board of Directors or another person designated by the Board of Directors who

- opens the General Meeting;
- appoints the person responsible for taking minutes;
- determines whether the General Meeting has a quorum;
- gives and revokes the right to speak;
- formulates resolution proposals and puts them to the vote;
- announces the result of the vote on the basis of the results indicated by the vote counters;
- announces the intermission; and
- closes the General Meeting.

Prior to the opening of the General Meeting, shareholders who have voting devices may notify the Chairman of the General Meeting in writing if they would like to speak in relation to any of the agenda items. The comments made by the shareholders may not be on a topic that is different from the designated agenda item. The Chairman of the General Meeting must grant the right to speak to persons who have indicated their desire to speak in accordance with the above.

The Chairman of the General Meeting may determine the order in which the comments on the given agenda item will be heard, may grant any person the right to speak or may retract such right, with the proviso that the right to speak may be retracted from a shareholder who has indicated his/her wish to speak in writing only if the shareholder's comments depart from the given agenda item despite a warning in this regard. The Chairman of the General Meeting may prohibit the recording in the minutes of comments that are made after the right to speak is retracted, and may terminate the availability of the technical conditions (microphone) for making such comments.

The Chairman of the General Meeting may decide to hold the General Meeting in private, and, with the exception of the members of the Board of Directors, the executives specified in the Credit Institutions Act, the members of the Supervisory Board, the auditor, shareholders with voting terminals, and the representatives of such shareholders as well as the representatives of the MNB and the BSE, he may exclude anyone from attending the General Meeting.

The General Meeting passes its resolutions, unless the Company's Bylaws stipulate otherwise, through a simple majority of the votes of the attending shareholders.

Decisions at the General Meeting are made by open vote.

In its first resolution, the General Meeting selects, from the list proposed by the Chairman of the General Meeting, the attending shareholders who will act as the authenticator of the minutes and the vote counters. In the case of an unsuccessful vote the Chairman of the Meeting must submit a new proposal.

Minutes must be taken of the General Meeting, which must include the following:

- the Company's official name and registered seat;
- the date and place of the General Meeting and the manner in which it is held;
- data necessary for determining whether the General Meeting has a quorum and changes in the number of persons attending;
- the name of the Chairman of the General Meeting, the person taking the minutes, the authenticator of the minutes and the name of the vote counters;
- the most important events at the General Meeting and the proposals made;
- the resolution proposals, the number of votes for and against the proposals and the number of those who abstained;
- objections to a resolution by any shareholder and any member of the Board of Directors or the Supervisory Board if the person objecting requests it himself.

The minutes are signed by the Chairman of the General Meeting and the person taking the minutes and are authenticated by an attending shareholder who has been selected for this purpose.

The Board of Directors must send the Company Court an authenticated copy of the minutes of the General Meeting within 30 days after the General Meeting is adjourned, together with the attendance register and the documents that certify that the General Meeting was properly convened.

For further details, please consult the Company's Bylaws, which you can download from our website.

1.8. Declaration on Remuneration

In compliance with the applicable European Union directive (CRD IV) and the provisions of the Act on Credit Institutions and Financial Enterprises, the Bank's General Meeting of 2014 , its Board of Directors and Supervisory Board have provided for the elaboration of a new Remuneration Policy for the Bank. and the Bank Group. In line with the changes to the national and EU legislative environment, the process of implementing the Bank Group's Remuneration Policy has been augmented with a methodological framework relating to the identification of activities and employees with a material impact on risk, which constitutes the basis for determining the group of persons subject to the Bank Group's Remuneration Policy, and with procedural rules relating to the annual evaluation process.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at the Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of the Bank's Board of Directors and Supervisory Board, and – among the staff in an employment relationship with the Bank – the members of the Bank's Management (Chairman & CEO and the deputies thereof), and managers who materially influence the Bank's risk profile and its profit, managers performing special executive functions, managers with control functions, all managers whose salaries are in the same pay scale as that of the managers who are subject to the Remuneration Policy due to their function. Among the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision, the subsidiaries' chief executive officers, and in the case of certain subsidiaries their level-2 (deputy) managers, and the managers of certain foreign subsidiary banks with special management and decision-making authority determined under national statutory provisions. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Supervisory Board.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Supervisory Board based on the function, size and complexity of the unit being managed. The proportion of performance-based remuneration may not exceed 100% of fixed remuneration for any person concerned.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with the Bank, the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Supervisory Board on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – a preferentially-priced share package, in equal proportions. As a main rule, the share-based part of the variable remuneration is provided by the Bank to the employees concerned at the various members of the Bank Group.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, the Bank complies with its public disclosure obligation in accordance with the prevailing statutory provisions.

2.) CG Report on compliance with the Corporate Governance Recommendations

As part of the Corporate Governance (CG) Report, the Company states, by completing the following tables, the extent to which it has implemented the recommendations and proposals specified in the specific sections of the Corporate Governance Recommendations (hereinafter: CGR) of the Budapest Stock Exchange in its own corporate governance.
By looking at the tables, market participants are able to gain a quick insight into the extent to which the corporate governance practices of particular companies comply with certain requirements specified in the CGR, and to quickly compare the practices of various companies.

Level of compliance with the Recommendations

The company specifies whether it has applied the relevant recommendation or not, and if not, it describes briefly the reasons why a particular recommendation has not been implemented.

1.1.1 The Board of Directors has ensured that shareholders have access, in a timely manner, to the information required for exercising their rights.
Yes

1.1.2 The Company follows the "one share – one vote" principle
No
Each of the Company's ordinary shares ensures one voting right. In keeping with the stipulations of the Company's Bylaws, voting rights depend specifically on the size of the shareholding.

1.2.8 The Company ensures that owners may participate in the General Meeting if they meet the same conditions.
Yes

1.2.9 Only those issues may be put on the General Meeting's agenda that are accurately defined and described.
Yes

The resolution proposals comprised the recommendation of the Supervisory Board and included a detailed explanation of the effects that the decision would have if taken.
Yes

1.2.10 Shareholders' comments and addenda to the agenda items were published no later than two days before the General Meeting.
Yes

1.3.8 Comments made in respect of the agenda items of the General Meeting were available to the shareholders no later than at the time of registration.
Yes

Written comments in respect of the agenda items were published two working days before the General Meeting.
Yes

1.3.10 The election and recall of senior office-holders is made in a separate resolution in respect of each person.
Yes

2.1.1 The tasks of the Board of Directors include those specified in point 2.1.1.
Yes

2.3.1 The Board of Directors held meetings at pre-specified, regular intervals.
Yes

The Supervisory Board held meetings at pre-specified, regular intervals.
Yes

The rules of procedure of the Board of Directors contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.
Yes

The rules of procedure of the Supervisory Board contain provisions about conducting meetings that cannot be planned in advance and about making decisions through electronic media.
Yes

2.5.1 The Company's Board of Directors / Supervisory Board has a sufficient number of independent members to ensure impartiality.
Yes

2.5.4 The Board of Directors / Supervisory Board regularly (in relation to the annual CG report) asked its members who are considered to be independent to confirm that they are independent.
Yes

2.5.6 The Company has published on its website its guidelines concerning the independence of the Board of Directors / Supervisory Board and the applied criteria of independence.
Yes

2.6.1 Members of the Board of Directors notified the Board of Directors (supervisory board / Audit Committee) if he/she (or a person who is closely related to him/her) had a material personal stake in any transaction of the Company (or any of its subsidiaries).
Yes

2.6.2 Transactions concluded between board and management members (and persons related to them) and the Company (or its subsidiary) were conducted in accordance with the regular business practices of the Company but on the basis of stricter rules of transparency than is customary in the course of regular business practices.
Yes

Transactions, specified in 2.6.2, which depart from regular business practices and the conditions thereof were accepted by the Supervisory Board (Audit Committee).
No
The Company prepared procedural rules for approving transactions that depart from usual business practices, and this ensures adequate control.

2.6.3 The board member informed the Supervisory Board / Audit Committee (Nomination Committee) if he/she was asked to act as a member on the board or in the management of a company that does not belong to the Group.
Yes

2.6.4 The Board of Directors created guidelines pertaining to the flow of information within the Company as well as the management of insider information and supervises compliance therewith.
Yes

The Board of Directors created guidelines pertaining to insider trading of securities and supervises compliance therewith.
Yes

2.7.1 The Board of Directors created remuneration guidelines for the remuneration and evaluation of the work of the Board of Directors, the Supervisory Board and the management.
Yes

The Supervisory Board commented on the remuneration guidelines.
Yes

The General Meeting approved the remuneration guidelines and the amendments thereto pertaining to the Board of Directors and the Supervisory Board in a separate agenda item.
Yes

2.7.2 The Board of Directors must evaluate its own performance in a given business year.
No
The Company has a Nomination Committee, which has assessed the board's work.

2.7.2.1 The Board of Directors evaluated its own performance in a given business year.
No
The Company has a Nomination Committee, which has assessed the board's work

2.7.3 The supervision of the performance of the management and the remuneration of the management falls within the competence of the Board of Directors.
Yes

The framework of and changes in benefits that are due to the members of the management and are different from what is customary are approved by the General Meeting in a separate agenda item.
Yes

2.7.4 The General Meeting approved the principles of share-based remuneration schemes.
Yes

Prior to the decision by the General Meeting concerning share-based remuneration schemes the shareholders received detailed information (at least as described in point 2.7.4)
Yes

2.7.7 The Company has prepared a Declaration on Remuneration and presented it to the General Meeting.

No

In compliance with the applicable European Union directive (CRD IV) and the provisions of the Credit Institutions Act, the Bank's General Meeting of 2014, and its Board of Directors and Supervisory Board, have provided for the elaboration of a new Remuneration Policy for the Bank and the Bank Group. In line with the changes to the national and EU legislative environment, the process of implementing the Bank Group's Remuneration Policy has been augmented with a methodological framework relating to the identification of activities and employees with a material impact on risk, which constitutes the basis for determining the group of persons subject to the Bank Group's Remuneration Policy, and with procedural rules relating to the annual evaluation process.

The purpose of the Bank Group's Remuneration Policy is, remaining within the limits of the Bank Group's risk-bearing capacity, to recognise and provide motivational support for the achievement of Bank and Group-level results by the management and holders of key positions at the Bank, and the managers of subsidiaries in the Bank Group.

The Bank Group's Remuneration Policy applies to the members of the Bank's Board of Directors and Supervisory Board, and – among the staff in an employment relationship with the Bank – the members of the Bank's Management (Chairman & CEO and the deputies thereof), and managers who materially influence the Bank's risk profile and its profit, managers who perform special executive functions, managers with control functions, all managers whose salaries are in the same pay scale as that of the managers who are subject to the Remuneration Policy due to their function. Among the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision, the subsidiaries' chief executive officers, and in the case of certain subsidiaries their level-2 (deputy) managers, and the managers of certain foreign subsidiary banks with special management and decision-making authority determined by the provisions of relevant national legislation. The resolution on the persons to whom the Bank Group's Remuneration Policy applies is made by the Bank's Supervisory Board.

The members of the Board of Directors and the Supervisory Board receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

For the other personnel included in the scope of the Remuneration Policy, the remuneration is composed of fixed and performance-based components. The proportions of fixed and performance-based components of remuneration are determined by the Bank's Supervisory Board based on the function, size and complexity of the unit being managed. The proportion of performance-based remuneration may not exceed 100% of fixed remuneration for any person concerned.

The most important basic principle of the Bank Group's Remuneration Policy is that the extent of performance-based remuneration – subject to a preliminary and retrospective assessment of the risks – depends on the extent to which Bank Group/Bank/Subsidiary-level and individual targets are met.

In the case of managers in an employment relationship with the Bank, the evaluation of performance, besides an assessment of the return on risk-weighted assets (RORAC) indicator for the given activity, takes place on the basis of the criteria used to measure individual performance (financial indicators and indicators of the quality of work performance). In the case of managers at subsidiaries in the Bank Group the evaluation of performance takes place in a differentiated manner, in keeping with the characteristics of the companies' activities. The target values of the indicators are determined by the Bank's Supervisory Board on the basis of the effective financial plan for the given year.

The performance evaluation-based, variable remuneration takes the form of a cash bonus and – where permitted by national legislation – a preferentially-priced share package, in equal proportions. At all the members of the Bank Group, the share-based part of the variable remuneration is provided to the employees concerned by the Bank.

In keeping with the Credit Institutions Act, as a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions. Determination of eligibility to receive the deferred instalments takes place on the basis of a retrospective assessment of the risks. The assessment of the risks is based both on quantitative criteria used to measure prudent operation, and on qualitative evaluation criteria. Based on the assessment of the risks related to the activities of the employees concerned, the deferred part of the performance-based remuneration may be reduced or withheld completely. A further prerequisite for entitlement to the deferred part is a continuing employment relationship.

The remuneration of the members of the Supervisory Board and the Board of Directors, which is determined in a resolution of the General Meeting, is public, while with respect to the remuneration policy, the Bank complies with its public disclosure obligation in accordance with the prevailing statutory provisions.

The Declaration on Remuneration contains the remuneration of certain members of the Board of Directors, the Supervisory Board, and the management.
No
See the previous point.

2.8.1 The Board of Directors or the committee operated by it is responsible for the supervision and direction of the Company's entire risk management operations.
Yes

The Board of Directors verifies the efficiency of risk management procedures at specific intervals.
Yes

The Board of Directors took the necessary steps to identify key risk areas.
Yes

2.8.3 The Board of Directors formulated the principles pertaining to the internal control system.
Yes

The internal control system, which has been established by the management, ensures that the risks to which the Company is exposed are managed and that the Company's objectives are attained.
Yes

2.8.4 When formulating the internal control system, the Board of Directors took into account the criteria specified in point 2.8.4.
Yes

2.8.5 The management is responsible for establishing and maintaining the internal control system.
Yes

2.8.6 The company created an independent internal audit function, which is under obligation to report to the Audit Committee / Supervisory Board.
Yes

The internal audit group reported, at least once, to the Audit Committee / Supervisory Board about the operation of risk management, the internal control mechanisms, and the corporate governance functions.
Yes

2.8.7 The internal audit activity is performed by internal audit on the basis of a mandate given by the Audit Committee / Supervisory Board.
Yes

Internal audit is organisationally separate from operative management.
Yes

2.8.8 The internal audit plan was approved by the Board of Directors (Supervisory Board) upon the recommendation of the Audit Committee.
Yes

2.8.9 The Board of Directors prepared a report for shareholders on the operation of internal controls.
Yes

2.8.10 The Board of Directors formulated its rules of procedure in respect of receiving and processing reports on the operation of internal controls and preparing its own reports.
Yes

2.8.11 The Board of Directors identified the key deficiencies of internal controls and reviewed and re-evaluated the relevant activities.
Yes

2.9.2 The Board of Directors, the Supervisory Board and the Audit Committee were notified when the auditor's mandate, by its nature, may have incurred considerable expenditure, may have given rise to a conflict of interest or may have had any other material impact on business operations.
Yes

2.9.3 The Board of Directors notified the Supervisory Board if it gave a mandate to an audit company or an external audit expert in respect of an event that has a material impact on the Company's operation.
Yes

The Board of Directors specified in advance, in a resolution, the events that may be considered to have a material impact on the Company's operation.
Yes

3.1.6 The company published on its website the tasks delegated to the Audit Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
No
OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with

a brief CV. The tasks delegated to the Audit Committee, and the objectives and procedural rules of the Committee, are not in the public domain.

3.1.6.1 The company published on its website the tasks delegated to the Nomination Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
No
OTP Bank Plc. has established and operates an Audit Committee, which supports the work of the Supervisory Board, and the Bank has published the names of the members, each with a brief CV. The tasks delegated to the Audit Committee, the objectives and procedural rules of the Committee are not in the public domain.

3.1.6.2 The company published on its website the tasks delegated to the Remuneration Committee, and the committee's objectives, rules of procedure and composition (specifying the members' names, a brief CV and the date of appointment).
Yes

3.2.1 The Audit Committee / Supervisory Board oversaw the effectiveness of risk management, the operation of the internal control system and the internal audit activity.
Yes

3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information about the work schedule of the internal auditor and the independent auditor, and received a copy of the report by the auditor on the problems identified during the audit.
Yes

3.2.4 The Audit Committee / Supervisory Board asked the new nominee for auditor to submit a disclosure declaration as specified in 3.2.4.
Yes

3.3.1 The Company has a Nomination Committee.
Yes

3.3.2 The Nomination Committee prepares the way for changes in personnel.
Yes
For managers who are subject to the authority of the Nomination Committee.
The Nomination Committee reviewed the procedures pertaining to the selection and appointment of the members of the management.
Yes

The Nomination Committee evaluated the activities of board members and the members of the management.
Yes

The Nomination Committee examined all proposals concerning the nomination of board members that were proposed by the shareholders or by the Board of Directors.
Yes

3.4.1 The Company has a Remuneration Committee.
Yes

3.4.2 The Remuneration Committee has submitted a proposal regarding the remuneration system of the boards and the management (amount and structure of remuneration for each person), and oversees this process.
Yes

3.4.3 The remuneration of the management has been approved by the Board of Directors based on the proposal of the Remuneration Committee.
Yes

The remuneration of the Board of Directors is approved by the General Meeting upon the recommendation of the Remuneration Committee.
Yes

The Remuneration Committee has also checked the system of share options, cost reimbursements and other contributions.
Yes

3.4.4 The Remuneration Committee formulated proposals with regard to the principles of remuneration.
Yes

3.4.4.1 The Remuneration Committee formulated proposals with regard to the remuneration of individual persons.
Yes

3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts that were concluded with the management.
No
A review of the terms of contracts concluded with members of the management does not fall within the remit of the Remuneration Committee.

3.4.4.3 The Remuneration Committee checked if the Company has satisfied the obligation of disclosure regarding executive remuneration issues.
Yes

3.4.7 The majority of the members of the Remuneration Committee are independent.
Yes
3.5.1 The Board of Directors has disclosed its reasons for merging the Remuneration and the Nomination Committee.
No
The Company operates a Remuneration Committee and a Nomination Committee.

3.5.2 The Board of Directors performed the tasks of the Nomination Committee and issued a statement on its reasons for doing so.
No
The Nomination Committee performed its own tasks.

A 3.5.2.1 The Board of Directors performed the tasks of the Remuneration Committee and issued a statement on its reasons for doing so.
No
The Remuneration Committee performed its own tasks.

4.1.1 The Board of Directors, in its disclosure guidelines, has determined the principles and procedures that ensure that all material information that has a significant bearing on the Company and on the price of its shares is published and is accessible accurately, in full and in good time.
Yes

A 4.1.2 In the course of providing information, the Company has ensured that all shareholders and market participants receive equal treatment.
Yes

4.1.3 The Company's disclosure guidelines include electronic and internet disclosure procedures.
Yes

The Company's website has been created with due regard to the disclosure guidelines, and with a view to providing appropriate information to investors.
Yes

4.1.4 The Board of Directors has assessed the effectiveness of disclosure processes.
Yes

4.1.5 The Company publishes its corporate events calendar on its website.
Yes

4.1.6 The Company, in its annual report and on its website, has provided information to the public about its strategic goals and about its guidelines related to its core activity, business ethics and its various stakeholders.
Yes

4.1.8 The Board of Directors has stated in its annual report the other mandates, together with the type and volume of such mandates, that the entity that audits the Company's annual financial statements has received from the Company and its subsidiaries.
Yes

4.1.9 The Company, in its annual report and on its website, has disclosed information pertaining to the professional careers of members of the Board of Directors, the Supervisory Board and the management.
Yes

4.1.10 The Company provided information about the internal organisation and operation of the Board of Directors and the Supervisory Board.
No
The Company's website provides information about the operation of its management bodies in the Bylaws.
See also: point 2.7.2.

4.1.10.1 The Company provided information about the work of the Board of Directors and the Management Committee, and the criteria applied when evaluating the individual members.
No
See above.

4.1.11 The Company has published in its annual report and on its website a Declaration on Remuneration, which describes the remuneration guidelines used and, specifically, the guidelines pertaining to the remuneration of members of the Board of Directors, the Supervisory Board and the management.
No
See the comments under point 2.7.7 above.

4.1.12 The Board of Directors has published risk management guidelines which discuss the internal control system, and the risk management principles and rules, and provide an overview of major risks.
Yes

4.1.13 In order to provide information to market participants, the Company publishes its report on corporate governance once a year, when the annual report is published.
Yes

4.1.14 The Company publishes on its website the guidelines pertaining to securities trading in respect of the Company's shares by persons classified as insiders.
Yes

The Company, in its annual report and on the Company's website, has disclosed information about the stakes held in the Company's securities and in its share-based incentive system by members of the Board of Directors, the Supervisory Board and the management.
Yes

4.1.15 The Company has published in the annual report and on the Company's website the relationship of members of the Board of Directors and the management with any third parties that may have an impact on the Company's operation.
Yes

Level of compliance with the recommendations

The Company must specify whether it applies the relevant recommendation of the FTA or not.
Yes

J 1.1.3 The Company has an organisational unit that deals with investor relations.
Yes

J 1.2.1 The Company has published on its website the summary related to its General Meetings and shareholder voting rights (including voting by proxy).
Yes

J 1.2.2 The Company's Bylaws are accessible on the Company's website.
Yes

J 1.2.3 The Company's website contains the information specified in point 1.2.3 (regarding the cut-off date in respect of corporate events).
Yes

J 1.2.4 The Company has published on its website the information and documents regarding the General Meeting as specified in point 1.2.4 (invitation, proposals, resolution proposals, resolutions, minutes).
Yes

J 1.2.5 The Company held its General Meeting by ensuring that as many shareholders can attend as possible.
Yes

J 1.2.6 The Company published the addenda to the agenda items within five days of their receipt, in a manner that is identical to the manner of publishing the original invitation to the General Meeting.
Yes

J 1.2.7 The voting procedure used by the Company ensured that the decision by the owners is determined unequivocally, clearly and quickly.
Yes

J 1.2.11 The Company, upon the shareholders' request, forwarded information pertaining to the General Meeting electronically as well.
Yes

J 1.3.1 The Company's General Meeting accepted the chairman of the General Meeting prior to the actual discussion of the agenda items.
No

J 1.3.2 The Board of Directors and the Supervisory Board were represented at the General Meeting.
Yes

J 1.3.3 The Company's Bylaws allow the invitation of a third party to the Company's General Meetings upon the initiative of the Chairman of the Board of Directors or the shareholders of the Company, and such third party may participate with advisory right and comment on the relevant agenda item.
Yes

J 1.3.4 The Company did not restrict the right of owners who participate in the General Meeting to ask for information, to comment and to submit a motion and did not set any preconditions in respect of such right.
Yes

J 1.3.5 The Company published on its website within three days its responses to questions that it was unable to answer satisfactorily at the General Meeting. The Company published an explanation in respect of questions that it refused to answer.
Yes

J 1.3.6 The chairman of the General Meeting and the Company ensured that responses to questions asked at the General Meeting did not violate any statutory or stock exchange regulations pertaining to the provision of information and disclosure and ensured that such provisions are observed.
Yes

J 1.3.7 The Company published a press release and/or held a press conference about the decisions of the General Meeting.
Yes

J 1.3.11 The Company's General Meeting makes decisions about amendments to the Bylaws in separate resolutions.
Yes

J 1.3.12 The Company published the minutes of the General Meeting containing the Company's resolutions, the description of the resolution proposals and all material questions and answers concerning the resolution proposals within 30 days after the General Meeting.
Yes

J 1.4.1 The Company, within 10 working days, paid dividends to shareholders who have provided all necessary information and documents.
Yes

J 1.4.2 The Company published its guidelines concerning solutions for preventing hostile takeovers directed at the Company.
No

J 2.1.2 The rules of procedure of the Board of Directors contain the organisational structure of the Board of Directors, tasks related to the preparation and execution of the meetings and the formulation of resolutions and other issues related to the operation of the Board of Directors.
Yes

J 2.2.1 The Supervisory Board provides a detailed description in its rules of procedure and work plan of the operation and tasks of the board, as well as of the administrative rules and procedures that the Supervisory Board follows.
Yes

J 2.3.2 The board members had access to the proposals of the given meeting at least five days before the given meeting.
Yes

J 2.3.3 The rules of procedure stipulate the regular and occasional participation in the board meetings of non-board members.
Yes

J 2.4.1 The members of the Board of Directors were selected in a transparent manner, and information pertaining to the candidates were disclosed at least five days before the General Meeting.
Yes

J 2.4.2 The composition and headcount of the boards complies with the stipulations of point 2.4.2.
Yes

J 2.4.3 In the orientation program of the Company, newly elected non-executive board members were able to learn about the structure and operation of the Company and their tasks as board members.
Yes

J 2.5.2 The division of the tasks of the chairman and the CEO is stipulated in the key documents of the Company.
Yes

J 2.5.3 The Company provided information about how it ensures that the Board of Directors remains objective in its evaluation of the management activities in the event that the position of Chairman & CEO is combined.
No

J 2.5.5 No member of the Company's Supervisory Board held a position on the Company's Board of Directors or in the management in the three years prior to his/her nomination.
No

J 2.7.5 The remuneration policy of the Board of Directors, the Supervisory Board and the management serves the purposes of the Company and therefore the strategic objectives of shareholders.
Yes

J 2.7.6 Members of the Supervisory Board receive a fixed remuneration no portion of which is tied to the share price.
Yes

J 2.8.2 The Board of Directors elaborated risk management principles and basic rules together with the members of the management who are responsible for planning, operating and supervising risk management processes and for the incorporation thereof into the Company's daily operation.
Yes

J 2.8.10 When evaluating the internal control system, the Board of Directors took into account the criteria specified in 2.8.10.
Yes

J 2.8.12 The Company's auditor assessed and evaluated the Company's risk management systems and the risk management activities of the management and submitted a relevant report to the Audit Committee / Supervisory Board.
Yes

J 2.9.1 The rules of procedure of the Board of Directors include the procedure to be followed when the services of an external consultant are used.
Yes

J 2.9.1.1 The rules of procedure of the Supervisory Board include the procedure to be followed when the services of an external consultant are used.
Yes

J 2.9.1.2 The rules of procedure of the Audit Committee include the procedure to be followed when the services of an external consultant are used.
Yes

J 2.9.1.3 The rules of procedure of the Nomination Committee include the procedure to be followed when the services of an external consultant are used.
No

J 2.9.1.4 The rules of procedure of the Remuneration Committee include the procedure to be followed when the services of an external consultant are used.
No

J 2.9.4 The Board of Directors may invite the Company's auditor to attend its meetings where the agenda items of the General Meeting are discussed, with advisory right.
Yes

J 2.9.5 The Company's internal audit organisation cooperated with the auditor in order to ensure the effective execution of the audit.
Yes

J 3.1.2 The chairman of the Audit Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
No

J 3.1.2.1 The chairman of the Nomination Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
Yes

J 3.1.2.2 The chairman of the Remuneration Committee regularly informs the Board of Directors of the individual meetings of the committee, and the committee prepares at least one report each business year for the executive body and the Supervisory Board.
Yes

J 3.1.4 The Company's committees consist of members who have appropriate abilities, expertise and experience for carrying out their tasks.
Yes

J 3.1.5 The rules of procedure of the Company's committees contain the stipulations specified in point 3.1.5.
Yes

J 3.2.2 The members of the Audit Committee / Supervisory Committee received comprehensive information on the Company's accounting, financial and operating characteristics.
Yes

J 3.3.3 The Nomination Committee prepared at least one evaluation for the chairman of the Board of Directors about the operation of the Board of Directors and the work and performance of individual members of the Board of Directors.
Yes

J 3.3.4 The majority of the members of the Nomination Committee is independent.
Yes

J 3.3.5 The Nomination Committee's rules of procedure include the stipulations specified in 3.3.5.
No

J 3.4.5 The Remuneration Committee ensures that a declaration on remuneration is prepared.
No

J 3.4.6 The Remuneration Committee consists only of the non-executive members of the Board of Directors.
Yes

J 4.1.4 The Company's disclosure guidelines include at least the stipulations set out in point 4.1.4.
Yes

In the annual report the Board of Directors informs shareholders of the results of its study concerning the effectiveness of disclosure processes.
Yes

J 4.1.7 The Company prepares its financial statements in accordance with IFRS principles.
Yes

J 4.1.16 The Company prepares and publishes its statements in English as well.
Yes

RESOLUTION PROPOSAL

The General Meeting accepts OTP Bank Plc.'s 2014 Report on Corporate Governance.

EVALUATION OF THE ACTIVITY OF THE EXECUTIVE OFFICERS PERFORMED IN THE PAST BUSINESS YEAR; DECISION ON THE GRANTING OF DISCHARGE OF LIABILITY

Based on Act V of 2013 on the Civil Code, and in accordance with the provisions of the Bylaws approved by the General Meeting of OTP Bank Plc., the supreme governance body of the company each year puts on the agenda the evaluation of the activity performed by the members of the Board of Directors in the reporting year, and passes a resolution on whether to grant them discharge from liability.

The **Board of Directors** of OTP Bank Plc. is the body, consisting of senior officers, that conducts the management of the Bank.

The Supervisory Board of OTP Bank Plc., as part of this proposal, and in connection with the annual financial statements prepared in accordance with the Act on Accounting, has made a recommendation to the General Meeting on the evaluation of the work of the members of the Board of Directors in the previous financial year, and on the granting to them of discharge from liability.

In the course of 2014 OTP Bank Plc.'s Supervisory Board, in fulfilment of its duties stipulated in the relevant statutory provisions and the Bylaws, monitored the activity of the executive management, and received a briefing on the Bank Group's present financial position and business policy.

The Supervisory Board, on the basis of the documents placed at its disposal and the proposals presented to it, and having been represented in person at the meetings of the Board of Directors, hereby finds as follows:

- In the past year, the Board of Directors of OTP Bank Plc. met regularly on the basis of its work schedule, the mandatory agenda items prescribed by law, the Bylaws and the Bank's business policy plan, and made decisions and passed resolutions, and subsequently monitored their implementation.

- At the annual ordinary General Meeting of 2014 the Board of Directors presented a report on the Bank's business activity and results achieved in 2013.

- The Board of Directors of OTP Bank Plc., as prescribed by the provisions of the Act on Credit Institutions and Financial Enterprises and the laws on accounting, and in accordance therewith, has drafted, and prepared for submission to the General Meeting, the Bank's annual financial statements and consolidated annual financial statements.

- Pursuant to the Act on Companies, the Board of Directors has arranged for publication of the Bank's consolidated and stand-alone financial statements for the year 2013, and of the material data from the reports of the Board of Directors and Supervisory Board.

- The Board of Directors, in compliance with its statutory obligation, submitted its Corporate Governance Report, together with the financial statements prepared in accordance with the Accounting Act, to the Annual General Meeting.

  OTP Bank Plc. treats the maintenance of a sophisticated corporate governance system, conforming to Hungarian and international standards, as a key priority. A reliable governance system, accurate financial planning, responsible management and the appropriate control mechanisms are what form the basis for efficient and profitable operation.
  Our corporate governance practice is an important means of ensuring that our strategic objectives are fulfilled. Within the statutory frameworks, a corporate governance system has been developed that simultaneously ensures the confidence and satisfaction of our customers, growth in shareholder value, and our socially responsible corporate conduct. The resulting governance structure, optimised to suit our objectives, takes into account

the special characteristics of our operations as well as the statutory, supervisory and stock-market requirements that apply to the Bank; besides which it also aims to comply with the related Budapest Stock Exchange (BSE) guidelines.
The activities of OTP Bank Plc. are largely regulated by statutory provisions, and consequently not only certain business activities, but operations as a whole are regulated in detail and monitored by the authorities on a continuous basis.
The individual internal control functions (risk management, compliance, and internal audit) conform to strict standards, and the Bank is capable of attesting to their effectiveness both within the internal corporate governance system, and also to the satisfaction of the external supervisory authorities. All these factors guarantee purposeful, comprehensive and verified risk management procedures, as well as reliable and appropriately supervised data reporting. In the course of its provision of financial and investment services OTP Bank pursues complex and effective corporate governance practices that simultaneously ensure responsible conduct towards clients and shareholders, reliable operation, and long-term profitability.

OTP Bank Plc. continuously monitors, reviews and develops its corporate governance practices, identifying any deficiencies arising as the result of external and internal changes, and effects those modifications that best serve the fulfilment of our objectives.

In its Corporate Governance Report, presented to the General Meeting, the Board of Directors summarised the corporate governance practice applied in the previous business year, and made a declaration on any deviations from the Corporate Governance Recommendations of the Budapest Stock Exchange.

The Supervisory Board ascertained that OTP Bank Plc.'s operation is in full compliance with the applicable laws and supervisory provisions, and with the regulations of the Budapest Stock Exchange (BSE). The Board of Directors <u>fulfilled its information disclosure obligation</u> in respect of the year 2013.

- On the basis of Article 312/A of Act IV of 2006 on Companies, OTP Bank Plc., as a publicly held joint-stock company, must publish on its website annually, when convening the annual general meeting, the names of the members of the Company's Board of Directors and Supervisory Board, and the details of all cash and non-cash benefits granted to the members in their capacity as such, broken down by the legal grounds for the benefits. The Supervisory Board has established that OTP Bank Plc., in accordance with the statutory requirements, has <u>published its Declaration on Remuneration</u>, and thus the details of all benefits received by members of the Company's Board of Directors and the Supervisory Board, in their capacity as such, in respect of the year 2013.

- The Board of Directors has fulfilled its obligation under the new Civil Code with its General Meeting proposal in which it submitted, for approval, its recommendation on the Bank's <u>continued operation and amendment of the Bylaws in accordance</u> with the provisions of the law.

<u>In addition to the above, in the past business year the Board of Directors of OTP Bank Plc.</u>

Monitored

- the statements contained in the reports of the management,
- the development of the Bank's results, based on the quarterly interim reports and the financial statements prepared in accordance with Hungarian accounting standards and approved by the auditor,
- compliance with the provisions of the Credit Institutions Act,
- the changes in the quality of the bank group's portfolio,

- new commitments where the transaction value exceeded three billion forints (on which it received a briefing),
- placements exceeding HUF 300 million and their positions,
- current and likely future impacts of the deteriorating economic environment on the bank group,
- current issues concerning the operation of the Bank.

Made decisions

- regarding the approval of its own rules of procedure,
- on the capital positions and the transformation of the capital structure of the individual subsidiaries and companies within its scope of interest, and
- on the purchase and sale of shareholdings, mergers, capital injections, company establishment, as well as
- in regard to the reviewing of limits, and
- on the setting and modification of customer limits and counterparty limits,
- on the modification of the central organisation of OTP Bank Plc.,
- on the appointment of the compliance officer of OTP Bank Plc.,
- on the amendment of the rules of procedure of the Remuneration Committee,
- on internal loans, and
- regarding the resolution of certain matters related to the legal uniformity decision of the supreme court (Curia) relating to the consumer loan agreements of financial institutions, and
- on the granting of authorisations to sign on behalf of the Company.

Also made a decision

- on the approval of regulations that fundamentally define the Bank's operation, and those referred to its authority under the Credit Institutions Act.
  Thus, following a review of the Organisational and Operational regulations, the Risk Assumption, the Customer Rating, the Collateral Valuation, and the Operational Risk Management and Counterparty Rating regulations, as well as the regulations on share price risk management and commodity risk management, as well as the related market risk limit regulations, it decided on the necessary amendments to these.
- on the review of its tasks set out in the regulations on the Internal Audit Directorate of OTP Bank Plc. in the interest of complying with the new provisions of the Credit Institutions Act, and on compliance with the requirements relating to the internal auditor and with the requirements in respect of the information technology and other technical resources to be placed at the auditor's disposal.
- on the system of criteria for the measurement and evaluation of the performance of OTP Bank Plc.'s managers who are subject to the Remuneration Policy; and on the conclusion of individual target agreements. When developing the main principles and system of criteria for the performance measurement and evaluation system of 2014 the provisions constituting the legislative background for the Remuneration Policy were taken into consideration.
- in accordance with the provisions of the Credit Institutions Act, on the establishment of the Nomination Committee and the Risk Assumption and Risk Management Committee, and thus
  - on the basis of Article 112 it established the Nomination Committee, and elected from among its own non-executive members the 3 members of the committee, and appointed the committee's chairperson; and
  - on the basis of Article 110 it established the Risk Assumption and Risk Management Committee, and elected from among its own non-executive members the 3 members of the committee, and appointed the committee's chairperson.

Discussed proposals relating to the following:

- the financial statements presented to the annual ordinary General Meeting,
- the Bank's financial statements and auditor's reports for 2013,
- the Corporate Governance Report (in respect of the year 2013),
- the report on the activity of the Remuneration Committee in 2013, as well as the implementation and annual review of the remuneration policy of OTP Bank Plc. and the Bank Group, and also the recommendation with respect to the amendment of the rules of the Remuneration Policy,
- the report on the monitoring of implementation of the Remuneration Policy of OTP Bank Plc. and the Bank Group in 2013,
- the report on decisions relating to the implementation of the Remuneration Policy,
- a supplementary proposal regarding the results of the audit of prudent operation of OTP Bank and the Bank Group in the year 2013,
- the acquisition of the company's own shares under the conditions specified in the relevant resolution of the General Meeting,
- the modification of the group-level RORAC target for the year 2014,
- the Lending Policy of OTP Bank Plc. in 2014,
- the report on the OTP Bank Group's collection activity. Recommendations for development of the operating model. (Operation of the Factoring companies)
- the determination of the sector limits for 2014,
- the monitoring of the performance of tasks specified in the resolution of the Hungarian Financial Supervisory Authority (HFSA) audit of 2012,
- the OTP Group's operational risk management activity in 2013, and the extension of the Advanced Measurement Approach (AMA) to DSK Bank,
- OTP Bank Plc.'s compliance activities in 2013, and the proposed program of compliance activities for 2014,
- every quarter, the bank group-level reports on the completed audits of the auditing units,
- the findings related to the management of complaints in 2013, and the consumer protection audits conducted by the HFSA/MNB, and a briefing on customer complaints received by foreign subsidiary banks in 2013, as well as on the findings relating to the first half of 2014, and on customer complaints received by the foreign subsidiary banks in the first half of 2014,
- the report on the situation of the Merkantil Group, and considerations relating to the Merkantil Group's future operating model, profitability and effective group management,
- the report on the pro-rata implementation of the medium-term strategy of Ingatlan Zrt. – and its subsidiaries – approved by the MC on 3 July 2012,
- briefings on the security situation of OTP Bank Plc. and the foreign subsidiary banks, and
- every quarter, the consolidated and group-member controlling reports, and
- the financial plan and 3-year financial forecast of the OTP Bank Group in 2015.

The Supervisory Board of OTP Bank Plc. judges that in 2014 the Bank's Board of Directors fulfilled its duties prescribed in the relevant statutory provisions and in the Bylaws of OTP Bank Plc., as per the details presented in the foregoing. In the course of its operation, it conducted its activities with a view to preserving shareholder value and in accordance with the Company's best interests.

The Supervisory Board recommends that, following an assessment of their activity conducted in the reporting year, the General Meeting grant the members of the Board of Directors discharge from liability.

RESOLUTION PROPOSAL

The General Meeting, based on its assessment of the work of the executive management in the 2014 business year, certifies that the executive management gave priority to the interests of the Company when performing its work during the business year.

ELECTION OF THE COMPANY'S EXTERNAL AUDITOR, SPECIFICATION OF ITS REMUNERATION, DETERMINATION OF THE MAIN ELEMENTS OF THE AGREEMENT TO BE CONCLUDED WITH AUDITOR

In the name of the Supervisory Board in connection with the audit of OTP Bank Plc.'s separate and consolidated annual financial statements for the year 2015 in accordance with section 152. paragraph (3) (b) of 2013. CCXXXVII Act on Credit Institutions and Financial Enterprises I suggest the following:

1. Audit Firm: Deloitte Auditing and Consulting Ltd. (000083)
   Budapest, Dózsa György. u. 84/c.
   1068

   Independent Auditor: dr. Hruby Attila
   (Registration number: 007118)

   In case of insuperable hindrance: Nagy Zoltán
   (Registration number: 005027)

2. The total fee of auditing the annual financial statements for the year 2015. in accordance with the Hungarian regulations on the financial institutions and the consolidated annual financial statements in accordance with the 2000. C. Act on Accounting is:

   HUF 63,760,000 + VAT

   From this:

   Audit fee of the financial statements: HUF 50,700,000 + VAT

   Audit fee of the consolidated financial statements: HUF 13,060,000 + VAT

RESOLUTION PROPOSAL

Concerning the audit of OTP Bank Plc.'s 2015 separated annual accounts prepared in accordance with Hungarian Accounting Standards and consolidated 2015 annual financial statements the AGM is electing Deloitte Auditing and Consulting Ltd. (000083, H-1068 Budapest, Dózsa György út 84/c) as the Bank's auditor from 1 May 2015 until 30 April 2016.

The AGM approves the nomination of dr. Attila Hruby (No. 007118 chartered auditor) as the person responsible for auditing. In case any circumstance should arise which ultimately precludes the activities of dr. Attila Hruby as appointed auditor in this capacity, the Annual General Meeting proposes the appointment of Zoltán Nagy (No. 005027 chartered auditor) to be the individual in charge of auditing.

The General Meeting establishes the total amount of HUF 63,760,000 + VAT as the Auditor's remuneration for the audit of the 2015 annual accounts, prepared in accordance with Hungarian Accounting Standards as applicable to credit institutions, and for the audit of the consolidated annual accounts prepared pursuant Act on Accounting. Out of total remuneration HUF 50,700,000 + VAT shall be paid in consideration of the audit of the separated annual accounts and HUF 13,060,000 + VAT shall be the fee payable for the audit of the consolidated annual accounts.

PROPOSAL FOR THE AMENDMENT OF SECTIONS 8.3; 8.8; 8.13; 8.17; 8.18; 8.30; 8.33; 11.5 AND 14.1, AND ARTICLE 15 OF THE BYLAWS

Proposal for the amendment of sections 8.3; 8.8; 8.13; 8.17; 8.18; 8.30; 8.33; 11.5 and 14.1, and Article 15 of the Bylaws of OTP Bank Plc.

Summary of the proposals

The amendments related to the sections of the Bylaws listed below:

1.) **Amendments related to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises** (Bylaws [section 8.13])

2.) **Amendments related to Act V of 2013 on the Civil Code** (Bylaws [sections 8.3; 8.8; 8.17; 8.18; 8.30; 8.33; 11.5; 14.1, and Article 15])

Presentation of the amendment proposals

The text of the Bylaws is written in Times New Roman font; the new parts of the text are indicated by underlining, and the ~~deleted parts~~ by cross-through.
We propose that the General Meeting decide on the resolution proposal relating to the amendment of the Bylaws by way of a vote.

Detailed amendment proposals

1. AMENDMENT PROPOSAL RELATED TO ACT CCXXXVII OF 2013 ON CREDIT INSTITUTIONS AND FINANCIAL ENTERPRISES (HPT.) (BYLAWS [SECTION 8.13])

1.1. [Rapid convening of the General Meeting to avoid supervisory measures]

"8.13. The notice convening the General Meeting – in the absence of any provision of the Civil Code or Credit Institutions Act to the contrary – shall be published in the manner specified for the Company's notices, at least 30 days before the first day of the planned General Meeting. An announcement convening an (extraordinary) General Meeting to decide on an increase of capital in the interest of avoiding the ordering of a procedure referred to in Article 135, paragraph (2) of the Hpt. may be published at least 10 days prior to the planned first day of the General Meeting"

Reasoning:

With effect from 16 September 2014 the **amendment of the Hpt**. (*Hpt., Article 135, paragraph (2)*[1] created the opportunity, in certain exceptional cases, for credit institutions operating as public limited companies to **convene a General Meeting within a 10-day period**, which is shorter that the 30-day period allowed under the general rule. The opportunity to apply this shorter (10-day) period, however, **must be expressly stipulated in the credit institution's bylaws**.

Although the Act does not make the above amendment compulsory, we nevertheless recommend enshrining such an opportunity in the Bylaws. The reason for this is that it enables the Bank to respond quickly in such theoretical cases, and to avoid supervisory measures and procedures if a critical situation arises with respect to its capital position.

[1]The general meeting of a credit institution operating as a public limited company requires at least a two-thirds majority of votes to adopt a resolution amending the bylaws to allow the convening of a general meeting, at least ten days prior to the starting date thereof, to increase capital in the interest of avoiding the ordering of a measure, defined in this act and applicable by the Supervisory Authority, an exceptional measure, or a recovery and resolution procedure as defined in the Act on Recovery and Resolution (Szántv.).

2. **AMENDMENTS RELATED TO ACT V OF 2013 ON THE CIVIL CODE** [BYLAWS SECTIONS 8.3; 8.8; 8.17; 8.18; 8.30; 8.33; 11.5 AND 14.1, AND ARTICLE 15]

2.1. In view of the scope for exercising discretion under the Civil Code, we recommend amending the Bylaws as follows:

(a) [Reduction in the shareholder presence necessary for a quorum]

"8.17. The General Meeting shall have a quorum if the shareholders representing more than ~~half~~one third of the votes embodied by voting shares are in attendance."

Reasoning:

The discretionary rule of the Civil Code permits a departure in terms of the shareholder presence that is necessary for the company to recognise a meeting of its supreme body as quorate.

The new Civil Code, which supersedes the previous legislation, does not permit the reconvened general meeting to be held on the same day in the event of an inquorate general meeting. Under the new Civil Code, in the case of a public limited company, **at least 10 days must pass between the first general meeting and the reconvened general meeting**. This change **could result in a substantial increase in costs** for public limited companies if the first general meeting inquorate.

In order to make it possible to reduce the likelihood of extra costs and inconvenience resulting from the holding of a reconvened general meeting 10 days later, **we recommend setting the threshold for declaring a quorum at a lower level than at present**.

(b) [Clarification of the requirements for a shareholder's letter of proxy]

"8.3. The shareholders may exercise their right to participate and vote at the General Meeting either in person or through a proxy. The letter of proxy must be presented in the form of a notarised document or a private deed of full probative force, and a copy must be handed over at the place and during the period specified in the announcement on the convening of the General Meeting. The letter of proxy may be valid for one general meeting or for a specified period, but for a maximum of twelve months. The letter of proxy – in the absence of a provision to the contrary – shall extend to a general meeting convened to continue a suspended general meeting, or a general meeting that has been reconvened due to lack of quorum."

Reasoning:

Under the previous law, Act IV of 2006 on Companies ("**Gt**."), which was valid until 14 March 2014, a letter of proxy issued for the purpose of representation could be issued as valid for one general meeting or for a specified period, but for a maximum of twelve months, unless the Bylaws contained a provision to the contrary. This time limit served to ensure legal certainty and helped to avoid representation under false pretences.

However, Act V of 2013 on the Civil Code **("Ptk.")**, effective from 15 March 2014, **does not specify the above time limit**, and consequently **shareholders' letters of proxy may be valid for an indefinite period** and for an indefinite number of general meetings. Thus, in the absence of a time limit, a situation may arise in which the only event terminating the validity of a letter of proxy is its cancellation.

It is in the best interests of the shareholders for the Bylaws to adopt the limitation stipulated by the previous law (Gt.), and **set a time limit for the validity of letters of proxy**. In this way, in addition to the withdrawal of the letter of proxy, there would be an **objective invalidating circumstance** in respect of the validity of the letter of proxy, namely the passing of time. This would make it possible to substantially reduce the possibility of fraud related to shareholders' letters of proxy.

Another aspect is that the above proposal would not represent an actual change, because this rule was mandatory under the previous Gt.

Our **other** amendment **proposal** in this regard is aimed at expanding the practical scope of the shareholder's letter of proxy. Under the previously applicable Gt., the letter of proxy extended to a general meeting convened to continue a suspended general meeting, or a general meeting that has been reconvened due to lack of quorum. The Ptk. does not include this provision, so to ensure that **valid letters of proxy automatically**, and without dispute, **extend to a general meeting that has been repeated due to a lack of quorum, or to a general meeting convened to continue a suspended general meeting**, and that shareholders' votes are not lost merely due to the lack of an express provision to such effect, we propose supplementing the Bylaws as follows.

(c) [Defining the framework for exercising shareholder representation rights]

"8.8. Voting at the General Meeting is performed using a computer, with a voting device. The shareholder or the shareholder's proxy, provided that he or she is attending lawfully in accordance with the provisions of these Articles of Association, may collect the voting device after certifying his or her identity and signing the attendance register at the venue of the General Meeting. If due to technical reasons voting is not possible with the voting device, the voting shall take place using books of voting slips. Any given shareholder (including a shareholder represented by a shareholder's proxy) is only entitled to use a single voting device (book of voting slips)."

Reasoning:

The previously applicable Gt. also provided the opportunity, at public limited companies, for one shareholder to authorise different proxies to represent each of his/her blocks of shares kept in various securities accounts. If different proxies representing the same shareholder cast differing votes with respect to a given decision, then every single one of these votes was declared to be invalid.

The **new Ptk**. retains the above legal possibility; indeed, as a general rule it **states that one shareholder may have several representatives**. The new Ptk. also permits the granting of a "**free mandate**"; that is, in the absence of specific instructions from the shareholder, the shareholder's proxy may vote at his/her own discretion.

If a shareholder has several proxies, a **legal risk** arises if these shareholders (without prior consultation) **vote differently from each other** in respect of the same matter. This is because these votes are **classed as invalid**, and thus important votes could be lost due to a communication problem.

The above proposed wording serves – through a technical method – to eliminate the legal risk.

This method does not diminish the shareholder's right to delegate several proxies to a given general meeting; however, by stipulating the use of one voting device per shareholder, we compel the shareholder's proxies to consult in advance with each other, and if necessary with the shareholder whom they represent, and to always cast their votes consistently with each other.

(d) [Creation of the opportunity to issue equity bonds]

"*8.33. The General Meeting has exclusive authority with respect to the following matters:*
10. a decision – unless the Civil Code provides otherwise – on the issuance of convertible bonds, equity bonds, or bonds with subscription rights;

"*14.1. The Company may raise its registered capital through a resolution of the General Meeting. The registered capital may be raised by any means specified in the relevant statutory regulations, especially*
a) by issuing new shares;
b) to the charge of net assets in excess of existing registered capital;
c) by issuing employee shares; and/or
d) as a contingent capital increase, by issuing convertible bonds or equity bonds."

Reasoning:

The types of convertible bonds that may be issued by the Bank have not to date included 'equity bonds', and we hereby intend to remedy this in the Bylaws.

The equity bond is a **relatively new instrument under Hungarian law**, since it was incorporated into company law by the act on the integration of cooperative credit institutions (Act CXXXV of 2013) with effect from 13 July 2013.

The main principle is that **equity bonds** issued by the company **are automatically converted to shares, without a separate decision, upon the occurrence of objective future** events. Therefore, they only differ from conventional convertible bonds in that their transformation into shares depends not on the bond holder's decision, but on the occurrence of objective circumstances.

It is **sensible** to create the opportunity to **make full use of all means of raising capital** permitted for the Bank by law. Therefore we propose that the opportunity for issuing equity bonds be listed in the Bylaws among the powers of the general meeting.

(e) [Formal requirements for legal declarations by shareholders]

"Article 15

Notices

15.1 The Company publishes its notices specified in the statutory regulations and in these Articles of Association and announcements on its own website (www.otpbank.hu), on the website of the Budapest Stock Exchange (BSE) (www.bet.hu), and on the website operated by the Supervisory Authority (www.kozzetetelek.hu).

15.2 Any legal declaration made by the shareholder to the Company shall only be valid if set forth in a public document, or in a private deed of full probative force in accordance with Act III of 1952 on Civil Procedure."

Reasoning:

We propose clarifying the formal requirements for shareholders' legal declarations, and placing them within stricter constraints, to **increase confidence in the formal and substantive authenticity** of documents containing legal declarations. Consequently, any legal declarations by shareholders that do not comply with the formal requirements will not constitute validly made legal declarations.

2.2. Proposals to clarify certain provisions of the Bylaws:

(a) [Convening a reconvened general meeting]

8.18 If a properly convened General Meeting is inquorate, the reconvened General Meeting – convened at the time and place specified in the notice described in section 8.13 – shall be quorate with respect to the items on the original agenda, regardless of the extent of voting rights represented by those in attendance. Should the agenda of the General Meeting contain a proposal regarding the termination of trading in the shares in all regulated markets (hereinafter: delisting), the reconvened General Meeting shall have a quorum with regard to this agenda item if the shareholders representing more than half of the votes embodied by the voting shares are in attendance."

Reasoning:

Because a general meeting reconvened to a lack of quorum can no longer be held on the same day, it is advisable to **make it clear**, in the Bylaws, that the Company **will not publish a new notice for the purpose of convening the reconvened general meeting**. This makes it possible to prevent anyone from interpreting the Bylaws as meaning that the Company will issue a separate invitation for the reconvened general meeting.

(b) [Content of the minutes]

"8.30. Minutes of the General Meeting must be taken, and must contain the following:

[…]

f.) the proposed resolutions, *for each resolution, the number of shares on behalf of which a valid vote was cast, the extent of share capital represented by such votes,* the number of the votes for and against the proposals, and the number of abstentions;"

Reasoning:

Article 3:278 of the **Ptk**. **prescribes**, as a part of the content of the minutes, that the number of shares on behalf of which a valid vote was cast, and the extent of share capital represented by such votes, be recorded in the minutes; and in view of this provision the relevant subsection 8.30 f.) of the **Bylaws is in need of supplementation**.

(c) [Approval of the Supervisory Board's rules of procedure]

"11.5. The Supervisory Board determines <u>and approves</u> its own rules of procedure."

<u>Reasoning:</u>

At last year's general meeting, in the amendment of the Bylaws – in view of the scope for exercising discretion permitted by the Ptk. – approval of the Supervisory Board's rules of procedure was deleted from the powers of the general meeting in the Bylaws. The purpose of the decision was to permit the **Supervisory Board to approve its own rules of procedure** in the future. At that time, however, the approval of its own rules of procedure was not expressly defined as a power of the Supervisory Board.

As a result the Bylaws do not contain the term "approves", as currently applied by the law, and therefore it is not fully clear which body is entitled to "approve" the rules of procedure determined by the Supervisory Board.

In the interests of **making it clear**, in keeping with last year's general meeting decision, that the Supervisory Board is entitled to approve its own rules of procedure, it is advisable to clarify the wording of the Bylaws in accordance with the above, so as to ensure that the **Bylaws expressly state** that Supervisory Board is the body **that approves its rules of procedure**.

RESOLUTION PROPOSAL

The General Meeting has decided, by way of a single resolution, to amend the Company's Bylaws in accordance with the contents set forth in the Board of Directors' Proposal.

RESOLUTION PROPOSAL

The General Meeting approves the amendment of sections 8.3; 8.8; 8.13; 8.17; 8.18; 8.30; 8.33; 11.5 and 14.1, and Article 15 of the Company's Bylaws in accordance with the proposal of the Board of Directors, as per the annex to the minutes of the General Meeting.

PROPOSAL ON THE REMUNERATION GUIDELINES OF THE OTP BANK PLC.

REMUNERATION GUIDELINES OF OTP BANK PLC.

The Bank Group's Remuneration Policy is an integral part of the corporate governance system, and must be enforced throughout the entire Bank Group. The Bank Group's Remuneration Policy, in keeping with the relevant European Union directive, is consistent with effective and successful risk management, and in accordance with its purpose, it does not encourage the assumption of risks that exceed the risk-assumption limits of the Bank and Bank Group-member subsidiaries, and furthermore it is consistent with the business strategy, objectives, values and long-term interests of the Bank and Bank Group-member subsidiaries, and it promotes the achievement of this.

1. The objective of the Remuneration Policy

The objective of the Bank Group's Remuneration Policy is to acknowledge the performance, within the risk-tolerance capacity of the Bank Group, of the management of OTP Bank and of individual managers occupying key positions, as well as of the heads of the subsidiaries of the Bank Group in contributing to results at the bank and at the group level, and to provide an incentive for performance.

2. Effect of the Remuneration Policy

In the interests of determining the personal scope of the Bank Group's Remuneration Policy, the Bank, in accordance with the applicable European Union regulations, and taking into account criteria that reflect the institution's particular risk profile, applies, on the basis of the results of comprehensive risk-analysis procedures, a set of internal criteria that are consistent with the business and risk strategy, based on which it performs an annual assessment for the purpose of identifying employees who materially influence the Bank's risk profile.

The following individuals fall under the effect of the Bank Group's Remuneration Policy:

- members of the Board of Directors of OTP Bank Plc.
- members of the Supervisory Board of OTP Bank Plc.

and of the employees of OTP Bank Plc.

- the Bank's CEO
- the Bank's deputy CEOs
- managers that influence the Bank Group's risk profile and profit in a material extent
- managers with responsibility for special management functions
- managers fulfilling controlling functions

furthermore, of the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision – in the absence of any provision to the contrary under national legislation:

- the top managers of the subsidiaries
- in the case of certain subsidiaries, the 2nd-level (deputy) managers of the subsidiaries.
- managers of certain foreign subsidiary banks with special management and decision-making authority determined under national statutory provisions.

Decisions on the persons subject to the scope of the Bank Group's Remuneration Policy are made by the Supervisory Board of the Bank.

3. The framework for applying the Bank Group's Remuneration Policy to the subsidiaries

All basic decisions under the remuneration policy shall be made by OTP Bank Plc., while the subsidiaries shall be responsible for complying with local statutory regulations and obligations.

- In the case of **credit institutions that have their registered seat in Hungary**, the remuneration policy shall be comprehensively applied in respect of level 1 and level 2 managers.
- In the case of the **foreign subsidiaries**, the performance-based components of compensation specified in the remuneration policy shall be applied – observing any limitations under national statutory provisions – with the proviso that in the case of subsidiaries outside of the European Union, the principle of proportionality shall be observed in the payment process for performance-based remuneration.
- In the case of **Investment Fund Management Companies and Financial Enterprises**, the remuneration policy will be applied using the principle of proportionality, with the proviso that in the case of companies operating within EU member states the payment of performance-based remuneration will be deferred.
- In the case of the **Auxiliary Enterprises** – in view of the nature of their activities – the vehicles of remuneration are determined in the form of a basic salary and a bonus.

4. The ratio of fixed and variable remuneration

The **members of the Board of Directors** and the **Supervisory Board** receive an honorarium of a fixed amount for their work in this capacity, and do not receive performance-based remuneration.

With respect to the persons covered by the remuneration policy, remuneration shall consist of fixed and variable components. The main components of fixed remuneration are the basic salary and ordinary shares issued by OTP Bank. The fixed remuneration provided in the form of ordinary shares in OTP Bank is settled once a year, within 30 days after the General Meeting that closes the given business year, with the proviso that in respect of 50% of the shares the beneficiaries are subject to an extended holding obligation (prohibition on sale) of one year.

The ratio of fixed and performance-based remuneration components shall be determined by the Bank's Supervisory Board, according to the function, size and complexity of the organization managed. The ratio of performance-based remuneration cannot exceed the 100% of the fixed remuneration in case of each concerned person.

The current ratios of fixed and performance-based remuneration are as follows:

Management categories covered by the remuneration policy of the OTP Bank Group	Structure of remuneration	
	ratio of fixed remuneration	ratio of performance remuneration
members of the Board of Directors of OTP Bank Plc.*	100%	
members of the Supervisory Board of OTP Bank Plc.*	100%	
the employees of OTP Bank Plc.		
positions that materially influence the risk profile and profit	50-60%	50-40%
positions with responsibility for special management functions	50-60%	50-40%
positions with controlling functions	60%	40%
from of the managers employed by the subsidiaries of the Bank Group that are subject to consolidated supervision		
the top managers of the subsidiaries	50-80%	50-20%
in the case of key subsidiaries, 2nd-level (deputy) managers and holders of positions with responsibility for special management functions	50-67%	50-33%

*fixed-amount honorarium

5. The method and instruments of performance assessment linked to variable remuneration

In the case of **managers employed by OTP Bank Plc.**, performance is assessed, in addition to the RORAC index [1] reflecting the Bank Group's return on risk adjusted capital, on the basis of criteria measuring individual performance (financial indices, as well as indices measuring the quality of work).

In the case of the **managers of the Bank Group's subsidiaries**, performance is assessed on a differential basis, in view of the nature of the companies' respective activities.

The target values of the indices are determined by the Bank's Supervisory Board on the basis of the prevailing annual financial budget. The Supervisory Board may modify such target values in consideration of statutory changes implemented after the determination thereof and/or changes in market circumstances that have a significant objective effect on the Bank's profit and/or the achievement of the target values set.

6. Determining entitlement to variable remuneration

In respect of the year evaluated, the entitlement to variable remuneration and the extent thereof must be determined within 30 days following the ordinary annual General Meeting closing the year in question.

- For **senior managers of OTP Bank Plc.** (CEO and deputy CEOs) the entitlement to variable remuneration and the extent of such compensation shall be determined by the Supervisory Board, in proportion to the fulfilment of annual objectives.
- The entitlement of **managers employed by the Bank** to variable remuneration and the extent thereof shall be determined by the CEO, with the proviso that in respect of the heads of Risk Management, Internal Audit and Compliance the Remuneration Committee has the right of joint decision-making.
- The entitlement of the **managers of the Bank Group's subsidiaries** to variable remuneration and the extent of compensation shall be determined by the body exercising ownership rights, with the preliminary approval of the Remuneration Committee of OTP Bank Plc.

7. Principles and rules concerning the payment of variable remuneration

- Upon assessing the performance of the year evaluated ("T year"), the amount of performance-based remuneration is determined and broken down to the level of individuals. The amount of performance-based remuneration is determined in consideration of individual performance, as well as the ratio of fixed and variable compensation.
- As a general rule, performance-based variable remuneration shall be paid out in the form of a cash bonus and a share allowance granted at a discount, in a ratio of 50-50%.
- The number of shares per person that may be used as a share allowance granted at a discount must be determined on the basis of the quotient of the amount of share-based performance remuneration and the value of the share allowance granted with a discount in effect at the time of performance assessment.
- The value of share compensation granted at a discounted price in effect at the time of performance assessment must be determined on the basis of the average of the daily mean quoted price of the ordinary shares issued by OTP Bank, as registered by the Budapest Stock Exchange, on the three business days preceding the date of performance assessment.

[1] This index is calculated on the basis of the figures of Hungarian and foreign group members that were subject to consolidation throughout the entire economic year assessed.

- The share allowance granted at a discounted price may contain a maximum discount of HUF 2,000 at the time of performance assessment, and the profit content per share may amount to maximum HUF 4,000 at the time of vesting the share compensation. In respect of the year assessed, the specific content of the share allowance granted at a discounted rate shall be decided upon by the Supervisory Board of the Bank, within 30 days from the General Meeting closing the economic year evaluated.
- As a general rule, payment of 60% of the variable remuneration is staggered over a period of three years, during which period the deferred amount is determined annually in equal proportions.
- Entitlement to deferred payment shall be determined in consideration of the subsequent assessment of risks. The assessment of risks takes place, on the one hand, on the basis of criteria pertaining to prudent operations – that is, in consideration of the fulfilment of the requirements concerning an amount of capital that is in excess of the minimum guarantee capital specified in the Act, and ensuring operations without the need to take advantage of the deposit insurance fund – and, on the other hand, it is linked to the activities of the persons concerned. On the basis of the assessment of risks related to the activities of the persons concerned, deferred amounts may be reduced or clawed back in the case of a significant breach of the internal regulations, with special respect to those concerning risk management.

  Entitlement to deferred amounts is linked to the subsequent assessment of risks and effective employment at the time of paying out the deferred amount. Any valid deviations from the above may only be authorised in respect of managing directors (CEO, deputy CEOs) by the Supervisory Board of OTP Bank Plc. In the case of exceptional performance, deviations may be permitted in respect of bank employees in management positions and heads of the subsidiaries, on the basis of a decision made by the Chairman & CEO of OTP Bank Plc.
- 50% of the first (non-deferred) share allowance granted at a discounted price shall be retained for a period of 1 year (entitlement will be awarded, but the compensation may actually be drawn in the draw-down period that follows the year in which the compensation was awarded).
- The Supervisory Board of OTP Bank Plc. is authorised to set the period for exercising the preferential share option at a maximum of two years, and to extend the specified period on one occasion by a maximum of two years, with the proviso that the entire draw-down period may not exceed two years.

At all the members of the Bank Group – in the absence of any mandatory provisions under national legislation to the contrary – the share-based portion of the variable remuneration is provided to the employees concerned by OTP Bank Plc.

The Supervisory Board of OTP Bank Plc., with the exception of matters placed under the authority of the General Meeting by law – is authorised to amend the Bank Group’s Remuneration Policy.

RESOLUTION PROPOSAL

The General Meeting approves the Remuneration Guidelines of OTP Bank Plc in accordance with the annex to the minutes of the General Meeting.

DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE

DETERMINATION OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND AUDIT COMMITTEE

The General Meeting has authority to determine the remuneration of the members of OTP Bank's Board of Directors, Supervisory Board and Audit Committee.

The present remuneration of the members of the Board of Directors and Supervisory Board was determined by the General Meeting in its resolution number 8/2013. According to the resolution number 9/2014 of the General Meeting the members of Audit Committee do not receive any remuneration.

The honorarium of the members of the **Board of Directors** consists of a fixed remuneration settled monthly in forint, and the number of ordinary shares in OTP Bank Plc. specified by the General Meeting, the settlement of which takes place once a year, within 30 days after the General Meeting closing the given business year. In respect of 50% of the shares, the beneficiaries are subject to an extended holding obligation (prohibition on sale) up to the end of their mandates.

The monthly honorarium of the members of the **Supervisory Board** consists of a fixed-amount remuneration settled in forint.

In accordance with the practice of the previous years, the proposal relating to determination of the remuneration of the board and committee members took into account the estimated inflation and the extent of the salary increase planned for the Bank's employees in the given business year.

Given the current economic and money-market situation, **the Bank does not plan a general salary increase**. In view of this, **no change is recommended in respect of the honorarium of the Board of Directors and the Supervisory Board determined in above-mentioned resolution**. **It is not recommended that remuneration be determined for the members of the Audit Committee**.

RESOLUTION PROPOSAL

The General Meeting does not modify the remuneration of the members of the Board of Directors and the Supervisory Board set forth in resolution No 8/2013 of the General Meeting. Members of the Audit Committee do not receive any remuneration.

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ACQUIRE THE COMPANY'S OWN SHARES

AUTHORIZATION OF THE BOARD OF DIRECTORS TO ACQUIRE THE COMPANY'S OWN SHARES

Pursuant to both the Civil Code and section 8.33, subsection 13 of the Company's Articles of Association, the General Meeting has the power to authorise the Board of Directors to acquire treasury shares.

The General Meeting of 2014, in its resolution No. 10/2014, authorised the Board of Directors to acquire treasury shares. This authorisation expires on 25 October 2015; however, the authorisation may be reissued.

This authorisation is provided by the resolution constituting the subject matter of this proposal. The authorisation, in accordance with the statutory requirements, is subject to limitations of time and extent, which are specified in the resolution. Pursuant to the provisions of the new Civil Code, the authorisation of the Board of Directors is valid for 18 months, and the number of treasury shares acquirable by the Company may not exceed an extent equivalent to 25 per cent of the share capital. That means that the total amount of the treasury shares may not exceed the extent of 25 per cent at any moment.

The purpose of the authorisation is for the Board of Directors to acquire treasury shares in the interests of

(i) supplying the shares necessary for the management incentives system that is in place at the Company,

(ii) creating an opportunity for rapid intervention in the event of share price fluctuation,

(iii) developing and maintaining the Company's services provided to its customers, and

(iv) implementing transactions related to the optimisation of the Company's capital.

Due to a change in the law, as of 1 January 2014, the authorisation of the General Meeting is necessary, but not in itself sufficient, prerequisite for the execution of treasury-share purchases. This is because under EU rules relating to the purchase of treasury shares[1] every treasury-share purchase transaction needs to be authorised by the National Bank of Hungary (MNB), either for each purchase individually or – if this is legally possible – based on a limit-type authorisation. The Company obtains MNB's permission for each treasury share purchase.

Based on the authorisation granted by the General Meeting and on the permission of the MNB, the share transactions may be concluded on the regulated market (the stock exchange), or outside of such market (OTC-transaction). To prevent the simultaneous existence of two authorisations, the authorisation set forth in General Meeting resolution no. 10/2014 shall lose its effect upon the passing of the proposed resolution. The Company publishes data relating to treasury shares and to the transactions that involve such shares in accordance with the effective statutory provisions.

[1]Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR), and Commission Delegated Regulation (EU) No 241/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions

RESOLUTION PROPOSAL

The General Meeting hereby authorizes the Board of Directors to acquire own shares for the purpose of supplying the shares necessary for the management incentives system that is in operation at OTP Bank Nyrt, creating the opportunity for rapid intervention in the event of share price fluctuations, developing and maintaining the services provided to customers, and executing transactions related to optimisation of the Company's capital.

The Board of Directors is authorised to acquire a maximum of as many ordinary shares with a nominal value of HUF 100 that is one hundred forints, as ensures that the portfolio of own shares, in respect of the measure stipulated in the frame-permissions of the Magyar Nemzeti Bank, does not exceed 70,000,000 shares at any moment in time.

Should the acquisition of shares take place in a reciprocal transaction, then the consideration applied in such transaction may be a minimum of the share's nominal value, and a maximum of 150% of the highest price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction, or, in the case of a stock-exchange transaction, 120% of the closing price recorded on the Budapest Stock Exchange on the day preceding conclusion of the transaction. The Board of Directors may exercise its rights set forth in this mandate until 17 October 2016. The mandate set forth in General Meeting resolution 10/2014 shall lose its effect upon the passing of this resolution.