



**OTP BANK PLC.**

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

**FOR THE SIX MONTH PERIOD  
ENDED 30 JUNE 2015**

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	Note	30 June 2015	31 December 2014	30 June 2014
Cash, amounts due from banks and balances with the National Bank of Hungary		1,590,943	1,897,778	151,753
Placements with other banks, net of allowance for placement losses		635,802	712,112	614,635
Financial assets at fair value through profit or loss	4.	313,503	351,753	287,200
Securities available-for-sale	5.	1,157,243	1,215,907	1,882,293
Loans, net of allowance for loan losses	6.	1,845,477	1,908,631	2,084,416
Investments in subsidiaries, associates and other investments	7.	623,425	604,209	607,112
Securities held-to-maturity	8.	827,606	662,947	664,046
Property and equipment		65,162	68,114	80,071
Intangible assets		32,030	36,091	26,010
Other assets		<u>127,841</u>	<u>97,930</u>	<u>107,601</u>
<b>TOTAL ASSETS</b>		<b><u>7,219,032</u></b>	<b><u>7,555,472</u></b>	<b><u>6,505,137</u></b>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		1,048,711	1,142,491	655,697
Deposits from customers	9.	4,077,449	4,235,256	3,745,917
Liabilities from issued securities	10.	160,857	162,667	165,195
Financial liabilities at fair value through profit or loss		280,245	375,363	206,962
Other liabilities		239,966	253,952	401,896
Subordinated bonds and loans		<u>270,866</u>	<u>294,612</u>	<u>300,395</u>
<b>TOTAL LIABILITIES</b>		<b><u>6,078,094</u></b>	<b><u>6,464,341</u></b>	<b><u>5,476,062</u></b>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,121,351	1,070,204	1,008,612
Treasury shares		<u>(8,413)</u>	<u>(7,073)</u>	<u>(7,537)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>1,140,938</u></b>	<b><u>1,091,131</u></b>	<b><u>1,029,075</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>7,219,032</u></b>	<b><u>7,555,472</u></b>	<b><u>6,505,137</u></b>

	Note	Six month period ended 30 June 2015	Six month period ended 30 June 2014	Year ended 31 December 2014
Interest Income	12.	233,546	223,546	415,107
Interest Expense	12.	<u>131,714</u>	<u>115,466</u>	<u>201,384</u>
<b>NET INTEREST INCOME</b>	12.	<b><u>101,832</u></b>	<b><u>108,080</u></b>	<b><u>213,723</u></b>
Provision for impairment on loan and placement losses	6.	16,419	11,227	23,213
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>		<b><u>85,413</u></b>	<b><u>96,853</u></b>	<b><u>190,510</u></b>
Net profit from fees and commissions		84,310	72,410	146,546
Net operating income / (expense)		66,037	(232,498)	(210,461)
Other administrative expenses		<u>133,653</u>	<u>132,246</u>	<u>244,428</u>
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b><u>102,107</u></b>	<b><u>(195,481)</u></b>	<b><u>(117,833)</u></b>
Income tax benefit		<u>2,422</u>	<u>(45,186)</u>	<u>(43,364)</u>
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>		<b><u>99,685</u></b>	<b><u>(150,295)</u></b>	<b><u>(74,469)</u></b>
Earnings per share (in HUF)				
Basic		<u>358</u>	<u>(540)</u>	<u>(268)</u>
Diluted		<u>358</u>	<u>(540)</u>	<u>(267)</u>

*The comprehensive income items are as follows:*

	Six month period ended 30 June 2015	Six month period ended 30 June 2014	Year ended 31 December 2014
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>	<b><u>99,685</u></b>	<b><u>(150,295)</u></b>	<b><u>(74,469)</u></b>
Fair value adjustment of securities available-for-sale	<u>(4,804)</u>	<u>25,971</u>	<u>12,777</u>
<b>NET COMPREHENSIVE INCOME</b>	<b><u>94,881</u></b>	<b><u>(124,324)</u></b>	<b><u>(61,692)</u></b>

	Six month period ended 30 June 2015	Six month period ended 30 June 2014	Year ended 31 December 2014
Profit / (loss) before income tax	102,107	(195,481)	(117,833)
Income tax paid	(3,295)	-	(2,864)
Depreciation and amortization	10,262	10,903	22,177
(Release of provision) / provision for impairment	(7,411)	292,331	295,389
Share-based payment	1,905	2,059	4,393
Unrealised losses on fair value adjustment of securities available- for-sale and held for trading	(6,204)	(325)	(2,903)
Unrealised (losses) / gains on fair value adjustment of derivative financial instruments	(20,163)	7,924	5,401
Net changing in assets and liabilities in operating activities	<u>(211,314)</u>	<u>92,549</u>	<u>849,099</u>
<b>Net cash (used in) / provided by operating activities</b>	<b><u>(134,113)</u></b>	<b><u>209,960</u></b>	<b><u>1,052,859</u></b>
<b>Net cash (used in) / provided by investing activities</b>	<b><u>(3,373)</u></b>	<b><u>39,702</u></b>	<b><u>453,140</u></b>
<b>Net cash (used in) / provided by financing activities</b>	<b><u>(166,699)</u></b>	<b><u>(281,316)</u></b>	<b><u>193,893</u></b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b><u>(304,185)</u></b>	<b><u>(31,654)</u></b>	<b><u>1,699,892</u></b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b><u>1,762,727</u></b>	<b><u>62,835</u></b>	<b><u>62,835</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>1,458,542</u></b>	<b><u>31,181</u></b>	<b><u>1,762,727</u></b>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,897,778	140,521	140,521
Compulsory reserve established by the National Bank of Hungary	<u>(135,051)</u>	<u>(77,686)</u>	<u>(77,686)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<b><u>1,762,727</u></b>	<b><u>62,835</u></b>	<b><u>62,835</u></b>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,590,943	151,753	1,897,778
Compulsory reserve established by the National Bank of Hungary	<u>(132,401)</u>	<u>(120,572)</u>	<u>(135,051)</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>1,458,542</u></b>	<b><u>31,181</u></b>	<b><u>1,762,727</u></b>

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD  
ENDED 30 JUNE 2015 (UNAUDITED) (in HUF mn)

	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury Shares	Total
<b>Balance as at 1 January 2014</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>16,504</u></b>	<b><u>1,214,503</u></b>	<b><u>(55,468)</u></b>	<b><u>(6,731)</u></b>	<b><u>1,196,860</u></b>
Net profit for the three month period	-	-	-	(150,295)	-	-	(150,295)
Other comprehensive income	-	-	-	25,971	-	-	25,971
Share-based payment	-	-	2,059	-	-	-	2,059
Payments to ICES holders	-	-	-	(954)	-	-	(954)
Sale of treasury shares	-	-	-	-	-	17,472	17,472
Loss on sale of treasury shares	-	-	-	(3,160)	-	-	(3,160)
Acquisition of treasury shares	-	-	-	-	-	(18,278)	(18,278)
Dividend for the year 2013	-	-	-	(40,600)	-	-	(40,600)
<b>Balance as at 30 June 2014</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>18,563</u></b>	<b><u>1,045,465</u></b>	<b><u>(55,468)</u></b>	<b><u>(7,537)</u></b>	<b><u>1,029,075</u></b>
<b>Balance as at 1 January 2015</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>20,897</u></b>	<b><u>1,104,723</u></b>	<b><u>(55,468)</u></b>	<b><u>(7,073)</u></b>	<b><u>1,091,131</u></b>
Net profit for the three month period	-	-	-	99,685	-	-	99,685
Other comprehensive income	-	-	-	(4,804)	-	-	(4,804)
Share-based payment	-	-	1,905	-	-	-	1,905
Payments to ICES holders	-	-	-	(842)	-	-	(842)
Sale of treasury shares	-	-	-	-	-	15,348	15,348
Loss on sale of treasury shares	-	-	-	(4,197)	-	-	(4,197)
Acquisition of treasury shares	-	-	-	-	-	(16,688)	(16,688)
Dividend for the year 2014	-	-	-	(40,600)	-	-	(40,600)
<b>Balance as at 30 June 2015</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>22,802</u></b>	<b><u>1,153,965</u></b>	<b><u>(55,468)</u></b>	<b><u>(8,413)</u></b>	<b><u>1,140,938</u></b>

**NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS****1.1. General information**

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

**1.2. Accounting**

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

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

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

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

**NOTE 2: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2015****1) Capital increase in OTP Bank JSC (Ukraine)**

See details in Note 7.

**2) OTP Group: Acquisition in Serbia**

See details in Note 7.

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

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

**a) Act on Settlement**

Based on these regulations expense in the amount of HUF 34 billion was recognised as amounts charged to clients related to consumer loans contracts were assumed unfair. Provision for impairment recognised as at 31 December 2014 was released in the amount of HUF 33.4 billion during the six month period ended 30 June 2015.

In accordance with the Act on Settlement in case of HUF loans, amounts, assumed unfair charged, will be settled with clients during the third quarter of 2015.

**NOTE 2:           SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2015**  
**[continued]**

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

**b)   Act on Conversion into HUF**

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

**NOTE 3:           POST BALANCE SHEET EVENTS**

On 27 July 2015 OTP Bank announces that action for damages initiated by DOO VEKTRA JAKIC in bankruptcy in the amount of EUR 80 million against OTP Bank in Montenegro has been dismissed entirely at every instance and the courts decided in favour of OTP Bank. The decision of the courts is final and binding and the case is considered as finished and closed by OTP Bank.



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

	<b>30 June 2015</b>	<b>31 December 2014</b>
<i>Held for trading securities:</i>		
Shares	73,001	58,559
Government bonds	20,849	13,777
Hungarian government interest bearing Treasury Bills	2,832	4,175
Hungarian government discounted Treasury Bills	974	288
Mortgage bonds	46	71
Securities issued by credit institutions	-	67
Other securities	<u>298</u>	<u>216</u>
	<b><u>98,000</u></b>	<b><u>77,153</u></b>
Accrued interest	<u>473</u>	<u>434</u>
<b>Total</b>	<b><u>98,473</u></b>	<b><u>77,587</u></b>
<i>Derivative financial instruments designated as held for trading:</i>		
CCIRS <sup>1</sup> and mark-to-market CCIRS swaps designated as held for trading	131,708	152,540
Interest rate swaps designated as held for trading	34,855	43,538
Foreign currency swaps designated as held for trading	30,590	60,833
Other derivative transactions <sup>2</sup>	<u>17,877</u>	<u>17,255</u>
	<b><u>215,030</u></b>	<b><u>274,166</u></b>
<b>Total</b>	<b><u>313,503</u></b>	<b><u>351,753</u></b>

<sup>1</sup> CCIRS: Cross Currency Interest Rate Swap

<sup>2</sup> incl.: FX, equity, commodity and index futures; FX forward; commodity swap; equity swap; FRA; FX option

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Mortgage bonds	596,214	741,567
Government bonds	458,630	375,040
Other securities	82,864	64,593
<i>-listed securities</i>	<u>31,589</u>	<u>31,535</u>
<i>in HUF</i>	-	-
<i>in foreign currency</i>	31,589	31,535
<i>-non-listed securities</i>	<u>51,275</u>	<u>33,058</u>
<i>in HUF</i>	45,214	27,397
<i>in foreign currency</i>	6,061	5,661
<b>Subtotal</b>	<b><u>1,137,708</u></b>	<b><u>1,181,200</u></b>
Accrued interest	<u>19,535</u>	<u>34,707</u>
<b>Total</b>	<b><u>1,157,243</u></b>	<b><u>1,215,907</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Short-term loans and trade bills (within one year)	1,035,176	1,014,363
Long-term loans and trade bills (over one year)	<u>898,038</u>	<u>972,626</u>
<b>Loans gross total</b>	<b><u>1,933,214</u></b>	<b><u>1,986,989</u></b>
Accrued interest	<u>6,541</u>	<u>7,039</u>
Provision of impairment on loan losses	<u>(94,278)</u>	<u>(85,397)</u>
<b>Total</b>	<b><u>1,845,477</u></b>	<b><u>1,908,631</u></b>

**Partial write-off**

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

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

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

Loan receivables have been partially written off at the amount of HUF 65,564 million as at 30 June 2015.

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

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

	30 June 2015		31 December 2014	
<b>Retail loans</b>	<b>505,917</b>	<b>26%</b>	<b>518,058</b>	<b>26%</b>
Retail mortgage backed loans	94,291	5%	112,358	5%
Retail consumer loans	284,874	15%	291,497	15%
SME loans	126,752	6%	114,203	6%
<b>Corporate loans</b>	<b>1,427,297</b>	<b>74%</b>	<b>1,468,931</b>	<b>74%</b>
Loans to medium and large corporates	1,396,489	72%	1,420,631	71%
Municipality loans	26,481	1%	28,471	2%
Municipality loans completed by the State	4,327	1%	19,829	1%
<b>Total</b>	<b><u>1,933,214</u></b>	<b><u>100%</u></b>	<b><u>1,986,989</u></b>	<b><u>100%</u></b>

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

	30 June 2015	31 December 2014
In HUF	47%	43%
In foreign currency	<u>53%</u>	<u>57%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

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

	30 June 2015	31 December 2014
<b>Balance as at 1 January</b>	<b>85,397</b>	<b>150,513</b>
Provision for the period	31,199	52,096
Release of provision	(22,318)	(54,793)
Partial write-off	-	(62,419)
<b>Closing balance</b>	<b><u>94,278</u></b>	<b><u>85,397</u></b>

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

	30 June 2015	31 December 2014
Investments in subsidiaries:		
Controlling interest	1,176,361	1,147,839
Other	<u>681</u>	<u>681</u>
	<b><u>1,177,042</u></b>	<b><u>1,148,520</u></b>
Provision for impairment	<u>(553,617)</u>	<u>(544,311)</u>
<b>Total</b>	<b><u>623,425</u></b>	<b><u>604,209</u></b>

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

	30 June 2015	31 December 2014
<b>Balance as at 1 January</b>	<b>544,311</b>	<b>317,581</b>
Provision for the period	9,306	226,730
<b>Closing balance</b>	<b><u>553,617</u></b>	<b><u>544,311</u></b>

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

On 15 May 2015 OTP Bank announces that the Ukrainian Court of Registration registered a capital increase at OTP Bank JSC (Ukraine), the Ukrainian subsidiary of OTP Bank. Accordingly, the registered capital of OTP Bank JSC was increased to UAH 3,668,186,135 from UAH 2,868,190,521.

On 12 June 2015 OTP Bank announces that OTP banka Srbija signed an agreement with the Italian specialist bank Findomestic Banca S.p.A regarding the purchase of 100 percent of the shares of Findomestic Banka of Serbia. The transaction will increase the current 1.4 percent market share of OTP banka Srbija to 1.9 percent, which is another step towards achieving its optimum market size.

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

	30 June 2015	31 December 2014
Government bonds	807,972	641,645
Mortgage bonds	4,750	4,756
Hungarian government discounted Treasury bills	<u>349</u>	<u>346</u>
	<b><u>813,071</u></b>	<b><u>646,747</u></b>
Accrued interest	<u>14,535</u>	<u>16,200</u>
<b>Total</b>	<b><u>827,606</u></b>	<b><u>662,947</u></b>

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

	30 June 2015	31 December 2014
Within one year:		
In HUF	3,334,706	3,600,806
In foreign currency	<u>707,244</u>	<u>599,127</u>
	<b><u>4,041,950</u></b>	<b><u>4,199,933</u></b>
Over one year:		
In HUF	<u>31,810</u>	<u>31,419</u>
	<b><u>31,810</u></b>	<b><u>31,419</u></b>
<b>Subtotal</b>	<b><u>4,073,760</u></b>	<b><u>4,231,352</u></b>
Accrued interest	<u>3,689</u>	<u>3,904</u>
<b>Total</b>	<b><u>4,077,449</u></b>	<b><u>4,235,256</u></b>

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

	30 June 2015		31 December 2014	
<b>Retail deposits</b>	<b>2,344,244</b>	<b>58%</b>	<b>2,242,240</b>	<b>53%</b>
Household deposits	1,938,485	48%	1,860,109	44%
SME deposits	405,759	10%	382,131	9%
<b>Corporate deposits</b>	<b>1,729,516</b>	<b>42%</b>	<b>1,989,112</b>	<b>47%</b>
Deposits to medium and large corporates	1,427,228	35%	1,659,484	39%
Municipality deposits	<u>302,288</u>	<u>7%</u>	<u>329,628</u>	<u>8%</u>
<b>Total</b>	<b><u>4,073,760</u></b>	<b><u>100%</u></b>	<b><u>4,231,352</u></b>	<b><u>100%</u></b>

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

	<b>30 June 2015</b>	<b>31 December 2014</b>
Within one year:		
In HUF	13,910	24,280
In foreign currency	<u>49,412</u>	<u>39,024</u>
	<b><u>63,322</u></b>	<b><u>63,304</u></b>
Over one year:		
In HUF	84,865	86,781
In foreign currency	<u>7,169</u>	<u>10,061</u>
	<b><u>92,034</u></b>	<b><u>96,842</u></b>
<b>Subtotal</b>	<b><u>155,356</u></b>	<b><u>160,146</u></b>
Accrued interest	<u>5,501</u>	<u>2,521</u>
<b>Total</b>	<b><u>160,857</u></b>	<b><u>162,667</u></b>

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

**(a) Contingent liabilities and commitments**

	<b>30 June 2015</b>	<b>31 December 2014</b>
Commitments to extend credit	828,770	753,152
Guarantees arising from banking activities	387,713	366,756
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>124,000</i>	<i>102,133</i>
Promissory obligation to OTP Financing Solutions B.V.	131,030	120,664
Legal disputes (disputed value)	53,159	53,729
Contingent liabilities ordered by law related to consumer loans	17,833	44,127
Confirmed letters of credit	62	108
Other	<u>48,395</u>	<u>33,428</u>
<b>Total</b>	<b><u>1,466,962</u></b>	<b><u>1,371,964</u></b>

At the balance sheet date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings corresponds to the level of claims and legal proceedings in previous years. The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes was HUF 777 million and HUF 998 million as at 30 June 2015 and 31 December 2014, respectively.

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

(b) *Fair value of derivative instruments*

	Fair value		Notional value, net	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
<b>Interest rate swaps classified as held for trading</b>				
Positive fair value of interest rate swaps classified as held for trading	34,855	43,538	37,754	46,128
Negative fair value of interest rate swaps classified as held for trading	(34,449)	(63,670)	(37,236)	(66,510)
<b>Foreign exchange swaps classified as held for trading</b>				
Positive fair value of foreign exchange swaps classified as held for trading	30,590	60,833	31,472	57,280
Negative fair value of foreign exchange swaps classified as held for trading	(14,885)	(60,110)	(13,891)	(55,697)
<b>Interest rate swaps designated as fair value hedge</b>				
Positive fair value of interest rate swaps designated in fair value hedge	14,705	14,032	6,934	8,539
Negative fair value of interest rate swaps designated in fair value hedge	(6,637)	(3,463)	(10,172)	(4,602)
<b>CCIRS classified as held for trading</b>				
Positive fair value of CCIRS classified as held for trading	131,708	152,540	130,975	144,886
Negative fair value of CCIRS classified as held for trading	(212,267)	(227,167)	(211,657)	(222,373)
<b>Mark-to-market CCIRS classified as held for trading</b>				
Positive fair value of mark-to-market CCIRS classified as held for trading	-	-	-	-
Negative fair value of mark-to-market CCIRS classified as held for trading	(5,965)	(9,576)	(6,116)	(9,856)
<b>Other derivative contracts classified as held for trading</b>				
Positive fair value of other derivative contracts classified as held for trading	17,877	17,255	12,427	14,088
Negative fair value of other derivative contracts classified as held for trading	(12,679)	(14,840)	(7,139)	(11,526)
<b>Other derivative contracts designated as fair value hedge</b>				
Positive fair value of other derivative contracts designated in fair value hedge	15	9	10	4
Negative fair value of other derivative contracts designated in fair value hedge	-	-	-	-
<b>Derivative financial assets total</b>	<b><u>229,750</u></b>	<b><u>288,207</u></b>	<b><u>219,572</u></b>	<b><u>270,925</u></b>
<b>Derivative financial liabilities total</b>	<b><u>(286,882)</u></b>	<b><u>(378,826)</u></b>	<b><u>(286,211)</u></b>	<b><u>(370,564)</u></b>
<b>Derivative financial instruments total</b>	<b><u>(57,132)</u></b>	<b><u>(90,619)</u></b>	<b><u>(66,639)</u></b>	<b><u>(99,639)</u></b>

As at 30 June 2015 the Bank has derivative instruments with positive fair values of HUF 229,750 million and negative fair values of HUF 286,882 million. Corresponding figures as at 31 December 2014 are HUF 288,207 million and HUF 378,826 million.

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

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

	Six month period ended 30 June 2015	Six month period ended 30 June 2014	Year ended 31 December 2014
<i>Interest Income:</i>			
Loans	66,547	83,501	162,533
Placements with other banks, net of allowance for placement losses	104,157	81,243	128,444
Securities available-for-sale	26,255	40,103	72,056
Securities held-to-maturity	18,865	17,442	36,518
Amounts due from banks and balances with National Bank of Hungary	<u>17,722</u>	<u>1,257</u>	<u>15,556</u>
<b>Total Interest Income</b>	<b><u>233,546</u></b>	<b><u>223,546</u></b>	<b><u>415,107</u></b>
<i>Interest Expense:</i>			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	103,895	78,382	127,809
Deposits from customers	18,652	26,215	52,544
Liabilities from issued securities	962	2,551	4,206
Subordinated bonds and loans	<u>8,205</u>	<u>8,318</u>	<u>16,825</u>
<b>Total Interest Expense</b>	<b><u>131,714</u></b>	<b><u>115,466</u></b>	<b><u>201,384</u></b>
<b>NET INTEREST INCOME</b>	<b><u>101,832</u></b>	<b><u>108,080</u></b>	<b><u>213,723</u></b>

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

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

Related party transactions can be detailed as follows:

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

	Six month period ended 30 June 2015	Six month period ended 30 June 2014
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	14,916	3,022
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	869	675
The gross book value of the loans sold	869	675

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

	Six month period ended 30 June 2015	Six month period ended 30 June 2014
The gross book value of the loans	6,464	17,040
Provision for loan losses on the loans sold	2,092	8,823
Loans sold to OTP Factoring Ltd. without recourse (including interest)	1,717	4,894
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	2,655	3,323

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