



OTP BANK PLC.

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

**FOR THE YEAR
ENDED 31 DECEMBER 2015**

CONTENTS

	<u>Page</u>
Separate Condensed Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union	
Separate Statement of Financial Position as at 31 December 2015	2
Separate Condensed Statement of Recognised Income and Statement of Comprehensive Income for the year ended 31 December 2015	3
Separate Condensed Statement of Cash Flows for the year ended 31 December 2015	4
Separate Statement of Changes in Shareholders' Equity for the year ended 31 December 2015	5
Selected Explanatory Notes	6-14

	Note	2015	2014
Cash, amounts due from banks and balances with the National Bank of Hungary		1,326,197	1,897,778
Placements with other banks, net of allowance for placement losses		647,724	712,112
Financial assets at fair value through profit or loss	4.	252,140	351,753
Securities available-for-sale	5.	1,462,660	1,215,907
Loans, net of allowance for loan losses	6.	1,679,184	1,908,631
Investments in subsidiaries, associates and other investments	7.	657,531	604,209
Securities held-to-maturity	8.	824,801	662,947
Property and equipment		63,440	68,114
Intangible assets		32,438	36,091
Other assets		<u>150,261</u>	<u>97,930</u>
TOTAL ASSETS		<u>7,096,376</u>	<u>7,555,472</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		829,122	1,142,491
Deposits from customers	9.	4,323,239	4,235,256
Liabilities from issued securities	10.	150,231	162,667
Financial liabilities at fair value through profit or loss		144,592	375,363
Other liabilities		300,027	253,952
Subordinated bonds and loans		<u>266,063</u>	<u>294,612</u>
TOTAL LIABILITIES		<u>6,013,274</u>	<u>6,464,341</u>
Share capital		28,000	28,000
Retained earnings and reserves		1,064,255	1,070,204
Treasury shares		<u>(9,153)</u>	<u>(7,073)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,083,102</u>	<u>1,091,131</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>7,096,376</u>	<u>7,555,472</u>

	Note	2015	2014
Interest Income	12.	398,775	415,107
Interest Expense	12.	<u>201,169</u>	<u>201,384</u>
NET INTEREST INCOME	12.	<u>197,606</u>	<u>213,723</u>
Provision for impairment on loan and placement losses	6.	39,548	23,213
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		<u>158,058</u>	<u>190,510</u>
Net profit from fees and commissions		161,726	146,546
Net operating expense		(24,250)	(210,461)
Other administrative expenses		<u>249,180</u>	<u>244,428</u>
PROFIT / (LOSS) BEFORE INCOME TAX		<u>46,354</u>	<u>(117,833)</u>
Income tax benefit		<u>(3,291)</u>	<u>(43,364)</u>
NET PROFIT / (LOSS) FOR THE YEAR		<u>49,645</u>	<u>(74,469)</u>
Earnings per share (in HUF)			
Basic		<u>182</u>	<u>(268)</u>
Diluted		<u>181</u>	<u>(267)</u>

The comprehensive income items are as follows:

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

	2015	2014
Profit / (loss) before income tax	46,354	(117,833)
Income tax paid	(3,823)	(2,864)
Depreciation and amortization	21,355	22,177
Provisions for impairment	84,974	295,389
Share-based payment	3,810	4,393
Unrealised losses on fair value adjustment of securities available-for-sale and held for trading	(12,096)	(2,903)
Unrealised (losses) / gains on fair value adjustment of derivative financial instruments	(13,701)	5,401
Net changing in assets and liabilities in operating activities	<u>161,938</u>	<u>849,099</u>
Net cash provided by operating activities	<u>288,811</u>	<u>1,052,859</u>
Net cash (used in) / provided by investing activities	<u>(404,620)</u>	<u>453,140</u>
Net cash (used in) / provided by financing activities	<u>(408,060)</u>	<u>193,893</u>
Net (decrease) / increase in cash and cash equivalents	<u>(523,869)</u>	<u>1,699,892</u>
Cash and cash equivalents at the beginning of the year	<u>1,762,727</u>	<u>62,835</u>
Cash and cash equivalents at the end of the year	<u>1,238,858</u>	<u>1,762,727</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,897,778	140,521
Compulsory reserve established by the National Bank of Hungary	<u>(135,051)</u>	<u>(77,686)</u>
Cash and cash equivalents at the beginning of the year	<u>1,762,727</u>	<u>62,835</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,326,197	1,897,778
Compulsory reserve established by the National Bank of Hungary	<u>(87,339)</u>	<u>(135,051)</u>
Cash and cash equivalents at the end of the year	<u>1,238,858</u>	<u>1,762,727</u>

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

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

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

1.2. Accounting

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

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

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

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

NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2015

- 1) Capital increase at OTP Bank Romania
- 2) Capital increase at OTP Bank JSC (Ukraine)

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

a) Act on Settlement

Based on these regulations expense in the amount of HUF 40 billion was recognised as amounts charged to clients related to customer loans contracts were assumed unfair. The provision related to the settlement was released during the year of 2015. In relation to the settled customer loans sold to debt management company, further provision in the amount of HUF 1,598 million was recognised on subsequent purchase price compensation payable for the debt management company. The purchase price compensation is expected to be settled during the first half of 2016.

NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2015
[continued]**3) Government measures related to consumer loan contracts [continued]****b) Act on Conversion mortgage backed loans into HUF**

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

c) Act on Conversion customer loans into HUF

On 2 October 2015 the Hungarian Government accepted the Act CXLV of 2015 on “Resolving issues concerning the HUF conversion of receivables from certain customer loan agreements”. Accordingly, the applicable exchange rates were the spot market rates on 19 August 2015 (official exchange rates of the NBH on 19 August 2015 were 287.20 CHF/HUF and 309.20 EUR/HUF, respectively).

However, based on the law a subsidy was given to clients in the amount of the difference between the FX rates used for the conversion of FX mortgage loans (256.47 CHF/HUF, 308.97 EUR/HUF) and the 19 August 2015 FX rates was borne equally by the banks and the State. The conversion was not mandatory for the clients.

OTP Bank completed the conversion of foreign currency customer loans, and the relating subsidy was settled with the clients which has no significant effect to the OTP Bank’s profitability.

NOTE 3: POST BALANCE SHEET EVENTS

- 1) Capital increase at OTP Bank Romania
- 2) Capital increase at OTP Bank JSC (Ukraine)
- 3) Agreement on purchasing unit of AXA Bank Hungary

See details about the events above in Note 7.

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

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

¹ CCIRS: Cross Currency Interest Rate Swap

² 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)

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

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

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

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. 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.

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:

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

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

	2015	2014
In HUF	51%	43%
In foreign currency	<u>49%</u>	<u>57%</u>
Total	<u>100%</u>	<u>100%</u>

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

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

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

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

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

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

¹ incl. housing loans

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

Capital transactions in subsidiaries are as follows:

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

On 3 February 2016 OTP Bank announces that AXA Bank Europe SA and OTP Bank signed an agreement on purchasing the business unit of AXA Bank Hungary. The purchase agreement includes the take-over of the retail credits and savings, as well as the corporate portfolio and the employees of AXA Bank.

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

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

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

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

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

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

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

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

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

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

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

(a) Contingent liabilities and commitments

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

At the balance sheet date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings corresponds to the level of claims and legal proceedings in previous years. The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes was HUF 1,112 million and HUF 998 million as at 31 December 2015 and 2014, respectively.

¹ See Note 2.

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	
	2015	2014	2015	2014
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	33,869	43,538	40,702	46,128
Negative fair value of interest rate swaps classified as held for trading	(30,453)	(63,670)	(37,158)	(66,510)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	14,352	60,833	14,994	57,280
Negative fair value of foreign exchange swaps classified as held for trading	(9,265)	(60,110)	(7,615)	(55,697)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	15,393	14,032	7,932	8,539
Negative fair value of interest rate swaps designated in fair value hedge	(13,723)	(3,463)	(17,211)	(4,602)
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	102,125	152,540	103,253	144,886
Negative fair value of CCIRS classified as held for trading	(95,349)	(227,167)	(96,285)	(222,373)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	-	-	-	-
Negative fair value of mark-to-market CCIRS classified as held for trading	(2,370)	(9,576)	(2,143)	(9,856)
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated in fair value hedge	18,375	-	18,263	-
Negative fair value of CCIRS designated in fair value hedge	(21,978)	-	(21,872)	-
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	8,231	17,255	5,342	14,088
Negative fair value of other derivative contracts classified as held for trading	(7,155)	(14,840)	(3,900)	(11,526)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated in fair value hedge	-	9	-	4
Negative fair value of other derivative contracts designated in fair value hedge	-	-	-	-
Derivative financial assets total	<u>192,345</u>	<u>288,207</u>	<u>190,486</u>	<u>270,925</u>
Derivative financial liabilities total	<u>(180,293)</u>	<u>(378,826)</u>	<u>(186,184)</u>	<u>(370,564)</u>
Derivative financial instruments total	<u>12,052</u>	<u>(90,619)</u>	<u>4,302</u>	<u>(99,639)</u>

As at 31 December 2015 the Bank has derivative instruments with positive fair values of HUF 192,345 million and negative fair values of HUF 180,293 million. Corresponding figures as at 31 December 2014 are HUF 288,207 million and HUF 378,826 million.

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

(b) Fair value of derivative instruments [continued]

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)

	2015	2014
<i>Interest Income:</i>		
Loans	129,575	162,533
Placements with other banks, net of allowance for placement losses	151,938	128,444
Securities available-for-sale	50,655	72,056
Securities held-to-maturity	39,973	36,518
Amounts due from banks and balances with National Bank of Hungary	26,574	15,556
Other	<u>60</u>	<u>-</u>
Total Interest Income	<u>398,775</u>	<u>415,107</u>
<i>Interest Expense:</i>		
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	152,613	127,809
Deposits from customers	29,744	52,544
Liabilities from issued securities	2,091	4,206
Subordinated bonds and loans	16,686	16,825
Other	<u>35</u>	<u>-</u>
Total Interest Expense	<u>201,169</u>	<u>201,384</u>
NET INTEREST INCOME	<u>197,606</u>	<u>213,723</u>

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.:

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

Transactions related to OTP Factoring Ltd.:

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

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