



OTP BANK PLC.

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

**FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2016**

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 30 September 2016 (unaudited)	2
Separate Condensed Statement of Recognised Income and Statement of Comprehensive Income for the nine month period ended 30 September 2016 (unaudited)	3
Separate Condensed Statement of Cash Flows for the nine month period ended 30 September 2016 (unaudited)	4
Separate Statement of Changes in Shareholders' Equity for the nine month period ended 30 September 2016 (unaudited)	5
Selected Explanatory Notes	6-13

	Note	30 September 2016	31 December 2015	30 September 2015
Cash, amounts due from banks and balances with the National Bank of Hungary		1,134,250	1,326,197	1,477,834
Placements with other banks, net of allowance for placement losses		953,176	647,724	626,423
Financial assets at fair value through profit or loss	4.	245,356	252,140	269,928
Securities available-for-sale	5.	1,453,138	1,462,660	1,324,937
Loans, net of allowance for loan losses	6.	1,735,779	1,679,184	1,777,668
Investments in subsidiaries, associates and other investments	7.	672,868	657,531	620,886
Securities held-to-maturity	8.	830,843	824,801	836,526
Property and equipment		61,113	63,440	64,265
Intangible assets		27,349	32,438	30,779
Other assets		<u>115,760</u>	<u>150,261</u>	<u>128,502</u>
TOTAL ASSETS		<u>7,229,632</u>	<u>7,096,376</u>	<u>7,157,748</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		1,073,212	829,122	921,027
Deposits from customers	9.	4,337,668	4,323,239	4,215,896
Liabilities from issued securities	10.	140,441	150,231	148,106
Financial liabilities at fair value through profit or loss		81,881	144,592	224,024
Other liabilities		275,242	300,027	251,495
Subordinated bonds and loans		<u>116,820</u>	<u>266,063</u>	<u>272,141</u>
TOTAL LIABILITIES		<u>6,025,264</u>	<u>6,013,274</u>	<u>6,032,689</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,188,223	1,064,255	1,106,386
Treasury shares		<u>(11,855)</u>	<u>(9,153)</u>	<u>(9,327)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,204,368</u>	<u>1,083,102</u>	<u>1,125,059</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>7,229,632</u>	<u>7,096,376</u>	<u>7,157,748</u>

SEPARATE CONDENSED STATEMENT OF RECOGNIZED INCOME AND
COMPREHENSIVE INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER
2016 (UNAUDITED) (in HUF mn)

	Note	Nine month period ended 30 September 2016	Nine month period ended 30 September 2015	Year ended 31 December 2015
Interest Income	12.	221,536	314,928	398,775
Interest Expense	12.	<u>95,325</u>	<u>164,514</u>	<u>201,169</u>
NET INTEREST INCOME	12.	<u>126,211</u>	<u>150,414</u>	<u>197,606</u>
Provision for impairment on loan and placement losses	6.	5,087	20,488	39,548
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		<u>121,124</u>	<u>129,926</u>	<u>158,058</u>
Net profit from fees and commissions		121,670	120,734	161,726
Net operating income / (expense)		120,532	19,762	(24,250)
Other administrative expenses		187,184	189,256	249,180
PROFIT BEFORE INCOME TAX		<u>176,142</u>	<u>81,166</u>	<u>46,354</u>
Income tax expense / (benefit)		<u>12,169</u>	<u>(2,328)</u>	<u>(3,291)</u>
NET PROFIT FOR THE PERIOD		<u>163,973</u>	<u>83,494</u>	<u>49,645</u>
Earnings per share (in HUF)				
Basic		<u>589</u>	<u>304</u>	<u>182</u>
Diluted		<u>589</u>	<u>304</u>	<u>181</u>

The comprehensive income items are as follows:

	Nine month period ended 30 September 2016	Nine month period ended 30 September 2015	Year ended 31 December 2015
NET PROFIT FOR THE PERIOD	<u>163,973</u>	<u>83,494</u>	<u>49,645</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities available-for-sale	11,178	(624)	(9,970)
Deferred tax related to securities available-for-sale	<u>(2,124)</u>	<u>119</u>	<u>1,894</u>
Total	<u>9,054</u>	<u>(505)</u>	<u>(8,076)</u>
NET COMPREHENSIVE INCOME	<u>173,027</u>	<u>82,989</u>	<u>41,569</u>

	Nine month period ended 30 September 2016	Nine month period ended 30 September 2015	Year ended 31 December 2015
Profit before income tax	176,142	81,166	46,354
Income tax paid	(264)	(3,559)	(3,823)
Depreciation and amortization	16,334	15,621	21,355
Provision for impairment	5,170	36,817	84,974
Share-based payment	2,798	2,858	3,810
Unrealised losses on fair value adjustment of securities available- for-sale and held for trading	(11,513)	(11,414)	(12,096)
Unrealised gains / (losses) on fair value adjustment of derivative financial instruments	10,413	(12,832)	(13,701)
Net changing in assets and liabilities in operating activities	<u>(133,950)</u>	<u>(32,826)</u>	<u>161,938</u>
Net cash provided by operating activities	<u>65,130</u>	<u>75,831</u>	<u>288,811</u>
Net cash used in investing activities	<u>(288,012)</u>	<u>(178,978)</u>	<u>(404,620)</u>
Net cash provided by / (used in) financing activities	<u>26,851</u>	<u>(310,569)</u>	<u>(408,060)</u>
Net decrease in cash and cash equivalents	<u>(196,031)</u>	<u>(413,716)</u>	<u>(523,869)</u>
Cash and cash equivalents at the beginning of the year	<u>1,238,858</u>	<u>1,762,727</u>	<u>1,762,727</u>
Cash and cash equivalents at the end of the period	<u>1,042,827</u>	<u>1,349,011</u>	<u>1,238,858</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,326,197	1,897,778	1,897,778
Compulsory reserve established by the National Bank of Hungary	<u>(87,339)</u>	<u>(135,051)</u>	<u>(135,051)</u>
Cash and cash equivalents at the beginning of the year	<u>1,238,858</u>	<u>1,762,727</u>	<u>1,762,727</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,134,250	1,477,834	1,326,197
Compulsory reserve established by the National Bank of Hungary	<u>(91,423)</u>	<u>(128,823)</u>	<u>(87,339)</u>
Cash and cash equivalents at the end of the period	<u>1,042,827</u>	<u>1,349,011</u>	<u>1,238,858</u>

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2016 (UNAUDITED) (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 2015	<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 three month period	-	-	-	83,494	-	-	83,494
Other comprehensive income	-	-	-	(505)	-	-	(505)
Share-based payment	-	-	2,858	-	-	-	2,858
Payments to ICES holders	-	-	-	(2,146)	-	-	(2,146)
Sale of treasury shares	-	-	-	-	-	21,937	21,937
Loss on sale of treasury shares	-	-	-	(6,919)	-	-	(6,919)
Acquisition of treasury shares	-	-	-	-	-	(24,191)	(24,191)
Dividend for the year 2014	-	-	-	(40,600)	-	-	(40,600)
Balance as at 30 September 2015	<u>28,000</u>	<u>52</u>	<u>23,755</u>	<u>1,138,047</u>	<u>(55,468)</u>	<u>(9,327)</u>	<u>1,125,059</u>
Balance as at 1 January 2016	<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>
Net profit for the three month period	-	-	-	163,973	-	-	163,973
Other comprehensive income	-	-	-	9,054	-	-	9,054
Share-based payment	-	-	2,798	-	-	-	2,798
Payments to ICES holders	-	-	-	(1,882)	-	-	(1,882)
Sale of treasury shares	-	-	-	-	-	9,280	9,280
Loss on sale of treasury shares	-	-	-	(3,775)	-	-	(3,775)
Acquisition of treasury shares	-	-	-	-	-	(11,982)	(11,982)
Dividend for the year 2015	-	-	-	(46,200)	-	-	(46,200)
Balance as at 30 September 2016	<u>28,000</u>	<u>52</u>	<u>27,505</u>	<u>1,216,134</u>	<u>(55,468)</u>	<u>(11,855)</u>	<u>1,204,368</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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

- 1) Agreement on purchasing unit of AXA Bank Hungary

See details about the event above in Note 7.

NOTE 3: POST BALANCE SHEET EVENTS

Pursuant to the business transfer agreement concluded by and between OTP Bank and AXA Bank Europe SA, on 2 February 2016 OTP Bank has taken over the retail lending and savings, as well as the corporate businesses of AXA Bank, while the employees of AXA Bank have been transferred to OTP Bank by 1 November 2016 within the framework of an employer's succession.

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

	30 September 2016	31 December 2015
<i>Held for trading securities:</i>		
Shares	85,204	71,779
Government bonds	22,085	12,613
Hungarian government interest bearing Treasury Bills	14,758	7,768
Securities issued by credit institutions	12,646	-
Hungarian government discounted Treasury Bills	5,576	366
Mortgage bonds	82	94
Other securities	<u>2,486</u>	<u>510</u>
	<u>142,837</u>	<u>93,130</u>
Accrued interest	<u>861</u>	<u>433</u>
Total	<u>143,698</u>	<u>93,563</u>
<i>Derivative financial instruments designated as held for trading:</i>		
CCIRS ¹ and mark-to-market CCIRS swaps designated as held for trading	41,498	102,125
Interest rate swaps designated as held for trading	37,490	33,869
Foreign currency swaps designated as held for trading	13,048	14,352
Other derivative transactions ²	<u>9,622</u>	<u>8,231</u>
	<u>101,658</u>	<u>158,577</u>
Total	<u>245,356</u>	<u>252,140</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)

	30 September 2016	31 December 2015
Government bonds	1,009,863	755,627
Mortgage bonds	301,272	597,226
Other securities	128,505	81,238
<i>-listed securities</i>	<u>40,238</u>	<u>10,326</u>
<i>in HUF</i>	3,216	-
<i>in foreign currency</i>	37,022	10,326
<i>-non-listed securities</i>	<u>88,267</u>	<u>70,912</u>
<i>in HUF</i>	46,578	58,800
<i>in foreign currency</i>	41,689	12,112
Subtotal	<u>1,439,640</u>	<u>1,434,091</u>
Accrued interest	<u>13,498</u>	<u>28,569</u>
Total	<u>1,453,138</u>	<u>1,462,660</u>

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

	30 September 2016	31 December 2015
Short-term loans and trade bills (within one year)	1,005,251	1,019,240
Long-term loans and trade bills (over one year)	<u>814,251</u>	<u>754,722</u>
Loans gross total	<u>1,819,502</u>	<u>1,773,962</u>
Accrued interest	<u>4,740</u>	<u>4,885</u>
Provision of impairment on loan losses	<u>(88,463)</u>	<u>(99,663)</u>
Total	<u>1,735,779</u>	<u>1,679,184</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:

	30 September 2016		31 December 2015	
Retail loans	493,029	27%	476,664	27%
Retail consumer loans	275,707	15%	266,643	15%
Retail mortgage backed loans ¹	66,074	4%	77,960	4%
Micro and small enterprises loans	151,248	8%	132,061	8%
Corporate loans	1,326,473	73%	1,297,298	73%
Loans to medium and large corporates	1,300,363	72%	1,277,292	72%
Municipality loans	26,110	1%	20,006	1%
Total	<u>1,819,502</u>	<u>100%</u>	<u>1,773,962</u>	<u>100%</u>

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

	30 September 2016	31 December 2015
In HUF	60%	51%
In foreign currency	<u>40%</u>	<u>49%</u>
Total	<u>100%</u>	<u>100%</u>

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

	30 September 2016	31 December 2015
Balance as at 1 January	99,663	85,397
Provision for the period	27,722	69,926
Release of provision	(38,839)	(52,185)
Partial write-off	<u>(83)</u>	<u>(3,475)</u>
Closing balance	<u>88,463</u>	<u>99,663</u>

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	30 September 2016	31 December 2015
Investments in subsidiaries:		
Controlling interest	1,304,891	1,245,801
Other investments	<u>3,513</u>	<u>3,511</u>
	<u>1,308,404</u>	<u>1,249,312</u>
Provision for impairment	<u>(635,536)</u>	<u>(591,781)</u>
Total	<u>672,868</u>	<u>657,531</u>

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

	30 September 2016	31 December 2015
Balance as at 1 January	591,781	544,311
Provision for the period	<u>43,755</u>	<u>47,470</u>
Closing balance	<u>635,536</u>	<u>591,781</u>

¹ incl. housing loans

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

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.

On 2 August 2016 following the decision of the Hungarian Competition Authority, the National Bank of Hungary has granted permission as well for the transfer of the Hungarian business unit – as defined in the business transfer agreement – of AXA Bank to OTP Bank as of 31 October 2016 based on the business transfer agreement concluded on 2 February 2016 among AXA Bank Europe SA, the Hungarian Branch Office of AXA Bank Europe SA and OTP Bank.

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

	30 September 2016	31 December 2015
Government bonds	800,104	803,802
Mortgage bonds	<u>4,745</u>	<u>4,758</u>
	<u>804,849</u>	<u>808,560</u>
Accrued interest	<u>25,994</u>	<u>16,241</u>
Total	<u>830,843</u>	<u>824,801</u>

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 September 2016	31 December 2015
Within one year:		
In HUF	3,431,983	3,504,480
In foreign currency	<u>869,461</u>	<u>782,143</u>
	<u>4,301,444</u>	<u>4,286,623</u>
Over one year:		
In HUF	<u>34,247</u>	<u>34,373</u>
	<u>34,247</u>	<u>34,373</u>
Subtotal	<u>4,335,691</u>	<u>4,320,996</u>
Accrued interest	<u>1,977</u>	<u>2,243</u>
Total	<u>4,337,668</u>	<u>4,323,239</u>

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

	30 September 2016		31 December 2015	
Retail deposits	2,689,436	62%	2,544,375	59%
Household deposits	2,190,225	51%	2,074,581	48%
Deposits micro and small enterprises	499,211	11%	469,794	11%
Corporate deposits	1,646,255	38%	1,776,621	41%
Deposits to medium and large corporates	1,286,630	30%	1,468,427	34%
Municipality deposits	<u>359,625</u>	<u>8%</u>	<u>308,194</u>	<u>7%</u>
Total	<u>4,335,691</u>	<u>100%</u>	<u>4,320,996</u>	<u>100%</u>

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

	30 September 2016	31 December 2015
Within one year:		
In HUF	24,649	11,865
In foreign currency	<u>53,933</u>	<u>60,264</u>
	<u>78,582</u>	<u>72,129</u>
Over one year:		
In HUF	63,672	75,185
In foreign currency	<u>223</u>	<u>591</u>
	<u>63,895</u>	<u>75,776</u>
Subtotal	<u>142,477</u>	<u>147,905</u>
Accrued interest	<u>(2,036)</u>	<u>2,326</u>
Total	<u>140,441</u>	<u>150,231</u>

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

(a) Contingent liabilities and commitments

	30 September 2016	31 December 2015
Commitments to extend credit	1,011,802	948,917
Guarantees arising from banking activities	475,804	419,210
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>107,931</i>	<i>123,938</i>
Legal disputes (disputed value)	28,409	35,382
Contingent liabilities ordered by law related to customer loans	-	1,598
Confirmed letters of credit	447	171
Other	<u>94,812</u>	<u>92,558</u>
Total	<u>1,611,274</u>	<u>1,497,836</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 256 million and HUF 1,112 million as at 30 September 2016 and 31 December 2015, 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 September 2016	31 December 2015	30 September 2016	31 December 2015
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	37,490	33,869	38,691	40,702
Negative fair value of interest rate swaps classified as held for trading	(31,153)	(30,453)	(35,506)	(37,158)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	13,048	14,352	16,954	14,994
Negative fair value of foreign exchange swaps classified as held for trading	(8,658)	(9,265)	(10,155)	(7,615)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	16,382	15,393	10,269	7,932
Negative fair value of interest rate swaps designated in fair value hedge	(22,586)	(13,723)	(21,159)	(17,211)
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	40,952	102,125	41,159	103,253
Negative fair value of CCIRS classified as held for trading	(33,231)	(95,349)	(34,400)	(96,285)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	546	-	786	-
Negative fair value of mark-to-market CCIRS classified as held for trading	(739)	(2,370)	(60)	(2,143)
CCIRS designated as fair value hedge				
Positive fair value of CCIRS designated in fair value hedge	666	18,375	1,257	18,263
Negative fair value of CCIRS designated in fair value hedge	(619)	(21,978)	(538)	(21,872)
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	9,622	8,231	9,717	5,342
Negative fair value of other derivative contracts classified as held for trading	(8,100)	(7,155)	(7,707)	(3,900)
Derivative financial assets total	<u>118,706</u>	<u>192,345</u>	<u>118,833</u>	<u>190,486</u>
Derivative financial liabilities total	<u>(105,086)</u>	<u>(180,293)</u>	<u>(109,525)</u>	<u>(186,184)</u>
Derivative financial instruments total	<u>13,620</u>	<u>12,052</u>	<u>9,308</u>	<u>4,302</u>

As at 30 September 2016 the Bank has derivative instruments with positive fair values of HUF 118,706 million and negative fair values of HUF 105,086 million. Corresponding figures as at 31 December 2015 are HUF 192,345 million and HUF 180,293 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)

	Nine month period ended 30 September 2016	Nine month period ended 30 September 2015	Year ended 31 December 2015
<i>Interest Income:</i>			
Loans	87,874	98,490	129,575
Placements with other banks, net of allowance for placement losses	63,661	126,702	151,938
Securities available-for-sale	30,824	37,817	50,655
Securities held-to-maturity	30,871	29,175	39,973
Amounts due from banks and balances with National Bank of Hungary	8,261	22,744	26,574
Rental income from operation of investment properties	45	-	60
Total Interest Income	<u>221,536</u>	<u>314,928</u>	<u>398,775</u>
<i>Interest Expense:</i>			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	69,867	126,672	152,613
Deposits from customers	11,946	23,888	29,744
Liabilities from issued securities	1,090	1,521	2,091
Subordinated bonds and loans	12,396	12,433	16,686
Expenses from operation of investment properties	26	-	35
Total Interest Expense	<u>95,325</u>	<u>164,514</u>	<u>201,169</u>
NET INTEREST INCOME	<u>126,211</u>	<u>150,414</u>	<u>197,606</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.:

	Nine month period ended 30 September 2016	Nine month period ended 30 September 2015
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	11,993	14,707
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	470	1,059
The gross book value of the loans sold	470	1,059

Transactions related to OTP Factoring Ltd.:

	Nine month period ended 30 September 2016	Nine month period ended 30 September 2015
The gross book value of the loans	14,054	10,114
Provision for loan losses on the loans sold	4,218	3,868
Loans sold to OTP Factoring Ltd. without recourse (including interest)	8,251	2,915
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	1,585	3,331

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