



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 2017

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	Note	30 September 2017	31 December 2016 (Restated)	30 September 2016 (Restated)	31 December 2015 (Restated)
Cash, amounts due from banks and balances with the National Bank of Hungary		436,666	928,846	1,134,250	1,326,197
Placements with other banks, net of allowance for placement losses		952,333	915,654	953,176	647,724
Financial assets at fair value through profit or loss	4.	290,872	168,188	160,328	180,717
Securities available-for-sale	5.	1,663,684	1,484,522	1,453,138	1,462,660
Loans, net of allowance for loan losses	6.	2,171,476	1,902,937	1,735,779	1,679,184
Investments in subsidiaries, associates and other investments	7.	825,048	668,869	672,868	657,531
Securities held-to-maturity	8.	1,004,991	858,150	830,843	824,801
Property and equipment		62,196	62,361	61,113	63,440
Intangible assets		24,035	27,767	27,349	32,438
Investments properties		2,353	2,267	2,276	2,294
Other assets		<u>114,741</u>	<u>133,571</u>	<u>118,107</u>	<u>152,604</u>
TOTAL ASSETS		<u>7,548,395</u>	<u>7,153,132</u>	<u>7,149,227</u>	<u>7,029,590</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		748,496	646,271	1,073,212	829,122
Deposits from customers	9.	4,944,372	4,745,051	4,337,668	4,323,239
Liabilities from issued securities	10.	63,195	104,103	140,441	150,231
Financial liabilities at fair value through profit or loss		75,519	96,668	81,881	144,592
Subordinated bonds and loans		273,559	238,258	194,837	233,241
Other liabilities		<u>109,793</u>	<u>110,358</u>	<u>116,820</u>	<u>266,063</u>
TOTAL LIABILITIES		<u>6,214,934</u>	<u>5,940,709</u>	<u>5,944,859</u>	<u>5,946,488</u>
Share capital		28,000	28,000	28,000	28,000
Retained earnings and reserves		1,315,179	1,193,132	1,188,223	1,064,255
Treasury shares		<u>(9,718)</u>	<u>(8,709)</u>	<u>(11,855)</u>	<u>(9,153)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,333,461</u>	<u>1,212,423</u>	<u>1,204,368</u>	<u>1,083,102</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>7,548,395</u>	<u>7,153,132</u>	<u>7,149,227</u>	<u>7,029,590</u>

	Note	Nine month period ended 30 September 2017	Nine month period ended 30 September 2016	Year ended 31 December 2016
Interest Income	12.	182,482	221,536	314,410
Interest Expense	12.	<u>51,775</u>	<u>95,325</u>	<u>141,571</u>
NET INTEREST INCOME	12.	<u>130,707</u>	<u>126,211</u>	<u>172,839</u>
Provision for impairment on loan and placement losses	6.	796	5,087	13,632
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		<u>129,911</u>	<u>121,124</u>	<u>159,207</u>
Net profit from fees and commissions		132,337	121,670	163,477
Net operating income		105,717	120,532	120,929
Other administrative expenses		<u>192,734</u>	<u>187,184</u>	<u>250,139</u>
PROFIT BEFORE INCOME TAX		<u>175,231</u>	<u>176,142</u>	<u>193,474</u>
Income tax expense		<u>12,130</u>	<u>12,169</u>	<u>21,096</u>
NET PROFIT FOR THE PERIOD		<u>163,101</u>	<u>163,973</u>	<u>172,378</u>
Earnings per share (in HUF)				
Basic		<u>585</u>	<u>589</u>	<u>619</u>
Diluted		<u>585</u>	<u>589</u>	<u>619</u>

The comprehensive income items are as follows:

	Nine month period ended 30 September 2017	Nine month period ended 30 September 2016	Year ended 31 December 2016
NET PROFIT FOR THE PERIOD	<u>163,101</u>	<u>163,973</u>	<u>172,378</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities available-for-sale	14,614	11,178	1,951
Deferred tax related to securities available-for-sale	(1,315)	(2,124)	(371)
Effect of the tax rate-modification related to securities available-for-sale (19%→9%)	-	-	<u>5,758</u>
Total	<u>13,299</u>	<u>9,054</u>	<u>7,338</u>
NET COMPREHENSIVE INCOME	<u>176,400</u>	<u>173,027</u>	<u>179,716</u>

	Nine month period ended 30 September 2017	Nine month period ended 30 September 2016	Year ended 31 December 2016	Year ended 31 December 2015
Profit before income tax	175,231	176,142	193,474	46,354
Income tax paid	-	(264)	(264)	(3,823)
Depreciation and amortization	15,562	16,334	21,907	21,355
Provision for impairment on loan and placement losses	796	5,087	13,632	39,548
(Release of provision) / Provision for impairment on investments in subsidiaries	(6,578)	43,755	48,136	47,470
Provision for impairment / (release of provision) on other assets	419	(18)	(669)	2,141
Release of provision on off-balance sheet commitments and contingent liabilities	(1,845)	(43,654)	(36,114)	(4,185)
Share-based payment	2,528	2,798	3,530	3,810
Unrealised gains / (losses) on fair value adjustment of securities available-for-sale and held for trading	1,849	(11,513)	(9,970)	(12,096)
Unrealised gains / (losses) on fair value adjustment of derivative financial instruments	7,894	10,413	(14)	(13,701)
Net changing in assets and liabilities in operating activities	(260,027)	(133,950)	134,658	161,938
Net cash (used in) / provided by operating activities	<u>(64,170)</u>	<u>65,130</u>	<u>368,306</u>	<u>288,811</u>
Net cash used in investing activities	<u>(429,392)</u>	<u>(288,012)</u>	<u>(306,402)</u>	<u>(404,620)</u>
Net cash provided by / (used in) financing activities	<u>2,228</u>	<u>26,851</u>	<u>(420,496)</u>	<u>(408,060)</u>
Net decrease in cash and cash equivalents	(491,334)	(196,031)	(358,592)	(523,869)
Cash and cash equivalents at the beginning of the year	<u>880,266</u>	<u>1,238,858</u>	<u>1,238,858</u>	<u>1,762,727</u>
Cash and cash equivalents at the end of the period	<u>388,932</u>	<u>1,042,827</u>	<u>880,266</u>	<u>1,238,858</u>

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2017 (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 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 nine 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>
Balance as at 1 January 2017	<u>28,000</u>	<u>52</u>	<u>28,237</u>	<u>1,220,311</u>	<u>(55,468)</u>	<u>(8,709)</u>	<u>1,212,423</u>
Net profit for the nine month period	-	-	-	163,101	-	-	163,101
Other comprehensive income	-	-	-	13,299	-	-	13,299
Share-based payment	-	-	2,528	-	-	-	2,528
Payments to ICES holders	-	-	-	(356)	-	-	(356)
Sale of treasury shares	-	-	-	-	-	12,501	12,501
Loss on sale of treasury shares	-	-	-	(3,325)	-	-	(3,325)
Acquisition of treasury shares	-	-	-	-	-	(13,510)	(13,510)
Dividend for the year 2016	-	-	-	(53,200)	-	-	(53,200)
Balance as at 30 September 2017	<u>28,000</u>	<u>52</u>	<u>30,765</u>	<u>1,339,830</u>	<u>(55,468)</u>	<u>(9,718)</u>	<u>1,333,461</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 2017

- 1) Capital increase at OTP Real Estate Lease
- 2) Capital increase at Air Invest Asset Management Ltd.
- 3) Capital increase at OTP banka Hrvatska
- 4) Acquisition at Croatia
- 5) Acquisition at Romania
- 6) Acquisition at Serbia

See details about the events above in Note 7.

NOTE 3: POST BALANCE SHEET EVENTS

There was no significant post balance sheet event.

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

	30 September 2017	31 December 2016 (Restated)	31 December 2015 (Restated)
<i>Held for trading securities:</i>			
Hungarian government interest bearing			
Treasury Bills	84,631	15,639	7,768
Government bonds	63,007	10,857	12,613
Securities issued by credit institutions	15,754	13,396	-
Corporate shares	9,019	209	356
Hungarian government discounted Treasury			
Bills	333	97	366
Mortgage bonds	-	82	94
Other securities	<u>14,654</u>	<u>3,816</u>	<u>510</u>
	<u>187,398</u>	<u>44,096</u>	<u>21,707</u>
Accrued interest	<u>2,415</u>	<u>516</u>	<u>433</u>
Total	<u>189,813</u>	<u>44,612</u>	<u>22,140</u>
<i>Derivative financial instruments designated as held for trading:</i>			
Interest rate swaps designated as held for trading	34,732	38,413	33,869
CCIRS ¹ and mark-to-market CCIRS swaps designated as held for trading	27,121	43,538	102,125
Foreign currency swaps designated as held for trading	19,185	23,385	14,352
Other derivative transactions ²	<u>20,021</u>	<u>18,240</u>	<u>8,231</u>
	<u>101,059</u>	<u>123,576</u>	<u>158,577</u>
Total	<u>290,872</u>	<u>168,188</u>	<u>180,717</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 2017	31 December 2016
Government bonds	1,159,461	1,040,541
Mortgage bonds	152,730	266,938
Other securities	336,639	163,949
<i>-listed securities</i>	<u>96,344</u>	<u>72,820</u>
<i>in HUF</i>	58,919	36,348
<i>in foreign currency</i>	37,425	36,472
<i>-non-listed securities</i>	<u>240,295</u>	<u>91,129</u>
<i>in HUF</i>	170,868	48,522
<i>in foreign currency</i>	69,427	42,607
Subtotal	<u>1,648,830</u>	<u>1,471,428</u>
Accrued interest	<u>14,940</u>	<u>13,094</u>
Provision for impairment	<u>(86)</u>	<u>-</u>
Total	<u>1,663,684</u>	<u>1,484,522</u>

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

	30 September 2017	31 December 2016
Short-term loans and trade bills (within one year)	1,185,906	934,288
Long-term loans and trade bills (over one year)	<u>1,044,057</u>	<u>1,053,829</u>
Loans gross total	<u>2,229,963</u>	<u>1,988,117</u>
Accrued interest	<u>5,865</u>	<u>6,155</u>
Provision of impairment on loan losses	<u>(64,352)</u>	<u>(91,335)</u>
Total	<u>2,171,476</u>	<u>1,902,937</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 2017		31 December 2016	
Retail loans	683,367	31%	631,096	32%
Retail consumer loans	328,808	15%	272,530	14%
Retail mortgage backed loans ¹	186,180	8%	211,057	11%
Micro and small enterprises loans	168,379	8%	147,509	7%
Corporate loans	1,546,596	69%	1,357,021	68%
Loans to medium and large corporates	1,497,934	67%	1,323,220	67%
Municipality loans	<u>48,662</u>	<u>2%</u>	<u>33,801</u>	<u>1%</u>
Total	<u>2,229,963</u>	<u>100%</u>	<u>1,988,117</u>	<u>100%</u>

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

	30 September 2017	31 December 2016
In HUF	59%	62%
In foreign currency	<u>41%</u>	<u>38%</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 2017	31 December 2016
Balance as at 1 January	91,335	99,663
Reclassification	(1,397)	-
Provision for the period	54,260	47,249
Release of provision	(68,645)	(54,752)
Partial write-off	<u>(11,201)</u>	<u>(825)</u>
Closing balance	<u>64,352</u>	<u>91,335</u>

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	30 September 2017	31 December 2016
Investments in subsidiaries:		
Controlling interest	1,455,255	1,305,273
Other investments	<u>3,036</u>	<u>3,513</u>
	<u>1,458,291</u>	<u>1,308,786</u>
Provision for impairment	<u>(633,243)</u>	<u>(639,917)</u>
Total	<u>825,048</u>	<u>668,869</u>

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

	30 September 2017	31 December 2016
Balance as at 1 January	639,917	591,781
Provision for the period	5,912	48,136
Release of provision	<u>(12,586)</u>	<u>-</u>
Closing balance	<u>633,243</u>	<u>639,917</u>

¹ incl. housing loans

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

On 16 February 2017 the registered capital of OTP Real Estate Lease has increased to HUF 214,000,000 as the Budapest Metropolitan Court has registered the capital transaction.

On 1 June 2017 the registered capital of Air-Invest Asset Management LLC has increased to HUF 400,000,000 as the Budapest Metropolitan Court has registered the capital transaction.

On 6 June 2017 the registered capital of OTP banka Hrvatska has increased to HRK 3,993,754,800 as the Registry Court of Croatia.

On 2 May 2017, based on the acquisition agreement on purchasing 100% shareholding of Splitska banka d.d., member of Société Générale Group signed on 20 December 2016 between OTP banka Hrvatska, the Croatian subsidiary of OTP Bank and Société Générale Group, the financial closure of the transaction has been completed. Splitska banka is the 5th largest player on the Croatian banking market and as a universal bank it has been active in the retail and corporate segment as well. As a result of the acquisition the market share of OTP Group will rise to approximately 10% in Croatia.

OTP Bank Romania S.A., the Romanian subsidiary of OTP Bank signed an acquisition agreement on purchasing a 99.28% shareholding held in the Romanian Banca Romaneasca S.A. by National Bank of Greece S.A and certain other Romanian exposures held by different subsidiaries of National Bank of Greece S.A. Banca Romaneasca S.A. is the 14th biggest player on the Romanian banking market, and as a universal bank it has been active in the retail and corporate segment as well. As a result of the acquisition the Romanian market share of OTP Group will rise to approximately 4%, and will become the 8th largest bank in the country. The financial closing of the transaction is expected to be completed by the beginning of 2018.

OTP banka Srbija a.d. Novi Sad, the Serbian subsidiary of OTP Bank signed an acquisition agreement on purchasing 100% shareholding held in the Serbian Vojvodjanska banka a.d. („VOBAN”) and NBG Leasing d.o.o. and certain other Serbian exposures held by the Group of the National Bank of Greece S.A. The agreed consideration for the share capital of VOBAN and NBG Leasing amounts to EUR 125 million. VOBAN-is the 9th biggest player on the Serbian banking market and as a universal bank it has been active in the retail and corporate segment as well. As a result of the acquisition the Serbian market share of OTP Group will rise to 5.7%, and will become the 7th largest bank in the country. The financial closing of the transaction is expected to be completed by the end of 2017.

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

	30 September 2017	31 December 2016
Government bonds	970,733	837,256
Mortgage bonds	<u>4,755</u>	<u>4,778</u>
	<u>975,488</u>	<u>842,034</u>
Accrued interest	<u>29,503</u>	<u>16,116</u>
Total	<u>1,004,991</u>	<u>858,150</u>

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 September 2017	31 December 2016
Within one year:		
In HUF	4,037,971	3,777,547
In foreign currency	<u>877,194</u>	<u>936,403</u>
	<u>4,915,165</u>	<u>4,713,950</u>
Over one year:		
In HUF	<u>27,689</u>	<u>26,831</u>
	<u>27,689</u>	<u>26,831</u>
Subtotal	<u>4,942,854</u>	<u>4,740,781</u>
Accrued interest	<u>1,518</u>	<u>4,270</u>
Total	<u>4,944,372</u>	<u>4,745,051</u>

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

	30 September 2017		31 December 2016	
Retail deposits	3,067,529	62%	2,904,762	61%
Household deposits	2,486,080	50%	2,372,751	50%
Deposits micro and small enterprises	<u>581,449</u>	<u>12%</u>	<u>532,011</u>	<u>11%</u>
Corporate deposits	1,875,325	38%	1,836,019	39%
Deposits to medium and large corporates	1,279,887	26%	1,425,572	30%
Municipality deposits	<u>595,438</u>	<u>12%</u>	<u>410,447</u>	<u>9%</u>
Total	<u>4,942,854</u>	<u>100%</u>	<u>4,740,781</u>	<u>100%</u>

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

	30 September 2017	31 December 2016
Within one year:		
In HUF	11,569	18,494
In foreign currency	<u>5,580</u>	<u>36,002</u>
	<u>17,149</u>	<u>54,496</u>
Over one year:		
In HUF	45,809	49,432
In foreign currency	<u>194</u>	<u>198</u>
	<u>46,003</u>	<u>49,630</u>
Subtotal	<u>63,152</u>	<u>104,126</u>
Accrued interest	<u>43</u>	<u>(23)</u>
Total	<u>63,195</u>	<u>104,103</u>

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

(a) Contingent liabilities and commitments

	30 September 2017	31 December 2016
Commitments to extend credit	1,003,616	897,808
Guarantees arising from banking activities	610,374	444,501
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>276,194</i>	<i>128,812</i>
Legal disputes (disputed value)	4,350	5,095
Confirmed letters of credit	77	139
Other	<u>153,193</u>	<u>118,306</u>
Total	<u>1,771,610</u>	<u>1,465,849</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 1,186 million and HUF 362 million as at 30 September 2017 and 31 December 2016, respectively.

(b) Fair value of derivative instruments

	Fair value	
	30 September 2017	31 December 2016
Interest rate swaps classified as held for trading		
Positive fair value of interest rate swaps classified as held for trading	34,732	38,413
Negative fair value of interest rate swaps classified as held for trading	(30,553)	(33,031)
Foreign exchange swaps classified as held for trading		
Positive fair value of foreign exchange swaps classified as held for trading	19,185	23,385
Negative fair value of foreign exchange swaps classified as held for trading	(8,440)	(13,351)
Interest rate swaps designated as fair value hedge		
Positive fair value of interest rate swaps designated in fair value hedge	6,229	6,887
Negative fair value of interest rate swaps designated in fair value hedge	(19,434)	(20,607)
CCIRS classified as held for trading		
Positive fair value of CCIRS classified as held for trading	27,121	43,538
Negative fair value of CCIRS classified as held for trading	(23,627)	(36,189)
CCIRS designated as fair value hedge		
Positive fair value of CCIRS designated in fair value hedge	2,190	999
Negative fair value of CCIRS designated in fair value hedge	(55)	(827)
Other derivative contracts classified as held for trading		
Positive fair value of other derivative contracts classified as held for trading	20,021	18,240
Negative fair value of other derivative contracts classified as held for trading	<u>(12,899)</u>	<u>(14,097)</u>
Derivative financial assets total	<u>109,478</u>	<u>131,462</u>
Derivative financial liabilities total	<u>(95,008)</u>	<u>(118,102)</u>
Derivative financial instruments total	<u>14,470</u>	<u>13,360</u>

As at 30 September 2017 the Bank has derivative instruments with positive fair values of HUF 109,478 million and negative fair values of HUF 95,008 million. Corresponding figures as at 31 December 2016 are HUF 131,462 million and HUF 118,102 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 2017	Nine month period ended 30 September 2016	Year ended 31 December 2016
<i>Interest Income:</i>			
Loans	89,185	87,874	125,110
Placements with other banks, net of allowance for placement losses	36,146	63,661	102,317
Securities available-for-sale	22,450	30,824	35,766
Securities held-to-maturity	33,501	30,871	41,327
Amounts due from banks and balances with National Bank of Hungary	1,199	8,261	9,830
Rental income from operation of investment properties	<u>1</u>	<u>45</u>	<u>60</u>
Total Interest Income	<u>182,482</u>	<u>221,536</u>	<u>314,410</u>
<i>Interest Expense:</i>			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	41,884	69,867	103,633
Deposits from customers	7,428	11,946	22,853
Liabilities from issued securities	146	1,090	1,329
Subordinated bonds and loans	2,286	12,396	13,721
Expenses from operation of investment properties	<u>31</u>	<u>26</u>	<u>35</u>
Total Interest Expense	<u>51,775</u>	<u>95,325</u>	<u>141,571</u>
NET INTEREST INCOME	<u>130,707</u>	<u>126,211</u>	<u>172,839</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 2017	Nine month period ended 30 September 2016
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	10,832	11,993
Loans sold to OTP Mortgage Bank Ltd. (including interest)	336	470
The gross book value of the loans sold	305	470

Transactions related to OTP Factoring Ltd.:

	Nine month period ended 30 September 2017	Nine month period ended 30 September 2016
The gross book value of the loans	10,192	14,054
Provision for loan losses on the loans sold	5,247	4,218
Loans sold to OTP Factoring Ltd. (including interest)	3,679	8,251
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	1,266	1,585

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