



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 2019**

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	Note	31 December 2019	31 December 2018
Cash, amounts due from banks and balances with the National Bank of Hungary		289,686	360,855
Placements with other banks, net of allowance for placement losses		1,560,142	1,074,840
Repo receivables		45,539	14,139
Financial assets at fair value through profit or loss	4.	172,229	155,042
Financial assets at fair value through other comprehensive income	5.	1,485,977	1,451,905
Loans at amortised cost	6.	3,285,338	2,571,979
Loans mandatorily at fair value through profit or loss	6.	29,731	32,745
Investments in subsidiaries, associates and other investments	7.	1,542,538	1,177,573
Securities at amortised cost	8.	1,447,224	1,431,789
Property and equipment		77,754	70,442
Intangible assets		53,282	39,883
Right of use assets		13,607	-
Investment properties		2,381	2,333
Deferred tax assets		-	1,241
Derivative financial assets designated as hedge accounting	12.	16,677	12,221
Other assets		<u>116,699</u>	<u>109,201</u>
TOTAL ASSETS		<u>10,138,804</u>	<u>8,506,188</u>
Amounts due to banks and deposits from the National Bank of Hungary and other banks		738,054	458,182
Repo liabilities		462,621	279,854
Deposits from customers	9.	6,573,550	5,741,498
Leasing liabilities		13,660	-
Liabilities from issued securities	10.	43,284	46,694
Financial liabilities at fair value through profit or loss		28,861	32,231
Derivative financial liabilities designated as held for trading	12.	83,088	82,838
Derivative financial liabilities designated as hedge accounting	12.	10,023	6,925
Deferred tax liabilities		5,875	-
Other liabilities		246,676	236,570
Subordinated bonds and loans		<u>279,394</u>	<u>110,454</u>
TOTAL LIABILITIES		<u>8,485,086</u>	<u>6,995,246</u>
Share capital		28,000	28,000
Retained earnings and reserves		1,628,354	1,484,906
Treasury shares		<u>(2,636)</u>	<u>(1,964)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,653,718</u>	<u>1,510,942</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>10,138,804</u>	<u>8,506,188</u>

SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019
(UNAUDITED) (in HUF mn)

	Note	2019	2018
Interest Income	13.	322,506	290,733
Interest Expense	13.	(119,384)	(83,778)
NET INTEREST INCOME	13.	<u>203,122</u>	<u>206,955</u>
Risk Cost		(39,121)	(9,978)
NET INTEREST INCOME AFTER LOSS ALLOWANCE ON LOAN AND PLACEMENT LOSSES		<u>164,001</u>	<u>196,977</u>
Net profit from fees and commissions		203,404	178,217
Net operating income		140,947	86,594
Other administrative expenses		(305,158)	(277,155)
PROFIT BEFORE INCOME TAX		<u>203,194</u>	<u>184,633</u>
Income tax expense		(9,840)	(11,191)
NET PROFIT FOR THE PERIOD		<u>193,354</u>	<u>173,442</u>
Earnings per share (in HUF)			
Basic		<u>691</u>	<u>621</u>
Diluted		<u>691</u>	<u>621</u>

The comprehensive income items are as follows:

	2019	2018
NET PROFIT FOR THE PERIOD	<u>193,354</u>	<u>173,442</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment of debt instruments through other comprehensive income	16,732	(35,709)
Gains on separated currency spread of financial instruments designated as hedging instrument	367	445
Gains on derivative financial instruments designated as cash flow hedge	2,086	949
Deferred tax (9%) related to items that may be reclassified subsequently to profit or loss	(1,553)	3,347
Items that will not be reclassified to profit or loss:		
Fair value adjustment of equity instruments through other comprehensive income	3,867	6,396
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	<u>(348)</u>	<u>(576)</u>
Total	<u>21,151</u>	<u>(25,148)</u>
NET COMPREHENSIVE INCOME	<u>214,505</u>	<u>148,294</u>

	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings	Other comprehensive income	Other reserves	Put option reserve	Treasury Shares	Total
Balance as at 1 January 2018	28,000	52	31,835	1,301,316	69,618	59,444	(55,468)	(9,540)	1,425,257
Effect of transition to application of IFRS 9	-	-	-	(5,364)	389	-	-	-	(4,975)
Balance as at 1 January 2018 in accordance with IFRS 9	28,000	52	31,835	1,295,952	70,007	59,444	(55,468)	(9,540)	1,420,282
Net profit for the year	-	-	-	173,442	-	-	-	-	173,442
Other comprehensive income	-	-	-	-	(25,148)	-	-	-	(25,148)
Total comprehensive income	-	-	-	173,442	(25,148)	-	-	-	148,294
Transfer to general reserve	-	-	-	(17,344)	-	17,344	-	-	-
Share-based payment	-	-	3,797	-	-	-	-	-	3,797
Payments to ICES holders	-	-	-	(1,256)	-	-	-	-	(1,256)
Sale of treasury shares	-	-	-	-	-	-	-	21,814	21,814
Acquisition of treasury shares	-	-	-	-	-	-	-	(14,238)	(14,238)
Loss on sale of treasury shares	-	-	-	(6,431)	-	-	-	-	(6,431)
Dividend for the year 2017	-	-	-	(61,320)	-	-	-	-	(61,320)
Other transactions with owners	-	-	3,797	(86,351)	-	17,344	-	7,576	(57,634)
Balance as at 1 January 2019	28,000	52	35,632	1,383,043	44,859	76,788	(55,468)	(1,964)	1,510,942
Net profit for the year	-	-	-	193,354	-	-	-	-	193,354
Other comprehensive income	-	-	-	-	21,151	-	-	-	21,151
Total comprehensive income	-	-	-	193,354	21,151	-	-	-	214,505
Transfer to general reserve	-	-	-	(19,327)	-	19,327	-	-	-
Share-based payment	-	-	3,547	-	-	-	-	-	3,547
Payments to ICES holders	-	-	-	(1,334)	-	-	-	-	(1,334)
Sale of treasury shares	-	-	-	-	-	-	-	33,513	33,513
Acquisition of treasury shares	-	-	-	-	-	-	-	(34,185)	(34,185)
Loss on sale of treasury shares	-	-	-	(11,950)	-	-	-	-	(11,950)
Dividend for the year 2018	-	-	-	(61,320)	-	-	-	-	(61,320)
Other transactions with owners	-	-	3,547	(93,931)	-	19,327	-	(672)	(71,729)
Balance as at 31 December 2019	28,000	52	39,179	1,482,466	66,010	96,115	(55,468)	(2,636)	1,653,718

SEPARATE CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(UNAUDITED) (in HUF mn)

	2019	2018
Profit before income tax	203,194	184,633
Net interest (paid) / received	6,760	1,586
Income tax paid	(628)	-
Depreciation and amortization	29,925	21,232
Loss allowance / (Release of loss allowance)	(255)	(2,525)
Share-based payment	3,547	3,797
Unrealised gains on fair value adjustment of financial instruments mandatorily at fair value through profit or loss and held for trading financial instruments	(1,379)	(13,528)
Unrealised losses on fair value adjustment of derivative financial instruments	6,777	16,903
Net change in assets and liabilities in operating activities	<u>(21,975)</u>	<u>63,185</u>
Net cash provided by operating activities	<u>225,965</u>	<u>275,283</u>
Net cash used in investing activities	<u>(847,023)</u>	<u>(316,268)</u>
Net cash provided by / (used in) financing activities	<u>542,574</u>	<u>(3,511)</u>
Net decrease in cash and cash equivalents	<u>(78,483)</u>	<u>(44,496)</u>
Cash and cash equivalents at the beginning of the year	<u>303,358</u>	<u>347,854</u>
Cash and cash equivalents at the end of the period	<u>224,631</u>	<u>303,358</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 and the functional currency of the Bank is the Hungarian Forint ("HUF").

The Bank followed the same accounting policies and methods of computation in the interim financial statements as compared with the most recent annual financial statements.

NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2019

- 1) **Capital increase at DSK Bank**
- 2) **Capital increase at OTP Banka Slovensko**
- 3) **Financial closure of the Albanian acquisition**
- 4) **Acquisition in Montenegro**
- 5) **Acquisition in Moldova**
- 6) **The financial closure of OTP Bank's Serbian acquisition has been completed**
- 7) **Acquisition in Slovenia**
- 8) **Capital increase at CKB**
- 9) **Sale of Express Life Bulgaria**
- 10) **Capital increase in OTP Bank Romania**
- 11) **Capital increase at OTP Mortgage Bank Ltd.**

See details about the event above in Note 7.

12) Issued securities

Notes have been issued at 99.738% of the face value on 15 July 2019 as value date, in the nominal amount of EUR 500 million. The 10 Non-Call 5 years Tier 2 Notes carry a fix coupon of 2.875% p.a., paid annually in the first five years. Starting from year 6 until maturity, the yearly fix coupon is calculated as the sum of the initial margin (320 basis points) and the 5 year mid-swap rate prevailing at the end of year 5. The notes are rated 'Ba1' by Moody's Investors Service Cyprus Limited. The Notes are listed on the Luxembourg Stock Exchange.

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**1) Sale of the Slovakian subsidiary**

OTP Bank has been signed with KBC Bank NV an agreement to sell its 99.44% stake in OTP Banka Slovensko a.s., the Slovakian subsidiary of OTP Bank.

2) Closing of the strategic open position

At the end of 2019 the Management has decided to close the EUR 310 million strategic EUR (short) position, during 2020, which is kept to hedge the currency risk of the expected FX-denominated net earnings of the main foreign subsidiaries.

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

	2019	2018
<i>Securities held for trading:</i>		
Government bonds	18,269	10,645
Other non-interest bearing securities	7,516	7,169
Hungarian government discounted Treasury Bills	12	1,059
Corporate shares and investments	369	371
Mortgage bonds	-	978
Other bonds	<u>20,089</u>	<u>2,100</u>
Subtotal	<u>46,255</u>	<u>22,322</u>
<i>Securities mandatorily measured at fair value through profit or loss:</i>		
Shares in investment funds	17,100	15,880
Bonds	<u>5,180</u>	<u>4,778</u>
Subtotal	<u>22,280</u>	<u>20,658</u>
<i>Held for trading derivative financial instruments:</i>		
Interest rate swaps	52,516	46,357
Foreign currency swaps	38,213	33,816
CCIRS and mark-to-market CCIRS ¹ swaps	1,216	17,078
Other derivative transactions ²	<u>11,749</u>	<u>14,811</u>
Subtotal	<u>103,694</u>	<u>112,062</u>
Total	<u>172,229</u>	<u>155,042</u>

¹ CCIRS: Cross Currency Interest Rate Swap

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

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF mm)

	2019	2018
Government bonds	826,054	879,546
Interest bearing treasury bills	339,397	237,552
Mortgage bonds	220,004	228,380
Other securities	78,202	87,053
- <u>listed securities</u>	39,601	35,295
in HUF	2,999	-
in foreign currency	36,602	35,295
- <u>non-listed securities</u>	38,601	51,758
in HUF	18,516	22,974
in foreign currency	20,085	28,784
Subtotal	1,463,657	1,432,531
<i>Non-trading equity instruments designated to measure at fair value through other comprehensive income</i>		
- <u>non-listed securities</u>	22,320	19,374
in HUF	528	566
in foreign currency	21,792	18,808
Subtotal	22,320	19,374
Securities at fair value through other comprehensive income total	1,485,977	1,451,905

An analysis of the change in the loss allowance is as follows:

	2019	2018
Balance as at 1 January	-	86
Change as a result of applying IFRS 9	-	(86)
Closing balance	-	-

NOTE 6: LOANS (in HUF mn)

Loans mandatorily measured at fair value through profit or loss

	2019	2018
Gross loans	30,858	34,515
Fair value adjustment	<u>(1,127)</u>	<u>(1,770)</u>

Loans mandatorily measured at fair value through profit or loss total **29,731** **32,745**

Loans measured at fair value through profit or loss are mandatorily measured at fair value through profit or loss.

Loans measured at amortised cost, net of allowance for loan losses

	2019	2018
Within one year	1,632,245	1,307,946
Over one year	<u>1,733,010</u>	<u>1,330,274</u>
Loans gross total	<u>3,365,255</u>	<u>2,638,220</u>

Loss allowance	<u>(79,917)</u>	<u>(66,241)</u>
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Loans measured at amortised cost, net of allowance for loan losses total **3,285,338** **2,571,979**

Partial write-off

OTP Bank applies partial write-off for loans based on the definitions and prescriptions of financial instruments in accordance with 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 loss allowance 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.

An analysis of the gross loan portfolio by type, before loss allowance on loan losses, is as follows:

	2019		2018	
Retail loans	843,585	25%	550,607	21%
Retail consumer loans	720,471	21%	401,419	15%
Retail mortgage backed loans ¹	123,114	4%	149,188	6%
Corporate loans	2,521,670	74%	2,087,613	78%
Loans to corporates	2,433,080	71%	1,990,803	74%
Municipality loans	<u>88,590</u>	<u>3%</u>	<u>96,810</u>	<u>4%</u>
Loans at amortised cost total	<u>3,365,255</u>	<u>99%</u>	<u>2,638,220</u>	<u>99%</u>
Loans at fair value total	<u>29,731</u>	<u>1%</u>	<u>32,745</u>	<u>1%</u>
Gross loans total	<u>3,394,986</u>	<u>100%</u>	<u>2,670,965</u>	<u>100%</u>

¹ incl. housing loans

NOTE 6: LOANS (in HUF mn) [continued]

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

	2019	2018
In HUF	57%	57%
In foreign currency	<u>43%</u>	<u>43%</u>
Total	<u>100%</u>	<u>100%</u>

An analysis of the change in the loss allowance on loan losses is as follows:

	2019	2018
Balance as at 1 January	66,241	69,502
Change as a result of applying IFRS 9	-	8,931
Reclassification	-	26
Loss allowance	136,204	102,191
Release of loss allowance	(117,001)	(104,849)
Partial write-off	<u>(5,527)</u>	<u>(9,560)</u>
Closing balance	<u>79,917</u>	<u>66,241</u>

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	2019	2018
Investments in subsidiaries:		
Controlling interest	1,970,308	1,712,635
Other investments	<u>-</u>	<u>1,013</u>
	<u>1,970,308</u>	<u>1,713,648</u>
Impairment loss	<u>(427,770)</u>	<u>(536,075)</u>
Total	<u>1,542,538</u>	<u>1,177,573</u>

An analysis of the change in the impairment loss is as follows:

	2019	2018
Balance as at 1 January	536,075	538,846
Impairment loss	12,503	39,430
Reversal of impairment loss	(51,310)	(34,994)
Use of impairment loss	<u>(69,498)</u>	<u>(7,207)</u>
Closing balance	<u>427,770</u>	<u>536,075</u>

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

The Bulgarian Court of Registration registered a capital increase at DSK Bak EAD, the Bulgarian subsidiary of OTP Bank. Accordingly, the registered capital of the Bulgarian subsidiary of OTP Bank was increased to BGN 1,327,482,000 from BGN 153,984,000.

The Slovakian Court of Registration registered a capital increase at OTP Banka Slovensko a.s. the Slovakian subsidiary of OTP Bank. Accordingly, the registered capital of the Slovakian subsidiary of OTP Bank was increased to EUR 126,590,711.84 from EUR 111,580,509.

On 29 March 2019 the financial closure of the Albanian transaction has been completed. As a result, OTP Bank has become the 100% owner of Banka Societe Generale Albania SH. A. („SGAL”), the Albanian subsidiary of Societe Generale Group. With a market share of nearly 6%, SGAL is the 5th largest bank on the Albanian banking market and as a universal bank it has been active in the retail and corporate segment as well.

Based on the acquisition agreement on 28 February 2019, on purchasing 90.56% shareholding of Societe Generale banka Montenegro a.d. („SGM”), the Montenegrin subsidiary of Societe Generale Group between Crnogorska komercijalna banka a.d., the Montenegrin subsidiary of OTP Bank and Societe Generale Group, has been completed on 16 July 2019. With a market share of 11.9% as at the end of March 2019, SGM is the 3rd largest bank on the Montenegrin banking market and as a universal bank it has been active in the retail and corporate segment as well.

On 25 July 2019 the financial closure of the Moldovan transaction has been completed. As a result, OTP Bank has become 96.69% owner of Mobiasbanca – Groupe Societe Generale S.A. („MBSG”), the Moldovan subsidiary of Societe Generale Group. With a market share of 13.8%, SGMB is the 4th largest bank on the Moldovan banking market and as a universal bank it has been active in the retail and corporate segment as well.

24 September 2019 the financial closure of the Serbian transaction has been completed. As a result, OTP Bank has become 100% owner of Societe Generale banka Srbija a.d. Beograd („SGS”), the Serbian subsidiary of Societe Generale Group and other local subsidiaries held by SGS. As at the end of June 2019, with a market share of 8.3%, SGS is the 4th largest bank on the Serbian banking market and as a universal bank it has been active in the retail and corporate segment as well.

OTP Bank signed an acquisition agreement on purchasing 99.73% shareholding of SKB Banka, the Slovenian subsidiary of Societe Generale Group and other local subsidiaries held by SKB Banka. On 13 December 2019 the financial closure of the transaction has been completed. With a market share of nearly 9%, SKB Banka is the 4th largest bank on the Slovenian banking market and as a universal bank it has been active in the retail and corporate segment as well.

The Montenegrin Court of Registration registered a capital increase at Crnogorska komercijalna banka a.d., the Montenegrin subsidiary of OTP Bank. Accordingly, the registered capital of the Montenegrin subsidiary of OTP Bank was increased to EUR 181,875,220 from EUR 136,875,398.

DSK Bank EAD and Expressbank AD, the Bulgarian subsidiaries of OTP Bank, as the sellers, signed an acquisition agreement on the sale of their 100% shareholding in Express Life Bulgaria IJSC to Groupama Zhivotozastrahovane EAD, a Bulgarian subsidiary of the Groupama Group, as the purchaser. On 31 October 2019 the Express Life Bulgaria transaction was financially closed.

The Romanian Court of Registration registered a capital increase at OTP Bank Romania SA, the Romanian subsidiary of OTP Bank. Accordingly, the registered capital of the Romanian subsidiary of OTP Bank was increased to RON 1,829,253,120 from RON 1,509,252,960.

The registered capital of OTP Mortgage Bank was increased to HUF 37 billion from HUF 27 billion.

NOTE 8: SECURITIES AT AMORTISED COST (in HUF mn)

	2019	2018
Government bonds	1,436,455	1,428,393
Other corporate bonds	12,212	-
Mortgage bonds	-	5,064
Subtotal	<u>1,448,667</u>	<u>1,433,457</u>
Loss allowance	<u>(1,443)</u>	<u>(1,668)</u>
Total	<u>1,447,224</u>	<u>1,431,789</u>

An analysis of the change in the loss allowance is as follows:

	2019	2018
Balance as at 1 January	1,668	-
Change as a result of applying IFRS 9	-	1,477
Loss allowance	338	875
Release of loss allowance	<u>(563)</u>	<u>(684)</u>
Closing balance	<u>1,443</u>	<u>1,668</u>

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2019	2018
Within one year:		
In HUF	5,437,453	4,788,339
In foreign currency	<u>1,092,329</u>	<u>904,747</u>
	<u>6,529,782</u>	<u>5,693,086</u>
Over one year:		
In HUF	43,768	48,412
In foreign currency	<u>-</u>	<u>-</u>
	<u>43,768</u>	<u>48,412</u>
Total	<u>6,573,550</u>	<u>5,741,498</u>

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

	2019		2018	
Retail deposits	3,204,450	49%	2,944,174	51%
Household deposits	3,204,450	49%	2,944,174	51%
Corporate deposits	3,369,100	51%	2,797,324	49%
Deposits to corporates	2,729,209	41%	2,340,640	41%
Municipality deposits	<u>639,891</u>	<u>10%</u>	<u>456,684</u>	<u>8%</u>
Total	<u>6,573,550</u>	<u>100%</u>	<u>5,741,498</u>	<u>100%</u>

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

	2019	2018
Within one year:		
In HUF	18,340	9,399
In foreign currency	<u>3,753</u>	<u>4,835</u>
	<u>22,093</u>	<u>14,234</u>
Over one year:		
In HUF	<u>21,191</u>	<u>32,460</u>
	<u>21,191</u>	<u>32,460</u>
Total	<u>43,284</u>	<u>46,694</u>

NOTE 11: OFF BALANCE SHEET ITEMS (in HUF mn)

Contingent liabilities and commitments

	2019	2018
Commitments to extend credit	1,494,508	1,313,715
Guarantees arising from banking activities	1,087,300	828,843
<i>from this: Payment undertaking liabilities (related to issued mortgage bonds) of OTP Mortgage Bank</i>	<i>558,100</i>	<i>472,213</i>
Factoring loan commitment	228,145	179,448
Confirmed letters of credit	<u>749</u>	<u>96</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>2,810,702</u>	<u>2,322,102</u>
Legal disputes (disputed value)	5,233	3,772
Other	<u>19,807</u>	<u>12,459</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>25,040</u>	<u>16,231</u>
Total	<u>2,835,742</u>	<u>2,338,333</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 663 million and HUF 691 million as at 31 December 2019 and 31 December 2018, respectively.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

Fair value of derivative instruments

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Held for trading derivative financial instruments				
Interest rate derivatives				
Interest rate swaps	29,008	(26,622)	22,862	(21,669)
Cross currency interest rate swaps	1,141	(1,037)	17,078	(17,164)
OTC options	298	(298)	256	(256)
Forward rate agreement	13	(32)	17	(57)
Total interest rate derivatives (OTC derivatives)	<u>30,460</u>	<u>(27,989)</u>	<u>40,213</u>	<u>(39,146)</u>
<i>From this: Interest rate derivatives cleared by central counterparty</i>	-	(61)	581	(142)
Foreign exchange derivatives				
Foreign exchange swaps	31,666	(24,607)	27,705	(25,982)
Foreign exchange forward	2,538	(4,839)	2,435	(2,914)
OTC options	3,126	(3,129)	3,310	(3,377)
Foreign exchange spot conversion	18	(50)	69	(32)
Total foreign exchange derivatives (OTC derivatives)	<u>37,348</u>	<u>(32,625)</u>	<u>33,519</u>	<u>(32,305)</u>
<i>From this: Foreign exchange derivatives cleared by central counterparty</i>	4,166	(259)	5,859	(1,741)
Equity stock and index derivatives				
Commodity Swaps	1,213	(960)	1,883	(1,048)
Equity swaps	4,530	(558)	6,728	(568)
OTC derivatives total	<u>5,743</u>	<u>(1,518)</u>	<u>8,611</u>	<u>(1,616)</u>
Exchange traded futures and options	5	(248)	105	(965)
Total equity stock and index derivatives	<u>5,748</u>	<u>(1,766)</u>	<u>8,716</u>	<u>(2,581)</u>
Derivatives held for risk management not designated in hedge				
Interest rate swaps	23,508	(16,219)	23,495	(8,107)
Foreign exchange swaps	6,547	(4,477)	5,675	(615)
Foreign exchange spot conversion	-	-	436	(57)
Forward	8	(12)	8	(27)
Cross currency interest rate swaps	75	-	-	-
Total derivatives held for risk management not designated in hedge	<u>30,138</u>	<u>(20,708)</u>	<u>29,614</u>	<u>(8,806)</u>
<i>From this: Total derivatives cleared by central counterparty held for risk management</i>	1,305	(6,689)	119	(8,329)
Total Held for trading derivative financial instruments	<u>103,694</u>	<u>(83,088)</u>	<u>112,062</u>	<u>(82,838)</u>
Derivative financial instruments designated as hedge accounting				
Derivatives designated in cash flow hedges				
Interest rate swaps	9,214	-	3,751	(523)
Total derivatives designated in cash flow hedges	<u>9,214</u>	<u>-</u>	<u>3,751</u>	<u>(523)</u>
Derivatives designated in fair value hedges				
Interest rate swaps	3,758	(8,265)	4,467	(6,050)
Cross currency interest rate swaps	3,705	(1,758)	4,003	(352)
Foreign exchange swaps	-	-	-	-
Total derivatives designated in fair value hedges	<u>7,463</u>	<u>(10,023)</u>	<u>8,470</u>	<u>(6,402)</u>
<i>From this: Total derivatives cleared by NBH held for hedging</i>	-	(2,886)	21	(5,057)
Total derivatives held for risk management (OTC derivatives)	<u>16,677</u>	<u>(10,023)</u>	<u>12,221</u>	<u>(6,925)</u>

As at 31 December 2019 the Bank has derivative instruments with positive fair values of HUF 120,371 million and negative fair values of HUF 93,111 million. Corresponding figures as at 31 December 2018 are HUF 124,283 million and HUF 89,763 million.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

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

NOTE 13: NET INTEREST INCOME (in HUF mn)

	2019	2018
Interest income accounted for using the effective interest rate method from / on		
Loans at amortised cost and fair value through profit or loss	140,899	120,487
FVOCI securities	40,332	40,551
Securities at amortised cost	47,119	47,342
Placements with other banks	8,034	6,103
Financial liabilities	1,720	-
Amounts due from banks and balances with National Bank of Hungary	1,196	280
Repo receivables	<u>95</u>	<u>58</u>
Subtotal	<u>239,395</u>	<u>214,821</u>
Income similar to interest income		
Swap and forward deals related to Placements with other banks	65,090	63,804
Swap and forward deals related to Loans at amortised cost	24,114	21,027
Swap and forward deals related to FVOCI securities	(6,099)	(8,923)
Investment properties	<u>6</u>	<u>4</u>
Subtotal	<u>83,111</u>	<u>75,912</u>
Interest income total	<u>322,506</u>	<u>290,733</u>
Interest expense due to / from / on		
Amounts due to banks and deposits from the National Bank of Hungary and other banks	78,644	53,306
Lease liabilities	28,146	26,634
Deposits from customers	244	-
Liabilities from issued securities	224	157
Subordinated bonds and loans	5,323	2,994
Investment properties (depreciation)	48	44
Financial assets	2,278	-
Repo liabilities	<u>4,477</u>	<u>643</u>
Interest expenses total	<u>119,384</u>	<u>83,778</u>

NOTE 14: 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.:

	2019	2018
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	11,836	12,792
Loans sold to OTP Mortgage Bank Ltd. (including interest)	-	402
The gross book value of the loans sold	-	398

Transactions related to OTP Factoring Ltd.:

	2019	2018
The gross book value of the loans	16,410	13,654
Loss allowance on the loans sold	10,950	8,348
Loans sold to OTP Factoring Ltd. without recourse (including interest)	3,304	4,747
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	2,156	559

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