



OTP BANK PLC.

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

**FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2015**

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	Note	31 March 2015	31 December 2014	31 March 2014
Cash, amounts due from banks and balances with the National Bank of Hungary		1,947,490	1,897,778	171,275
Placements with other banks, net of allowance for placement losses		550,728	712,112	679,743
Financial assets at fair value through profit or loss	4.	337,395	351,753	344,404
Securities available-for-sale	5.	1,174,297	1,215,907	1,872,086
Loans, net of allowance for loan losses	6.	1,835,990	1,908,631	2,079,574
Investments in subsidiaries, associates and other investments	7.	618,632	604,209	677,575
Securities held-to-maturity	8.	607,181	662,947	614,993
Property and equipment		66,588	68,114	80,070
Intangible assets		34,292	36,091	35,040
Other assets		<u>166,486</u>	<u>97,930</u>	<u>86,067</u>
TOTAL ASSETS		<u>7,339,079</u>	<u>7,555,472</u>	<u>6,640,827</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		1,033,913	1,142,491	725,354
Deposits from customers	9.	4,150,900	4,235,256	3,753,542
Liabilities from issued securities	10.	155,018	162,667	165,585
Financial liabilities at fair value through profit or loss		356,534	375,363	216,849
Other liabilities		281,450	253,952	273,385
Subordinated bonds and loans		<u>254,498</u>	<u>294,612</u>	<u>292,435</u>
TOTAL LIABILITIES		<u>6,232,313</u>	<u>6,464,341</u>	<u>5,427,150</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,086,329	1,070,204	1,193,891
Treasury shares		<u>-7,563</u>	<u>(7,073)</u>	<u>(8,214)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,106,766</u>	<u>1,091,131</u>	<u>1,213,677</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>7,339,079</u>	<u>7,555,472</u>	<u>6,640,827</u>

	Note	Three month period ended 31 March 2015	Three month period ended 31 March 2014	Year ended 31 December 2014
Interest Income	12.	133,715	115,663	415,107
Interest Expense	12.	<u>84,065</u>	<u>62,078</u>	<u>201,384</u>
NET INTEREST INCOME	12.	<u>49,650</u>	<u>53,585</u>	<u>213,723</u>
Provision for impairment on loan and placement losses	6.	8,077	5,907	23,213
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		<u>41,573</u>	<u>47,678</u>	<u>190,510</u>
Net profit from fees and commissions		34,228	35,621	146,546
Net operating income / (expense)		63,830	43,571	(210,461)
Other administrative expenses		<u>77,484</u>	<u>77,229</u>	<u>244,428</u>
PROFIT / (LOSS) BEFORE INCOME TAX		<u>62,147</u>	<u>49,641</u>	<u>(117,833)</u>
Income tax benefit		<u>(3,505)</u>	<u>(641)</u>	<u>(43,364)</u>
NET PROFIT / (LOSS) FOR THE PERIOD		<u>65,652</u>	<u>50,282</u>	<u>(74,469)</u>
Earnings per share (in HUF)				
Basic		<u>236</u>	<u>181</u>	<u>(268)</u>
Diluted		<u>236</u>	<u>181</u>	<u>(267)</u>

The comprehensive income items are as follows:

	Three month period ended 31 March 2015	Three month period ended 31 March 2014	Year ended 31 December 2014
NET PROFIT / (LOSS) FOR THE PERIOD	<u>65,652</u>	<u>50,282</u>	<u>(74,469)</u>
Fair value adjustment of securities available-for-sale	<u>(8,060)</u>	<u>8,737</u>	<u>12,777</u>
NET COMPREHENSIVE INCOME	<u>57,592</u>	<u>59,019</u>	<u>(61,692)</u>

	Three month period ended 31 March 2015	Three month period ended 31 March 2014	Year ended 31 December 2014
Profit / (loss) before income tax	62,147	49,641	(117,833)
Income tax paid	(1,647)	-	(2,864)
Depreciation and amortization	5,067	5,348	22,177
Provisions for impairment	(14,838)	5,606	295,389
Share-based payment	953	1,279	4,393
Unrealised losses on fair value adjustment of securities available- for-sale and held for trading	(6,788)	(150)	(2,903)
Unrealised (losses) / gains on fair value adjustment of derivative financial instruments	(13,047)	3,532	5,401
Net changing in assets and liabilities in operating activities	<u>(74,523)</u>	<u>149,894</u>	<u>849,099</u>
Net cash (used in) / provided by operating activities	<u>(42,676)</u>	<u>215,150</u>	<u>1,052,859</u>
Net cash provided by investing activities	<u>286,594</u>	<u>26,778</u>	<u>453,140</u>
Net cash (used in) / provided by financing activities	<u>(201,133)</u>	<u>(212,211)</u>	<u>193,893</u>
Net increase in cash and cash equivalents	<u>42,785</u>	<u>29,717</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>	<u>62,835</u>
Cash and cash equivalents at the end of the period	<u>1,805,512</u>	<u>92,552</u>	<u>1,762,727</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,897,778	140,521	140,521
Compulsory reserve established by the National Bank of Hungary	<u>(135,051)</u>	<u>(77,686)</u>	<u>(77,686)</u>
Cash and cash equivalents at the beginning of the year	<u>1,762,727</u>	<u>62,835</u>	<u>62,835</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	1,947,490	171,275	1,897,778
Compulsory reserve established by the National Bank of Hungary	<u>(141,978)</u>	<u>(78,723)</u>	<u>(135,051)</u>
Cash and cash equivalents at the end of the period	<u>1,805,512</u>	<u>92,552</u>	<u>1,762,727</u>

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2015 (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 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 profit for the three month period	-	-	-	50,282	-	-	50,282
Other comprehensive income	-	-	-	8,737	-	-	8,737
Share-based payment	-	-	1,279	-	-	-	1,279
Payments to ICES holders	-	-	-	(1,386)	-	-	(1,386)
Sale of treasury shares	-	-	-	-	-	6,749	6,749
Loss on sale of treasury shares	-	-	-	(12)	-	-	(12)
Acquisition of treasury shares	-	-	-	-	-	(8,232)	(8,232)
Dividend for the year 2013	-	-	-	(40,600)	-	-	(40,600)
Balance as at 31 March 2014	<u>28,000</u>	<u>52</u>	<u>17,783</u>	<u>1,231,524</u>	<u>(55,468)</u>	<u>(8,214)</u>	<u>1,213,677</u>
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	-	-	-	65,652	-	-	65,652
Other comprehensive income	-	-	-	(8,060)	-	-	(8,060)
Share-based payment	-	-	953	-	-	-	953
Payments to ICES holders	-	-	-	(1,198)	-	-	(1,198)
Sale of treasury shares	-	-	-	-	-	4,310	4,310
Loss on sale of treasury shares	-	-	-	(622)	-	-	(622)
Acquisition of treasury shares	-	-	-	-	-	(4,800)	(4,800)
Dividend for the year 2014	-	-	-	(40,600)	-	-	(40,600)
Balance as at 31 March 2015	<u>28,000</u>	<u>52</u>	<u>21,850</u>	<u>1,119,895</u>	<u>(55,468)</u>	<u>(7,563)</u>	<u>1,106,766</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 THREE MONTH PERIOD ENDED 31 MARCH 2015**1) Capital increase in OTP Bank Romania**

See details in Note 7.

2) Government measures related to consumer loan contracts

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

a) Act on Settlement

Based on these regulations expense in the amount of HUF 33.9 billion was recognised as amounts charged to clients related to consumer loans contracts were assumed unfair. Provision for impairment recognised as at 31 December 2014 was released in the amount of HUF 33.1 billion during the three month period ended 31 March 2015.

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

NOTE 2: SIGNIFICANT EVENTS DURING THE THREE MONTH PERIOD ENDED 31 MARCH 2015**2) Government measures related to consumer loan contracts [continued]****b) Act on Conversion into HUF**

Based on the Act LXXVII of 2014 on “Settlement of certain issues concerning the modification of the currency and interest conditions related to consumer loan agreements” OTP Bank completed the conversion of foreign currency consumer mortgage loans into HUF as at 1 February 2015. Amount of HUF 40 billion of mortgage loans have been converted into HUF at foreign exchange rates determined in the Act on conversion into HUF (CHF: 256.47; EUR: 308.97; JPY: 2.163).

As at 31 December 2014 OTP Bank recognized a provision for impairment with the amount of HUF 456 million due to the fair valuation of the loans concerned in the conversion into HUF. During the first quarter of 2015 the provision was released and the negative fair value adjustment of HUF 456 million was recognised on loans.

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)

	31 March 2015	31 December 2014
<i>Held for trading securities:</i>		
Shares	61,084	58,559
Government bonds	12,938	13,777
Hungarian government interest bearing Treasury Bills	5,537	4,175
Hungarian government discounted Treasury Bills	2,015	288
Mortgage bonds	85	71
Securities issued by credit institutions	51	67
Other securities	<u>187</u>	<u>216</u>
	<u>81,897</u>	<u>77,153</u>
Accrued interest	<u>258</u>	<u>434</u>
Total	<u>82,155</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	130,087	152,540
Foreign currency swaps designated as held for trading	62,110	60,833
Interest rate swaps designated as held for trading	41,210	43,538
Other derivative transactions ²	<u>21,833</u>	<u>17,255</u>
	<u>255,240</u>	<u>274,166</u>
Total	<u>337,395</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)

	31 March 2015	31 December 2014
Mortgage bonds	691,675	741,567
Government bonds	391,499	375,040
Other securities	60,188	64,593
<i>-listed securities</i>	<u>30,140</u>	<u>31,535</u>
<i>in HUF</i>	-	-
<i>in foreign currency</i>	30,140	31,535
<i>-non-listed securities</i>	<u>30,048</u>	<u>33,058</u>
<i>in HUF</i>	24,495	27,397
<i>in foreign currency</i>	5,553	5,661
Subtotal	<u>1,143,362</u>	<u>1,181,200</u>
Accrued interest	<u>30,935</u>	<u>34,707</u>
Total	<u>1,174,297</u>	<u>1,215,907</u>

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

	31 March 2015	31 December 2014
Short-term loans and trade bills (within one year)	1,049,763	1,014,363
Long-term loans and trade bills (over one year)	<u>871,618</u>	<u>972,626</u>
Loans gross total	<u>1,921,381</u>	<u>1,986,989</u>
Accrued interest	<u>4,286</u>	<u>7,039</u>
Provision of impairment on loan losses	<u>(89,677)</u>	<u>(85,397)</u>
Total	<u>1,835,990</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 and IFRS 9. If OTP Bank has no reasonable expectations regarding a financial asset (loan) to be recovered, it will be written off partially at the time of emergence. A loan will be partially written off if it has matured or was terminated by the Bank.

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

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

Loan receivables have been partially written off at the amount of HUF 62,250 million as at 31 March 2015.

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

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

	31 March 2015		31 December 2014	
Retail loans	503,361	26%	518,058	26%
Retail consumer loans	288,061	15%	291,497	15%
Retail mortgage backed loans	99,511	5%	112,358	5%
SME loans	115,789	6%	114,203	6%
Corporate loans	1,418,020	74%	1,468,931	74%
Loans to medium and large corporates	1,370,244	71%	1,420,631	71%
Municipality loans	31,548	2%	28,471	2%
Municipality loans completed by the State	16,228	1%	19,829	1%
Total	<u>1,921,381</u>	<u>100%</u>	<u>1,986,989</u>	<u>100%</u>

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

	31 March 2015	31 December 2014
In HUF	50%	43%
In foreign currency	<u>50%</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:

	31 March 2015	31 December 2014
Balance as at 1 January	85,397	150,513
Provision for the year	17,026	52,096
Release of provision	(11,705)	(54,793)
Partial write-off	<u>(1,041)</u>	<u>(62,419)</u>
Closing balance	<u>89,677</u>	<u>85,397</u>

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	31 March 2015	31 December 2014
Investments in subsidiaries:		
Controlling interest	1,170,434	1,147,839
Other	<u>681</u>	<u>681</u>
	<u>1,171,115</u>	<u>1,148,520</u>
Provision for impairment	<u>(552,483)</u>	<u>(544,311)</u>
Total	<u>618,632</u>	<u>604,209</u>

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

	31 March 2015	31 December 2014
Balance as at 1 January	544,311	317,581
Provision for the year	<u>8,172</u>	<u>226,730</u>
Closing balance	<u>552,483</u>	<u>544,311</u>

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

On 21 January 2015 OTP Bank announces that 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 OTP Bank Romania was increased to RON 958,252,800 from RON 782,908,800 and the ownership ratio of OTP Bank represents 99.99% currently.

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

	31 March 2015	31 December 2014
Government bonds	583,841	641,645
Mortgage bonds	4,753	4,756
Hungarian government discounted Treasury bills	<u>348</u>	<u>346</u>
	<u>588,942</u>	<u>646,747</u>
Accrued interest	<u>18,239</u>	<u>16,200</u>
Total	<u>607,181</u>	<u>662,947</u>

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	31 March 2015	31 December 2014
Within one year:		
In HUF	3,425,980	3,600,806
In foreign currency	<u>689,172</u>	<u>599,127</u>
	<u>4,115,152</u>	<u>4,199,933</u>
Over one year:		
In HUF	31,573	<u>31,419</u>
	<u>31,573</u>	<u>31,419</u>
Subtotal	<u>4,146,725</u>	<u>4,231,352</u>
Accrued interest	<u>4,175</u>	<u>3,904</u>
Total	<u>4,150,900</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:

	31 March 2015		31 December 2014	
Retail deposits	2,271,768	55%	2,242,240	53%
Household deposits	1,880,100	45%	1,860,109	44%
SME deposits	391,668	10%	382,131	9%
Corporate deposits	1,874,957	45%	1,989,112	47%
Deposits to medium and large corporates	1,446,372	35%	1,659,484	39%
Municipality deposits	428,585	10%	329,628	8%
Total	<u>4,146,725</u>	<u>100%</u>	<u>4,231,352</u>	<u>100%</u>

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

	31 March 2015	31 December 2014
Within one year:		
In HUF	13,512	24,280
In foreign currency	<u>40,513</u>	<u>39,024</u>
	<u>54,025</u>	<u>63,304</u>
Over one year:		
In HUF	87,592	86,781
In foreign currency	<u>9,593</u>	<u>10,061</u>
	<u>97,185</u>	<u>96,842</u>
Subtotal	<u>151,210</u>	<u>160,146</u>
Accrued interest	<u>3,808</u>	<u>2,521</u>
Total	<u>155,018</u>	<u>162,667</u>

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

(a) *Contingent liabilities and commitments*

	31 March 2015	31 December 2014
Commitments to extend credit	756,550	753,152
Guarantees arising from banking activities	376,562	366,756
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>118,985</i>	<i>102,133</i>
Promissory obligation to OTP Financing Solutions B.V.	126,728	120,664
Legal disputes (disputed value)	51,161	53,729
Contingent liabilities ordered by law related to consumer loans	17,685	44,127
Confirmed letters of credit	180	108
Other	<u>41,106</u>	<u>33,428</u>
Total	<u>1,369,972</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 1.010 million and HUF 998 million as at 31 March 2015 and 31 December 2014, respectively.

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

(b) *Fair value of derivative instruments*

	Fair value		Notional value, net	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Interest rate swaps classified as held for trading				
Positive fair value of interest rate swaps classified as held for trading	41,210	43,538	41,818	46,128
Negative fair value of interest rate swaps classified as held for trading	(39,592)	(63,670)	(40,495)	(66,510)
Foreign exchange swaps classified as held for trading				
Positive fair value of foreign exchange swaps classified as held for trading	62,110	60,833	65,550	57,280
Negative fair value of foreign exchange swaps classified as held for trading	(80,289)	(60,110)	(80,534)	(55,697)
Interest rate swaps designated as fair value hedge				
Positive fair value of interest rate swaps designated in fair value hedge	15,113	14,032	7,748	8,539
Negative fair value of interest rate swaps designated in fair value hedge	(9,932)	(3,463)	(7,571)	(4,602)
CCIRS classified as held for trading				
Positive fair value of CCIRS classified as held for trading	125,291	152,540	121,113	144,886
Negative fair value of CCIRS classified as held for trading	(215,236)	(227,167)	(204,819)	(222,373)
Mark-to-market CCIRS classified as held for trading				
Positive fair value of mark-to-market CCIRS classified as held for trading	4,796	-	4,576	-
Negative fair value of mark-to-market CCIRS classified as held for trading	(420)	(9,576)	(490)	(9,856)
Other derivative contracts classified as held for trading				
Positive fair value of other derivative contracts classified as held for trading	21,833	17,255	17,321	14,088
Negative fair value of other derivative contracts classified as held for trading	(20,997)	(14,840)	(16,146)	(11,526)
Other derivative contracts designated as fair value hedge				
Positive fair value of other derivative contracts designated in fair value hedge	16	9	12	4
Negative fair value of other derivative contracts designated in fair value hedge	-	-	-	-
Derivative financial assets total	<u>270,369</u>	<u>288,207</u>	<u>258,138</u>	<u>270,925</u>
Derivative financial liabilities total	<u>(366,466)</u>	<u>(378,826)</u>	<u>(350,055)</u>	<u>(370,564)</u>
Derivative financial instruments total	<u>(96,097)</u>	<u>(90,619)</u>	<u>(91,917)</u>	<u>(99,639)</u>

As at 31 March 2015 the Bank has derivative instruments with positive fair values of HUF 270,369 million and negative fair values of HUF 366,466 million. Corresponding figures as at 31 December 2014 are HUF 288,207 million and HUF 378,826 million.

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

NOTE 12: NET INTEREST INCOME (in HUF mn)

	Three month period ended 31 March 2015	Three month period ended 31 March 2014	Year ended 31 December 2014
<i>Interest Income:</i>			
Loans	36,517	43,276	162,533
Placements with other banks, net of allowance for placement losses	63,794	43,179	128,444
Securities available-for-sale	14,488	20,460	72,056
Securities held-to-maturity	9,308	8,192	36,518
Amounts due from banks and balances with National Bank of Hungary	<u>9,608</u>	<u>556</u>	<u>15,556</u>
Total Interest Income	<u>133,715</u>	<u>115,663</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	68,470	42,593	127,809
Deposits from customers	10,962	14,070	52,544
Liabilities from issued securities	465	1,375	4,206
Subordinated bonds and loans	<u>4,168</u>	<u>4,040</u>	<u>16,825</u>
Total Interest Expense	<u>84,065</u>	<u>62,078</u>	<u>201,384</u>
NET INTEREST INCOME	<u>49,650</u>	<u>53,585</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.:

	31 March 2015	31 March 2014
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	1,443	1,286
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	627	284
The gross book value of the loans sold	626	284

Transactions related to OTP Factoring Ltd.:

	31 March 2015	31 March 2014
The gross book value of the loans	1,931	7,091
Provision for loan losses on the loans sold	1,042	3,621
Loans sold to OTP Factoring Ltd. without recourse (including interest)	688	2,259
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	201	1,211

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