



OTP BANK PLC.

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

FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2017

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	Note	30 June 2017	31 December 2016	30 June 2016
Cash, amounts due from banks and balances with the National Bank of Hungary		385,920	928,846	994,418
Placements with other banks, net of allowance for placement losses		943,260	915,654	798,371
Financial assets at fair value through profit or loss	4.	198,058	271,516	240,356
Securities available-for-sale	5.	1,617,096	1,484,522	1,603,583
Loans, net of allowance for loan losses	6.	2,085,921	1,902,937	1,727,030
Investments in subsidiaries, associates and other investments	7.	822,846	668,869	672,243
Securities held-to-maturity	8.	979,436	858,150	812,979
Property and equipment		61,870	62,361	61,608
Intangible assets		25,022	27,767	28,929
Investment properties		2,288	2,267	-
Other assets		<u>115,813</u>	<u>128,867</u>	<u>152,779</u>
TOTAL ASSETS		<u>7,237,530</u>	<u>7,251,756</u>	<u>7,092,296</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		693,983	646,271	925,834
Deposits from customers	9.	4,725,148	4,745,051	4,190,578
Liabilities from issued securities	10.	70,823	104,103	143,959
Financial liabilities at fair value through profit or loss		80,361	96,668	102,077
Other liabilities		255,313	336,882	283,807
Subordinated bonds and loans		<u>109,134</u>	<u>110,358</u>	<u>276,869</u>
TOTAL LIABILITIES		<u>5,934,762</u>	<u>6,039,333</u>	<u>5,923,124</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,281,585	1,193,132	1,151,811
Treasury shares		<u>(6,817)</u>	<u>(8,709)</u>	<u>(10,639)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,302,768</u>	<u>1,212,423</u>	<u>1,169,172</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>7,237,530</u>	<u>7,251,756</u>	<u>7,092,296</u>

SEPARATE CONDENSED STATEMENT OF RECOGNIZED INCOME AND
COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(UNAUDITED) (in HUF mn)

	Note	Six month period ended 30 June 2017	Six month period ended 30 June 2016	Year ended 31 December 2016
Interest Income	12.	124,236	157,163	314,410
Interest Expense	12.	<u>36,303</u>	<u>72,393</u>	<u>141,571</u>
NET INTEREST INCOME	12.	<u>87,933</u>	<u>84,770</u>	<u>172,839</u>
Provision for impairment on loan and placement losses	6.	3,647	5,573	13,632
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		<u>84,286</u>	<u>79,197</u>	<u>159,207</u>
Net profit from fees and commissions		87,288	79,411	163,477
Net operating income		98,894	126,101	120,929
Other administrative expenses		<u>129,966</u>	<u>128,148</u>	<u>250,139</u>
PROFIT BEFORE INCOME TAX		<u>140,472</u>	<u>156,561</u>	<u>193,474</u>
Income tax expense		<u>9,022</u>	<u>(16,382)</u>	<u>21,096</u>
NET PROFIT FOR THE PERIOD		<u>131,450</u>	<u>140,179</u>	<u>172,378</u>
Earnings per share (in HUF)				
Basic		<u>472</u>	<u>182</u>	<u>619</u>
Diluted		<u>471</u>	<u>181</u>	<u>619</u>

The comprehensive income items are as follows:

	Six month period ended 30 June 2017	Six month period ended 30 June 2016	Year ended 31 December 2016
NET PROFIT FOR THE PERIOD	<u>131,450</u>	<u>140,179</u>	<u>172,378</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of securities available-for-sale	10,826	(5,400)	1,951
Deferred tax (19%) related to securities available-for-sale	(963)	1,026	(371)
Effect of the tax rate-modification related to securities available-for-sale (19%→9%)	<u>-</u>	<u>-</u>	<u>5,758</u>
Total	<u>9,863</u>	<u>(4,374)</u>	<u>7,338</u>
NET COMPREHENSIVE INCOME	<u>141,313</u>	<u>135,805</u>	<u>179,716</u>

	Six month period ended 30 June 2017	Six month period ended 30 June 2016	Year ended 31 December 2016
Profit before income tax	140,472	156,561	193,474
Income tax paid	-	(264)	(264)
Depreciation and amortization	9,373	10,416	21,907
Provision for impairment	(2,606)	2,610	24,985
Share-based payment	1,685	1,865	3,530
Unrealised losses on fair value adjustment of securities available-for-sale and held for trading	(20)	(11,183)	(9,970)
Unrealised (losses) /gains on fair value adjustment of derivative financial instruments	5,289	4,326	(14)
Net changing in assets and liabilities in operating activities	<u>(306,059)</u>	<u>(271,264)</u>	<u>134,658</u>
Net cash (used in) / provided by operating activities	<u>(151,866)</u>	<u>(106,933)</u>	<u>368,306</u>
Net cash used in investing activities	<u>(351,091)</u>	<u>(276,204)</u>	<u>(306,402)</u>
Net cash used in financing activities	<u>(39,417)</u>	<u>46,691</u>	<u>(420,496)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(542,374)</u>	<u>(336,446)</u>	<u>(358,592)</u>
Cash and cash equivalents at the beginning of the year	<u>880,266</u>	<u>1,238,858</u>	<u>1,238,858</u>
Cash and cash equivalents at the end of the period	<u>337,892</u>	<u>902,412</u>	<u>880,266</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	928,846	1,326,197	1,326,197
Compulsory reserve established by the National Bank of Hungary	<u>(48,580)</u>	<u>(87,339)</u>	<u>(87,339)</u>
Cash and cash equivalents at the beginning of the year	<u>880,266</u>	<u>1,238,858</u>	<u>1,238,858</u>
Cash, amounts due from banks and balances with the National Bank of Hungary	385,920	994,418	928,846
Compulsory reserve established by the National Bank of Hungary	<u>(48,028)</u>	<u>(92,006)</u>	<u>(48,580)</u>
Cash and cash equivalents at the end of the period	<u>337,892</u>	<u>902,412</u>	<u>880,266</u>

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 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 six month period	-	-	-	140,179	-	-	140,179
Other comprehensive income	-	-	-	(4,374)	-	-	(4,374)
Share-based payment	-	-	1,865	-	-	-	1,865
Payments to ICES holders	-	-	-	(586)	-	-	(586)
Sale of treasury shares	-	-	-	-	-	7,531	7,531
Loss on sale of treasury shares	-	-	-	(3,328)	-	-	(3,328)
Acquisition of treasury shares	-	-	-	-	-	(9,017)	(9,017)
Dividend for the year 2015	-	-	-	(46,200)	-	-	(46,200)
Balance as at 30 June 2016	<u>28,000</u>	<u>52</u>	<u>26,572</u>	<u>1,180,655</u>	<u>(55,468)</u>	<u>(10,639)</u>	<u>1,169,172</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 six month period	-	-	-	131,450	-	-	131,450
Other comprehensive income	-	-	-	9,863	-	-	9,863
Share-based payment	-	-	1,685	-	-	-	1,685
Payments to ICES holders	-	-	-	651	-	-	651
Sale of treasury shares	-	-	-	-	-	7,832	7,832
Loss on sale of treasury shares	-	-	-	(1,996)	-	-	(1,996)
Acquisition of treasury shares	-	-	-	-	-	-5,940	(5,940)
Dividend for the year 2016	-	-	-	(53,200)	-	-	(53,200)
Balance as at 30 June 2017	<u>28,000</u>	<u>52</u>	<u>29,922</u>	<u>1,307,079</u>	<u>(55,468)</u>	<u>(6,817)</u>	<u>1,302,768</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 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

See details about the events above in Note 7.

NOTE 3: POST BALANCE SHEET EVENTS

- 1) Acquisition at Romania
- 2) Acquisition at Serbia

See details about the events in Note 7.

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

	30 June 2017	31 December 2016
<i>Securities held for trading:</i>		
Hungarian government interest bearing Treasury Bills	51,391	15,639
Securities issued by credit institutions	15,754	13,396
Government bonds	12,625	10,857
Corporate shares	9,259	103,537
Other securities	9,056	3,816
Hungarian government discounted Treasury Bills	1,385	97
Mortgage bonds	99	82
Subtotal	<u>99,569</u>	<u>147,424</u>
Accrued interest	1,148	516
Total	<u>100,717</u>	<u>147,940</u>
<i>Derivative financial instruments:</i>		
Interest rate swaps	33,416	38,413
CCIRS and mark-to-market CCIRS ¹	30,768	43,538
Foreign currency swaps	21,702	23,385
Other derivative transactions ²	11,455	18,240
Subtotal	<u>97,341</u>	<u>123,576</u>
Total	<u>198,058</u>	<u>271,516</u>

NOTE 5: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

	30 June 2017	31 December 2016
Government bonds	1,118,673	1,040,541
Mortgage bonds	149,345	266,938
Other securities	333,757	163,949
- <i>listed securities</i>	<u>94,810</u>	<u>72,820</u>
<i>in HUF</i>	57,953	36,348
<i>in foreign currency</i>	36,857	36,472
- <i>non-listed securities</i>	<u>238,947</u>	<u>91,129</u>
<i>in HUF</i>	182,279	48,522
<i>in foreign currency</i>	56,668	42,607
Subtotal	<u>1,601,775</u>	<u>1,471,428</u>
Accrued interest	15,417	13,094
Provision for impairment	(96)	-
Securities available-for-sale total	<u>1,617,096</u>	<u>1,484,522</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 6: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)

	30 June 2017	31 December 2016
Short-term loans and promissory notes (within one year)	1,131,556	934,288
Long-term loans and promissory notes (over one year)	<u>1,024,381</u>	<u>1,053,829</u>
Loans gross total	<u>2,155,937</u>	<u>1,988,117</u>
Accrued interest	<u>5,828</u>	<u>6,155</u>
Provision for impairment on loan losses	<u>(75,844)</u>	<u>(91,335)</u>
Total	<u>2,085,921</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.

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

	30 June 2017		31 December 2016	
Retail loans	668,477	31%	631,096	32%
Retail consumer loans	312,615	15%	272,530	14%
Retail mortgage backed loans ¹	194,576	9%	211,057	11%
Micro and small enterprises loans	161,286	7%	147,509	7%
Corporate loans	1,487,460	69%	1,357,021	68%
Loans to medium and large corporates	1,435,067	67%	1,323,220	67%
Municipality loans	<u>52,393</u>	<u>2%</u>	<u>33,801</u>	<u>1%</u>
Total	<u>2,155,937</u>	<u>100%</u>	<u>1,988,117</u>	<u>100%</u>

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

	30 June 2017	31 December 2016
In HUF	60%	62%
In foreign currency	<u>40%</u>	<u>38%</u>
Total	<u>100%</u>	<u>100%</u>

¹ incl. housing loans

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

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

	30 June 2017	31 December 2016
Balance as at 1 January	91,335	99,663
Provision for the period	42,142	47,249
Release of provision	(47,929)	(54,752)
Partial write-off	<u>(9,704)</u>	<u>(825)</u>
Closing balance	<u>75,844</u>	<u>91,335</u>

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	30 June 2017	31 December 2016
Investments in subsidiaries:		
Controlling interest	1,455,176	1,305,273
Other investments	<u>2,847</u>	<u>3,513</u>
	<u>1,458,023</u>	<u>1,308,786</u>
Provision for impairment	<u>(635,177)</u>	<u>(639,917)</u>
Total	<u>822,846</u>	<u>668,869</u>

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

	30 June 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>(10,652)</u>	<u>-</u>
Closing balance	<u>635,177</u>	<u>639,917</u>

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.

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

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 June 2017	31 December 2016
Government bonds	957,978	837,256
Mortgage bonds	<u>4,764</u>	<u>4,778</u>
Subtotal	<u>962,742</u>	<u>842,034</u>
Accrued interest	<u>16,694</u>	<u>16,116</u>
Total	<u>979,436</u>	<u>858,150</u>

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2017	31 December 2016
Within one year:		
In HUF	3,778,738	3,777,547
In foreign currency	<u>917,342</u>	<u>936,403</u>
	<u>4,696,080</u>	<u>4,713,950</u>
Over one year:		
In HUF	<u>27,607</u>	<u>26,831</u>
	<u>27,607</u>	<u>26,831</u>
Subtotal	<u>4,723,687</u>	<u>4,740,781</u>
Accrued interest	<u>1,461</u>	<u>4,270</u>
Total	<u>4,725,148</u>	<u>4,745,051</u>

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

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

	30 June 2017		31 December 2016	
Retail deposits	3,057,763	65%	2,904,762	61%
Household deposits	2,494,271	53%	2,372,751	50%
Deposits micro and small enterprises	563,492	12%	532,011	11%
Corporate deposits	1,665,924	35%	1,836,019	39%
Deposits to medium and large corporates	1,272,509	27%	1,425,572	30%
Municipality deposits	393,415	8%	410,447	9%
Total	<u>4,723,687</u>	<u>100%</u>	<u>4,740,781</u>	<u>100%</u>

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

	30 June 2017	31 December 2016
Within one year:		
In HUF	11,347	18,494
In foreign currency	<u>10,209</u>	<u>36,002</u>
	<u>21,556</u>	<u>54,496</u>
Over one year:		
In HUF	49,027	49,432
In foreign currency	<u>193</u>	<u>198</u>
	<u>49,220</u>	<u>49,630</u>
Subtotal	<u>70,776</u>	<u>104,126</u>
Accrued interest	<u>47</u>	<u>(23)</u>
Total	<u>70,823</u>	<u>104,103</u>

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

(a) Contingent liabilities and commitments

	30 June 2017	31 December 2016
Commitments to extend credit	1,005,774	897,808
Guarantees arising from banking activities	602,019	444,501
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<i>277,028</i>	<i>128,812</i>
Legal disputes (disputed value)	28,680	5,095
Confirmed letters of credit	870	139
Other	<u>148,921</u>	<u>118,306</u>
Total	<u>1,786,264</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 821 million and HUF 362 million as at 30 June 2017 and 31 December 2016, respectively.

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

(b) *Fair value of derivative instruments*

	Fair value	
	30 June 2017	31 December 2016
Interest rate swaps classified as held for trading		
Positive fair value of interest rate swaps classified as held for trading	33,416	38,413
Negative fair value of interest rate swaps classified as held for trading	(28,810)	(33,031)
Foreign exchange swaps classified as held for trading		
Positive fair value of foreign exchange swaps classified as held for trading	21,702	23,385
Negative fair value of foreign exchange swaps classified as held for trading	(14,293)	(13,351)
Interest rate swaps designated as fair value hedge		
Positive fair value of interest rate swaps designated in fair value hedge	6,493	6,887
Negative fair value of interest rate swaps designated in fair value hedge	(19,732)	(20,607)
CCIRS classified as held for trading		
Positive fair value of CCIRS classified as held for trading	30,768	43,538
Negative fair value of CCIRS classified as held for trading	(24,998)	(36,189)
CCIRS designated as fair value hedge		
Positive fair value of CCIRS designated in fair value hedge	1,432	999
Negative fair value of CCIRS designated in fair value hedge	-	(827)
Other derivative contracts classified as held for trading		
Positive fair value of other derivative contracts classified as held for trading	11,455	18,240
Negative fair value of other derivative contracts classified as held for trading	<u>(12,260)</u>	<u>(14,097)</u>
Derivative financial assets total	<u>105,266</u>	<u>131,462</u>
Derivative financial liabilities total	<u>(100,093)</u>	<u>(118,102)</u>
Derivative financial instruments total	<u>5,173</u>	<u>13,360</u>

As at 30 June 2017 the Bank has derivative instruments with positive fair values of HUF 105,266 million and negative fair values of HUF 100,093 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)

	Six month period ended 30 June 2017	Six month period ended 30 June 2016	Year ended 31 December 2016
<i>Interest Income:</i>			
Loans	60,154	58,999	125,110
Placements with other banks, net of allowance for placement losses	25,857	50,045	102,317
Securities available-for-sale	15,247	20,785	35,766
Securities held-to-maturity	22,247	20,476	41,327
Amounts due from banks and balances with National Bank of Hungary	731	6,828	9,830
Rental income from operation of investment properties	-	30	60
Total Interest Income	<u>124,236</u>	<u>157,163</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	28,676	54,181	103,633
Deposits from customers	5,898	8,907	22,853
Liabilities from issued securities	156	797	1,329
Subordinated bonds and loans	1,555	8,490	13,721
Expenses from operation of investment properties	18	18	35
Total Interest Expense	<u>36,303</u>	<u>72,393</u>	<u>141,571</u>
NET INTEREST INCOME	<u>87,933</u>	<u>84,770</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.:

	Six month period ended 30 June 2017	Six month period ended 30 June 2016
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	7,567	8,049
Loans sold to OTP Mortgage Bank Ltd. (including interest)	255	310
The gross book value of the loans sold	241	310

Transactions related to OTP Factoring Ltd.:

	Six month period ended 30 June 2017	Six month period ended 30 June 2016
The gross book value of the loans	5,934	10,796
Provision for loan losses on the loans sold	2,878	6,298
Loans sold to OTP Factoring Ltd. without recourse (including interest)	1,861	3,310
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	1,195	1,188

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