



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 2018**

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	Note	31 March 2018	31 December 2017	31 March 2017
Cash, amounts due from banks and balances with the National Bank of Hungary		496,123	399,124	637,014
Placements with other banks, net of allowance for placement losses		1,043,731	978,098	774,590
Financial assets at fair value through profit or loss	4.	270,317	303,927	278,674
Financial assets at fair value through other comprehensive income	5.	1,668,984	1,735,902	1,672,719
Loans	6.	2,197,801	2,145,046	1,968,949
Investments in subsidiaries, associates and other investments	7.	967,967	967,414	682,140
Securities at amortised cost	8.	1,273,861	1,043,779	951,079
Property and equipment		64,866	65,286	62,331
Intangible assets		31,891	32,877	25,649
Investment properties		2,363	2,374	2,258
Deferred tax assets		7,201	7,991	24,266
Derivative financial assets designated as fair value hedge		10,862	10,148	9,399
Other assets		<u>141,100</u>	<u>79,916</u>	<u>191,351</u>
TOTAL ASSETS		<u>8,177,067</u>	<u>7,771,882</u>	<u>7,280,419</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		778,299	694,533	644,648
Deposits from customers	9.	5,379,953	5,192,869	4,693,061
Liabilities from issued securities	10.	54,614	60,304	83,718
Financial liabilities at fair value through profit or loss		20,061	20,011	-
Derivative financial liabilities designated as held for trading		67,593	79,545	74,872
Derivative financial liabilities designated as hedge accounting relationships		13,808	17,179	18,709
Other liabilities		319,188	193,360	402,737
Subordinated bonds and loans		<u>108,314</u>	<u>108,835</u>	<u>109,157</u>
TOTAL LIABILITIES		<u>6,741,830</u>	<u>6,346,625</u>	<u>6,026,902</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,416,733	1,406,797	1,234,361
Treasury shares		<u>(9,496)</u>	<u>(9,540)</u>	<u>(8,844)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,435,237</u>	<u>1,425,257</u>	<u>1,253,517</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>8,177,067</u>	<u>7,771,882</u>	<u>7,280,419</u>

	Note	Three month period ended 31 March 2018	Three month period ended 31 March 2017	Year ended 31 December 2017
Interest Income	12.	69,548	63,944	244,976
Interest Expense	12.	<u>(24,365)</u>	<u>(19,898)</u>	<u>(69,321)</u>
NET INTEREST INCOME	12.	<u>45,183</u>	<u>44,046</u>	<u>175,655</u>
Provision for impairment on loan and placement losses	6.	(3,864)	(914)	(7,775)
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		<u>41,319</u>	<u>43,132</u>	<u>167,880</u>
Net profit from fees and commissions		41,583	41,580	176,404
Net operating income		68,514	78,749	178,518
Other administrative expenses		(67,197)	(71,120)	(252,385)
PROFIT BEFORE INCOME TAX		<u>84,219</u>	<u>92,341</u>	<u>270,417</u>
Income tax expense		<u>(2,769)</u>	<u>(2,948)</u>	<u>(18,867)</u>
NET PROFIT FOR THE PERIOD		<u>81,450</u>	<u>89,393</u>	<u>251,550</u>
Earnings per share (in HUF)				
Basic		<u>292</u>	<u>321</u>	<u>902</u>
Diluted		<u>292</u>	<u>321</u>	<u>902</u>

The comprehensive income items are as follows:

	Three month period ended 31 March 2018	Three month period ended 31 March 2017	Year ended 31 December 2017
NET PROFIT FOR THE PERIOD	<u>81,450</u>	<u>89,393</u>	<u>251,550</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of financial assets at fair value through other comprehensive income	(2,852)	5,771	18,174
Deferred tax (9%) related to financial assets at fair value through other comprehensive income	257	(508)	(1,636)
Derivative financial instruments designated as cash flow hedge	<u>110</u>	<u>-</u>	<u>-</u>
Total	<u>(2,485)</u>	<u>5,263</u>	<u>16,538</u>
NET COMPREHENSIVE INCOME	<u>78,965</u>	<u>94,656</u>	<u>268,088</u>

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2018 (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 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 year	-	-	-	89,393	-	-	89,393
Other comprehensive income	-	-	-	5,263	-	-	5,263
Share-based payment	-	-	843	-	-	-	843
Payments to ICES holders	-	-	-	(1,064)	-	-	(1,064)
Sale of treasury shares	-	-	-	-	-	4	4
Loss on sale of treasury shares	-	-	-	(6)	-	-	(6)
Acquisition of treasury shares	-	-	-	-	-	(139)	(139)
Dividend for the year 2016	-	-	-	(53,200)	-	-	(53,200)
Balance as at 31 March 2017	<u>28,000</u>	<u>52</u>	<u>29,080</u>	<u>1,260,697</u>	<u>(55,468)</u>	<u>(8,844)</u>	<u>1,253,517</u>
Balance as at 1 January 2018	<u>28,000</u>	<u>52</u>	<u>31,835</u>	<u>1,430,378</u>	<u>(55,468)</u>	<u>(9,540)</u>	<u>1,425,257</u>
Net profit for the year	-	-	-	81,450	-	-	81,450
Other comprehensive income	-	-	-	(2,485)	-	-	(2,485)
Effect of transition to application of IFRS 9	-	-	-	(7,507)	-	-	(7,507)
Share-based payment	-	-	868	-	-	-	868
Payments to ICES holders	-	-	-	(1,049)	-	-	(1,049)
Sale of treasury shares	-	-	-	-	-	44	44
Loss on sale of treasury shares	-	-	-	(21)	-	-	(21)
Dividend for the year 2017	-	-	-	(61,320)	-	-	(61,320)
Balance as at 31 March 2018	<u>28,000</u>	<u>52</u>	<u>32,703</u>	<u>1,439,446</u>	<u>(55,468)</u>	<u>(9,496)</u>	<u>1,435,237</u>

	Three month period ended 31 March 2018	Three month period ended 31 March 2017	Year ended 31 December 2017
Profit before income tax	84,219	92,341	270,417
Income tax paid	-	-	-
Depreciation and amortization	5,030	4,501	20,529
Provision / (Release of provision) for impairment	4,116	3,857	(78,627)
Share-based payment	868	843	3,598
Unrealised losses on fair value adjustment of securities at fair value through other comprehensive income and securities at fair value through profit or loss	5,615	4,232	(18,335)
Unrealised (losses) /gains on fair value adjustment of derivative financial instruments	-	(4,607)	12,458
Net changing in assets and liabilities in operating activities	<u>114,576</u>	<u>(234,075)</u>	<u>(22,370)</u>
Net cash provided / (used in) by operating activities	<u>214,424</u>	<u>(132,908)</u>	<u>187,670</u>
Net cash used in investing activities	<u>(216,409)</u>	<u>(124,663)</u>	<u>(663,249)</u>
Net cash provided by / (used in) financing activities	<u>96,537</u>	<u>(34,272)</u>	<u>(56,833)</u>
Net increase / (decrease) in cash and cash equivalents	<u>94,552</u>	<u>(291,843)</u>	<u>(532,412)</u>
Cash and cash equivalents at the beginning of the year	<u>347,854</u>	<u>880,266</u>	<u>880,266</u>
Cash and cash equivalents at the end of the period	<u>442,406</u>	<u>588,423</u>	<u>347,854</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, except changes as a result of applying IFRS 9 “Financial Instruments”.

IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement” for annual reporting periods commencing on or after 1 January 2018. It contains changes to the requirements relating to the recognition and measurement, impairment, derecognition and hedge accounting.

Effect of transition to IFRS 9 on CET1 capital is not significant in case of the separate financial statements.

Amounts in HUF million before tax	Opening balance according to IAS 39 as at 1 January 2018	Remeasurement due to reclassification	Remeasurement due to impairment	Opening balance according to IFRS 9 as at 1 January 2018
Placements with other banks	978,098	-	-1,257	976,841
Loans	2,145,049	1,408	-8,932	2,137,525
Securities	2,986,481	-	-3,943	2,982,538
Off-balance sheet items	-10,007	-	4,030	-5,977
Amounts due to banks	<u>694,533</u>	<u>1,465</u>	<u>-</u>	<u>695,998</u>
Total	<u><u>-</u></u>	<u><u>-57</u></u>	<u><u>-10,102</u></u>	<u><u>-</u></u>

NOTE 2: SIGNIFICANT EVENTS DURING THE THREE MONTH PERIOD ENDED 31 MARCH 2018

- 1) Capital increase at OTP banka Srbija
- 2) Capital increase at OTP Banka Slovensko
- 3) Capital increase at OTP Bank Romania SA
- 4) Capital increase at Bank Center No. 1. Ltd.

See details about the event 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)

	31 March 2018	31 December 2017
<i>Securities held for trading:</i>		
Government bonds	84,575	64,570
Hungarian government interest bearing Treasury Bills	49,945	93,806
Securities issued by credit institutions	20,712	16,793
Corporate shares	9,595	9,506
Hungarian government discounted Treasury Bills	307	1,169
Other securities	<u>23,028</u>	<u>17,790</u>
Subtotal	<u>188,162</u>	<u>203,634</u>
Accrued interest	<u>3,592</u>	<u>3,081</u>
Total	<u>191,754</u>	<u>206,715</u>
<i>Derivative financial instruments:</i>		
Interest rate swaps designated as held for trading	36,038	34,911
Foreign currency swaps designated as held for trading	15,809	24,436
CCIRS and mark-to-market CCIRS ¹ swaps designated as held for trading	12,506	21,314
Other derivative transactions ²	<u>14,210</u>	<u>16,551</u>
Subtotal	<u>78,563</u>	<u>97,212</u>
Total	<u>270,317</u>	<u>303,927</u>

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

	31 March 2018	31 December 2017
Government bonds	1,210,443	1,190,235
Mortgage bonds	133,103	149,987
Interest bearing treasury bills	94,187	142,988
Other securities	207,587	234,150
- <i>listed securities</i>	<u>102,160</u>	<u>116,541</u>
<i>in HUF</i>	69,071	78,762
<i>in foreign currency</i>	33,089	37,779
- <i>non-listed securities</i>	<u>105,427</u>	<u>117,609</u>
<i>in HUF</i>	47,412	48,410
<i>in foreign currency</i>	58,015	69,199
Subtotal	<u>1,645,320</u>	<u>1,717,360</u>
Accrued interest	23,664	18,628
Provision for impairment	-	(86)
Securities at fair value through other comprehensive income total	<u>1,668,984</u>	<u>1,735,902</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 mn) [continued]

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

	31 March 2018	31 December 2017
Balance as at 1 January	86	-
Change as a result of applying IFRS 9	(86)	-
Reclassification	-	96
Release of provision	-	(10)
Closing balance	<u>-</u>	<u>86</u>

NOTE 6: LOANS (in HUF mn)

Loans measured at fair value through profit or loss

	31 March 2018	31 December 2017
Gross loans	20,533	-
Fair value adjustment	(807)	-
Total	<u>19,726</u>	<u>-</u>
Accrued interest	90	-
Loans measured at fair value through profit or loss total	<u>19,816</u>	<u>-</u>

The Bank has only loans mandatorily measured at fair value through profit or loss.

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

	31 March 2018	31 December 2017
Short-term loans and promissory notes (within one year)	1,121,430	1,081,438
Long-term loans and promissory notes (over one year)	<u>1,131,686</u>	<u>1,127,978</u>
Loans gross total	<u>2,253,116</u>	<u>2,209,416</u>
Accrued interest	4,629	5,138
Provision for impairment on loan losses	(79,760)	(69,508)
Loans measured at amortised cost, net of allowance for loan losses total	<u>2,177,985</u>	<u>2,145,046</u>
Loans total	<u>2,197,801</u>	<u>2,145,046</u>

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 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 (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 2018		31 December 2017	
Retail loans	519,009	23%	512,529	23%
Retail consumer loans	346,834	15%	334,301	15%
Retail mortgage backed loans ¹	172,175	8%	178,228	8%
Corporate loans	1,734,107	76%	1,696,887	77%
Loans to corporates	1,685,092	74%	1,651,908	75%
Municipality loans	49,015	2%	44,979	2%
Loans at amortised cost total	2,253,116	99%	2,209,416	100%
Loans at fair value total	19,726	1%	-	-
Gross loans total	2,272,842	100%	2,209,416	100%

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

	31 March 2018	31 December 2017
In HUF	60%	58%
In foreign currency	40%	42%
Total	100%	100%

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

	31 March 2018	31 December 2017
Balance as at 1 January	69,508	91,335
Change as a result of applying IFRS 9	8,931	-
Reclassification	-	(1,397)
Provision for the period	15,548	76,050
Release of provision	(14,185)	(85,280)
Partial write-off	(42)	(11,200)
Closing balance	79,760	69,508

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	31 March 2018	31 December 2017
Investments in subsidiaries:		
Controlling interest	1,503,552	1,502,999
Other investments	3,261	3,261
	1,506,813	1,506,260
Provision for impairment	(538,846)	(538,846)
Total	967,967	967,414

¹ incl. housing loans

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

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

	31 March 2018	31 December 2017
Balance as at 1 January	538,846	639,917
Reclassification	-	(35,871)
Provision for the period	-	44,770
Release of provision	-	(109,970)
Closing balance	<u>538,846</u>	<u>538,846</u>

The registered capital of the Serbian subsidiary (OTP banka Srbija a.d. Novi Sad) of OTP Bank was increased to RSD 31,607,808,040 from RSD 16,701,370,660 and the ownership ratio of OTP Bank Plc. represents 99.04% currently.

The registered capital of the Slovakian subsidiary (OTP Banka Slovensko a.s.) of OTP Bank was increased to EUR 111,580,508.84 from EUR 88,539,106.84 and the ownership ratio of OTP Bank Plc. represents 99.58% currently.

The registered capital of the Romanian subsidiary (OTP Bank Romania SA) of OTP Bank was increased to RON 1,379,252,880 from RON 1,254,252,720.

The registered capital of Bank Center No. 1 Ltd. has increased to HUF 11,500,000,000. Accordingly, the ownership ratios have been modified as follows: OTP Bank Plc. 72.43%, INGA Kettő Ltd. 27.57%.

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

	31 March 2018	31 December 2017
Government bonds	1,237,588	1,021,441
Mortgage bonds	<u>4,737</u>	<u>4,746</u>
Subtotal	<u>1,242,325</u>	<u>1,026,187</u>
Accrued interest	<u>33,243</u>	<u>17,592</u>
Provision for impairment	<u>(1,707)</u>	-
Total	<u>1,273,861</u>	<u>1,043,779</u>

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

	31 March 2018	31 December 2017
Balance as at 1 January	-	-
Change as a result of applying IFRS 9	1,477	-
Provision for the period	334	-
Release of provision	<u>(104)</u>	-
Closing balance	<u>1,707</u>	<u>-</u>

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	31 March 2018	31 December 2017
Within one year:		
In HUF	4,379,619	4,266,829
In foreign currency	<u>951,091</u>	<u>901,876</u>
	<u>5,330,710</u>	<u>5,168,705</u>
Over one year:		
In HUF	<u>48,270</u>	<u>22,633</u>
	<u>48,270</u>	<u>22,633</u>
Subtotal	<u>5,378,980</u>	<u>5,191,338</u>
Accrued interest	<u>973</u>	<u>1,531</u>
Total	<u>5,379,953</u>	<u>5,192,869</u>

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

	31 March 2018		31 December 2017	
Retail deposits	2,656,236	49%	2,562,571	49%
Household deposits	2,656,236	49%	2,562,571	49%
Corporate deposits	2,722,744	51%	2,628,767	51%
Deposits to corporates	2,145,069	40%	2,095,613	41%
Municipality deposits	<u>577,675</u>	<u>11%</u>	<u>533,154</u>	<u>10%</u>
Total	<u>5,378,980</u>	<u>100%</u>	<u>5,191,338</u>	<u>100%</u>

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

	31 March 2018	31 December 2017
Within one year:		
In HUF	12,418	12,930
In foreign currency	<u>6,331</u>	<u>6,818</u>
	<u>18,749</u>	<u>19,748</u>
Over one year:		
In HUF	35,850	40,538
In foreign currency	<u>1</u>	<u>1</u>
	<u>35,851</u>	<u>40,539</u>
Subtotal	<u>54,600</u>	<u>60,287</u>
Accrued interest	<u>14</u>	<u>17</u>
Total	<u>54,614</u>	<u>60,304</u>

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

(a) *Contingent liabilities and commitments*

	31 March 2018	31 December 2017
Commitments to extend credit	1,077,575	1,046,860
Guarantees arising from banking activities	610,235	612,099
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	293,443	278,960
Legal disputes (disputed value)	4,905	5,231
Confirmed letters of credit	157	90
Other	<u>187,315</u>	<u>159,119</u>
Total	<u>1,880,187</u>	<u>1,823,399</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 1,066 million and HUF 1,207 million as at 31 March 2018 and 31 December 2017, respectively.

(b) *Fair value of derivative instruments*

	Fair value	
	31 March 2018	31 December 2017
Interest rate swaps classified as held for trading		
Positive fair value of interest rate swaps classified as held for trading	36,038	34,911
Negative fair value of interest rate swaps classified as held for trading	(28,788)	(30,871)
Foreign exchange swaps classified as held for trading		
Positive fair value of foreign exchange swaps classified as held for trading	15,809	24,436
Negative fair value of foreign exchange swaps classified as held for trading	(16,383)	(14,326)
Interest rate swaps designated as fair value hedge		
Positive fair value of interest rate swaps designated in fair value hedge	7,610	6,639
Negative fair value of interest rate swaps designated in fair value hedge	(13,808)	(17,179)
CCIRS classified as held for trading		
Positive fair value of CCIRS classified as held for trading	12,506	21,314
Negative fair value of CCIRS classified as held for trading	(13,762)	(22,759)
CCIRS designated as fair value hedge		
Positive fair value of CCIRS designated in fair value hedge	3,252	3,509
Negative fair value of CCIRS designated in fair value hedge	-	-
Other derivative contracts classified as held for trading		
Positive fair value of other derivative contracts classified as held for trading	14,210	16,551
Negative fair value of other derivative contracts classified as held for trading	(8,660)	(11,589)
Derivative financial assets total	<u>89,425</u>	<u>107,360</u>
Derivative financial liabilities total	<u>(81,401)</u>	<u>(96,724)</u>
Derivative financial instruments total	<u>8,024</u>	<u>10,636</u>

As at 31 March 2018 the Bank has derivative instruments with positive fair values of HUF 89,425 million and negative fair values of HUF 81,401 million. Corresponding figures as at 31 December 2017 are HUF 107,360 million and HUF 96,724 million.

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

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 2018	Three month period ended 31 March 2017	Year ended 31 December 2017
<i>Interest Income:</i>			
Loans	33,485	29,377	120,960
Placements with other banks, net of allowance for placement losses	17,083	14,911	47,776
Securities fair value through other comprehensive income	7,431	7,715	30,100
Securities at amortised cost	11,431	11,162	44,737
Amounts due from banks and balances with National Bank of Hungary	<u>118</u>	<u>779</u>	<u>1,403</u>
Total Interest Income	<u>69,548</u>	<u>63,944</u>	<u>244,976</u>
<i>Interest Expense:</i>			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	(16,996)	(15,145)	(56,893)
Deposits from customers	(6,654)	(3,839)	(9,244)
Liabilities from issued securities	17	(117)	(151)
Subordinated bonds and loans	<u>(732)</u>	<u>(797)</u>	<u>(3,033)</u>
Total Interest Expense	<u>(24,365)</u>	<u>(19,898)</u>	<u>(69,321)</u>
NET INTEREST INCOME	<u>45,183</u>	<u>44,046</u>	<u>175,655</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 2018	31 March 2017
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	2,654	3,464
Loans sold to OTP Mortgage Bank Ltd. (including interest)	299	115
The gross book value of the loans sold	299	113

Transactions related to OTP Factoring Ltd.:

	31 March 2018	31 March 2017
The gross book value of the loans	4,036	2,936
Provision for loan losses on the loans sold	2,600	1,479
Loans sold to OTP Factoring Ltd. without recourse (including interest)	1,077	881
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	359	576

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