



OTP BANK PLC.

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

**FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2019**

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	Note	30 September 2019	31 December 2018	30 September 2018
Cash, amounts due from banks and balances with the National Bank of Hungary		338,127	360,855	323,069
Placements with other banks, net of allowance for placement losses		1,488,851	1,074,840	1,151,381
Repo receivables		77,761	14,150	62,683
Financial assets at fair value through profit or loss	4.	191,260	155,042	174,794
Financial assets at fair value through other comprehensive income	5.	1,629,038	1,451,905	1,661,695
Loans	6.	3,241,554	2,604,713	2,536,455
Investments in subsidiaries, associates and other investments	7.	1,385,368	1,177,573	973,787
Securities at amortised cost	8.	1,452,073	1,431,789	1,377,314
Property and equipment		72,269	70,442	65,580
Intangible assets		42,344	39,883	35,088
Right of use assets		14,442	-	-
Investment properties		2,387	2,333	2,344
Deferred tax assets		-	1,241	3,796
Derivative financial assets designated as hedge accounting		17,361	12,221	12,456
Other assets		<u>138,685</u>	<u>109,201</u>	<u>122,756</u>
TOTAL ASSETS		<u>10,091,520</u>	<u>8,506,188</u>	<u>8,503,198</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		612,537	458,182	694,253
Repo liabilities		996,685	279,854	229,674
Deposits from customers	9.	6,177,879	5,741,498	5,549,016
Leasing liabilities		14,523	-	-
Liabilities from issued securities	10.	44,426	46,694	48,643
Financial liabilities at fair value through profit or loss		29,545	32,231	32,040
Derivative financial liabilities designated as held for trading		125,937	82,838	108,590
Derivative financial liabilities designated as hedge accounting		12,856	6,925	8,853
Deferred tax liabilities		5,472	-	-
Other liabilities		198,177	236,570	247,998
Subordinated bonds and loans		<u>281,758</u>	<u>110,454</u>	<u>111,539</u>
TOTAL LIABILITIES		<u>8,499,795</u>	<u>6,995,246</u>	<u>7,030,606</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,566,588	1,484,906	1,449,928
Treasury shares		<u>(2,863)</u>	<u>(1,964)</u>	<u>(5,336)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,591,725</u>	<u>1,510,942</u>	<u>1,472,592</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>10,091,520</u>	<u>8,506,188</u>	<u>8,503,198</u>

SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(UNAUDITED) (in HUF mn)

	Note	Nine month period ended 30 September 2019	Nine month period ended 30 September 2018	Year ended 31 December 2018
Interest Income	13.	238,724	223,115	294,254
Interest Expense	13.	<u>(87,917)</u>	<u>(82,653)</u>	<u>(87,299)</u>
NET INTEREST INCOME	13.	<u>150,807</u>	<u>140,462</u>	<u>206,955</u>
Loss allowance on loan and placement losses	6.	(20,354)	(7,506)	(7,822)
NET INTEREST INCOME AFTER LOSS ALLOWANCE ON LOAN AND PLACEMENT LOSSES		<u>130,453</u>	<u>132,956</u>	<u>199,133</u>
Net profit from fees and commissions		149,048	133,649	178,217
Net operating income		80,083	79,670	84,438
Other administrative expenses		(221,948)	(198,071)	(277,155)
PROFIT BEFORE INCOME TAX		<u>137,636</u>	<u>148,204</u>	<u>184,633</u>
Income tax expense		<u>(7,430)</u>	<u>(8,446)</u>	<u>(11,191)</u>
NET PROFIT FOR THE PERIOD		<u>130,206</u>	<u>139,758</u>	<u>173,442</u>
Earnings per share (in HUF)				
Basic		<u>466</u>	<u>501</u>	<u>621</u>
Diluted		<u>465</u>	<u>501</u>	<u>621</u>

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(UNAUDITED) (in HUF mn)

The comprehensive income items are as follows:

	Nine month period ended 30 September 2019	Nine month period ended 30 September 2018	Year ended 31 December 2018
NET PROFIT FOR THE PERIOD	<u>130,206</u>	<u>139,758</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	17,240	(40,007)	(35,709)
Gains on separated currency spread of financial instruments designated as hedging instrument	213	282	445
Gains / (Losses) on derivative financial instruments designated as cash flow hedge	2,850	(1,331)	949
Deferred tax (9%) related to items that may be reclassified subsequently to profit or loss	(1,563)	3,575	3,347
Items that will not be reclassified to profit or loss:			
Fair value adjustment of equity instruments through other comprehensive income	4,273	9,223	6,396
Deferred tax (9%) related to equity instruments at fair value through other comprehensive income	<u>(385)</u>	<u>(830)</u>	<u>(576)</u>
Total	<u>22,628</u>	<u>(29,088)</u>	<u>(25,148)</u>
NET COMPREHENSIVE INCOME	<u>152,834</u>	<u>110,670</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	1,300,734	70,200	59,444	(55,468)	(9,540)	1,425,257
Effect of transition to application of IFRS 9	—	—	—	(7,507)	2,754	—	—	—	(4,753)
Balance as at 1 January 2018 in accordance with IFRS 9	28,000	52	31,835	1,293,227	72,954	59,444	(55,468)	(9,540)	1,420,504
Net profit for the year	-	-	-	139,758	-	-	-	-	139,758
Other comprehensive income	—	—	—	—	(29,088)	—	—	—	(29,088)
Total comprehensive income	—	—	—	139,758	(29,088)	—	—	—	110,670
Transfer to general reserve	-	-	-	(13,976)	-	13,976	-	-	-
Share-based payment	-	-	2,605	-	-	-	-	-	2,605
Payments to ICES holders	-	-	-	(117)	-	-	-	-	(117)
Sale of treasury shares	-	-	-	(3,954)	-	-	-	11,019	7,065
Loss on sale of treasury shares	-	-	-	-	-	-	-	(6,815)	(6,815)
Dividend for the year 2017	—	—	—	(61,320)	—	—	—	—	(61,320)
Other transactions with owners	—	—	2,605	(79,367)	—	13,976	—	4,204	(58,582)
Balance as at 30 September 2018	28,000	52	34,440	1,353,618	43,866	73,420	(55,468)	(5,336)	1,472,592
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	-	-	-	130,206	-	-	-	-	130,206
Other comprehensive income	—	—	—	—	22,628	—	—	—	22,628
Total comprehensive income	—	—	—	130,206	22,628	—	—	—	152,834
Transfer to general reserve	-	-	-	(13,020)	-	13,020	-	-	-
Share-based payment	-	-	2,389	-	-	-	-	-	2,389
Payments to ICES holders	-	-	-	(197)	-	-	-	-	(197)
Sale of treasury shares	-	-	-	-	-	-	-	32,901	32,901
Acquisition of treasury shares	-	-	-	-	-	-	-	(33,800)	(33,800)
Loss on sale of treasury shares	-	-	-	(12,024)	-	-	-	-	(12,024)
Dividend for the year 2018	—	—	—	(61,320)	—	—	—	—	(61,320)
Other transactions with owners	—	—	2,389	(86,561)	—	13,020	—	(899)	(72,051)
Balance as at 30 September 2019	28,000	52	38,021	1,426,688	67,487	89,808	(55,468)	(2,863)	1,591,725

SEPARATE CONDENSED STATEMENT OF CASH FLOWS
FOR NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019
(UNAUDITED) (in HUF mn)

	Nine month period ended 30 September 2019	Nine month period ended 30 September 2018	Year ended 31 December 2018
Profit before income tax	137,636	148,204	184,633
Net interest (paid) / received	(16,362)	(6,397)	1,586
Income tax paid	(422)	-	-
Depreciation and amortization	21,796	15,388	21,232
Loss allowance / (Release of loss allowance)	32,263	(2,156)	(2,525)
Share-based payment	2,389	2,605	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	(169)	(12,278)	(13,528)
Unrealised losses on fair value adjustment of derivative financial instruments	15,688	75,992	16,903
Net change in assets and liabilities in operating activities	<u>(322,639)</u>	<u>(115,692)</u>	<u>63,185</u>
Net cash (used in) / provided by operating activities	<u>(129,820)</u>	<u>105,666</u>	<u>275,283</u>
Net cash used in investing activities	<u>(859,346)</u>	<u>(360,111)</u>	<u>(316,268)</u>
Net cash provided by / (used in) financing activities	<u>962,501</u>	<u>173,108</u>	<u>(3,511)</u>
Net decrease in cash and cash equivalents	<u>(26,665)</u>	<u>(81,337)</u>	<u>(44,496)</u>
Cash and cash equivalents at the beginning of the year	<u>303,358</u>	<u>347,854</u>	<u>347,854</u>
Cash and cash equivalents at the end of the period	<u>276,693</u>	<u>266,517</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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

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

See details about the event above in Note 7.

11) 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) Capital increase at OTP Mortgage Bank Ltd.**

The Budapest-Capital Regional Court has registered a capital increase at OTP Mortgage Bank Ltd. Accordingly, the registered capital of OTP Mortgage Bank Ltd. was increased to HUF 37,000,000,000 from HUF 27,000,000,000.

2) The sale of Express Life Bulgaria has been completed

31 October 2019 the Express Life Bulgaria transaction was financially closed, as a result of which Groupama Zhivotozastrahovane EAD, a Bulgarian subsidiary of the Groupama Group has acquired 100% ownership of the insurance company from DSK Bank EAD and Expressbank AD, the Bulgarian subsidiaries of OTP Bank Plc.

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

	30 September 2019	31 December 2018
<i>Securities held for trading:</i>		
Government bonds	9,055	10,645
Other non-interest bearing securities	7,466	7,169
Hungarian government discounted Treasury Bills	1,255	1,059
Corporate shares and investments	806	371
Mortgage bonds	-	978
Other bonds	<u>14,762</u>	<u>2,100</u>
Subtotal	<u>33,344</u>	<u>22,322</u>
<i>Securities mandatorily measured at fair value through profit or loss:</i>		
Shares in investment funds	16,589	15,880
Bonds	<u>5,149</u>	<u>4,778</u>
Subtotal	<u>21,738</u>	<u>20,658</u>
<i>Held for trading derivative financial instruments:</i>		
Interest rate swaps	60,882	46,357
Foreign currency swaps	55,077	33,816
CCIRS and mark-to-market CCIRS ¹ swaps	1,188	17,078
Other derivative transactions ²	<u>19,031</u>	<u>14,811</u>
Subtotal	<u>136,178</u>	<u>112,062</u>
Total	<u>191,260</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)

	30 September 2019	31 December 2018
Government bonds	874,714	879,546
Mortgage bonds	228,195	228,380
Interest bearing treasury bills	425,078	237,552
Other securities	78,324	87,053
- <u>listed securities</u>	<u>39,232</u>	<u>35,295</u>
in HUF	2,089	-
in foreign currency	37,143	35,295
- <u>non-listed securities</u>	<u>39,092</u>	<u>51,758</u>
in HUF	18,742	22,974
in foreign currency	20,350	28,784
Subtotal	<u>1,606,311</u>	<u>1,432,531</u>
<i>Non-trading equity instruments designated to measure at fair value through other comprehensive income</i>		
- <u>non-listed securities</u>	<u>22,727</u>	<u>19,374</u>
in HUF	529	566
in foreign currency	22,198	18,808
Subtotal	<u>22,727</u>	<u>19,374</u>
Securities at fair value through other comprehensive income total	<u>1,629,038</u>	<u>1,451,905</u>

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

	30 September 2019	31 December 2018
Balance as at 1 January	-	86
Change as a result of applying IFRS 9	-	<u>(86)</u>
Closing balance	<u>-</u>	<u>-</u>

NOTE 6: LOANS (in HUF mn)

Loans mandatorily measured at fair value through profit or loss

	30 September 2019	31 December 2018
Gross loans	31,652	34,515
Fair value adjustment	<u>(1,702)</u>	<u>(1,770)</u>

Loans mandatorily measured at fair value through profit or loss total **29,950** **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

	30 September 2019	31 December 2018
Within one year	1,637,838	1,307,947
Over one year	<u>1,648,958</u>	<u>1,330,274</u>
Loans gross total	<u>3,286,796</u>	<u>2,638,221</u>
Loss allowance	<u>(75,192)</u>	<u>(66,253)</u>

Loans measured at amortised cost, net of allowance for loan losses total **3,211,604** **2,571,968**

Loans total **3,241,554** **2,604,713**

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:

	30 September 2019		31 December 2018	
Retail loans	761,213	23%	550,607	20%
Retail consumer loans	631,990	19%	401,419	15%
Retail mortgage backed loans ¹	129,223	4%	149,188	5%
Corporate loans	2,525,583	76%	2,087,614	79%
Loans to corporates	2,400,479	72%	1,990,804	75%
Municipality loans	<u>125,104</u>	<u>4%</u>	<u>96,810</u>	<u>4%</u>
Loans at amortised cost total	<u>3,286,796</u>	99%	<u>2,638,221</u>	99%
Loans at fair value total	<u>29,950</u>	1%	<u>32,745</u>	1%
Gross loans total	<u>3,316,746</u>	100%	<u>2,670,966</u>	100%

¹ incl. housing loans

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

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

	30 September 2019	31 December 2018
In HUF	54%	57%
In foreign currency	<u>46%</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:

	30 September 2019	31 December 2018
Balance as at 1 January	66,253	69,508
Change as a result of applying IFRS 9	-	8,931
Reclassification	18	26
Loss allowance	88,298	102,203
Release of loss allowance	(76,362)	(104,855)
Portional write-off	(3,015)	(3,444)
Partial write-off	-	<u>(6,116)</u>
Closing balance	<u>75,192</u>	<u>66,253</u>

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	30 September 2019	31 December 2018
Investments in subsidiaries:		
Controlling interest	1,853,292	1,712,635
Other investments	<u>8,693</u>	<u>1,013</u>
	<u>1,861,985</u>	<u>1,713,648</u>
Loss allowance	<u>(476,617)</u>	<u>(536,075)</u>
Total	<u>1,385,368</u>	<u>1,177,573</u>

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

	30 September 2019	31 December 2018
Balance as at 1 January	536,075	538,846
Loss allowance	9,998	39,430
Release of loss allowance	(5)	(34,994)
Use of loss allowance	<u>(69,451)</u>	<u>(7,207)</u>
Closing balance	<u>476,617</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.

In 2018 OTP Bank signed an acquisition agreement on purchasing 87.85% shareholding of Mobiasbanca – Groupe Societe Generale S.A. („SGMB”), the Moldovan subsidiary of Societe Generale Group. 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%, MBSG 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.

Crnogorska komercijalna banka a.d., the Montenegrin subsidiary of OTP Bank signed an acquisition agreement on purchasing 90.56% shareholding of Societe Generale banka Montenegro a.d. („SGM”), the Montenegrin subsidiary of Societe Generale Group. Based on the acquisition agreement the financial closure 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 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. With the acquisition of the Albanian bank, OTP Group is already present in 10 countries in the Central and Eastern European region.

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. 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 financial closure of the transaction is expected in the coming months subject to obtaining all the necessary regulatory approvals.

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. The financial closure of the transaction is expected in the coming months subject to obtaining all the necessary regulatory approvals.

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.

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.

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

	30 September 2019	31 December 2018
Government bonds	1,451,645	1,428,393
Other corporate bonds	1,917	-
Mortgage bonds	<u>-</u>	<u>5,064</u>
Subtotal	<u>1,453,562</u>	<u>1,433,457</u>
Loss allowance	<u>(1,489)</u>	<u>(1,668)</u>
Total	<u>1,452,073</u>	<u>1,431,789</u>

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

	30 September 2019	31 December 2018
Balance as at 1 January	1,668	-
Change as a result of applying IFRS 9	-	1,477
Loss allowance	241	875
Release of loss allowance	<u>(420)</u>	<u>(684)</u>
Closing balance	<u>1,489</u>	<u>1,668</u>

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 September 2019	31 December 2018
Within one year:		
In HUF	5,106,084	4,788,339
In foreign currency	<u>1,024,947</u>	<u>904,747</u>
	<u>6,131,031</u>	<u>5,693,086</u>
Over one year:		
In HUF	46,848	48,412
In foreign currency	<u>-</u>	<u>-</u>
	<u>46,848</u>	<u>48,412</u>
Total	<u>6,177,879</u>	<u>5,741,498</u>

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

	30 September 2019		31 December 2018	
Retail deposits	3,105,533	50%	2,944,174	51%
Household deposits	3,105,533	50%	2,944,174	51%
Corporate deposits	3,072,346	50%	2,797,324	49%
Deposits to corporates	2,517,919	41%	2,340,640	41%
Municipality deposits	<u>554,427</u>	<u>9%</u>	<u>456,684</u>	<u>8%</u>
Total	<u>6,177,879</u>	<u>100%</u>	<u>5,741,498</u>	<u>100%</u>

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

	30 September 2019	31 December 2018
Within one year:		
In HUF	10,882	9,399
In foreign currency	<u>4,285</u>	<u>4,835</u>
	<u>15,167</u>	<u>14,234</u>
Over one year:		
In HUF	<u>29,259</u>	<u>32,460</u>
	<u>29,259</u>	<u>32,460</u>
Total	<u>44,426</u>	<u>46,694</u>

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

Contingent liabilities and commitments

	30 September 2019	31 December 2018
Commitments to extend credit	1,364,762	1,313,715
Guarantees arising from banking activities	945,433	828,843
<i>from this: Payment undertaking liabilities (related to issued mortgage bonds) of OTP Mortgage Bank</i>	<i>457,491</i>	<i>472,213</i>
Factoring loan commitment	216,493	179,448
Confirmed letters of credit	<u>88</u>	<u>96</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>2,526,776</u>	<u>2,322,102</u>
Legal disputes (disputed value)	5,593	3,772
Other	<u>20,500</u>	<u>12,459</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>26,093</u>	<u>16,231</u>
Total	<u>2,552,869</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 682 million and HUF 691 million as at 30 September 2019 and 31 December 2018, respectively.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

Fair value of derivative instruments

	30 September 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Held for trading derivative financial instruments				
Interest rate derivatives				
Interest rate swaps	32,842	(31,065)	22,862	(21,669)
Cross currency interest rate swaps	1,177	(1,360)	17,078	(17,164)
OTC options	480	(480)	256	(256)
Forward rate agreement	<u>7</u>	<u>(25)</u>	<u>17</u>	<u>(57)</u>
Total interest rate derivatives (OTC derivatives)	<u>34,506</u>	<u>(32,930)</u>	<u>40,213</u>	<u>(39,146)</u>
<i>From this: Interest rate derivatives cleared by central counterparty</i>	-	(215)	581	(142)
Foreign exchange derivatives				
Foreign exchange swaps	51,504	(48,798)	27,705	(25,982)
Foreign exchange forward	7,209	(6,695)	2,435	(2,914)
OTC options	5,402	(5,304)	3,310	(3,377)
Foreign exchange spot conversion	<u>460</u>	<u>(390)</u>	<u>69</u>	<u>(32)</u>
Total foreign exchange derivatives (OTC derivatives)	<u>64,575</u>	<u>(61,187)</u>	<u>33,519</u>	<u>(32,305)</u>
<i>From this: Foreign exchange derivatives cleared by central counterparty</i>	9,415	(8)	5,859	(1,741)
Equity stock and index derivatives				
Commodity Swaps	317	(215)	1,883	(1,048)
Equity swaps	<u>5,015</u>	<u>(472)</u>	<u>6,728</u>	<u>(568)</u>
OTC derivatives total	<u>5,332</u>	<u>(687)</u>	<u>8,611</u>	<u>(1,616)</u>
Exchange traded futures and options	116	(194)	105	(965)
Total equity stock and index derivatives	<u>5,448</u>	<u>(881)</u>	<u>8,716</u>	<u>(2,581)</u>
Derivatives held for risk management not designated in hedge				
Interest rate swaps	28,040	(22,323)	23,495	(8,107)
Foreign exchange swaps	3,573	(8,412)	5,675	(615)
Foreign exchange spot conversion	-	-	436	(57)
Forward	25	(8)	8	(27)
Cross currency interest rate swaps	<u>11</u>	<u>(196)</u>	<u>-</u>	<u>-</u>
Total derivatives held for risk management not designated in hedge	<u>31,649</u>	<u>(30,939)</u>	<u>29,614</u>	<u>(8,806)</u>
<i>From this: Total derivatives cleared by central counterparty held for risk management</i>	96	(9,971)	119	(8,329)
Total Held for trading derivative financial instruments	<u>136,178</u>	<u>(125,937)</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	<u>11,378</u>	<u>(5)</u>	<u>3,751</u>	<u>(523)</u>
Total derivatives designated in cash flow hedges	<u>11,378</u>	<u>(5)</u>	<u>3,751</u>	<u>(523)</u>
Derivatives designated in fair value hedges				
Interest rate swaps	2,406	(11,419)	4,467	(6,050)
Cross currency interest rate swaps	3,520	(1,385)	4,003	(352)
Foreign exchange swaps	<u>57</u>	<u>(47)</u>	<u>-</u>	<u>-</u>
Total derivatives designated in fair value hedges	<u>5,983</u>	<u>(12,851)</u>	<u>8,470</u>	<u>(6,402)</u>
<i>From this: Total derivatives cleared by NBH held for hedging</i>	-	(4,024)	21	(5,057)
Total derivatives held for risk management (OTC derivatives)	<u>17,361</u>	<u>(12,856)</u>	<u>12,221</u>	<u>(6,925)</u>

As at 30 September 2019 the Bank has derivative instruments with positive fair values of HUF 153,539 million and negative fair values of HUF 138,793 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)

	Nine month period ended 30 September 2019	Nine month period ended 30 September 2018	Year ended 31 December 2018
<i>Interest Income:</i>			
Loans	118,317	110,019	142,130
Placements with other banks, net of allowance for placement losses	57,008	44,513	70,219
Securities fair value through other comprehensive income	25,588	23,369	31,660
Securities at amortised cost	35,768	34,794	47,342
Amounts due from banks and balances with National Bank of Hungary	866	9,599	1,660
Interest Income from financial liabilities	<u>1,177</u>	<u>821</u>	<u>1,243</u>
Total Interest Income	<u>238,724</u>	<u>223,115</u>	<u>294,254</u>
<i>Interest Expense:</i>			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	(66,327)	(41,383)	(54,945)
Deposits from customers	(16,489)	(22,297)	(26,925)
Liabilities from issued securities	(143)	(75)	(157)
Subordinated bonds and loans	(3,319)	(2,234)	(2,994)
Interest Expense from financial assets	<u>(1,639)</u>	<u>(16,664)</u>	<u>(2,278)</u>
Total Interest Expense	<u>(87,917)</u>	<u>(82,653)</u>	<u>(87,299)</u>
NET INTEREST INCOME	<u>150,807</u>	<u>140,462</u>	<u>206,955</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.:

	30 September 2019	30 September 2018
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	8,663	9,666
Loans sold to OTP Mortgage Bank Ltd. (including interest)	-	395
The gross book value of the loans sold	-	391

Transactions related to OTP Factoring Ltd.:

	30 September 2019	30 September 2018
The gross book value of the loans	12,280	10,307
Loss allowance on the loans sold	8,042	6,229
Loans sold to OTP Factoring Ltd. without recourse (including interest)	2,438	3,358
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	1,800	720

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