



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 2019**

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	Note	31 March 2019	31 December 2018	31 March 2018
Cash, amounts due from banks and balances with the National Bank of Hungary		416,812	360,855	496,123
Placements with other banks, net of allowance for placement losses		1,211,331	1,074,840	1,043,731
Financial assets at fair value through profit or loss	4.	134,360	155,042	270,317
Financial assets at fair value through other comprehensive income	5.	1,510,679	1,451,905	1,668,984
Loans	6.	2,758,354	2,618,863	2,197,801
Investments in subsidiaries, associates and other investments	7.	1,188,526	1,177,573	967,967
Securities at amortised cost	8.	1,496,852	1,431,789	1,273,861
Property and equipment		86,195	70,442	64,866
Intangible assets		38,581	39,883	31,891
Investment properties		2,322	2,333	2,363
Deferred tax assets		-	1,241	7,201
Derivative financial assets designated as fair value hedge		14,461	12,221	10,862
Other assets		<u>148,594</u>	<u>109,201</u>	<u>141,100</u>
TOTAL ASSETS		<u>9,007,067</u>	<u>8,506,188</u>	<u>8,177,067</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		970,200	738,036	778,299
Deposits from customers	9.	5,881,226	5,741,498	5,379,953
Liabilities from issued securities	10.	41,972	46,694	54,614
Financial liabilities at fair value through profit or loss		31,413	32,231	20,061
Derivative financial liabilities designated as held for trading		73,211	82,838	67,593
Derivative financial liabilities designated as hedge accounting relationships		8,560	6,925	13,808
Deferred tax liabilities		1,827	-	-
Other liabilities		344,436	236,570	319,188
Subordinated bonds and loans		<u>109,985</u>	<u>110,454</u>	<u>108,314</u>
TOTAL LIABILITIES		<u>7,462,830</u>	<u>6,995,246</u>	<u>6,741,830</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,518,052	1,484,906	1,416,733
Treasury shares		<u>(1,815)</u>	<u>(1,964)</u>	<u>(9,496)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,544,237</u>	<u>1,510,942</u>	<u>1,435,237</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>9,007,067</u>	<u>8,506,188</u>	<u>8,177,067</u>

**SEPARATE CONDENSED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE
INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019
(UNAUDITED) (in HUF mn)**

	Note	Three month period ended 31 March 2019	Three month period ended 31 March 2018	Year ended 31 December 2018
Interest Income	12.	78,077	69,548	290,733
Interest Expense	12.	<u>(27,609)</u>	<u>(24,365)</u>	<u>(83,778)</u>
NET INTEREST INCOME	12.	<u>50,468</u>	<u>45,183</u>	<u>206,955</u>
Loss allowance on loan and placement losses	6.	(6,137)	(3,864)	(7,822)
NET INTEREST INCOME AFTER LOSS ALLOWANCE ON LOAN AND PLACEMENT LOSSES		<u>44,331</u>	<u>41,319</u>	<u>199,133</u>
Net profit from fees and commissions		43,859	41,583	178,217
Net operating income		71,197	68,514	84,438
Other administrative expenses		(78,402)	(67,197)	(277,155)
PROFIT BEFORE INCOME TAX		<u>80,985</u>	<u>84,219</u>	<u>184,633</u>
Income tax expense		(1,860)	(2,769)	(11,191)
NET PROFIT FOR THE PERIOD		<u>79,125</u>	<u>81,450</u>	<u>173,442</u>
Earnings per share (in HUF)				
Basic		<u>283</u>	<u>292</u>	<u>621</u>
Diluted		<u>283</u>	<u>292</u>	<u>621</u>

The comprehensive income items are as follows:

	Three month period ended 31 March 2019	Three month period ended 31 March 2018	Year ended 31 December 2017
NET PROFIT FOR THE PERIOD	<u>79,125</u>	<u>81,450</u>	<u>173,442</u>
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of financial assets at fair value through other comprehensive income	16,233	(2,852)	(28,868)
Deferred tax (9%) related to financial assets at fair value through other comprehensive income	(1,465)	257	2,771
Derivative financial instruments designated as cash flow hedge	<u>875</u>	<u>110</u>	<u>949</u>
Total	<u>15,643</u>	<u>(2,485)</u>	<u>(25,148)</u>
NET COMPREHENSIVE INCOME	<u>94,768</u>	<u>78,965</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)	-	-	-	-	(7,507)
Balance as at 1 January 2018 in accordance with IFRS 9	28,000	52	31,835	1,293,227	70,200	59,444	(55,468)	(9,540)	1,417,750
Net profit for the year	-	-	-	81,450	-	-	-	-	81,450
Other comprehensive income	-	-	-	-	(2,485)	-	-	-	(2,485)
Total comprehensive income	-	-	-	81,450	(2,485)	-	-	-	78,965
Transfer to general reserve	-	-	-	(25,155)	-	25,155	-	-	-
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)
Other transactions with owners	-	-	868	(87,545)	-	25,155	-	44	(61,478)
Balance as at 31 March 2018	28,000	52	32,703	1,287,132	67,715	84,599	(55,468)	(9,496)	1,435,237
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	-	-	-	79,125	-	-	-	-	79,125
Other comprehensive income	-	-	-	-	15,643	-	-	-	15,643
Total comprehensive income	-	-	-	79,125	15,643	-	-	-	94,768
Transfer to general reserve	-	-	-	(7,912)	-	7,912	-	-	-
Share-based payment	-	-	820	-	-	-	-	-	820
Payments to ICES holders	-	-	-	(1,074)	-	-	-	-	(1,074)
Sale of treasury shares	-	-	-	-	-	-	-	149	149
Loss on sale of treasury shares	-	-	-	(48)	-	-	-	-	(48)
Dividend for the year 2018	-	-	-	(61,320)	-	-	-	-	(61,320)
Other transactions with owners	-	-	820	(70,354)	-	7,912	-	149	(61,473)
Balance as at 31 March 2019	28,000	52	36,452	1,391,814	60,502	84,700	(55,468)	(1,815)	1,544,237

SEPARATE CONDENSED STATEMENT OF CASH FLOWS
FOR THREE MONTH PERIOD ENDED 31 MARCH 2019
(UNAUDITED) (in HUF mn)

	Three month period ended 31 March 2019	Three month period ended 31 March 2018	Year ended 31 December 2018
Profit before income tax	80,985	84,219	184,633
Net accrued interest	(17,807)	(31,133)	1,586
Income tax paid	54	-	-
Depreciation and amortization	6,621	5,030	21,232
Loss allowance / (Release of loss allowance)	6,953	4,116	(2,525)
Share-based payment	820	868	3,797
Unrealised losses / (gains) on fair value adjustment of securities at fair value through profit or loss and held for trading	3,356	5,615	(13,528)
Unrealised (gains) / losses on fair value adjustment of derivative financial instruments	(25,113)	-	16,903
Net change in assets and liabilities in operating activities	<u>(975)</u>	<u>115,176</u>	<u>63,185</u>
Net cash provided by operating activities	<u>54,894</u>	<u>183,891</u>	<u>275,283</u>
Net cash used in investing activities	<u>(225,912)</u>	<u>(192,011)</u>	<u>(316,268)</u>
Net cash provided by / (used in) financing activities	<u>225,784</u>	<u>102,672</u>	<u>(3,511)</u>
Net increase / (decrease) in cash and cash equivalents	<u>54,766</u>	<u>94,552</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>358,124</u>	<u>442,406</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 THREE MONTH PERIOD ENDED 31 MARCH 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

See details about the event above in Note 7.

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**1) Acquisition in Slovenia**

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.

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

	31 March 2019	31 December 2018
<i>Securities held for trading:</i>		
Other non-interest bearing securities	7,429	7,169
Government bonds	7,057	10,538
Hungarian government discounted Treasury Bills	3,300	1,059
Corporate shares and investments	404	371
Mortgage bonds	-	972
Other bonds	<u>2,046</u>	<u>2,093</u>
Subtotal	<u>20,236</u>	<u>22,202</u>
Accrued interest	<u>78</u>	<u>120</u>
Total	<u>20,314</u>	<u>22,322</u>
<i>Securities mandatorily measured at fair value through profit or loss:</i>		
Shares in investment funds	16,151	15,880
Bonds	<u>4,780</u>	<u>4,753</u>
	<u>20,931</u>	<u>20,633</u>
Accrued interest	<u>24</u>	<u>25</u>
Total	<u>20,955</u>	<u>20,658</u>
<i>Held for trading derivative financial instruments:</i>		
Interest rate swaps	44,917	46,357
Foreign currency swaps	32,318	33,816
CCIRS and mark-to-market CCIRS ¹ swaps	684	17,078
Other derivative transactions ²	<u>15,172</u>	<u>14,811</u>
Subtotal	<u>93,091</u>	<u>112,062</u>
Total	<u>134,360</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)

	31 March 2019	31 December 2018
Government bonds	898,035	869,811
Mortgage bonds	226,107	224,965
Interest bearing treasury bills	269,632	234,399
Other securities	75,188	86,342
- <u>listed securities</u>	<u>36,974</u>	<u>34,725</u>
<i>in foreign currency</i>	36,974	34,725
- <u>non-listed securities</u>	<u>38,214</u>	<u>51,617</u>
<i>in HUF</i>	22,374	22,886
<i>in foreign currency</i>	15,840	28,731
Subtotal	<u>1,468,962</u>	<u>1,415,517</u>
<i>Non-trading equity instruments designated to measure at fair value through other comprehensive income</i>		
- <u>non-listed securities</u>	<u>20,518</u>	<u>19,374</u>
<i>in HUF</i>	565	566
<i>in foreign currency</i>	19,953	18,808
Subtotal	<u>20,518</u>	<u>19,374</u>
Accrued interest	21,199	17,014
Loss allowance	-	-
Securities at fair value through other comprehensive income total	<u>1,510,679</u>	<u>1,451,905</u>

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

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

NOTE 6: LOANS (in HUF mn)

Loans mandatorily measured at fair value through profit or loss

	31 March 2019	31 December 2018
Gross loans	33,519	34,373
Fair value adjustment	<u>(1,764)</u>	<u>(1,770)</u>
Total	<u>31,755</u>	<u>32,603</u>
Accrued interest	<u>142</u>	<u>142</u>
Loans mandatorily measured at fair value through profit or loss total	<u>31,897</u>	<u>32,745</u>

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

	31 March 2019	31 December 2018
Short-term loans and promissory notes (within one year)	1,433,200	1,317,656
Long-term loans and promissory notes (over one year)	<u>1,357,581</u>	<u>1,330,274</u>
Loans gross total	<u>2,790,781</u>	<u>2,647,930</u>
Accrued interest	<u>5,474</u>	<u>4,441</u>
Loss allowance	<u>(69,798)</u>	<u>(66,253)</u>
Loans measured at amortised cost, net of allowance for loan losses total	<u>2,726,457</u>	<u>2,586,118</u>
Loans total	<u>2,758,354</u>	<u>2,618,863</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.

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

	31 March 2019		31 December 2018	
Retail loans	560,457	20%	547,277	20%
Retail consumer loans	418,160	15%	397,911	15%
Retail mortgage backed loans ¹	142,297	5%	149,366	5%
Corporate loans	2,230,324	79%	2,100,653	79%
Loans to corporates	2,131,907	76%	2,003,392	75%
Municipality loans	<u>98,417</u>	<u>3%</u>	<u>97,261</u>	<u>4%</u>
Loans at amortised cost total	<u>2,790,781</u>	<u>99%</u>	<u>2,647,930</u>	<u>99%</u>
Loans at fair value total	<u>31,755</u>	<u>1%</u>	<u>32,603</u>	<u>1%</u>
Gross loans total	<u>2,822,536</u>	<u>100%</u>	<u>2,680,533</u>	<u>100%</u>

¹ incl. housing loans

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

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

	31 March 2019	31 December 2018
In HUF	55%	57%
In foreign currency	<u>45%</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:

	31 March 2019	31 December 2018
Balance as at 1 January	66,253	69,508
Change as a result of applying IFRS 9	-	8,931
Reclassification	12	26
Loss allowance	32,689	102,203
Release of loss allowance	(28,293)	(104,855)
Portional write-off	(863)	(3,444)
Partial write-off	<u>-</u>	<u>(6,116)</u>
Closing balance	<u>69,798</u>	<u>66,253</u>

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	31 March 2019	31 December 2018
Investments in subsidiaries:		
Controlling interest	1,654,755	1,712,635
Other investments	<u>395</u>	<u>1,013</u>
	<u>1,655,150</u>	<u>1,713,648</u>
Loss allowance	<u>(466,624)</u>	<u>(536,075)</u>
Total	<u>1,188,526</u>	<u>1,177,573</u>

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

	31 March 2019	31 December 2018
Balance as at 1 January	536,075	538,846
Loss allowance	-	39,430
Release of loss allowance	(69,451)	(34,994)
Use of loss allowance	<u>-</u>	<u>(7,207)</u>
Closing balance	<u>466,624</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. With a market share of 13.3%, SGMB is the 4th largest bank on the Moldovan banking market and as a universal bank it has been active in the retail and corporate segment as well. The financial closure of the transaction is expected in the coming months subject to obtaining all the necessary regulatory approvals. The Bank is expected to have the control SGMB in 2019.

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. With a market share of 11.5%, SGM is the 4th 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.

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

	31 March 2019	31 December 2018
Government bonds	1,462,414	1,408,031
Mortgage bonds	<u>-</u>	<u>4,708</u>
Subtotal	<u>1,462,414</u>	<u>1,412,739</u>
Accrued interest	<u>35,919</u>	<u>20,718</u>
Loss allowance	<u>(1,481)</u>	<u>(1,668)</u>
Total	<u>1,496,852</u>	<u>1,431,789</u>

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

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

	31 March 2019	31 December 2018
Balance as at 1 January	1,668	-
Change as a result of applying IFRS 9	-	1,477
Loss allowance	72	875
Release of loss allowance	<u>(259)</u>	<u>(684)</u>
Closing balance	<u>1,481</u>	<u>1,668</u>

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	31 March 2019	31 December 2018
Within one year:		
In HUF	4,854,328	4,787,625
In foreign currency	<u>977,856</u>	<u>904,245</u>
	<u>5,832,184</u>	<u>5,691,870</u>
Over one year:		
In HUF	<u>48,341</u>	<u>48,100</u>
	<u>48,341</u>	<u>48,100</u>
Subtotal	<u>5,880,525</u>	<u>5,739,970</u>
Accrued interest	<u>701</u>	<u>1,528</u>
Total	<u>5,881,226</u>	<u>5,741,498</u>

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

	31 March 2019		31 December 2018	
Retail deposits	2,969,406	51%	2,943,431	51%
Household deposits	2,969,406	51%	2,943,431	51%
Corporate deposits	2,911,119	49%	2,796,539	49%
Deposits to corporates	2,370,599	40%	2,339,855	41%
Municipality deposits	<u>540,520</u>	<u>9%</u>	<u>456,684</u>	<u>8%</u>
Total	<u>5,880,525</u>	<u>100%</u>	<u>5,739,970</u>	<u>100%</u>

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

	31 March 2019	31 December 2018
Within one year:		
In HUF	6,125	9,397
In foreign currency	<u>3,655</u>	<u>4,817</u>
	<u>9,780</u>	<u>14,214</u>
Over one year:		
In HUF	<u>32,180</u>	<u>32,460</u>
	<u>32,180</u>	<u>32,460</u>
Subtotal	<u>41,960</u>	<u>46,674</u>
Accrued interest	<u>12</u>	<u>20</u>
Total	<u>41,972</u>	<u>46,694</u>

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

Contingent liabilities and commitments

	31 March 2019	31 December 2018
Commitments to extend credit	1,243,314	1,313,715
Guarantees arising from banking activities	802,805	828,843
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<u>441,632</u>	<u>472,213</u>
Contingent liabilities and commitments total in accordance with IFRS 9	<u>2,046,119</u>	<u>2,142,558</u>
Legal disputes (disputed value)	3,035	3,772
Confirmed letters of credit	106	96
Other	<u>240,333</u>	<u>191,907</u>
Contingent liabilities and commitments total in accordance with IAS 37	<u>243,474</u>	<u>195,775</u>
Total	<u>2,289,593</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 731 million and HUF 691 million as at 31 March 2019 and 31 December 2018, respectively.

NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

Fair value of derivative instruments

	31 March 2019		31 December 2018	
	Assets	Liabilities	Assets	Liabilities
Held for trading derivative financial instruments				
Interest rate derivatives				
Interest rate swaps	23,615	(23,311)	22,862	(21,669)
Cross currency interest rate swaps	652	(795)	17,078	(17,164)
OTC options	269	(269)	256	(256)
Forward rate agreement	<u>27</u>	<u>(77)</u>	<u>17</u>	<u>(57)</u>
Total interest rate derivatives (OTC derivatives)	<u>24,563</u>	<u>(24,452)</u>	<u>40,213</u>	<u>(39,146)</u>
<i>From this: Interest rate derivatives cleared by central counterparty</i>	305	(54)	581	(142)
Foreign exchange derivatives				
Foreign exchange swaps	26,066	(27,079)	27,705	(25,982)
Foreign exchange forward	3,132	(4,470)	2,435	(2,914)
OTC options	4,409	(4,112)	3,310	(3,377)
Foreign exchange spot conversion	<u>247</u>	<u>(127)</u>	<u>69</u>	<u>(32)</u>
Total foreign exchange derivatives (OTC derivatives)	<u>33,854</u>	<u>(35,788)</u>	<u>33,519</u>	<u>(32,305)</u>
<i>From this: Foreign exchange derivatives cleared by central counterparty</i>	2,051	(661)	5,859	(1,741)
Equity stock and index derivatives				
Commodity Swaps	1,441	(977)	1,883	(1,048)
Equity swaps	<u>5,541</u>	<u>(358)</u>	<u>6,728</u>	<u>(568)</u>
OTC derivatives total	<u>6,982</u>	<u>(1,335)</u>	<u>8,611</u>	<u>(1,616)</u>
Exchange traded futures and options	22	(188)	105	(965)
Total equity stock and index derivatives	<u>7,004</u>	<u>(1,523)</u>	<u>8,716</u>	<u>(2,581)</u>
Derivatives held for risk management not designated in hedge				
Interest rate swaps	21,302	(9,827)	23,495	(8,107)
Foreign exchange swaps	6,252	(1,601)	5,675	(615)
Foreign exchange spot conversion	-	-	436	(57)
Forward	84	(20)	9	(26)
Cross currency interest rate swaps	<u>32</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total derivatives held for risk management not designated in hedge	<u>27,670</u>	<u>(11,448)</u>	<u>29,615</u>	<u>(8,805)</u>
<i>From this: Total derivatives cleared by central counterparty held for risk management</i>	6,152	(2,071)	119	(8,329)
Total Held for trading derivative financial instruments	<u>93,091</u>	<u>(73,211)</u>	<u>112,063</u>	<u>(82,837)</u>
Derivative financial instruments designated as hedge accounting				
Derivatives designated in cash flow hedges				
Interest rate swaps	<u>5,976</u>	<u>(17)</u>	<u>3,751</u>	<u>(523)</u>
Total derivatives designated in cash flow hedges	<u>5,976</u>	<u>(17)</u>	<u>3,751</u>	<u>(523)</u>
Derivatives designated in fair value hedges				
Interest rate swaps	3,365	(7,409)	4,467	(6,050)
Cross currency interest rate swaps	4,116	(312)	4,002	(352)
Foreign exchange swaps	<u>1,004</u>	<u>(822)</u>	<u>-</u>	<u>-</u>
Total derivatives designated in fair value hedges	<u>8,485</u>	<u>(8,543)</u>	<u>8,469</u>	<u>(6,402)</u>
<i>From this: Total derivatives cleared by NBH held for hedging</i>	<u>7</u>	<u>(5,167)</u>	<u>21</u>	<u>(5,057)</u>
Total derivatives held for risk management (OTC derivatives)	<u>14,461</u>	<u>(8,560)</u>	<u>12,220</u>	<u>(6,925)</u>

As at 31 December 2019 the Bank has derivative instruments with positive fair values of HUF 107,552 million and negative fair values of HUF 81,771 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 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 13: NET INTEREST INCOME (in HUF mn)

	Three month period ended 31 March 2019	Three month period ended 31 March 2018	Year ended 31 December 2018
<i>Interest Income:</i>			
Loans	37,918	33,485	141,536
Placements with other banks, net of allowance for placement losses	20,147	17,083	69,947
Securities fair value through other comprehensive income	8,164	7,431	31,628
Securities at amortised cost	12,048	11,431	47,342
Amounts due from banks and balances with National Bank of Hungary	<u>(200)</u>	<u>118</u>	<u>280</u>
Total Interest Income	<u>78,077</u>	<u>69,548</u>	<u>290,733</u>
<i>Interest Expense:</i>			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	(21,252)	(16,996)	(53,993)
Deposits from customers	(5,559)	(6,654)	(26,634)
Liabilities from issued securities	(42)	17	(157)
Subordinated bonds and loans	<u>(756)</u>	<u>(732)</u>	<u>(2,994)</u>
Total Interest Expense	<u>(27,609)</u>	<u>(24,365)</u>	<u>(83,778)</u>
NET INTEREST INCOME	<u>50,468</u>	<u>45,183</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.:

	31 March 2019	31 March 2018
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	1,657	2,654
Loans sold to OTP Mortgage Bank Ltd. (including interest)	-	299
The gross book value of the loans sold	-	299

Transactions related to OTP Factoring Ltd.:

	31 March 2019	31 March 2018
The gross book value of the loans	2,768	4,036
Loss allowance on the loans sold	1,680	2,600
Loans sold to OTP Factoring Ltd. without recourse (including interest)	820	1,077
Loss on these transaction (recorded in the separate financial statements as loan and placement loss)	268	359

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