



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 2014

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| | Note | 31 March 2014 | 31 December 2013 | 31 March 2013 |
|---|------|-------------------------|-------------------------|-------------------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary | | 171,275 | 140,521 | 171,210 |
| Placements with other banks, net of allowance for placement losses | | 679,743 | 632,899 | 756,439 |
| Financial assets at fair value through profit or loss | 4. | 344,404 | 396,565 | 259,411 |
| Securities available-for-sale | 5. | 1,872,086 | 1,997,491 | 2,106,059 |
| Loans, net of allowance for loan losses | 6. | 2,079,574 | 2,144,701 | 2,363,715 |
| Investments in subsidiaries, associates and other investments | 7. | 677,575 | 669,322 | 662,966 |
| Securities held-to-maturity | 8. | 614,993 | 525,049 | 374,825 |
| Property and equipment | | 80,070 | 85,447 | 77,361 |
| Intangible assets | | 35,040 | 31,554 | 31,582 |
| Other assets | | <u>86,067</u> | <u>49,486</u> | <u>53,860</u> |
| TOTAL ASSETS | | <u>6,640,827</u> | <u>6,673,035</u> | <u>6,857,428</u> |
| Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks | | 725,354 | 902,744 | 915,601 |
| Deposits from customers | 9. | 3,753,542 | 3,677,450 | 3,647,691 |
| Liabilities from issued securities | 10. | 165,585 | 170,779 | 271,615 |
| Financial liabilities at fair value through profit or loss | | 216,849 | 204,517 | 248,971 |
| Other liabilities | | 273,385 | 242,444 | 269,322 |
| Subordinated bonds and loans | | <u>292,435</u> | <u>278,241</u> | <u>322,092</u> |
| TOTAL LIABILITIES | | <u>5,427,150</u> | <u>5,476,175</u> | <u>5,675,292</u> |
| Share capital | | 28,000 | 28,000 | 28,000 |
| Retained earnings and reserves | | 1,193,891 | 1,175,591 | 1,158,701 |
| Treasury shares | | <u>(8,214)</u> | <u>(6,731)</u> | <u>(4,565)</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>1,213,677</u> | <u>1,196,860</u> | <u>1,182,136</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>6,640,827</u> | <u>6,673,035</u> | <u>6,857,428</u> |

| | Note | Three month period ended 31 March 2014 | Three month period ended 31 March 2013 | Year ended 31 December 2013 |
|---|------|--|--|-----------------------------------|
| Interest Income | 12. | 115,663 | 177,966 | 572,164 |
| Interest Expense | 12. | <u>62,078</u> | <u>135,288</u> | <u>366,346</u> |
| NET INTEREST INCOME | 12. | <u>53,585</u> | <u>42,678</u> | <u>205,818</u> |
| Provision for impairment on loan and placement losses | 6. | 5,907 | 7,035 | 30,533 |
| NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES | | <u>47,678</u> | <u>35,643</u> | <u>175,285</u> |
| Net profit from fees and commissions | | 35,621 | 27,022 | 133,941 |
| Net operating income | | 43,571 | 45,929 | (9,084) |
| Other administrative expenses | | <u>77,229</u> | <u>72,286</u> | <u>245,809</u> |
| PROFIT BEFORE INCOME TAX | | <u>49,641</u> | <u>36,308</u> | <u>54,333</u> |
| Income tax | | <u>(641)</u> | <u>3,939</u> | <u>6,442</u> |
| NET PROFIT FOR THE YEAR | | <u>50,282</u> | <u>32,369</u> | <u>47,891</u> |
| Earnings per share (in HUF) | | | | |
| Basic | | <u>181</u> | <u>116</u> | <u>172</u> |
| Diluted | | <u>181</u> | <u>116</u> | <u>172</u> |

The comprehensive income items are as follows:

| | Three month period ended 31 March 2014 | Three month period ended 31 March 2013 | Year ended 31 December 2013 |
|--|--|--|-----------------------------------|
| NET PROFIT FOR THE YEAR | <u>50,282</u> | <u>32,369</u> | <u>47,891</u> |
| Fair value adjustment of securities available-for-sale | <u>8,737</u> | <u>2,228</u> | <u>1,024</u> |
| NET COMPREHENSIVE INCOME | <u>59,019</u> | <u>34,597</u> | <u>48,915</u> |

SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTH
PERIOD ENDED 31 MARCH 2014
(UNAUDITED) (in HUF mn)

| | Three month period ended 31 March 2014 | Three month period ended 31 March 2013 | Year ended 31 December 2013 |
|--|--|--|-----------------------------------|
| Profit before income tax | 49,641 | 36,308 | 54,333 |
| Income tax paid | - | (996) | (5,370) |
| Depreciation and amortization | 5,348 | 4,978 | 21,657 |
| Provisions for impairment | 5,606 | 8,134 | 86,385 |
| Share-based payment | 1,279 | 1,415 | 5,704 |
| Unrealised (losses) / gains on fair value adjustment of securities available-for-sale and held for trading | (150) | 224 | 863 |
| Unrealised gains on fair value adjustment of derivative financial instruments | 3,532 | 7,789 | 12,629 |
| Net changing in assets and liabilities in operating activities | <u>149,894</u> | <u>45,122</u> | <u>90,075</u> |
| Net cash provided by operating activities | <u>215,150</u> | <u>102,974</u> | <u>266,276</u> |
| Net cash provided by / (used in) investing activities | <u>26,778</u> | <u>(214,728)</u> | <u>(207,106)</u> |
| Net cash (used in) / provided by financing activities | <u>(212,211)</u> | <u>39,013</u> | <u>(160,720)</u> |
| Net increase / (decrease) in cash and cash equivalents | <u>29,717</u> | <u>(72,741)</u> | <u>(101,550)</u> |
| Cash and cash equivalents at the beginning of the period | <u>62,835</u> | <u>164,385</u> | <u>164,385</u> |
| Cash and cash equivalents at the end of the period | <u>92,552</u> | <u>91,644</u> | <u>62,835</u> |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 140,521 | 245,548 | 245,548 |
| Compulsory reserve established by the National Bank of Hungary | <u>(77,686)</u> | <u>(81,163)</u> | <u>(81,163)</u> |
| Cash and cash equivalents at the beginning of the period | <u>62,835</u> | <u>164,385</u> | <u>164,385</u> |
| Cash, amounts due from banks and balances with the National Bank of Hungary | 171,275 | 171,210 | 140,521 |
| Compulsory reserve established by the National Bank of Hungary | <u>(78,723)</u> | <u>(79,566)</u> | <u>(77,686)</u> |
| Cash and cash equivalents at the end of the period | <u>92,552</u> | <u>91,644</u> | <u>62,835</u> |

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2014 (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 2013 | <u>28,000</u> | <u>52</u> | <u>10,800</u> | <u>1,202,132</u> | <u>(55,468)</u> | <u>(4,934)</u> | <u>1,180,582</u> |
| Net profit for the year | - | - | - | 32,369 | - | - | 32,369 |
| Other comprehensive income | - | - | - | 2,228 | - | - | 2,228 |
| Share-based payment | - | - | 1,415 | - | - | - | 1,415 |
| Payments to ICES holders | - | - | - | (1,369) | - | - | (1,369) |
| Sale of treasury shares | - | - | - | - | - | 3,517 | 3,517 |
| Loss on sale of treasury shares | - | - | - | 142 | - | - | 142 |
| Acquisition of treasury shares | - | - | - | - | - | (3,148) | (3,148) |
| Dividend for the year 2012 | - | - | - | (33,600) | - | - | (33,600) |
| Balance as at 31 March 2013 | <u>28,000</u> | <u>52</u> | <u>12,215</u> | <u>1,201,902</u> | <u>(55,468)</u> | <u>(4,565)</u> | <u>1,182,136</u> |
| Balance as at 1 January 2014 | <u>28,000</u> | <u>52</u> | <u>16,504</u> | <u>1,214,503</u> | <u>(55,468)</u> | <u>(6,731)</u> | <u>1,196,860</u> |
| Net profit for the year | - | - | - | 50,282 | - | - | 50,282 |
| Other comprehensive income | - | - | - | 8,737 | - | - | 8,737 |
| Share-based payment | - | - | 1,279 | - | - | - | 1,279 |
| Payments to ICES holders | - | - | - | (1,386) | - | - | (1,386) |
| Sale of treasury shares | - | - | - | - | - | 6,749 | 6,749 |
| Loss on sale of treasury shares | - | - | - | (12) | - | - | (12) |
| Acquisition of treasury shares | - | - | - | - | - | (8,232) | (8,232) |
| Dividend for the year 2013 | - | - | - | (40,600) | - | - | (40,600) |
| Balance as at 31 March 2014 | <u>28,000</u> | <u>52</u> | <u>17,783</u> | <u>1,231,524</u> | <u>(55,468)</u> | <u>(8,214)</u> | <u>1,213,677</u> |

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 are 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 2014

There was no significant event.

NOTE 3: POST BALANCE SHEET EVENTS**1) OTP Group accomplished its Croatian acquisition**

See details in Note 7.

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

| | 31 March 2014 | 31 December 2013 |
|---|--------------------------|-----------------------------|
| <i>Held for trading securities:</i> | | |
| Securities issued by the NBH | 144,811 | 209,347 |
| Shares | 63,674 | 73,256 |
| Government bonds | 13,303 | 4,090 |
| Hungarian government discounted Treasury Bills | 12,882 | 2,159 |
| Hungarian government interest bearing Treasury Bills | 6,963 | 6,466 |
| Mortgage bonds | 265 | 237 |
| Securities issued by credit institutions | 71 | 1,162 |
| Other securities | <u>22</u> | <u>26</u> |
| | <u>241,991</u> | <u>296,743</u> |
| Accrued interest | <u>299</u> | <u>105</u> |
| Total | <u>242,290</u> | <u>296,848</u> |
| <i>Derivative financial instruments designated as held for trading:</i> | | |
| Interest rate swaps designated as held for trading | 47,370 | 53,728 |
| CCIRS1 and mark-to-market CCIRS swaps designated as held for trading | 39,226 | 32,763 |
| Foreign currency swaps designated as held for trading | 7,575 | 6,637 |
| Other derivative transactions ² | <u>7,943</u> | <u>6,589</u> |
| | <u>102,114</u> | <u>99,717</u> |
| Total | <u>344,404</u> | <u>396,565</u> |

¹ CCIRS: Cross Currency Interest Rate Swap

² incl.: FX, equity and index futures; FX forward; commodity swap; equity swap; FRA; FX option

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

| | 31 March 2014 | 31 December 2013 |
|-------------------------------|-------------------------|-------------------------|
| Bonds issued by NBH | 861,020 | 1,021,825 |
| Mortgage bonds | 805,957 | 789,419 |
| Government bonds | 118,599 | 90,177 |
| Other securities | 62,245 | 67,264 |
| <i>-listed securities</i> | <u>31,320</u> | <u>36,883</u> |
| <i>in HUF</i> | - | - |
| <i>in foreign currency</i> | 31,320 | 36,883 |
| <i>-non-listed securities</i> | <u>30,925</u> | <u>30,381</u> |
| <i>in HUF</i> | 26,836 | 26,589 |
| <i>in foreign currency</i> | 4,089 | 3,792 |
| Subtotal | <u>1,847,821</u> | <u>1,968,685</u> |
| Accrued interest | <u>24,265</u> | <u>28,806</u> |
| Total | <u>1,872,086</u> | <u>1,997,491</u> |

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

| | 31 March 2014 | 31 December 2013 |
|--|-------------------------|-------------------------|
| Short-term loans and trade bills (within one year) | 819,353 | 941,428 |
| Long-term loans and trade bills (over one year) | <u>1,399,769</u> | <u>1,343,444</u> |
| Loans gross total | <u>2,219,122</u> | <u>2,284,872</u> |
| Accrued interest | <u>11,470</u> | <u>10,342</u> |
| Provision of impairment on loan losses | <u>(151,018)</u> | <u>(150,513)</u> |
| Total | <u>2,079,574</u> | <u>2,144,701</u> |

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

| | 31 March 2014 | | 31 December 2013 | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| Retail loans | 538,741 | 25% | 539,340 | 24% |
| Retail consumer loans | 308,929 | 14% | 309,476 | 14% |
| Retail mortgage backed loans | 123,028 | 6% | 123,592 | 5% |
| SME loans | 106,784 | 5% | 106,272 | 5% |
| Corporate loans | 1,680,381 | 75% | 1,745,532 | 76% |
| Loans to medium and large corporates | 1,538,006 | 69% | 1,537,655 | 67% |
| Municipality loans | 23,932 | 1% | 105,725 | 5% |
| Municipality loans completed by the State | <u>118,443</u> | <u>5%</u> | <u>102,152</u> | <u>4%</u> |
| Total | <u>2,219,122</u> | <u>100%</u> | <u>2,284,872</u> | <u>100%</u> |

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

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

| | 31 March 2014 | 31 December 2013 |
|---------------------|--------------------------|-----------------------------|
| In HUF | 38% | 40% |
| In foreign currency | <u>62%</u> | <u>60%</u> |
| Total | <u>100%</u> | <u>100%</u> |

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

| | 31 March 2014 | 31 December 2013 |
|--|--------------------------|-----------------------------|
| Balance as at 1 January | 150,513 | 153,370 |
| Provision for the period | 13,944 | 83,796 |
| Release of provision | (13,439) | (82,134) |
| Structural difference relating to provision for previous years | <u>-</u> | <u>(4,519)</u> |
| Closing balance | <u>151,018</u> | <u>150,513</u> |

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

| | 31 March 2014 | 31 December 2013 |
|------------------------------|--------------------------|-----------------------------|
| Investments in subsidiaries: | | |
| Controlling interest | 994,321 | 985,892 |
| Other | <u>1,011</u> | <u>1,011</u> |
| | <u>995,332</u> | <u>986,903</u> |
| Provision for impairment | <u>(317,757)</u> | <u>(317,581)</u> |
| Total | <u>677,575</u> | <u>669,322</u> |

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

| | 31 March 2014 | 31 December 2013 |
|--------------------------------|--------------------------|-----------------------------|
| Balance as at 1 January | 317,581 | 265,031 |
| Provision for the year | <u>176</u> | <u>52,550</u> |
| Closing balance | <u>317,757</u> | <u>317,581</u> |

On 24 April 2014 OTP Group accomplished its Croatian acquisition by paying the purchase price. OTP banka Hrvatsk d.d. ("OBH") signed a purchase agreement with the Croatian Banco Popolare d.d. on 31 January 2014 on acquiring a 98.37% stake in the bank. Following the submission of all the relevant documents the Croatian Central Bank approved the purchase of the majority stake at its meeting on 18 April 2014. As a result OTP Bank got all the necessary approvals for completing the transaction.

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

| | 31 March 2014 | 31 December 2013 |
|--|-----------------------|-----------------------|
| Government bonds | 593,760 | 506,808 |
| Mortgage bonds | 4,766 | 4,770 |
| Hungarian government discounted Treasury bills | <u>344</u> | <u>341</u> |
| | <u>598,870</u> | <u>511,919</u> |
| Accrued interest | <u>16,123</u> | <u>13,130</u> |
| Total | <u>614,993</u> | <u>525,049</u> |

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

| | 31 March 2014 | 31 December 2013 |
|---------------------|-------------------------|-------------------------|
| Within one year: | | |
| In HUF | 3,030,755 | 2,985,237 |
| In foreign currency | <u>689,631</u> | <u>660,166</u> |
| | <u>3,720,386</u> | <u>3,645,403</u> |
| Over one year: | | |
| In HUF | 26,546 | 25,646 |
| In foreign currency | <u>623</u> | <u>-</u> |
| | <u>27,169</u> | <u>25,646</u> |
| Subtotal | <u>3,747,555</u> | <u>3,671,049</u> |
| Accrued interest | <u>5,987</u> | <u>6,401</u> |
| Total | <u>3,753,542</u> | <u>3,677,450</u> |

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

| | 31 March 2014 | | 31 December 2013 | |
|---|-------------------------|--------------------|-------------------------|--------------------|
| Retail deposits | 2,037,141 | 54% | 2,069,291 | 57% |
| Household deposits | 1,708,347 | 45% | 1,748,210 | 48% |
| SME deposits | 328,794 | 9% | 321,081 | 9% |
| Corporate deposits | 1,710,414 | 46% | 1,601,758 | 43% |
| Deposits to medium and large corporates | 1,309,692 | 35% | 1,329,032 | 36% |
| Municipality deposits | <u>400,722</u> | <u>11%</u> | <u>272,726</u> | <u>7%</u> |
| Total | <u>3,747,555</u> | <u>100%</u> | <u>3,671,049</u> | <u>100%</u> |

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

| | 31 March 2014 | 31 December 2013 |
|---------------------|-----------------------|-----------------------|
| Within one year: | | |
| In HUF | 34,558 | 35,322 |
| In foreign currency | <u>41,314</u> | <u>33,034</u> |
| | <u>75,872</u> | <u>68,356</u> |
| Over one year: | | |
| In HUF | 82,658 | 93,713 |
| In foreign currency | <u>7,227</u> | <u>8,200</u> |
| | <u>89,885</u> | <u>101,913</u> |
| Subtotal | <u>165,757</u> | <u>170,269</u> |
| Accrued interest | <u>(172)</u> | <u>510</u> |
| Total | <u>165,585</u> | <u>170,779</u> |

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

(a) *Contingent liabilities and commitments*

| | 31 March 2014 | 31 December 2013 |
|---|-------------------------|-------------------------|
| Commitments to extend credit | 749,698 | 650,300 |
| Guarantees arising from banking activities | 421,578 | 420,166 |
| <i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i> | 86,719 | 115,328 |
| Promissory obligation to OTP Financing Solutions B.V. | 126,365 | 124,517 |
| Legal disputes (disputed value) | 53,019 | 49,944 |
| Confirmed letters of credit | 131 | 470 |
| Other | <u>28,609</u> | <u>26,995</u> |
| Total | <u>1,379,400</u> | <u>1,272,392</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 were HUF 1,102 million and HUF 554 million as at 31 March 2014 and 31 December 2013, respectively.

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

(b) *Fair value of derivative instruments*

| | Fair value | | Notional value, net | |
|--|------------------|---------------------|---------------------|---------------------|
| | 31 March 2014 | 31 December 2013 | 31 March 2014 | 31 December 2013 |
| Interest rate swaps classified as held for trading | | | | |
| Positive fair value of interest rate swaps classified as held for trading | 47,370 | 53,728 | 59,570 | 59,680 |
| Negative fair value of interest rate swaps classified as held for trading | (65,035) | (67,854) | (77,733) | (74,699) |
| Foreign exchange swaps classified as held for trading | | | | |
| Positive fair value of foreign exchange swaps classified as held for trading | 7,575 | 6,637 | 8,516 | 6,876 |
| Negative fair value of foreign exchange swaps classified as held for trading | (8,498) | (5,744) | (7,369) | (5,917) |
| Interest rate swaps designated as fair value hedge | | | | |
| Positive fair value of interest rate swaps designated in fair value hedge | 9,724 | 9,722 | 6,000 | 4,491 |
| Negative fair value of interest rate swaps designated in fair value hedge | (2,539) | (2,639) | 632 | 682 |
| CCIRS classified as held for trading | | | | |
| Positive fair value of CCIRS classified as held for trading | 38,073 | 30,914 | 36,317 | 33,067 |
| Negative fair value of CCIRS classified as held for trading | (133,648) | (121,786) | (123,666) | (117,113) |
| Mark-to-market CCIRS classified as held for trading | | | | |
| Positive fair value of mark-to-market CCIRS classified as held for trading | 1,153 | 1,849 | 1,212 | 1,466 |
| Negative fair value of mark-to-market CCIRS classified as held for trading | (1,742) | (2,770) | (1,776) | (3,339) |
| Other derivative contracts classified as held for trading | | | | |
| Positive fair value of other derivative contracts classified as held for trading | 7,943 | 6,589 | 63,895 | 2,849 |
| Negative fair value of other derivative contracts classified as held for trading | (7,926) | (6,363) | 119,344 | (13,575) |
| Other derivative contracts designated as fair value hedge | | | | |
| Positive fair value of other derivative contracts designated in fair value hedge | 439 | 12 | (40) | (37) |
| Negative fair value of other derivative contracts designated in fair value hedge | - | - | - | - |
| Derivative financial assets total | <u>112,277</u> | <u>109,451</u> | <u>175,470</u> | <u>108,392</u> |
| Derivative financial liabilities total | <u>(219,388)</u> | <u>(207,156)</u> | <u>(90,568)</u> | <u>(213,961)</u> |
| Derivative financial instruments total | <u>(107,111)</u> | <u>(97,705)</u> | <u>84,902</u> | <u>(105,569)</u> |

As at 31 March 2014 the Bank has derivative instruments with positive fair values of HUF 112,277 million and negative fair values of HUF 219,388 million. Corresponding figures as at 31 December 2013 are HUF 109,451 million and HUF 207,156 million.

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

NOTE 12: NET INTEREST INCOME (in HUF mn)

| | Three month period ended 31 March 2014 | Three month period ended 31 March 2013 | Year ended 31 December 2013 |
|---|--|--|-----------------------------------|
| <i>Interest Income:</i> | | | |
| Loans | 43,276 | 50,095 | 189,073 |
| Placements with other banks, net of allowance for placement losses | 43,179 | 90,654 | 246,968 |
| Securities available-for-sale | 20,460 | 30,106 | 102,376 |
| Securities held-to-maturity | 8,192 | 5,989 | 30,027 |
| Amounts due from banks and balances with National Bank of Hungary | <u>556</u> | <u>1,122</u> | <u>3,720</u> |
| Total Interest Income | <u>115,663</u> | <u>177,966</u> | <u>572,164</u> |
| <i>Interest Expense:</i> | | | |
| Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government | 42,593 | 93,802 | 237,984 |
| Deposits from customers | 14,070 | 32,314 | 96,199 |
| Liabilities from issued securities | 1,375 | 4,929 | 15,241 |
| Subordinated bonds and loans | <u>4,040</u> | <u>4,243</u> | <u>16,922</u> |
| Total Interest Expense | <u>62,078</u> | <u>135,288</u> | <u>366,346</u> |
| NET INTEREST INCOME | <u>53,585</u> | <u>42,678</u> | <u>205,818</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 2014 | 31 March 2013 |
|--|------------------|------------------|
| Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans | 1,286 | 1,303 |
| Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest) | 284 | 408 |
| The gross book value of the loans sold | 284 | 408 |

Transactions related to OTP Factoring Ltd.:

| | 31 March 2014 | 31 March 2013 |
|---|------------------|------------------|
| The gross book value of the loans | 7,091 | 9,927 |
| Provision for loan losses on the loans sold | 3,621 | 5,069 |
| Loans sold to OTP Factoring Ltd. without recourse (including interest) | 2,259 | 3,527 |
| Loss on these transaction (recorded in the separate financial statements as loan and placement loss) | 1,211 | 1,331 |

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