



**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 2012**

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in accordance with International Financial Reporting Standards as  
adopted by the European Union

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	Note	30 September 2012	31 December 2011	30 September 2011
Cash, amounts due from banks and balances with the National Bank of Hungary		198,673	226,976	164,384
Placements with other banks, net of allowance for placement losses		735,467	897,980	1,026,106
Financial assets at fair value through profit or loss	4.	270,399	272,577	235,348
Securities available-for-sale	5.	2,068,827	1,711,418	1,779,547
Loans, net of allowance for loan losses	6.	2,431,287	2,741,827	2,666,097
Investments in subsidiaries	7.	645,711	651,709	655,883
Securities held-to-maturity	8.	69,903	120,467	136,407
Property and equipment		75,533	73,161	72,217
Intangible assets		30,214	31,171	29,663
Other assets		<u>33,003</u>	<u>57,404</u>	<u>38,450</u>
<b>TOTAL ASSETS</b>		<b><u>6,559,017</u></b>	<b><u>6,784,690</u></b>	<b><u>6,804,102</u></b>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks		938,949	871,770	1,017,274
Deposits from customers	9.	3,341,747	3,416,221	3,399,644
Liabilities from issued securities	10.	384,380	453,423	439,095
Financial liabilities at fair value through profit or loss		222,504	345,955	292,393
Other liabilities		219,951	267,184	204,624
Subordinated bonds and loans		<u>299,167</u>	<u>325,997</u>	<u>311,888</u>
<b>TOTAL LIABILITIES</b>		<b><u>5,406,698</u></b>	<b><u>5,680,550</u></b>	<b><u>5,664,918</u></b>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		1,129,258	1,081,659	1,116,510
Treasury shares		<u>(4,939)</u>	<u>(5,519)</u>	<u>(5,326)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>1,152,319</u></b>	<b><u>1,104,140</u></b>	<b><u>1,139,184</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>6,559,017</u></b>	<b><u>6,784,690</u></b>	<b><u>6,804,102</u></b>



OTP BANK PLC.  
SEPARATE CONDENSED STATEMENT OF RECOGNISED INCOME AND COMPREHENSIVE  
INCOME FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012  
(in HUF mn)

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	Note	Nine month period ended 30 September 2012	Nine month period ended 30 September 2011	Year ended 31 December 2011
Interest Income	12.	544,186	460,077	633,355
Interest Expense	12.	<u>398,418</u>	<u>284,530</u>	<u>387,537</u>
<b>NET INTEREST INCOME</b>	12.	<b><u>145,768</u></b>	<b><u>173,547</u></b>	<b><u>245,818</u></b>
Provision for impairment on loan and placement losses	6.	30,150	51,192	76,439
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>		<b><u>115,618</u></b>	<b><u>124,355</u></b>	<b><u>169,379</u></b>
Net profit from fees and commissions		68,749	79,586	95,356
Net operating income		(7,404)	82,158	41,048
Other administrative expenses		<u>147,405</u>	<u>137,487</u>	<u>180,040</u>
<b>PROFIT BEFORE INCOME TAX</b>		<b><u>29,558</u></b>	<b><u>148,612</u></b>	<b><u>125,743</u></b>
Income tax		<u>(4,987)</u>	<u>18,436</u>	<u>14,995</u>
<b>NET PROFIT FOR THE YEAR</b>		<b><u>34,545</u></b>	<b><u>130,176</u></b>	<b><u>110,748</u></b>
Earnings per share (in HUF)				
Basic		<u>124</u>	<u>468</u>	<u>399</u>
Diluted		<u>124</u>	<u>468</u>	<u>399</u>

*The comprehensive income items are as follows:*

	Nine month period ended 30 September 2012	Nine month period ended 30 September 2011	Year ended 31 December 2011
<b>NET PROFIT FOR THE YEAR</b>	<b><u>34,545</u></b>	<b><u>130,176</u></b>	<b><u>110,748</u></b>
Fair value adjustment of securities available-for-sale	<u>39,573</u>	<u>(9,972)</u>	<u>(22,606)</u>
<b>NET COMPREHENSIVE INCOME</b>	<b><u>74,118</u></b>	<b><u>120,204</u></b>	<b><u>88,142</u></b>



OTP BANK PLC.  
SEPARATE CONDENSED STATEMENT OF CASH FLOWS FOR THE  
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012  
(UNAUDITED) (in HUF mn)

	Nine month period ended 30 September 2012	Nine month period ended 30 September 2011	Year ended 31 December 2011
Profit before income tax	29,558	148,612	125,743
Income tax paid	(3,395)	(5,258)	(11,557)
Depreciation and amortization	15,760	18,291	23,767
Provisions for impairment	64,388	59,022	155,915
Share-based payment	3,600	5,592	6,188
Unrealised (losses) / gains on fair value adjustment of securities available-for-sale and held for trading	(2,707)	1,318	1,757
Unrealised gains / (losses) on fair value adjustment of derivative financial instruments	7,090	(3,691)	(5,570)
Net changing in assets and liabilities in operating activities	<u>24,122</u>	<u>68,126</u>	<u>55,058</u>
<b>Net cash provided by operating activities</b>	<b><u>138,416</u></b>	<b><u>292,012</u></b>	<b><u>351,301</u></b>
<b>Net cash used in investing activities</b>	<b><u>(100,276)</u></b>	<b><u>(500,776)</u></b>	<b><u>(378,209)</u></b>
<b>Net cash (used in) /provided by financing activities</b>	<b><u>(66,216)</u></b>	<b><u>199,841</u></b>	<b><u>84,919</u></b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b><u>(28,076)</u></b>	<b><u>(8,923)</u></b>	<b><u>58,011</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>146,208</u></b>	<b><u>88,197</u></b>	<b><u>88,197</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>118,132</u></b>	<b><u>79,274</u></b>	<b><u>146,208</u></b>
Cash, amounts due from banks and balances with the National Bank of Hungary	226,976	171,677	171,677
Compulsory reserve established by the National Bank of Hungary	<u>(80,768)</u>	<u>(83,480)</u>	<u>(83,480)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>146,208</u></b>	<b><u>88,197</u></b>	<b><u>88,197</u></b>
Cash, amounts due from banks and balances with the National Bank of Hungary	198,673	164,384	226,976
Compulsory reserve established by the National Bank of Hungary	<u>(80,541)</u>	<u>(85,110)</u>	<u>(80,768)</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>118,132</u></b>	<b><u>79,274</u></b>	<b><u>146,208</u></b>

OTP BANK PLC.  
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD  
ENDED 30 SEPTEMBER 2012 (UNAUDITED) (in HUF mn)

	Share Capital	Capital reserve	Share-based payment reserve	Retained earnings and reserves	Put option reserve	Treasury Shares	Total
<b>Balance as at 1 January 2011</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>28</u></b>	<b><u>1,069,329</u></b>	<b><u>(55,468)</u></b>	<b><u>(3,729)</u></b>	<b><u>1,038,212</u></b>
Net profit for the year	-	-	-	130,176	-	-	130,176
Other comprehensive income	-	-	-	(9,972)	-	-	(9,792)
Share-based payment	-	-	5,592	-	-	-	5,592
Payments to ICES holders	-	-	-	(3,043)	-	-	(3,043)
Sale of treasury shares	-	-	-	-	-	2,878	2,878
Loss on sale of treasury shares	-	-	-	(24)	-	-	(24)
Acquisition of treasury shares	-	-	-	-	-	(4,475)	(4,475)
Dividend payable for 2010	-	-	-	(20,160)	-	-	(20,160)
<b>Balance as at 30 September 2011</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>5,620</u></b>	<b><u>1,166,306</u></b>	<b><u>(55,468)</u></b>	<b><u>(5,326)</u></b>	<b><u>1,139,184</u></b>
<b>Balance as at 1 January 2012</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>6,216</u></b>	<b><u>1,130,859</u></b>	<b><u>(55,468)</u></b>	<b><u>(5,519)</u></b>	<b><u>1,104,140</u></b>
Net profit for the year	-	-	-	34,545	-	-	34,545
Other comprehensive income	-	-	-	39,573	-	-	39,573
Share-based payment	-	-	3,600	-	-	-	3,600
Payments to ICES holders	-	-	-	(1,987)	-	-	(1,987)
Sale of treasury shares	-	-	-	-	-	3,369	3,369
Loss on sale of treasury shares	-	-	-	(132)	-	-	(132)
Acquisition of treasury shares	-	-	-	-	-	(2,789)	(2,789)
Dividend for the year 2011	-	-	-	(28,000)	-	-	(28,000)
<b>Balance as at 30 September 2012</b>	<b><u>28,000</u></b>	<b><u>52</u></b>	<b><u>9,816</u></b>	<b><u>1,174,858</u></b>	<b><u>(55,468)</u></b>	<b><u>(4,939)</u></b>	<b><u>1,152,319</u></b>

**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 functional 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 at the balance sheet date.

**NOTE 2: SIGNIFICANT EVENTS DURING THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012**

There were no relevant events.

**NOTE 3: POST BALANCE SHEET EVENTS**

There were no relevant events.

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

	30 September 2012	31 December 2011
<i>Held for trading securities:</i>		
Corporate shares	92,878	87,871
Hungarian government discounted Treasury Bills	17,964	4,146
Government bonds	6,169	22,846
Mortgage bonds	1,455	5,776
Securities issued by the NBH	193	1,715
Hungarian government interest bearing Treasury Bills	932	115
Securities issued by credit institutions	33	2,093
Other securities	395	314
	<b><u>120,019</u></b>	<b><u>124,876</u></b>
Accrued interest	733	1,083
<b>Total</b>	<b><u>120,752</u></b>	<b><u>125,959</u></b>
<i>Derivative financial instruments designated as held for trading:</i>		
CCIRS <sup>1</sup> and mark-to-market CCIRS swaps designated as held for trading	61,089	66,281
Interest rate swaps designated as held for trading	57,711	39,442
Foreign currency swaps designated as held for trading	23,825	24,329
Other derivative transactions	7,022	16,566
	<b><u>149,647</u></b>	<b><u>146,618</u></b>
<b>Total</b>	<b><u>270,399</u></b>	<b><u>272,577</u></b>

<sup>1</sup> CCIRS: Cross Currency Interest Rate Swap



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

	30 September 2012	31 December 2011
Mortgage bonds	943,901	863,422
Bonds issued by NBH	695,259	497,198
Government bonds	325,723	260,681
Other securities	66,682	49,623
<i>-listed securities</i>	<u>38,142</u>	<u>27,414</u>
<i>in HUF</i>	-	-
<i>in foreign currency</i>	38,142	27,414
<i>-non-listed securities</i>	<u>28,540</u>	<u>22,209</u>
<i>in HUF</i>	26,564	20,387
<i>in foreign currency</i>	<u>1,976</u>	<u>1,822</u>
<b>Subtotal</b>	<b><u>2,031,565</u></b>	<b><u>1,670,924</u></b>
Accrued interest	<u>37,262</u>	<u>40,494</u>
<b>Total</b>	<b><u>2,068,827</u></b>	<b><u>1,711,418</u></b>

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

	30 September 2012	31 December 2011
Short-term loans and trade bills (within one year)	883,351	995,053
Long-term loans and trade bills (over one year)	<u>1,682,711</u>	<u>1,891,447</u>
	<b><u>2,566,062</u></b>	<b><u>2,886,500</u></b>
Accrued interest	<u>13,211</u>	<u>15,651</u>
Provision of impairment on loan losses	<u>(147,986)</u>	<u>(160,324)</u>
<b>Total</b>	<b><u>2,431,287</u></b>	<b><u>2,741,827</u></b>

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

	30 September 2012		31 December 2011	
Corporate loans	1,795,299	70%	2,044,081	71%
Consumer loans	342,906	13%	350,256	12%
Municipality loans	281,950	11%	308,334	11%
Housing loans	88,626	4%	115,044	4%
Mortgage backed loans	<u>57,281</u>	<u>2%</u>	<u>68,785</u>	<u>2%</u>
<b>Total</b>	<b><u>2,566,062</u></b>	<b><u>100%</u></b>	<b><u>2,886,500</u></b>	<b><u>100%</u></b>

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

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

	30 September 2012	31 December 2011
In HUF	37%	32%
In foreign currency	<u>63%</u>	<u>68%</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

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

	30 September 2012	31 December 2011
<b>Balance as at 1 January</b>	<b>160,324</b>	<b>134,621</b>
Provision for the period	54,913	129,912
Release of provision	<u>(67,251)</u>	<u>(104,209)</u>
<b>Closing balance</b>	<b><u>147,986</u></b>	<b><u>160,324</u></b>

**NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)**

	30 September 2012	31 December 2011
Investments in subsidiaries:		
Controlling interest	909,701	880,136
Other	<u>1,021</u>	<u>1,021</u>
	<b><u>910,722</u></b>	<b><u>881,157</u></b>
Provision for impairment	<u>(265,011)</u>	<u>(229,448)</u>
<b>Total</b>	<b><u>645,711</u></b>	<b><u>651,709</u></b>

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

	30 September 2012	31 December 2011
<b>Balance as at 1 January</b>	<b>229,448</b>	<b>147,228</b>
Provision for the period	35,563	83,531
Release of provision	<u>-</u>	<u>(1,311)</u>
<b>Closing balance</b>	<b><u>265,011</u></b>	<b><u>229,448</u></b>

**Capital increase at OTP banka Srbija**

On 10 September 2012 the Securities Commission of Montenegro approved the conversion of the Lower Tier2 Capital provided by OTP Bank Plc. to CKB into ordinary shares. The principal amount of the Lower Tier 2 Capital was EUR 7,999,673. The registered capital of CKB changed to EUR 126,875,551 as verified by the Central Custodian in its certificate issued on 12 September 2012.

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

	30 September 2012	31 December 2011
Government bonds	62,726	55,260
Mortgage bonds	4,786	59,887
Hungarian government discounted Treasury bills	<u>344</u>	<u>346</u>
	<b><u>67,856</u></b>	<b><u>115,493</u></b>
Accrued interest	<u>2,047</u>	<u>4,974</u>
<b>Total</b>	<b><u>69,903</u></b>	<b><u>120,467</u></b>

**NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)**

	30 September 2012	31 December 2011
Within one year:		
In HUF	2,695,850	2,791,891
In foreign currency	<u>600,054</u>	<u>582,330</u>
	<b><u>3,295,904</u></b>	<b><u>3,374,221</u></b>
Over one year:		
In HUF	24,324	25,397
In foreign currency	<u>2,006</u>	<u>4,645</u>
	<b><u>26,330</u></b>	<b><u>30,042</u></b>
<b>Subtotal</b>	<b><u>3,322,234</u></b>	<b><u>3,404,263</u></b>
Accrued interest	<u>19,513</u>	<u>11,958</u>
<b>Total</b>	<b><u>3,341,747</u></b>	<b><u>3,416,221</u></b>

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

	30 September 2012		31 December 2011	
Retail deposits	1,812,928	54%	1,978,914	58%
Corporate deposits	1,289,344	39%	1,260,824	37%
Municipality deposits	<u>219,962</u>	<u>7%</u>	<u>164,525</u>	<u>5%</u>
<b>Total</b>	<b><u>3,322,234</u></b>	<b><u>100%</u></b>	<b><u>3,404,263</u></b>	<b><u>100%</u></b>

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

	30 September 2012	31 December 2011
Within one year:		
In HUF	244,651	312,155
In foreign currency	<u>36,414</u>	<u>54,820</u>
	<b><u>281,065</u></b>	<b><u>366,975</u></b>
Over one year:		
In HUF	88,082	74,279
In foreign currency	<u>4,615</u>	<u>2,245</u>
	<b><u>92,697</u></b>	<b><u>76,524</u></b>
<b>Subtotal</b>	<b><u>373,762</u></b>	<b><u>443,499</u></b>
Accrued interest	<u>10,618</u>	<u>9,924</u>
<b>Total</b>	<b><u>384,380</u></b>	<b><u>453,423</u></b>

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

*(a) Contingent liabilities and commitments*

	30 September 2012	31 December 2011
Commitments to extend credit	752,920	697,144
Guarantees arising from banking activities	399,671	642,165
<i>from this: Payment undertaking liabilities (related to issue of mortgage bonds) of OTP Mortgage Bank</i>	<u>93,312</u>	<u>163,294</u>
Legal disputes (disputed value)	3,630	11,066,974
Confirmed letters of credit	848	189
Other	<u>1,738</u>	<u>1,081</u>
<b>Total</b>	<b><u>1,158,807</u></b>	<b><u>12,407,553</u></b>

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 Victims of Hungarian Holocaust initiated a class action against, amongst others, OTP Bank Plc. before the United States District Court Northern District of Illinois. OTP Bank Plc. emphasises that „Országos Takarékpénztár Nemzeti Vállalat” was established on 1 March 1949 with no predecessor. OTP Bank Plc. considers the claim against it entirely unfounded.

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 446 million and HUF 408 million as at 30 September 2012 and 31 December 2011 respectively.

On 23 August OTP Bank announced that the United States Court of Appeals granted the petition for writs of mandamus submitted by OTP Bank and ordered the district court to dismiss the plaintiffs’ claims against OTP Bank for lack of personal jurisdiction in the class action. OTP Bank maintains that plaintiffs’ claim against it has been unfounded in its entirety.

**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	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
<b>Interest rate swaps designated as held for trading</b>				
Positive fair value of interest rate swaps designated as held for trading	57,711	39,442	45,978	34,064
Negative fair value of interest rate swaps designated as held for trading	(63,350)	(40,577)	(56,478)	(37,496)
<b>Foreign exchange swaps designated as held for trading</b>				
Positive fair value of foreign exchange swaps designated as held for trading	23,825	24,329	24,759	28,486
Negative fair value of foreign exchange swaps designated as held for trading	(6,844)	(52,810)	(7,474)	(48,163)
<b>Interest rate swaps designated as fair value hedge</b>				
Positive fair value of interest rate swaps designated in fair value hedge	1,971	2,329	(3,286)	3,526
Negative fair value of interest rate swaps designated in fair value hedge	(6,545)	(12,563)	(2,594)	(10,980)
<b>CCIRS designated as held for trading</b>				
Positive fair value of CCIRS designated as held for trading	46,783	56,312	44,732	57,825
Negative fair value of CCIRS designated as held for trading	(142,456)	(232,564)	(144,552)	(257,590)
<b>Mark-to-market CCIRS designated as held for trading</b>				
Positive fair value of mark-to-market CCIRS designated as held for trading	14,305	9,969	10,800	(7,925)
Negative fair value of mark-to-market CCIRS designated as held for trading	(3,492)	(5,577)	(4,685)	(10,950)
<b>Other derivative contracts designated as held for trading</b>				
Positive fair value of other derivative contracts designated as held for trading	7,022	16,566	4,839	14,742
Negative fair value of other derivative contracts designated as held for trading	(6,362)	(14,428)	(4,725)	(12,670)
<b>Derivative financial assets total</b>	<b><u>151,617</u></b>	<b><u>148,947</u></b>	<b><u>127,822</u></b>	<b><u>130,718</u></b>
<b>Derivative financial liabilities total</b>	<b><u>(229,049)</u></b>	<b><u>(358,519)</u></b>	<b><u>(220,508)</u></b>	<b><u>(377,849)</u></b>
<b>Derivative financial instruments total</b>	<b><u>(77,432)</u></b>	<b><u>(209,572)</u></b>	<b><u>(92,686)</u></b>	<b><u>(247,131)</u></b>

As at 30 September 2012 the Bank has derivative instruments with positive fair values of HUF 151,617 million and negative fair values of HUF 229,049 million. Corresponding figures as at 31 December 2011 are HUF 148,947 million and HUF 358,519 million.

Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, 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 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 designated as held for trading line.

**NOTE 12: NET INTEREST INCOME (in HUF mn)**

	Nine month period ended 30 September 2012	Nine month period ended 30 September 2011	Year ended 31 December 2011
<i>Interest Income:</i>			
Loans	163,337	168,615	230,529
Placements with other banks, net of allowance for placement losses	274,134	191,006	268,998
Securities available-for-sale	94,955	86,654	115,841
Securities held-to-maturity	5,418	7,655	9,637
Amounts due from banks and balances with National Bank of Hungary	5,128	4,699	6,274
Securities held for trading	<u>1,214</u>	<u>1,448</u>	<u>2,076</u>
<b>Total Interest Income</b>	<b><u>544,186</u></b>	<b><u>460,077</u></b>	<b><u>633,355</u></b>
<i>Interest Expense:</i>			
Amounts due to banks and deposits from the National Bank of Hungary, other banks and the Hungarian Government	261,383	152,750	214,376
Deposits from customers	105,571	97,802	128,253
Liabilities from issued securities	18,705	22,061	28,370
Subordinated bonds and loans	<u>12,759</u>	<u>11,917</u>	<u>16,538</u>
<b>Total Interest Expense</b>	<b><u>398,418</u></b>	<b><u>284,530</u></b>	<b><u>387,537</u></b>
<b>NET INTEREST INCOME</b>	<b><u>145,768</u></b>	<b><u>175,547</u></b>	<b><u>245,818</u></b>

**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.:**

	Nine month period ended 30 September 2012	Nine month period ended 30 September 2011
Loans sold to OTP Mortgage Bank Ltd. with recourse (including interest)	1,784	4,354
The gross book value of the loans sold	1,783	4,352
Fees and commissions received from OTP Mortgage Bank Ltd. relating to the loans	2,581	13,500
Provision for the repurchase obligation of non-performing loans originated by OTP Mortgage Bank Ltd.	-	141

**Transactions related to OTP Factoring Ltd.:**

	Nine month period ended 30 September 2012	Nine month period ended 30 September 2011
Loans sold to OTP Factoring Ltd. without recourse (including interest)	15,461	26,645
The gross book value of the loans	45,672	56,466
Provision for loan losses on the loans sold	23,875	21,597
Loss of these transaction (recorded in the separate financial statements as loan and placement loss)	6,336	8,224

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