

OTP MORTGAGE BANK LTD.

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

FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2021

OTP MORTGAGE BANK LTD.

CONTENTS

	<u>Page</u>
Interim Financial Report containing	
Consolidated Condensed Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union	
Consolidated Statement of Financial Position as at 30 June 2021 (unaudited)	2
Consolidated Condensed Statement of Profit or Loss and Consolidated Statement of Comprehensive Income for the six month period ended 30 June 2021 (unaudited)	3
Consolidated Condensed Statement of Changes in Shareholders' Equity for the six month period ended 30 June 2021 (unaudited)	4
Consolidated Condensed Statement of Cash Flows for the six month period ended 30 June 2021 (unaudited)	5
Selected Explanatory Notes	6-16

OTP MORTGAGE BANK LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (UNAUDITED) (in HUF million)

	<i>Note</i>	30 June 2021	31 December 2020	30 June 2020
Cash, amounts due from banks and balances with the National Bank of Hungary		12,173	6,313	13,046
Placements with other banks, net of allowance for placement losses	4.	137,680	125,781	141,449
Securities at fair value through other comprehensive income	5.	17,037	18,273	18,036
Securities at amortised cost	6.	121,076	108,455	75,912
Loans at amortised cost and mandatorily measured at fair value through profit or loss	7.	1,425,276	1,318,867	1,245,674
Intangible assets		184	192	137
Property and equipment		57	66	83
Right of use assets		399	462	365
Current tax assets		32	1,061	662
Derivative financial assets designated as hedge accounting	11.	1,833	442	553
Other assets		<u>4,728</u>	<u>5,007</u>	<u>4,249</u>
TOTAL ASSETS		<u>1,720,475</u>	<u>1,584,919</u>	<u>1,500,166</u>
Amounts due to banks and Hungarian Government, deposits from the National Bank of Hungary and other banks	8.	795,440	692,906	692,188
Liabilities from issued securities	9.	819,042	807,513	710,848
Derivative financial liabilities designated as hedge accounting	11.	456	780	1,190
Deferred tax liabilities		(73)	4	15
Current tax liabilities		311	146	138
Leasing liabilities		419	492	384
Other liabilities		<u>11,106</u>	<u>7,200</u>	<u>15,869</u>
TOTAL LIABILITIES		<u>1,626,701</u>	<u>1,509,041</u>	<u>1,420,632</u>
Share capital		37,000	37,000	37,000
Retained earnings and reserves		<u>56,774</u>	<u>38,878</u>	<u>42,534</u>
TOTAL SHAREHOLDER'S EQUITY		<u>93,774</u>	<u>75,878</u>	<u>79,534</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>1,720,475</u>	<u>1,584,919</u>	<u>1,500,166</u>

Budapest, 12 August 2021

.....


András Becsei
Chief Executive Officer

.....


Petra Szudárovicsné Csonka
Chief Financial Officer

OTP MORTGAGE BANK LTD.
CONSOLIDATED CONDENSED STATEMENT OF PROFIT OR LOSS AND
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021
(UNAUDITED) (in HUF million)

	Note	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
Interest Income	12.	37,626	32,864	69,778
Interest Expense	12..	(18,718)	(16,435)	(34,740)
NET INTEREST INCOME	.	<u>18,908</u>	<u>16,429</u>	<u>35,038</u>
Release of Provision for impairment on loan and placement losses		4,336	(5,764)	(19,321)
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		23,244	10,665	15,717
GAINS / (LOSSES) ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST		7	(158)	(178)
Modification losses		-	-	(9,584)
Net fees and commissions		<u>(1,558)</u>	<u>(1,117)</u>	<u>(4,457)</u>
Net operating income		<u>(712)</u>	<u>(7,144)</u>	<u>(1,405)</u>
Other administrative expenses		<u>(3,973)</u>	<u>(4,454)</u>	<u>(6,729)</u>
PROFIT BEFORE INCOME TAX		17,008	(2,208)	(6,636)
Income tax		<u>(1,452)</u>	<u>(37)</u>	<u>51</u>
NET PROFIT FOR THE PERIOD		<u>15,556</u>	<u>(2,171)</u>	<u>6,585</u>
Earnings per share (in HUF)				
Basic and diluted		<u>42,043</u>	<u>(5.87)</u>	<u>(17.797)</u>
		Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
NET PROFIT FOR THE PERIOD	Note	<u>15,556</u>	<u>(2,171)</u>	<u>(6,585)</u>
Items that may be reclassified subsequently to profit or loss:				
Fair value adjustment of securities at fair value through other comprehensive income		(604)	(278)	(240)
Deferred tax related to securities at fair value through other comprehensive income		55	25	23
Fair value adjustment of derivative financial instruments		2,871	(415)	292
Other comprehensive income, net of income tax		<u>2,322</u>	<u>(668)</u>	<u>75</u>
NET COMPREHENSIVE INCOME		<u>17,878</u>	<u>(2,839)</u>	<u>(6,510)</u>

OTP MORTGAGE BANK LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021
(UNAUDITED) (in HUF million)

	Share Capital	Capital reserve	Retained earnings and other reserves	Total
Balance as at 1 January 2020	<u>37,000</u>	<u>476</u>	<u>44,878</u>	<u>82,354</u>
Net profit for the period	-	-	(2,171)	(2,171)
Other comprehensive income	-	-	(668)	(668)
Total comprehensive income	<u>37,000</u>	<u>476</u>	<u>42,039</u>	<u>79,515</u>
Share-based payments	-	-	19	19
Other transactions with owners	<u>37,000</u>	<u>476</u>	<u>42,058</u>	<u>79,534</u>
Balance as at 30 June 2020	<u>37,000</u>	<u>476</u>	<u>42,058</u>	<u>79,534</u>
Balance as at 1 January 2021	<u>37,000</u>	<u>476</u>	<u>38,402</u>	<u>75,878</u>
Net profit for the period	-	-	15,556	15,556
Other comprehensive income	-	-	2,322	2,322
Total comprehensive income	<u>37,000</u>	<u>476</u>	<u>56,280</u>	<u>93,756</u>
Share-based payments	-	-	18	18
Other transactions with owners	<u>37,000</u>	<u>476</u>	<u>56,298</u>	<u>93,774</u>
Balance as at 30 June 2021	<u>37,000</u>	<u>476</u>	<u>56,298</u>	<u>93,774</u>

OTP MORTGAGE BANK LTD.
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021
(UNAUDITED) (in HUF million)

	Six month period ended 30 June 2021	Year ended 31 December 2020	Six month period ended 30 June 2020
Profit before income tax	17,008	(2,208)	(6,636)
Net accrued interest	2,985	4,238	(20,036)
Depreciation and amortization	131	119	293
Loss allowance on loans and placements	(5,391)	4,343	16,250
Loss allowance on securities at fair value through other comprehensive income	12	(4)	11
Loss allowance on securities at amortised cost	118	63	173
Loss allowance on other assets	(28)	(6)	57
Provision on off-balance sheet commitments and contingent liabilities	1,081	7,430	45
Share-based payment	18	19	34
Unrealised gain on fair value adjustment of financial instruments at fair value through profit or loss	465	1,669	2,851
Unrealised losses on fair value adjustment of derivative financial instruments	(1,768)	(1,724)	3,228
Interest expense from leasing liabilities	(3)	(4)	(7)
Net cash provided by operating activities	<u>15,771</u>	<u>(44,950)</u>	<u>(147,911)</u>
Net cash used in investing activities	<u>(9,114)</u>	<u>(74,043)</u>	<u>(101,590)</u>
Net cash used in financing activities	<u>(801)</u>	<u>129,456</u>	<u>253,230</u>
Net increase in cash and cash equivalents	<u>5,856</u>	<u>10,462</u>	<u>3,729</u>
Cash and cash equivalents at the beginning of the year	<u>6,302</u>	<u>2,573</u>	<u>2,573</u>
Cash and cash equivalents at the end of the half-year	<u>12,158</u>	<u>13,035</u>	<u>6,302</u>

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans

In 2020, the Bank changed its accounting policy regarding the classification and valuation of a particular class of subsidized retail loans. The interest payments on the retail loans are determined on the basis of the government bond reference yields and a multiplier. Previously, in accordance with the Bank's accounting policy, these loans were measured at amortised cost. For the year ended 31 December 2020, the Bank classified this type of loan as measured at fair value through profit or loss. The new accounting policy is in line with the practices of the majority of the players in the banking sector, thus better facilitating comparability. Therefore, in the Bank's opinion, the change in accounting policy results in a more reliable, comparable and relevant presentation of the effects of the loans in question on the Bank's financial position and financial performance in the financial statements.

In parallel with the change in accounting policy, the Bank also changed the structure of the balance sheet. In the statement of financial position, the Bank presents loans in a uniform manner, based on the nature of the instruments, on the line Loans, regardless of their classification and valuation category. The amounts presented under Loans are disclosed in the relevant Note by valuation category.

The new accounting policy is applied retrospectively by the Bank as if it had always applied this accounting policy. The Bank has made the following adjustments to the comparative figures. At the beginning of the comparative period and at the end of the comparative period, the change in accounting policy did not result in a material change in the carrying amount of the loans involved or equity. Therefore, the Bank did not change the related balance sheet values for the adjustment relating to periods before those presented, the statement, the statement of financial position contains only the data at the end of the current period and at the end of the comparative period.

As a result of the change in accounting policy, the Bank adjusted the data of the comparative period in the statement of profit or loss in accordance with the profit or loss items of the fair valuation categories. Due to the unchanged carrying amounts in the balance sheet, this amendment resulted in the following reclassification between profit or loss categories:

- The Bank recognizes interest income on loans measured at fair value through profit or loss for the period in the Income similar to Interest Income line at the value corresponding to transactional interest. The comparative value of the line of interest income calculated using the effective interest rate method has been reduced accordingly by the interest income of the respective loans determined using the previously applied effective interest rate method.
- The Bank presents the amount of commission income and commission expenses related to loans at fair value through profit or loss in the Fee and commission income and Fee and commission expense lines.
- The Bank presents the change in the fair value of loans measured at fair value through profit or loss, broken down into two components:
 - The Bank presents the portion of the change in fair value arising from changes in credit risk within Risk cost as Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit or loss. This amount is determined using expected credit loss models used for loans measured at amortized cost. The comparative amount of Loss allowance on loans, placements and repo receivables has been reduced accordingly with the loss allowance and reversal amounts for the respective loans.
 - The Bank presents the remaining component of the change in fair value under the (Losses) / Gains on financial instruments at fair value through profit or loss.

The change in accounting policy did not impact the net profit for the comparative period, nor the comparative earnings per ordinary share.

In accordance with the new accounting policy, the Bank has amended its respective disclosure notes. In the comparative figures, the Bank has reduced the previously disclosed amortized cost, gross carrying amount, impairment and fair value data by the amounts related to the loans concerned. The Bank has also amended its disclosures in the notes on assets at fair value through profit or loss for comparative information. These amendments have been marked "Revised" by the Bank. The Bank has also revised the presentation of the detailed notes to the amended profit or loss line items for comparative information in accordance with the new values in the statement of profit or loss. These amendments have been marked "Reclassified" in the notes.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS [continued]

Comparative figures - Change in the classification and valuation policy of certain subsidized retail loans [continued]

Line item	30 June 2021	31 December 2020 Revised presentation	Reclassification of amount related to derecognition of financial assets at amortised cost	31 December 2020	30 June 2020 Revised presentation	Reclassification of amount related to derecognition of financial assets at amortised cost	Reclassification of amounts related to mandatorily measured at fair value through profit or loss	30 June 2020 As previously presented
Interest income calculated using the effective interest method	30,430	56,687	-	56,687	26,928	-	(599)	27,527
Income similar to interest income	7,196	13,091	-	13,091	5,936	-	-	5,936
Interest income	37,626	69,778	-	69,778	32,864	-	(599)	33,463
Interest expense	(18,718)	(34,740)	-	(34,740)	16,435	-	-	(16,435)
Loss allowance on loan losses	5,430	15,811	(178)	15,989	4,318	(158)	(1,056)	5,532
Change in the fair value attributable to changes in the credit risk of loans mandatorily measured at fair value through profit of loss	(964)	2,851	-	2,851	1,063	-	1,063	-
Further risk cost items	(130)	659	-	659	383	-	-	383
Risk cost total	4,336	19,321	(178)	19,499	5,764	158	7	5,915
NET INTEREST INCOME AFTER RISK COST	<u>14,572</u>	<u>15,717</u>	<u>178</u>	<u>15,539</u>	<u>10,665</u>	<u>158</u>	<u>(606)</u>	<u>11,113</u>
(LOSSES) ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST	(7)	(178)	(178)	-	(158)	(158)	-	-
(Losses) / Gains on financial instruments at fair value through profit or loss	499	(921)	-	(921)	606	-	606	-
NET OPERATING INCOME	<u>(712)</u>	<u>(1,405)</u>	<u>-</u>	<u>(1,405)</u>	<u>(7,144)</u>	<u>-</u>	<u>606</u>	<u>(7,750)</u>

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS [continued]

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.

OTP Mortgage Bank's ("Bank") functional currency is the Hungarian Forint ("HUF").

The accounting policies followed by the Bank in the preparation of these financial statements conform with International Financial Reporting Standards ("IFRS"). 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 SIX MONTH PERIOD ENDED 30 JUNE 2021

A 317/2021. (VI. 9.), the payment moratorium was extended until 30 September 2021. Based on these, on June 30, 2021, OJB formed a provision of HUF 614 million.

NOTE 3: SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There was no significant post balance sheet event.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

<u>NOTE 4:</u>	PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF million)	
	30 June 2021	31 December 2020
Within one year in HUF	8,086	9,735
Over one year in HUF	130,033	116,446
Subtotal	<u>138,119</u>	<u>126,181</u>
Loss allowance	<u>(439)</u>	<u>(400)</u>
Total	<u>137,680</u>	<u>125,781</u>
From this: amounts due from OTP Bank	2,443	1,306
	30 June 2021	31 December 2020
Interest conditions on placements with other banks		
Within one year in HUF	0.36%-0.90%	0.36%-0.75%
Over one year in HUF	1.50% - 1.76%	1.45%-1.71%
Average interest of placements with other banks in HUF	1.57%	1.41%

<u>NOTE 5:</u>	SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF million)	
	30 June 2021	31 December 2020
Hungarian Government bonds	<u>17,037</u>	<u>18,273</u>
Total	<u>17,037</u>	<u>18,273</u>

The whole portfolio was denominated in HUF as at 30 June 2020.

Interest conditions and the remaining maturity of securities at fair value through other comprehensive income can be analysed as follows:

	30 June 2021	31 December 2020
Within one year, fixed interest	17,019	-
Over one year, fixed interest	-	17,832
Interest conditions of securities at fair value through other comprehensive income	5.5%	5.5%

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 5: **SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (in HUF million) [continued]**

The valuation of the securities at fair value through other comprehensive income was as follows as at 30 June 2021:

	30 June 2021	Fair value
	Amortised cost	
Hungarian Government bonds	<u>16,708</u>	<u>17,019</u>
Total	<u>16,708</u>	<u>17,019</u>

The valuation of the securities at fair value through other comprehensive income was as follows as at 30 June 2020:

	30 June 2020	Fair value
	Amortised cost	
Hungarian Government bonds	<u>16,905</u>	<u>17,832</u>
Total	<u>16,905</u>	<u>17,832</u>

NOTE 6: **SECURITIES AT AMORTISED COST (in HUF million)**

	30 June 2021	31 December 2020
Government bonds	121,367	108,628
Subtotal	<u>121,367</u>	<u>108,628</u>
Loss allowance	(291)	<u>(173)</u>
Total	<u>121,076</u>	<u>108,455</u>

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

	30 June 2021	31 December 2020
Balance as at 1 January	173	-
Loss allowance	120	366
Release of loss allowance	(2)	(193)
Closing balance	<u>291</u>	<u>173</u>

The distribution of the securities at amortised cost by currency (%):

	30 June 2021	31 December 2020
Interest rates on securities at amortised cost	1% - 3%	1% - 3%
Average interest on securities at amortised cost denominated in HUF	2.29%	2.13%

Interest conditions and the remaining maturities of securities at amortised cost can be analysed as follows:

	30 June 2021	31 December 2020
Over one year:		
variable interest	-	-
fixed interest	120,454	<u>107,982</u>
Total	<u>120,454</u>	<u>107,982</u>

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 7: LOANS (in HUF million)

Loans measured at fair value through profit or loss

	30 June 2021	31 December 2020
Within one year	32,064	23,039
Over one year	<u>326,777</u>	<u>294,996</u>
Loans measured at fair value through profit or loss total	<u>358,841</u>	<u>318,035</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

	30 June 2021	31 December 2020
Within one year	105,090	91,291
Over one year	976,194	929,803
Loans gross total	<u>1,081,284</u>	<u>1,021,094</u>
Provision for impairment on loan losses	<u>(14,849)</u>	<u>(20,262)</u>
Total	<u>1,066,435</u>	<u>1,000,832</u>

An analysis of the loan portfolio by currency (%):

	30 June 2021	31 December 2020
In HUF	99.98%	99.98%
In foreign currency	<u>0.02%</u>	<u>0.02%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Interest rates of the loan portfolio mandatorily measured at fair value through profit or loss are as follows (%):

	30 June 2021	31 December 2020
Loans denominated in HUF	1.08% - 10.83%	0.77% - 12.83%
Average interest on loans denominated in HUF	2.19%	4.70%

Interest rates of the loan portfolio measured at amortised cost are as follows (%):

	30 June 2021	31 December 2020
Loans denominated in HUF, with a maturity within one year	0.01% - 14.836%	0.79%- 21.47%
Loans denominated in HUF, with a maturity over one year	0.01% - 14.836%	0.79%- 21.47%
Loans denominated in foreign currency	1.74% - 6.61%	3.82%-8.65%
Average interest on loans denominated in HUF	2.73%	5.17%
Average interest on loans denominated in foreign currency	0.21%	4.93%

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 7: LOANS (in HUF million) [continued]

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

	30 June 2021		31 December 2020	
Mortgage loans	1,078,419	75.14%	1,018,134	75.80%
Retail and corporate loans	2,865	0.20%	2,960	0.22%
Loans at amortised cost total	1,081,284	75.34%	1,021,094	76.02%
Loans at fair value total	353,859	24.66%	322,053	23.98%
Gross loans total	1,435,143	100.00%	1,343,147	100.00%

An analysis of the change in the loss allowance on loans at amortised cost is as follows:

	30 June 2021	31 December 2020
Balance as at 1 January	20,262	4,504
Provision for the period	9,961	23,159
Release of provision	(15,255)	(7,252)
Other movement	(7)	(45)
Partial write-off	(112)	(104)
)Closing balance	<u>14,849</u>	<u>20,262</u>

A significant part of the loans above are mortgage loans for purchasing real estate or home equity loans. The loans have collateral notified in the public property register in favour of OTP Mortgage Bank. Such loans and their collateral are included in the Bank's register and mortgage bonds can be issued up to this registered amount. The remaining parts of the loans are real estate development loans given to individual farmers that work in the agro-industry. Real estate and arable land can be accepted as collateral of these loans.

OTP Mortgage Bank Ltd. only provides loans with the original maturity over one year.

Loss allowance on loans at amortised cost and placements with other banks is summarized as below:

	30 June 2021	31 December 2020
Loss allowance on placements with other banks	39	261
Loss allowance on loans at amortised cost	(4,466)	15,989
Total	<u>(4,427)</u>	<u>16,250</u>

The Bank sells non-performing non-subsidised loans without recourse at estimated fair value to an OTP Group member, OTP Faktoring Ltd. In addition, the Bank sells non-performing subsidised loans without recourse at estimated fair value to OTP Bank Plc.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 8: AMOUNTS DUE TO BANKS AND HUNGARIAN GOVERNMENT, DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF million)

	30 June 2021	31 December 2020
Within one year		
In HUF	636,011	545,506
Total in foreign currency	258	310
	636,269	545,816
Over one year in HUF	159,171	147,090
Total	795,440	692,906
From this: amounts due to OTP Bank	675,713	585,732

Interest conditions on amounts due to OTP Bank and other banks

	30 June 2021	31 December 2020
Within one year		
In HUF	0.8%-0.9%	0%-0.75%
In foreign currency	(0.75)%-0.07%	(0.5)%-0.05%
Over one year		
In HUF	0.6%- 1.31%	0.6%-1.01%

NOTE 9: LIABILITIES FROM ISSUED SECURITIES (in HUF million)

	30 June 2021	31 December 2020
Within one year:		
In HUF	142,900	130,430
	142,900	130,430
Over one year		
In HUF	676,142	677,083
	676,142	677,083
Total	819,042	807,513
Issued mortgage bonds during the period (nominal value)	-	310,100
Mortgage bonds became due or repurchased during the period (nominal value)	-	70,000

Interest conditions on issued securities:

	30 June 2021	31 December 2020
In HUF	1.01%-11.00%	1.05%-11.00%

Face value and interest of mortgage bonds issued by OTP Mortgage Bank shall not exceed registered normal and additional collaterals (face value and interest). The Mortgage Bank keeps record of loans, normal and additional collateral values which are shown separately. Independent property inspector monitors the availability of mortgage bond's collateral values in accordance with regulations, the registration of loans, and its pledges as collaterals as the normal collateral of the mortgage bonds, those property register data and the normal and additional collateral in the coverage register.

In the first half of 2021, OTP Mortgage Bank didn't have maturing mortgage bond, and didn't issue any mortgage bonds.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 10: OFF-BALANCE SHEET ITEMS (in HUF million)

	30 June 2021	31 December 2020
Commitments to extend credit	58,770	40,783
<i>Contingent liabilities and commitments total in accordance with IFRS 9</i>	58,770	40,783
Current litigations	831	1,144
<i>Contingent liabilities and commitments total in accordance with IAS 37</i>	831	1,144
Total	<u>59,601</u>	<u>41,927</u>

NOTE 11: DERIVATIVE FINANCIAL INSTRUMENTS (in HUF million)

Fair value of derivative instruments

	30 June 2021		31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments designated as hedge accounting				
Derivatives designated in fair value hedges				
Interest rate swap	-	(428)	309	-
Derivatives designated in cash flow hedges				
Interest rate swaps	1,833	(28)	113	(780)
Total derivatives designated in cash flow hedges	<u>1,833</u>	<u>(456)</u>	<u>442</u>	<u>(780)</u>

NOTE 12: NET INTEREST INCOME (in HUF million)

	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
Interest income accounted for using the effective interest rate method from / on			
Loans at amortised cost	25,335	20,544	46,447
FVOCI securities	205	214	426
Placements with other banks	1,033	893	1,881
Securities at amortized cost	797	153	763
Amounts due from banks and balances with National Bank of Hungary	31	28	61
Interest subsidy on housing loans financed by mortgage bonds	3,029	5,096	7,109
Subtotal	<u>30,430</u>	<u>26,928</u>	<u>56,687</u>
Income similar to interest income			
Loans mandatorily measured at fair value through profit or loss	7,425	6,174	13,512
Swap and forward deals related to Placements with other banks	(229)	-238	-421
Subtotal	<u>7,196</u>	<u>5,936</u>	<u>13,091</u>
Interest income total	<u>37,626</u>	<u>32,864</u>	<u>69,778</u>
Interest expense due to / from / on			
Amounts due to banks and deposits from the National Bank of Hungary and other banks	5,385	3,426	7,674
Leasing liabilities	-	4	9
Liabilities from issued securities	13,333	13,005	27,057
Subtotal	<u>18,718</u>	<u>16,435</u>	<u>34,740</u>

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 13: RELATED PARTY TRANSACTIONS (in HUF million)

13.1. Outstanding balances/Transactions due from or due to OTP Bank

13.1.1. Outstanding balances in the consolidated Statement of Financial Position related to OTP Bank

The Bank had the following assets and liabilities due from or due to the OTP Bank:

Assets	30 June 2021	31 December 2020
Cash, amounts due from OTP Bank	12,173	4,305
Placements with OTP Bank	2,443	1,306
Accrued receivables	230	25
Liabilities	30 June 2021	31 December 2020
Amounts due to OTP Bank and other banks	(675,713)	(585,732)
Face value of issued mortgage bonds held by OTP Bank	(183,624)	(221,333)
Accrued interest expense due to OTP Bank	(7,327)	(3,345)
Other liabilities due to OTP Bank	(4,248)	(1,617)

13.1.2. Transactions in the consolidated Statement of Profit or Loss related to OTP Bank

	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
Interest income	597	874	1,223
Interest expense	(2,347)	(12,534)	(3,763)
Account handling fees paid to OTP Bank	2,387	1,466	2,933
Other fees and commissions relating to lending received from OTP Bank	406	(378)	807
Other fees and commissions relating to lending paid to OTP Bank	(1,351)	1,463	(4,457)
Revenue from the value appraisal activity from OTP Bank	405	377	798

13.2. Outstanding balances related to key management personnel

The management, the members of the Board of Directors and the Supervisory Board and their close relatives have loans of HUF 2,965 million as at 30 June 2021. These loans were covered by HUF 5,624 million mortgages and loanlines, which loans finance on a market basis.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

NOTE 13: RELATED PARTY TRANSACTIONS (in HUF million) [continued]

13.3. Outstanding balances/Transactions related to other related parties

13.3.1. Outstanding balances related to OTP Building Society Ltd.

	30 June 2021	31 December 2020
Face value of issued mortgage bonds held by OTP Building Society Ltd.	61,696	77,646
Accrued nominal interest payable related to mortgage bonds held by OTP Building Society Ltd.	(4,211)	(1,972)

13.3.2. Transactions of the Mortgage Bank's loan portfolio related to OTP Factoring Ltd.

	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
Book value of non-performing loans sold to OTP Factoring Ltd.	5	331	350
Selling price of the non-performing loans related to OTP Factoring Ltd.	5	256	278

13.3.3. Further Outstanding balances/Transactions related to Merkantil Bank Ltd.

	30 June 2021	31 December 2020
Face value of issued mortgage bonds held by Merkantil Bank Ltd.	75,340	49,700
Accrued interest expense due from Merkantil Bank Ltd.	(4,829)	(2,150)

13.3.4. Further Transactions related to other related party

	Six month period ended 30 June 2021	Six month period ended 30 June 2020	Year ended 31 December 2020
Further Transactions related to other related party	(409)	35	(1,803)
Other liabilities due to other related party	6	127	118
Other operating income from other related party	280	212	531

In the normal course of the business the Bank enters into other transactions with the entities within the OTP Group, the amounts and volumes of which are not significant to these financial statements taken as a whole. Only relevant transactions were highlighted.