

**OTP MORTGAGE BANK LTD.**

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

**FOR THE SIX MONTH PERIOD  
ENDED 30 JUNE 2010**



CONTENTS

Unconsolidated Condensed Financial Statements prepared  
in accordance with International Financial Reporting Standards as  
adopted by the European Union

Statement of Financial Position as at 30 June 2010 (unaudited)	2
Condensed Statement of Recognised Income and Statement of Comprehensive Income for the six month period ended 30 June 2010 (unaudited)	3
Condensed Statement of Cash Flows for the six month period ended 30 June 2010 (unaudited)	4
Statement of Changes in Shareholders' Equity for the six month period ended 30 June 2010 (unaudited)	5
Selected Explanatory Notes	6-12

**OTP MORTGAGE BANK LTD.**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010**  
**(UNAUDITED) (in HUF mn)**

	Note	30 June 2010	31 December 2009	30 June 2009
Cash, amounts due from banks and balances with the National Bank of Hungary		5,552	732	716
Placements with other banks, net of allowance for placement losses		59,745	318,044	55,161
Financial assets at fair value through profit or loss	3.	266	951	9,296
Securities available-for-sale	4.	1,805	216,365	11,250
Loans, net of allowance for loan losses	5.	1,561,402	1,443,296	1,438,417
Property and equipment		127	143	160
Intangible assets		216	257	266
Other assets		<u>5,083</u>	<u>951</u>	<u>22,364</u>
<b>TOTAL ASSETS</b>		<b><u>1,634,196</u></b>	<b><u>1,980,739</u></b>	<b><u>1,537,630</u></b>
Related party and other bank financing		65,470	261,287	45,786
Liabilities from issued securities	6.	1,388,324	1,599,594	1,381,160
Financial liabilities at fair value through profit or loss		14,921	1,469	92
Other liabilities		80,593	23,772	29,329
Subordinated bonds and loans		<u>3,273</u>	<u>2,755</u>	<u>2,699</u>
<b>TOTAL LIABILITIES</b>		<b><u>1,552,581</u></b>	<b><u>1,888,877</u></b>	<b><u>1,459,066</u></b>
Share capital		27,000	27,000	27,000
Retained earnings and reserves		<u>54,615</u>	<u>64,862</u>	<u>51,564</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>81,615</u></b>	<b><u>91,862</u></b>	<b><u>78,564</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>1,634,196</u></b>	<b><u>1,980,739</u></b>	<b><u>1,537,630</u></b>

Budapest, 16 August 2010



*Zsolt Oszlányi*  
Zsolt Oszlányi  
Chief Executive Officer

**OTP MORTGAGE BANK LTD.**  
**CONDENSED STATEMENT OF RECOGNISED INCOME AND STATEMENT OF**  
**COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD 30 JUNE 2010**  
**(UNAUDITED) (in HUF mn)**

	Note	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
Interest Income	8.	80,357	80,605	161,028
Interest Expense	8.	55,597	52,592	105,042
<b>NET INTEREST INCOME</b>	8.	<b>24,760</b>	<b>28,013</b>	<b>55,986</b>
Provision for impairment on loan and placement losses	5.	(11,181)	-	-
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES</b>		<b>13,579</b>	<b>28,013</b>	<b>55,986</b>
Net profit from fees and commissions		<u>(5,883)</u>	<u>(11,282)</u>	<u>(21,851)</u>
Net operating income		<u>12,267</u>	<u>7,860</u>	<u>10,683</u>
Other administrative expenses		<u>3,497</u>	<u>3,897</u>	<u>7,797</u>
<b>PROFIT BEFORE INCOME TAX</b>		<b>16,466</b>	<b>20,694</b>	<b>37,021</b>
Income tax		<u>2,940</u>	<u>4,025</u>	<u>7,070</u>
<b>NET PROFIT FOR THE PERIOD</b>		<b><u>13,526</u></b>	<b><u>16,669</u></b>	<b><u>29,951</u></b>
Earnings per share (in HUF) Basic and diluted		<u>50,096</u>	<u>61,737</u>	<u>110,930</u>

*The comprehensive income items are as follows:*

	Note	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
<b>NET PROFIT FOR THE PERIOD</b>		<b><u>13,526</u></b>	<b><u>16,669</u></b>	<b><u>29,951</u></b>
Fair value adjustment of securities available-for-sale	4.	13	102	(105)
Fair value adjustment of derivative financial instruments recognised through equity		<u>214</u>	<u>211</u>	<u>434</u>
Other comprehensive income, net of income tax		<u>227</u>	<u>313</u>	<u>329</u>
<b>NET COMPREHENSIVE INCOME</b>		<b><u>13,753</u></b>	<b><u>16,982</u></b>	<b><u>30,280</u></b>

**OTP MORTGAGE BANK LTD.**  
**CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD 30 JUNE 2010**  
**(UNAUDITED) (in HUF mn)**

	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
Profit before income tax	16,466	20,694	37,021
Income tax paid	(1,061)	(568)	(5,658)
Depreciation and amortization	97	97	196
Provision for impairment on loan and placement losses	11,181	-	-
Unrealised (gains)/ losses on fair value adjustment of derivative financial instruments	17,458	(12,366)	(1,806)
Net changes in financial assets at fair value through profit or loss	685	(15,218)	963
Net changes in financial liabilities at fair value through profit or loss	(14,919)	(12,614)	(1,469)
Net decrease/ (increase) in other assets before provisions for losses	10,044	(2,370)	5,236
Net decrease in other liabilities	<u>35,555</u>	<u>(422)</u>	<u>(9,057)</u>
<b>Net cash (used in) / provided by operating activities</b>	<b><u>75,506</u></b>	<b><u>(22,767)</u></b>	<b><u>25,426</u></b>
<b>Net cash provided by / (used in) investing activities</b>	<b><u>358,468</u></b>	<b><u>84,355</u></b>	<b><u>(387,801)</u></b>
<b>Net cash (used in) / provided by financing activities</b>	<b><u>(429,154)</u></b>	<b><u>(62,538)</u></b>	<b><u>361,441</u></b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b><u>4,820</u></b>	<b><u>(950)</u></b>	<b><u>(934)</u></b>
Cash and cash equivalents at the beginning of the period	<u>732</u>	<u>1,666</u>	<u>1,666</u>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>5,552</u></b>	<b><u>716</u></b>	<b><u>732</u></b>

**OTP MORTGAGE BANK PLC.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD**  
**ENDED 30 JUNE 2010 (UNAUDITED) (in HUF mn)**

	Share Capital	Retained Earnings and Reserves	Total
<b>Balance as at 1 January 2009</b>	<b>27,000</b>	<b>38,582</b>	<b>65,582</b>
Net comprehensive income	-	16,982	16,982
Dividend paid	_____ -	<u>(4,000)</u>	<u>(4,000)</u>
<b>Balance as at 30 June 2009</b>	<b><u>27,000</u></b>	<b><u>51,564</u></b>	<b><u>78,564</u></b>
<b>Balance as at 1 January 2010</b>	<b><u>27,000</u></b>	<b><u>64,862</u></b>	<b><u>91,862</u></b>
Net comprehensive income	-	13,753	13,753
Dividend paid	_____ -	<u>(24,000)</u>	<u>(24,000)</u>
<b>Balance as at 30 June 2010</b>	<b><u>27,000</u></b>	<b><u>54,615</u></b>	<b><u>81,615</u></b>

**OTP MORTGAGE BANK PLC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX**  
**MONTH PERIOD ENDED 30 JUNE 2010**

**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.

OTP Mortgage Bank's 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). Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to OTP Mortgage Bank's Hungarian statutory accounts in order to present the financial position and results of operations of OTP Mortgage Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as IFRS.

The 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 financial statements, had it been approved by the EU at the balance sheet date.

Preparing these financial statements the Bank followed the same accounting policies and methods as are applied in the annual financial statements of the year ended 31 December 2009 and were prepared according to the International Financial Reporting Standards.

**NOTE 2: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2010 AND POST BALANCE SHEET EVENTS**

The repurchase guarantee contract of non-performing loans between OTP Mortgage Bank Ltd. and OTP Bank Plc. was modified in 2010. According to the new arrangement the repurchase guarantee was cancelled and the OTP Bank Plc. gives bail to the loans originated or purchased by the Bank. As result of the cancellation of the (re)purchase guarantee of non-performing loans, a provision (loss impairment) of HUF 11,498 million has been recognized.

In 2008 the Hungarian Authority of Market Competition („GVH”) involved the Bank in an investigation because of assumed abuse of the market power by the Bank. At the end of June 2010 the investigation was ended. GVH accepted the commitment of the Bank to repay certain repayment fee to the clients concerned. The bank created a provision of HUF 41.5 million for the future liability concerning the commitment.

**OTP MORTGAGE BANK PLC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX**  
**MONTH PERIOD ENDED 30 JUNE 2010**

**NOTE 3: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**  
**(in HUF mn)**

	<b>30 June 2010</b>	<b>31 December 2009</b>
Foreign exchange swaps designated as held for trading	266	951

**NOTE 4: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)**

	<b>30 June 2010</b>	<b>31 December 2009</b>
Hungarian Government bonds	1,760	1,743
Discounted bonds issued by the NBH	—	<u>214,479</u>
	<u>1,760</u>	<u>216,222</u>
Accrued interest for the period	45	143
<b>Total</b>	<b><u>1,805</u></b>	<b><u>216,365</u></b>

Interest conditions and the remaining maturities of available-for-sale securities can be analysed as follows:

	<b>30 June 2010</b>	<b>31 December 2009</b>
Within five years, fixed interest	1,760	216,222
Interest rates on securities available-for-sale (%)	6.75%	6.75%

The whole portfolio was denominated in HUF as at 30 June 2010 and as at 31 December 2009.

The government securities are pledged as additional collateral of the issued mortgage bonds.

The valuation of the securities available-for-sale were as follows as at 30 June 2010:

	<b>30 June 2010</b>	
	<b>Cost</b>	<b>Fair value</b>
Hungarian Government bonds	<u>1,761</u>	<u>1,760</u>
Total	<u>1,761</u>	<u>1,760</u>



**OTP MORTGAGE BANK PLC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX**  
**MONTH PERIOD ENDED 30 JUNE 2010**

**NOTE 4: SECURITIES AVAILABLE-FOR-SALE (in HUF mn) [continued]**

The valuation of the securities available-for-sale were as follows as at 31 December 2009:

	<b>31 December 2009</b>	
	<b>Cost</b>	<b>Fair value</b>
Discounted bonds issued by the NBH	214,479	214,479
Hungarian Government bonds	<u>1,761</u>	<u>1,743</u>
Total	<u><u>216,240</u></u>	<u><u>216,222</u></u>

**NOTE 5: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)**

	<b>30 June 2010</b>	<b>31 December 2009</b>
Short-term loans (within one year)		
in HUF	-	53,899
in foreign currency	<u>-</u>	<u>288</u>
	<u>-</u>	<u>54,187</u>
Long-term loans (over one year)		
in HUF	652,727	599,514
in CHF	701,622	617,232
in JPY	169,076	132,797
in EUR	<u>39,605</u>	<u>29,655</u>
Total in foreign currency	<u>910,303</u>	<u>779,684</u>
	<u>1,563,030</u>	<u>1,379,198</u>
Provision	(11,498)	
Accrued interest for the period	9,870	9,911
Total	<u><u>1,561,402</u></u>	<u><u>1,443,296</u></u>

A significant part of the loans above are mortgage loans for housing. Such mortgage 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 part 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 a collateral of these loans.

**OTP MORTGAGE BANK PLC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX**  
**MONTH PERIOD ENDED 30 JUNE 2010**

**NOTE 5: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)**  
**[continued]**

	<b>30 June 2010</b>	<b>31 December 2009</b>
Loans denominated in HUF with the maturity over one year (%)	5%-22.02%	5%-22.47%
Interest rates on foreign currency loans for housing purposes (%):		
CHF	3.95%-9.24%	8.94%
EUR	8.70%-9.45%	8.73%
JPY	1.75%-5.69%	5.84%
Interest rates on foreign currency loans for free purposes (%):		
CHF	9.24%-10.90%	10.15%
EUR	5.34%-9.79%	9.60%
JPY	2.24%-7.94%	5.72%
Average interest rates on loans for acquiring land	10.56%	10.47%

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

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

	<b>30 June 2010</b>		<b>31 December 2009</b>	
Housing loans	1,168,067	74.73%	1,110,152	77.45%
Mortgage loans	385,776	24.68%	314,001	21.91%
Commercial loans	<u>9,187</u>	<u>0.59%</u>	<u>9,232</u>	<u>0.64%</u>
	<u>1,563,030</u>	<u>100.00%</u>	<u>1,433,385</u>	<u>100.00%</u>

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

	<b>30 June 2010</b>	<b>31 December 2009</b>
Opening balance	-	-
Provision /(release of provision) for loan losses	<u>11,498</u>	-
Closing balance	<u>11,498</u>	=

**OTP MORTGAGE BANK PLC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX**  
**MONTH PERIOD ENDED 30 JUNE 2010**

**NOTE 6: LIABILITIES FROM ISSUED SECURITIES (in HUF million)**

	<b>30 June 2010</b>	<b>31 December 2009</b>
With expiration date:		
Within one year in HUF	-	47,011
Within one year in EUR	<u>-</u>	<u>270,840</u>
	<u>-</u>	<u>317,851</u>
Over one year in HUF	671,968	669,660
Over one year in EUR	<u>662,461</u>	<u>549,303</u>
	<u>1,334,429</u>	<u>1,218,963</u>
Accrued interest for the period	53,895	62,780
Total	<u>1,388,324</u>	<u>1,599,594</u>

Mortgage bonds issued during the period (nominal value)	-	814,382
Mortgage bonds became due or were repurchased during the period	314,331	667,242

Interest rates on issued securities (%):

	<b>30 June 2010</b>	<b>31 December 2009</b>
Issued securities in HUF	5.49%-12%	7.2%-12%
Issued securities in EUR	4. %-4.25%	4 %-4.5%

A reconciliation of the face value and the amortized cost is as follows:

	<b>30 June 2010</b>	<b>31 December 2009</b>
Face value of the issued securities	1,314,382	1,511,653
Unamortized premiums	16,303	16,260
Fair value hedge adjustment	<u>3,744</u>	<u>8,901</u>
Amortized cost	<u>1,334,429</u>	<u>1,536,814</u>

OTP Mortgage Bank can issue mortgage bonds up to the total amount of collateral in the form of property notified in the public property register in favour of OTP Mortgage Bank. A coverage register of the mortgage property constituting the ultimate coverage for the mortgage bonds and the value of the collateral is recorded. An independent coverage supervisor is appointed for monitoring and certifying the existence and valuation of eligible collateral and the registration of such collateral in the coverage register.

**OTP MORTGAGE BANK PLC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX**  
**MONTH PERIOD ENDED 30 JUNE 2010**

**NOTE 7: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)**

*Off balance sheet items*

The Bank's off-balance sheet assets and liabilities as at 30 June 2010 and as at 31 December 2009, with respect to financial instruments are as follows (in HUF million)

	<b>30 June 2010</b>	<b>31 December 2009</b>
Future portion of swap transactions	897,250	705,989
Liabilities from option contracts	-	21
Future liabilities from FX forward transactions	-	-
Contingent and future liabilities	<u>897,250</u>	<u>706,010</u>
Future portion of swap transactions	800,218	664,284
Receivables from option contracts	-	23
Future receivables from FX forward transactions	-	-
Contingent and future receivables	<u>800,218</u>	<u>664,307</u>
Total off-balance sheet liability, net	<u><b>(97,032)</b></u>	<u><b>(41,703)</b></u>

**Fair value of derivative instruments**

	<b>Fair value</b>		<b>Notional value, net</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
<b>Foreign exchange swaps designated as held for trading</b>				
Positive fair value of foreign exchange swaps designated as held for trading	266	951	(286)	215
Negative fair value of foreign exchange swaps designated as held for trading	(14,921)	(1,469)	(14,812)	(1,402)
<b>CCIRS designated as hedged relationship</b>				
Positive fair value of CCIRS designated as hedged relationship	-	14,176	-	-
Negative fair value of CCIRS designated as hedged relationship	(65,163)	(32,791)	(81,934)	(40,518)
<b>Other derivative contracts designated as hedged relationship</b>				
Positive fair value of other derivative contracts designated as hedged relationship	-	1	-	2
Negative fair value of other derivative contracts designated as hedged relationship	-	-	-	-
<b>Derivative financial assets total</b>	<u><b>266</b></u>	<u><b>15,128</b></u>	<u><b>(286)</b></u>	<u><b>217</b></u>
<b>Derivative financial liabilities total</b>	<u><b>(80,084)</b></u>	<u><b>(34,260)</b></u>	<u><b>(96,746)</b></u>	<u><b>(41,920)</b></u>
<b>Derivative financial instruments total</b>	<u><b>(79,818)</b></u>	<u><b>(19,132)</b></u>	<u><b>(97,032)</b></u>	<u><b>(41,703)</b></u>

**OTP MORTGAGE BANK PLC.**  
**NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX**  
**MONTH PERIOD ENDED 30 JUNE 2010**

**NOTE 8:      NET INTEREST INCOME (in HUF mn)**

	Six month period ended 30 June 2010	Six month period ended 30 June 2009	Year ended 31 December 2009
Interest income			
Loans	38,467	38,644	76,901
Placements with other banks	15,288	16,023	31,080
Amounts due from banks and balances with the National Bank of Hungary	16	163	232
Interest subsidy on housing loans financed by mortgage bonds	24,305	25,184	50,830
Securities available-for-sale	<u>2,281</u>	<u>591</u>	<u>1,985</u>
Total Interest Income	<u>80,357</u>	<u>80,605</u>	<u>161,028</u>
Interest expense			
Amounts due to OTP Bank Plc. and other banks	7,644	4,298	6,475
Deposits from customers	87	50	173
Liabilities from issued securities	47,807	48,190	98,282
Subordinated loans	<u>59</u>	<u>54</u>	<u>112</u>
Total Interest Expense	<u>55,597</u>	<u>52,592</u>	<u>105,042</u>
<b>NET INTEREST INCOME</b>	<b>24,760</b>	<b>28,013</b>	<b>55,986</b>