

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 2011**

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

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OTP MORTGAGE BANK LTD.
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011
(UNAUDITED) (in HUF mn)

	Note	30 June 2011	31 December 2010	30 June 2010
Cash, amounts due from banks and balances with the National Bank of Hungary		95	26	5,552
Placements with other banks		123,517	105,109	59,745
Financial assets at fair value through profit or loss	3.	-	87	266
Securities available-for-sale	4.	1,829	1,851	1,805
Loans, net of allowance for loan losses	5.	1,505,962	1,562,402	1,561,402
Property and equipment		109	119	127
Intangible assets		190	217	216
Other assets		<u>9,971</u>	<u>10,634</u>	<u>5,083</u>
TOTAL ASSETS		<u>1,641,673</u>	<u>1,680,445</u>	<u>1,634,196</u>
Amounts due to OTP Bank Plc. and other banks		121,868	121,950	65,470
Liabilities from issued securities	6.	1,310,853	1,360,566	1,388,324
Financial liabilities at fair value through profit or loss		163	1,564	14,921
Other liabilities		118,093	113,973	80,593
Subordinated bonds and loans		<u>3,322</u>	<u>3,364</u>	<u>3,273</u>
TOTAL LIABILITIES		<u>1,554,299</u>	<u>1,601,417</u>	<u>1,552,581</u>
Share capital		27,000	27,000	27,000
Retained earnings and reserves		<u>60,374</u>	<u>52,028</u>	<u>54,615</u>
TOTAL SHAREHOLDERS' EQUITY		<u>87,374</u>	<u>79,028</u>	<u>81,615</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,641,673</u>	<u>1,680,445</u>	<u>1,634,196</u>

Budapest, 19 August 2011



Dániel Gyuris
Chief Executive Officer

OTP MORTGAGE BANK LTD.
CONDENSED STATEMENT OF RECOGNISED INCOME AND STATEMENT OF
COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD 30 JUNE 2011
(UNAUDITED) (in HUF mn)

	Note	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
Interest Income	8.	96,493	80,357	145,672
Interest Expense	8.	65,868	55,597	100,229
NET INTEREST INCOME	8.	30,625	24,760	45,443
Provision for impairment on loan and placement losses	5.	(10,674)	(11,181)	(26,493)
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		19,951	13,579	18,950
Net fees and commissions		<u>(1,045)</u>	<u>(5,883)</u>	<u>(7,084)</u>
Net operating income		<u>25</u>	<u>12,267</u>	<u>15,306</u>
Other administrative expenses		<u>7,901</u>	<u>3,497</u>	<u>15,432</u>
INCOME BEFORE INCOME TAX		11,030	16,466	11,740
Income tax		<u>1,955</u>	<u>2,940</u>	<u>911</u>
NET PROFIT FOR THE YEAR		<u>9,075</u>	<u>13,526</u>	<u>10,829</u>
Earnings per share (in HUF)				
Basic and diluted		33,611	50,096	40,107

The comprehensive income items are as follows:

	Note	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
NET PROFIT FOR THE PERIOD		<u>9,075</u>	<u>13,526</u>	<u>10,829</u>
Fair value adjustment of securities available-for-sale	4.	34	13	1
Net gain on cash-flow hedge		<u>237</u>	<u>214</u>	<u>336</u>
Other comprehensive income, net of income tax		<u>271</u>	<u>227</u>	<u>337</u>
NET COMPREHENSIVE INCOME		<u>9,346</u>	<u>13,753</u>	<u>11,166</u>

OTP MORTGAGE BANK LTD.
CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD 30 JUNE 2011
(UNAUDITED) (in HUF mn)

	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
Profit before income tax	11,030	16,466	11,740
Depreciation and amortization	79	97	183
Provision for impairment on loan and placement losses	10,674	11,181	26,493
Unrealised (gains)/ losses on fair value adjustment of derivative financial instruments	(2,834)	17,458	1,490
Changes in financial assets at fair value through profit or loss	87	685	-
Changes in financial liabilities at fair value through profit or loss	(164)	(14,919)	-
Decrease/(Increase) in loans, net of allowances for loan losses	45,929	(114,367)	(145,599)
Decrease/(Increase) in other assets before provisions for losses	663	10,044	(9,683)
Decrease/(Increase) in other liabilities	<u>2,647</u>	<u>35,555</u>	<u>(12,600)</u>
Income tax paid	(2,920)	(1,061)	(3,732)
Net cash provided by/ (used in) operating activities	<u>65,190</u>	<u>(38,861)</u>	<u>(106,508)</u>
Net cash (used in)/ provided by investing activities	<u>(18,390)</u>	<u>472,835</u>	<u>427,333</u>
Net cash used in financing activities	<u>(46,731)</u>	<u>(429,154)</u>	<u>(321,531)</u>
Net increase/(decrease) in cash and cash equivalents	<u>69</u>	<u>4,820</u>	<u>(706)</u>
Cash and cash equivalents at the beginning of the period	<u>26</u>	<u>732</u>	<u>732</u>
Cash and cash equivalents at the end of the period	<u>95</u>	<u>5,552</u>	<u>26</u>

OTP MORTGAGE BANK LTD.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2011 (UNAUDITED) (in HUF mn)

	Share Capital	Retained Earnings and Reserves	Total
Balance as at 1 January 2010	27,000	64,862	91,862
Net comprehensive income	-	13,753	13,753
Dividend paid	-	(24,000)	(24,000)
Balance as at 30 June 2010	<u>27,000</u>	<u>54,615</u>	<u>81,615</u>
Balance as at 1 January 2011	<u>27,000</u>	<u>52,028</u>	<u>79,028</u>
Net comprehensive income	-	9,346	9,346
Dividend paid	-	(1,000)	(1,000)
Balance as at 30 June 2011	<u>27,000</u>	<u>60,347</u>	<u>87,374</u>

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX
MONTH PERIOD ENDED 30 JUNE 2011

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 („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). 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 2010 and were prepared according to the International Financial Reporting Standards.

NOTE 2: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2011 AND POST BALANCE SHEET EVENTS

From 1 January 2011 the Bank and OTP Bank Plc. changed the methodology of the account-management service fee payable to OTP Bank Plc. The new calculation formula considers return on assets of OTP Mortgage Bank Ltd. and based on the profit split method. The maximum of the account-management fee payable to OTP Bank Plc. is the account handling fee charged to customers by OTP Mortgage Bank Ltd and the minimum is the fee is the direct costs incurred at OTP Bank Plc related to the providing the service to OTP Mortgage Bank.

The Bank performed a detailed internal review of its subsidy calculation system, which revealed that subsidies calculated and utilised from 1 October 2006 to 31 December 2009 were lower by HUF 1.5 billion in total. As a result of the internal review of subsidies HUF 1.5 billion additional subsidy were accounted and claimed from the Hungarian State Treasury in 2011. The additional subsidy was settled in April 2011.

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

	30 June 2011	31 December 2010
Foreign exchange swaps designated as held for trading	-	87

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX
MONTH PERIOD ENDED 30 JUNE 2011

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

	30 June 2011	31 December 2010
Hungarian Government bonds	<u>1,784</u>	<u>1,746</u>
	<u>1,784</u>	<u>1,746</u>
Accrued interest for the period	<u>45</u>	<u>105</u>
Total	<u>1,829</u>	<u>1,851</u>

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

	30 June 2011	31 December 2010
Within five years, fixed interest	1,784	1,746
Interest rates on securities available-for-sale (%)	6.75%	6.75%

The whole portfolio was denominated in HUF as at 30 June 2011 and as at 31 December 2010.
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 2011:

	30 June 2011	
	Cost	Fair value
Hungarian Government bonds	<u>1,746</u>	<u>1,784</u>
Total	<u>1,746</u>	<u>1,784</u>

The valuation of the securities available-for-sale were as follows as at 31 December 2010:

	31 December 2010	
	Cost	Fair value
Hungarian Government bonds	<u>1,761</u>	<u>1,746</u>
Total	<u>1,761</u>	<u>1,746</u>

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX
MONTH PERIOD ENDED 30 JUNE 2011

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

	30 June 2011	31 December 2010
Short-term loans (within one year)		
in HUF	1	52,818
in foreign currency	<u>-</u>	<u>226</u>
	<u>1</u>	<u>53,044</u>
Long-term loans (over one year)		
in HUF	687,771	626,195
in CHF	659,617	694,050
in JPY	139,682	163,002
in EUR	<u>33,409</u>	<u>37,340</u>
Total in foreign currency	<u>832,708</u>	<u>894,392</u>
	<u>1,520,479</u>	<u>1,520,587</u>
Provision	(24,292)	(20,683)
Accrued interest for the period	<u>9,774</u>	<u>9,454</u>
Total	<u>1,505,962</u>	<u>1,562,402</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.

	30 June 2011	31 December 2010
Loans denominated in HUF with the maturity over one year (%)	5%-22.21%	5%-21.49%
Interest rates on foreign currency loans for housing purposes (%):		
CHF	8.74%	7.99%
EUR	8.01%	8.01%
JPY	5.84%	5.34%
Interest rates on foreign currency loans for free purposes (%):		
CHF	10.00%	9.25%
EUR	8.97%	8.96%
JPY	5.72%	5.22%
Average interest rates on loans for acquiring land		
HUF	10.66%	10.58%
EUR	-	7.51%

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

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX
MONTH PERIOD ENDED 30 JUNE 2011

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

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

	30 June 2011		31 December 2010	
Housing loans	1,124,357	73.95%	1,164,801	74.02%
Mortgage loans	387,787	25.50%	400,168	25.43%
Commercial loans	<u>8,336</u>	<u>0.55%</u>	<u>8,662</u>	<u>0.55%</u>
Total	<u>1,520,480</u>	<u>100.00%</u>	<u>1,573,631</u>	<u>100.00%</u>

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

	30 June 2011	31 December 2010
Opening balance	20,683	-
Provision for loan losses	<u>3,609</u>	<u>20,683</u>
Closing balance	<u>24,292</u>	<u>20,683</u>

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

	30 June 2011	31 December 2010
With expiration date:		
Within one year in HUF	69,288	39,203
Within one year in EUR	<u>555,994</u>	<u>585,375</u>
	<u>625,282</u>	<u>624,578</u>
Over one year in HUF	579,674	628,258
Over one year in EUR	<u>53,121</u>	<u>56,349</u>
	<u>632,795</u>	<u>684,607</u>
Accrued interest for the period	<u>52,776</u>	<u>51,381</u>
Total	<u>1,310,853</u>	<u>1,360,566</u>
Mortgage bonds issued during the period (nominal value)	99,248	83,625
Mortgage bonds became due or were repurchased during the period	116,475	313,271
Interest rates on issued securities (%):		
	30 June 2011	31 December 2010
Issued securities in HUF	6.43%-17.50%	7.5%-11.00%
Issued securities in EUR	4.00%- 4.25%	4.0%- 4.25%

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX
MONTH PERIOD ENDED 30 JUNE 2011

NOTE 6: LIABILITIES FROM ISSUED SECURITIES (in HUF million) [continued]

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

	30 June 2011	31 December 2010
Face value of the issued securities	1,245,669	1,293,246
Unamortized premiums	14,105	15,228
Fair value hedge adjustment	<u>(1,698)</u>	<u>711</u>
Amortized cost	<u>1,258,077</u>	<u>1,309,185</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.

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 2011 and as at 31 December 2010 with respect to financial instruments are as follows (in HUF million)

	30 June 2011	31 December 2010
Future liabilities from FX future purchases		
Future portion of swap transaction	769,237	826,108
Liabilities from option contracts		
Contingent liabilities deriving from guarantee of selling loans to OTP Bank	7,778	8,183
Other	<u>5</u>	<u>5</u>
Contingent and future liabilities	<u>769,237</u>	<u>834,296</u>
Future receivables from FX future purchases		
Future portion of swap transaction	642,798	711,040
Receivables from option contracts		
Contingent and future receivables	<u>642,798</u>	<u>711,040</u>
Total off-balance sheet asset (liability), net	<u>(126,439)</u>	<u>(123,256)</u>

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED FINANCIAL STATEMENTS FOR THE SIX
MONTH PERIOD ENDED 30 JUNE 2011

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

Fair value of derivative instruments

	Fair value		Notional value, net	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Foreign exchange swaps designated as held for trading				
Positive fair value of foreign exchange swaps designated as held for trading	-	87	83,394	125,665
Negative fair value of foreign exchange swaps designated as held for trading	(159)	(1,564)	(83,885)	(127,467)
CCIRS designated as hedged relationship				
Positive fair value of CCIRS designated as hedged relationship	-	-	-	-
Negative fair value of CCIRS designated as hedged relationship	(111,640)	(108,012)	(125,944)	(113,266)
Other derivative contracts designated as hedged relationship				
Positive fair value of other derivative contracts designated as hedged relationship	-	-	1,623	-
Negative fair value of other derivative contracts designated as hedged relationship	(4)	-	(1,627)	-
Derivative financial assets total	<u>-</u>	<u>87</u>	<u>85,017</u>	<u>125,665</u>
Derivative financial liabilities total	<u>(111,803)</u>	<u>(109,576)</u>	<u>(211,456)</u>	<u>(240,733)</u>
Derivative financial instruments total	<u>(111,803)</u>	<u>(109,489)</u>	<u>(126,439)</u>	<u>(115,068)</u>

NOTE 8: NET INTEREST INCOME (in HUF mn)

	Six month period ended 30 June 2011	Six month period ended 30 June 2010	Year ended 31 December 2010
Interest income			
Loans	47,780	38,467	76,615
Placements with other banks	27,293	15,288	19,672
Amounts due from banks and balances with the National Bank of Hungary	1	16	16
Interest subsidy on housing loans financed by mortgage bonds	21,360	24,305	47,028
Securities available-for-sale	59	2,281	2,341
Total Interest Income	<u>96,493</u>	<u>80,357</u>	<u>145,672</u>
Interest expense			
Amounts due to OTP Bank Plc. and other banks	21,085	7,644	5,629
Deposits from customers	88	87	177
Liabilities from issued securities	44,630	47,807	94,299
Subordinated loans	65	59	124
Total Interest Expense	<u>65,868</u>	<u>55,597</u>	<u>100,229</u>
NET INTEREST INCOME	<u>30,625</u>	<u>24,760</u>	<u>45,443</u>