

OTP MORTGAGE BANK LTD.

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

FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2013

OTP MORTGAGE BANK LTD.

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OTP MORTGAGE BANK LTD.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013 (UNAUDITED) (in HUF million)

| | Note | 30 June 2013 | 31 December 2012 | 30 June 2012 |
|--|------|-------------------------|-------------------------|-------------------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary | | 72,552 | 75,064 | 161,711 |
| Placements with other banks | 3. | 78,358 | 36,182 | 59,573 |
| Financial assets at fair value through profit or loss | 4. | 1 | - | 21 |
| Securities available-for-sale | 5. | 44,961 | 41,859 | 10,631 |
| Loans, net of allowance for loan losses | 6. | 1,198,981 | 1,273,919 | 1,335,011 |
| Property and equipment | | 121 | 130 | 115 |
| Intangible assets | | 142 | 164 | 154 |
| Other assets | | <u>41,991</u> | <u>34,051</u> | <u>15,936</u> |
| TOTAL ASSETS | | <u>1,437,107</u> | <u>1,461,369</u> | <u>1,583,152</u> |
| Amounts due to OTP Bank Plc. and other banks | 7. | 300,254 | 225,077 | 491,831 |
| Liabilities from issued securities | 8. | 1,058,453 | 1,142,728 | 999,964 |
| Financial liabilities at fair value through profit or loss | | 5 | - | 18 |
| Other liabilities | | 13,080 | 14,313 | 21,726 |
| Subordinated bonds and loans | | <u>3,611</u> | <u>3,640</u> | <u>3,623</u> |
| TOTAL LIABILITIES | | <u>1,375,403</u> | <u>1,385,758</u> | <u>1,517,162</u> |
| Share capital | | 27,000 | 27,000 | 27,000 |
| Retained earnings and reserves | 13. | <u>34,704</u> | <u>48,611</u> | <u>38,990</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>61,704</u> | <u>75,611</u> | <u>65,990</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>1,437,107</u> | <u>1,461,369</u> | <u>1,583,152</u> |

Budapest, 15 August 2013

Dániel Gyuris
Chief Executive Officer



OTP MORTGAGE BANK LTD.
SEPARATE CONDENSED STATEMENT OF RECOGNISED INCOME AND
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD 30 JUNE 2013
(UNAUDITED) (in HUF million)

| | Note | Six month period ended 30 June 2013 | Six month period ended 30 June 2012 | Year ended 31 December 2012 |
|--|------------|---|---|--------------------------------|
| Interest Income | 10. | 71,635 | 94,813 | 165,454 |
| Interest Expense | 10. | 46,794 | 68,381 | 116,690 |
| NET INTEREST INCOME | 10. | 24,841 | 26,432 | 48,764 |
| Provision for impairment on loan and placement losses | 11. | - | 20,461 | 27,625 |
| Losses on loans relating to early repayment | 11. | 14,780 | (1,505) | (1,555) |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES | | 10,061 | 7,476 | 22,694 |
| Net fees and commissions | | <u>(327)</u> | <u>(743)</u> | <u>(1,810)</u> |
| Net operating income | | <u>(1,009)</u> | <u>3,131</u> | <u>2,506</u> |
| Other administrative expenses | | <u>13,789</u> | <u>12,297</u> | <u>15,230</u> |
| LOSS/PROFIT BEFORE INCOME TAX | | (5,064) | (2,433) | 8,160 |
| Income tax | | <u>(979)</u> | <u>(1,107)</u> | <u>727</u> |
| NET LOSS/PROFIT FOR THE PERIOD | 13. | <u>(4,085)</u> | <u>(1,326)</u> | <u>7,433</u> |
| Earnings per share (in HUF) Basic and diluted | | (15,130) | (4,911) | 27,530 |

The comprehensive income items are as follows:

| | Note | Six month period ended 30 June 2013 | Six month period ended 30 June 2012 | Year ended 31 December 2012 |
|---|------|---|---|--------------------------------|
| NET LOSS/PROFIT FOR THE PERIOD | | <u>(4,085)</u> | <u>(1,326)</u> | <u>7,433</u> |
| Fair value adjustment of securities available-for-sale | 5. | (35) | 3 | 45 |
| Net gain on cash-flow hedge | | <u>213</u> | <u>215</u> | <u>430</u> |
| Other comprehensive income, net of income tax | | <u>178</u> | <u>218</u> | <u>475</u> |
| NET COMPREHENSIVE INCOME | | <u>(3,907)</u> | <u>(1,108)</u> | <u>7,908</u> |

OTP MORTGAGE BANK LTD.
SEPARATE CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD 30 JUNE 2013
(UNAUDITED) (in HUF million)

| | Six month period ended 30 June 2013 | Six month period ended 30 June 2012 | Year ended 31 December 2012 |
|---|---|---|-----------------------------------|
| Profit before income tax | (5,064) | (2,433) | 8,160 |
| Depreciation and amortization | 59 | 66 | 125 |
| Provision for impairment on loan and placement losses | 14,780 | 20,461 | 26,070 |
| Provision for impairment on other assets | 1 | - | 3 |
| Unrealised losses/(gains) on fair value adjustment of derivative financial instruments | 2,475 | (8,835) | (5,442) |
| <i>Net changes in assets and liabilities in operating activities:</i> | | | |
| Net changes in financial assets at fair value through profit or loss | (1) | 2,007 | 2,028 |
| Changes in financial liabilities at fair value through profit or loss | 1 | (17) | - |
| Decrease in loans, net of allowances for loan losses | 60,158 | 126,649 | 182,114 |
| (Increase)/Decrease in other assets before provisions for losses | (7,941) | 74,797 | 56,679 |
| Decrease /(Increase) in other liabilities | 7,116 | (3,897) | (10,925) |
| Income tax paid | <u>(1,664)</u> | <u>(955)</u> | <u>(1,161)</u> |
| Net cash provided by operating activities | <u>69,920</u> | <u>207,843</u> | <u>257,651</u> |
| Net cash (used in)/provided by investing activities | <u>(45,349)</u> | <u>12,271</u> | <u>4,401</u> |
| Net cash used in financing activities | <u>(27,083)</u> | <u>(60,132)</u> | <u>(188,717)</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(2,512)</u> | <u>159,982</u> | <u>73,335</u> |
| Cash and cash equivalents at the beginning of the Period | <u>75,064</u> | <u>1,729</u> | <u>1,729</u> |
| Cash and cash equivalents at the end of the period | <u>72,552</u> | <u>161,711</u> | <u>75,064</u> |

OTP MORTGAGE BANK LTD.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013
(UNAUDITED) (in HUF million)

| | Share Capital | Retained earnings and reserves | Total |
|---|----------------------|--------------------------------------|----------------------|
| Balance as at 1 January 2012 | <u>27,000</u> | <u>59,281</u> | <u>86,281</u> |
| Dividend paid | - | (16,000) | (16,000) |
| Net profit for the period | - | (1,326) | (1,326) |
| Adjustment of capital contribution received from OTP Bank related to early repayment at fixed rates | - | (3,183) | (3,183) |
| Other comprehensive income for the period | <u>-</u> | <u>218</u> | <u>218</u> |
| Balance as at 30 June 2012 | <u>27,000</u> | <u>38,990</u> | <u>65,990</u> |
| Balance as at 1 January 2013 | <u>27,000</u> | <u>48,611</u> | <u>75,611</u> |
| Dividend paid | - | (10,000) | (10,000) |
| Net profit for the period | - | (4,085) | (4,085) |
| Other comprehensive income for the period | <u>-</u> | <u>178</u> | <u>178</u> |
| Balance as at 30 June 2013 | <u>27,000</u> | <u>34,704</u> | <u>61,704</u> |

**OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013**

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 condensed 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.

**NOTE 2: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2013
AND POST BALANCE SHEET EVENTS**

2.1. Relevant transactions related to issued securities

Issued securities became due in amount of HUF 81 billion in May.

2.2. Bank tax

12 March 2012 the IFRS Interpretation Committee ("IFRIC") developed an exposure draft on the bank tax payable by financial institutions; therefore the whole current bank tax for the year shall be recorded. As the Hungarian Accounting Standards ("HAS") did not change, half of the bank tax will be recorded as an IFRS correction.

The payable bank tax for the Bank in 2013 is HUF 8,759 million.

2.3. Events in accordance with escrow account loans

Further amendments approved on Act LXXV 2011 during the period, as a consequence contract of fixed exchange rate escrow account loans can be concluded for 60 months without a final closing date.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

NOTE 3: **PLACEMENTS WITH OTHER BANKS (in HUF million)**

| | 30 June 2013 | 31 December 2012 |
|--------------------------------------|----------------------|----------------------|
| Within one year in HUF | - | 350 |
| in CHF | 46,223 | 6,752 |
| in EUR | 30,753 | 27,381 |
| in JPY | <u>1,372</u> | <u>1,670</u> |
| Total in foreign currency | <u>78,348</u> | <u>35,803</u> |
| Subtotal | 78,348 | 36,153 |
| Accrued interest | 10 | 29 |
| Total | <u>78,358</u> | <u>36,182</u> |
| From this: amounts due from OTP Bank | 78,358 | 36,153 |

| | 30 June 2013 | 31 December 2012 |
|--|-----------------|---------------------|
| Interest conditions on placements with other banks | | |
| in HUF | 9.00 - 9.00% | 4.80 - 9.00% |
| in foreign currency | 0.14 - 5.45% | 1.90 - 5.44% |

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

| | 30 June 2013 | 31 December 2012 |
|---|-----------------|---------------------|
| Foreign currency swaps designated as held for trading | <u>1</u> | = |
| Total | <u>1</u> | = |

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

| | 30 June 2013 | 31 December 2012 |
|----------------------------|----------------------|----------------------|
| Hungarian Government bonds | - | 1,773 |
| Bonds issued by the NBH | <u>44,914</u> | <u>39,940</u> |
| Subtotal | 44,914 | 41,713 |
| Accrued interest | 47 | 146 |
| Total | <u>44,961</u> | <u>41,859</u> |

The whole portfolio was denominated in HUF as at 30 June 2013 and 31 December 2012.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

NOTE 5: SECURITIES AVAILABLE-FOR-SALE (in HUF million) [continued]

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

| | 30 June 2013 | 31 December 2012 |
|--|-----------------|---------------------|
| Within five years, fixed interest | | |
| Interest condition on interest-bearing securities available-for-sale | - | 6.75% |

The valuation of the securities available-for-sale was as follows as at 30 June 2013:

| | 30 June 2013 | |
|-------------------------|---------------|---------------|
| | Cost | Fair value |
| Bonds issued by the NBH | 44,924 | 44,914 |
| Total | 44,924 | 44,914 |

The valuation of the securities available-for-sale was as follows as at 31 December 2012:

| | 31 December 2012 | |
|----------------------------|------------------|---------------|
| | Cost | Fair value |
| Hungarian Government bonds | 1,761 | 1,773 |
| Bonds issued by the NBH | 39,919 | 39,940 |
| Total | 41,680 | 41,713 |

NOTE 6: LOANS, NET OF ALLOWANCES FOR LOAN LOSSES (in HUF million)

| | 30 June 2013 | 31 December 2012 |
|------------------------------------|------------------|---------------------|
| Short-term loans (within one year) | | |
| in HUF | 45,124 | 48,230 |
| in CHF | 178 | 266 |
| in EUR | 13 | - |
| in JPY | 39 | 3 |
| Total in foreign currency | 230 | 269 |
| | 45,354 | 48,499 |
| Long-term loans (over one year) | | |
| in HUF | 635,078 | 648,060 |
| in CHF | 432,345 | 475,293 |
| in EUR | 30,317 | 109,298 |
| in JPY | 92,449 | 31,682 |
| Total in foreign currency | 555,111 | 616,273 |
| | 1,190,189 | 1,264,333 |
| Loans Total | 1,235,543 | 1,312,832 |
| Provision for impairment | (44,593) | (44,384) |
| Accrued interest | 8,031 | 5,471 |
| Total | 1,198,981 | 1,273,919 |

A significant part of the loans above are mortgage loans for housing. 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.
NOTES TO UNAUDITED, SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

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

Interest conditions on loans, net of allowance for loan losses:

| | 30 June 2013 | 31 December 2012 |
|---|-----------------|---------------------|
| Loans denominated in HUF with the maturity over one year | 5%-21.12% | 5%-22.21% |
| Mortgage loans denominated in foreign currency for housing purposes | | |
| CHF | 8.76% | 8.76% |
| EUR | 8.01% | 8.01% |
| JPY | 5.84% | 5.85% |
| Mortgage loans denominated in foreign currency for free purposes | | |
| CHF | 10.00% | 10.00% |
| EUR | 8.94% | 8.94% |
| JPY | 5.71% | 5.71% |
| Real estate development loans | | |
| HUF | 10.61% | 10.84% |
| EUR | 6.72% | 6.68% |

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:

| | 30 June 2013 | | 31 December 2012 | |
|-----------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| Housing loans | 886,736 | 71.77% | 941,680 | 71.73% |
| Free purpose mortgage loans | 342,241 | 27.70% | 364,219 | 27.74% |
| Commercial loans | 6,566 | 0.53% | 6,933 | 0.53% |
| Total | <u>1,235,543</u> | <u>100.00%</u> | <u>1,312,832</u> | <u>100.00%</u> |

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

| | 30 June 2013 | 31 December 2012 |
|-----------------------------------|----------------------|----------------------|
| Opening balance | 44,384 | 72,913 |
| Provision for the period | 29,331 | 67,540 |
| Provision released for the period | <u>(29,122)</u> | <u>(96,069)</u> |
| Closing balance | <u>44,593</u> | <u>44,384</u> |

The Bank sells non-performing loans without recourse at estimated fair value to an OTP Group member, OTP Factoring Ltd.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

NOTE 7: AMOUNTS DUE TO OTP BANK PLC. AND OTHER BANKS (in HUF million)

| | 30 June 2013 | 31 December 2012 |
|---|-----------------------|-----------------------|
| Within one year | | |
| In HUF | 207,434 | 122,624 |
| In EUR | 72,314 | 74,279 |
| In JPY | <u>20,230</u> | <u>27,752</u> |
| Total in foreign currency | <u>92,544</u> | <u>102,031</u> |
| Subtotal | 299,978 | 224,655 |
| Accrued interest | 276 | 422 |
| Total | <u>300,254</u> | <u>225,077</u> |
| From this: amounts due to OTP Bank | 300,254 | 225,077 |
| Interest conditions on amounts due to OTP Bank Plc. and other banks | | |
| | 30 June 2013 | 31 December 2012 |
| In HUF | 3.50 - 4.75% | 6.25 - 6.25% |
| In foreign currency | 1.51 - 5.41% | 2.17 - 5.42% |

NOTE 8: LIABILITIES FROM ISSUED SECURITIES (in HUF million)

| | 30 June 2013 | 31 December 2012 |
|--|-------------------------|-------------------------|
| Within one year: | | |
| In HUF | 39,339 | 106,248 |
| In EUR | <u>221,269</u> | <u>217,572</u> |
| | <u>260,608</u> | <u>323,820</u> |
| Over one year | | |
| In HUF | 481,546 | 496,323 |
| In EUR | <u>284,010</u> | <u>279,557</u> |
| | <u>765,556</u> | <u>775,880</u> |
| Subtotal | <u>1,026,164</u> | <u>1,099,700</u> |
| Accrued interest | <u>32,289</u> | <u>43,028</u> |
| Total | <u>1,058,453</u> | <u>1,142,728</u> |
| Issued mortgage bonds during the period (nominal value) | - | 258,558 |
| Mortgage bonds became due (nominal value) | 80,572 | 134,441 |
| Mortgage bonds repurchased during the period (nominal value) | - | 145,084 |
| Interest conditions on issued securities | | |
| | 30 June 2013 | 31 December 2012 |
| In HUF | 4.85 - 11.00% | 6.72 - 12.00% |
| In foreign currency | 3.23 - 5.48% | 3.19 - 5.44% |

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

NOTE 8: LIABILITIES FROM ISSUED SECURITIES (in HUF million) [continued]

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

| | 30 June 2013 | 31 December 2012 |
|-------------------------------------|-------------------------|-----------------------------|
| Face value of the issued securities | 1,012,765 | 1,086,299 |
| Unamortized premiums | 11,190 | 12,253 |
| Fair value hedge adjustment | <u>2,209</u> | <u>1,148</u> |
| Amortized cost | <u>1,026,164</u> | <u>1,099,700</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 LTD.
NOTES TO UNAUDITED, SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

NOTE 9: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS
(in HUF million)

Fair value of derivative instruments

| | Fair value | | Notional value, net | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 |
| CCIRS designated as fair value hedge | | | | |
| Positive fair value of CCIRS designated as fair value hedge | 32,374 | 22,776 | 29,450 | 16,296 |
| Negative fair value of CCIRS designated as fair value hedge | (1,093) | (6,646) | (1,029) | (5,718) |
| Other derivative contracts designated as held for trading | | | | |
| Positive fair value of other derivative contracts designated as held for trading | 1 | - | 4 | - |
| Negative fair value of other derivative contracts designated as held for trading | (5) | - | (6) | - |
| Derivative financial assets total | <u>32,375</u> | <u>22,776</u> | <u>29,454</u> | <u>16,296</u> |
| Derivative financial liabilities total | <u>(1,098)</u> | <u>(6,646)</u> | <u>(1,035)</u> | <u>(5,718)</u> |
| Derivative financial instruments total | <u>31,277</u> | <u>16,130</u> | <u>28,419</u> | <u>10,578</u> |

NOTE 10: NET INTEREST INCOME (in HUF million)

| | Six month period ended 30 June 2013 | Six month period ended 30 June 2012 | Year ended 31 December 2012 |
|---|---|---|-----------------------------------|
| Interest income | | | |
| Loans | 47,545 | 52,721 | 100,124 |
| Placements with other banks | 4,291 | 21,847 | 25,150 |
| Amounts due from banks and balances with the National Bank of Hungary | - | 48 | 51 |
| Interest subsidy on housing loans financed by mortgage bonds | 18,005 | 20,055 | 39,578 |
| Securities available-for-sale | <u>1,794</u> | <u>142</u> | <u>551</u> |
| Total Interest Income | <u>71,635</u> | <u>94,813</u> | <u>165,454</u> |
| Interest expense | | | |
| Amounts due to OTP Bank Plc. and other banks | 6,847 | 25,040 | 32,975 |
| Deposits from customers | 86 | 153 | 232 |
| Liabilities from issued securities | 39,790 | 43,114 | 83,338 |
| Subordinated loans | <u>71</u> | <u>74</u> | <u>145</u> |
| Total Interest Expense | <u>46,794</u> | <u>68,381</u> | <u>116,690</u> |
| NET INTEREST INCOME | <u>24,841</u> | <u>26,432</u> | <u>48,764</u> |

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, SEPARATE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

NOTE 11: PROVISION FOR IMPAIRMENT ON LOAN AND PLACEMENT LOSSES
(in HUF million)

| Provision for impairment on loan losses | 30 June 2013 | 31 December 2012 |
|---|----------------------|----------------------|
| Provision for the period | 29,331 | 67,540 |
| <i>from this: provision on impairment on loan losses related to early final repayment</i> | - | - |
| Provision released for the period | (29,122) | (96,069) |
| <i>from this: provision on impairment on loan losses related to early final repayment</i> | - | (31,937) |
| Loan losses | 35,274 | 54,599 |
| <i>from this: provision on impairment on loan losses related to early final repayment</i> | - | 30,382 |
| Provision for impairment on loan losses | <u>35,483</u> | <u>26,070</u> |
| <i>from this: provision on impairment on loan losses related to early final repayment</i> | - | (1,555) |
| Losses on early repayment presented as interest income | - | 104 |
| (Gains)/Losses on early repayment | - | (1,451) |

NOTE 12: RELATED PARTY TRANSACTIONS (in HUF million)

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

12.1.1. Outstanding balances in the Separate 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 2013 | 31 December 2012 |
|---|-----------------|---------------------|
| Cash, amounts due from OTP Bank | 72,518 | 75,061 |
| Placements with OTP Bank | 78,348 | 36,153 |
| Accrued receivables | 37 | 10 |
| Fair value hedge derivatives – positive fair value | 32,374 | 22,776 |
| Liabilities | 30 June 2013 | 31 December 2012 |
| Amounts due to OTP Bank and other banks | 299,997 | 225,077 |
| Fair value hedge derivatives - negative fair value | 1,093 | 6,646 |
| Other liabilities due to OTP Bank | 1,049 | 15,688 |
| Issued mortgage bonds held by OTP Bank | 906,382 | 983,954 |
| Accrued interest payable related to mortgage bonds held by OTP Bank | 25,403 | 38,068 |

12.1.2. Transactions in the Separate Statement of Recognized Income related to OTP Bank

| | Six month period ended 30 June 2013 | Six month period ended 30 June 2012 | Year ended 31 December 2012 |
|---|---|---|-----------------------------------|
| Interest income | 14,709 | 15,216 | 10,636 |
| Interest expense | 55,122 | 57,885 | 93,514 |
| Account handling fees paid to OTP Bank | 1,754 | 1,723 | 6,106 |
| Other fees and commissions relating to lending paid to OTP Bank | 1,238 | 1,046 | 1,618 |
| Gains from mortgage bond repurchase | - | 5,683 | 5,683 |
| Other operating income | - | 3 | 10 |
| One-off payments fee (0.5%) | - | 1 | - |
| Revenue from the value appraisal activity from OTP Bank | 89 | 78 | 158 |

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NOTE 12: RELATED PARTY TRANSACTIONS (in HUF million) [continued]

12.1.3. Transactions of the Mortgage Bank's loan portfolio related to OTP Bank

| | Six month period ended 30 June 2013 | Six month period ended 30 June 2012 | Year ended 31 December 2012 |
|--|---|---|-----------------------------------|
| Performing loans purchased from OTP Bank | 860 | 1,393 | 2,260 |
| Book value of performing loans purchased from OTP Bank | 859 | 1,392 | 2,259 |

12.2. 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 410.3 million as at 30 June 2013. These loans were covered by HUF 909.3 million mortgages.

12.3. Outstanding balances/Transactions related to other related party

12.3.1. Outstanding balances related to OTP Building Society Ltd.

| | 30 June 2013 | 31 December 2012 |
|--|-----------------|---------------------|
| Issued mortgage bonds held by OTP Building Society Ltd. | 17,545 | 17,618 |
| Accrued interest payable related to mortgage bonds held by OTP Building Society Ltd. | 552 | 380 |

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

| | Six month period ended 30 June 2013 | Six month period ended 30 June 2012 | Year ended 31 December 2012 |
|---|---|---|-----------------------------------|
| Book value of non-performing loans sold to OTP Factoring Ltd. | 21,737 | 15,685 | 29,108 |
| Selling price of the non-performing loans related to OTP Factoring Ltd. | 17,508 | 10,865 | 22,046 |
| Accrued receivables due from OTP Factoring Ltd. | 1,361 | - | - |

12.3.3. Further Outstanding balances/Transactions related to other related party

| | 30 June 2013 | 31 December 2012 |
|---|-----------------|---------------------|
| Further Outstanding balances | | |
| Accrued receivables due from other related party | 47 | 8 |
| Other liabilities due to other related party | 11 | 11 |
| Issued mortgage bonds held by OTP Fund Management Ltd. | 2,588 | 2,596 |
| Accrued interest payable related to mortgage bonds held by OTP Fund Management Ltd. | 111 | 93 |

| | Six month period ended 30 June 2013 | Six month period ended 30 June 2012 | Year ended 31 December 2012 |
|--|---|---|-----------------------------------|
| Further Transactions related to other related party | | | |
| Other operating income from other related party | 11 | 3 | 10 |
| Revenue from the value appraisal activity from OTP Factoring Ltd. and from other related party | 122 | 58 | 158 |

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.

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NOTE 13: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HAS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF million)

| | Retained Earnings and Reserves as at 1 January 2013 | Net profit for the six month period ended 30 June 2013 | Direct Movements on Reserves | Dividend | Retained Earnings and Reserves as at 30 June 2013 |
|---|---|---|------------------------------------|------------------------|--|
| Financial Statements in accordance with HAS | 28,857 | 115 | - | - | 28,972 |
| Fair value adjustment of available- for-sale financial assets | 34 | - | (43) | - | (9) |
| Application of effective interest rate on direct issuance costs of securities | 295 | (58) | - | - | 237 |
| Effect of using effective interest rate method for loan origination fees and cost | 11,734 | 612 | - | - | 12,346 |
| Fair value adjustment of derivative financial instruments | - | (262) | 263 | - | 1 |
| Correction on banking tax | - | (4,380) | - | - | (4,380) |
| Correction on escrow account loan | - | (1,098) | - | - | (1,098) |
| Deferred taxation | (2,309) | 986 | (42) | - | (1,365) |
| Dividend paid in 2013 | <u>10,000</u> | <u>-</u> | <u>-</u> | <u>(10,000)</u> | <u>-</u> |
| Financial Statements in accordance with IFRS | <u>48,611</u> | <u>(4,085)</u> | <u>178</u> | <u>(10,000)</u> | <u>34,704</u> |