

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 2017**

OTP MORTGAGE BANK LTD.

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OTP MORTGAGE BANK LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017 (UNAUDITED) (in HUF million)

| | Note | 30 June 2017 | 31 December 2016 | 30 June 2016 |
|--|------|-------------------------|-----------------------|-------------------------|
| Cash, amounts due from banks and balances with the National Bank of Hungary | | 1,431 | 460 | 38 |
| Placements with other banks | 3. | 88,996 | 2,580 | 77,002 |
| Securities available-for-sale | 4. | 11,244 | 11,728 | 11,353 |
| Loans, net of allowance for loan losses | 5. | 962,629 | 962,344 | 955,301 |
| Investments in subsidiaries, associates and other investments | | 45 | 45 | - |
| Property and equipment | | 44 | 35 | 9 |
| Intangible assets | | 152 | 212 | 134 |
| Other assets | | <u>2,648</u> | <u>5,000</u> | <u>32,174</u> |
| TOTAL ASSETS | | <u>1,067,189</u> | <u>982,404</u> | <u>1,076,011</u> |
| Amounts due to OTP Bank Plc. and other banks | 6. | 578,953 | 527,235 | 429,738 |
| Liabilities from issued securities | 7. | 414,097 | 372,422 | 551,643 |
| Subordinated bonds and loans | | - | 5,111 | 4,406 |
| Other liabilities | | <u>10,873</u> | <u>4,876</u> | <u>31,879</u> |
| TOTAL LIABILITIES | | <u>1,003,923</u> | <u>909,644</u> | <u>1,017,666</u> |
| Share capital | | 27,000 | 27,000 | 27,000 |
| Retained earnings and reserves | | <u>36,266</u> | <u>45,760</u> | <u>31,345</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>63,266</u> | <u>72,760</u> | <u>58,345</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>1,067,189</u> | <u>982,404</u> | <u>1,076,011</u> |

Budapest, 10. August 2017

.....
András Becsei
Chief Executive Officer

OTP MORTGAGE BANK LTD.
CONSOLIDATED CONDENSED STATEMENT OF RECOGNISED INCOME AND
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(UNAUDITED) (in HUF million)

| | Note | Six month period ended 30 June 2017 | Six month period ended 30 June 2016 | Year ended 31 December 2016 |
|---|-----------|---|---|--------------------------------|
| Interest Income | 9. | 28,606 | 37,171 | 70,263 |
| Interest Expense | 9. | 13,609 | 20,732 | 36,105 |
| NET INTEREST INCOME | 9. | <u>14,997</u> | <u>16,439</u> | <u>34,158</u> |
| Provision for impairment on / (Release of provision) loan and placement losses | | 233 | 2,086 | (992) |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES | | 14,764 | 14,353 | 35,150 |
| Net fees and commissions | | <u>(115)</u> | <u>(260)</u> | <u>(910)</u> |
| Net operating income | | <u>640</u> | <u>(49)</u> | <u>(3,276)</u> |
| Other administrative expenses | | <u>3,643</u> | <u>6,024</u> | <u>8,106</u> |
| PROFIT BEFORE INCOME TAX | | 11,646 | 8,020 | 22,858 |
| Income tax | | <u>535</u> | <u>926</u> | <u>733</u> |
| NET PROFIT FOR THE PERIOD | | <u>11,111</u> | <u>7,094</u> | <u>22,125</u> |
| Earnings per share (in HUF) Basic and diluted | | <u>41,152</u> | <u>26,274</u> | <u>81,944</u> |

The comprehensive income items are as follows:

| | Note | Six month period ended 30 June 2017 | Six month period ended 30 June 2016 | Year ended 31 December 2016 |
|--|------|---|---|--------------------------------|
| NET PROFIT / LOSS FOR THE PERIOD | | <u>11,111</u> | <u>7,094</u> | <u>22,125</u> |
| Fair value adjustment of securities available-for-sale | | 20 | 479 | 703 |
| Deferred tax related to items of other comprehensive income | | (2) | (91) | (90) |
| Other comprehensive income, net of income tax | | <u>18</u> | <u>388</u> | <u>613</u> |
| NET COMPREHENSIVE INCOME | | <u>11,129</u> | <u>7,482</u> | <u>22,738</u> |

OTP MORTGAGE BANK LTD.
UNCONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(UNAUDITED) (in HUF million)

| | Six month period ended 30 June 2017 | Six month period ended 30 June 2016 | Year ended 31 December 2016 |
|---|---|---|-----------------------------------|
| Profit before income tax | 11,646 | 8,020 | 22,858 |
| Depreciation and amortization | 59 | 54 | 107 |
| Provision for impairment on loan and placement losses | 233 | 2,086 | 992 |
| (Release of provision)/provision for impairment on other assets | (20) | (6) | 93 |
| Unrealised (losses)/gains on fair value adjustment of securities available-for-sale | (641) | 174 | - |
| Unrealised losses on fair value adjustment of derivative financial instruments | - | 1,931 | 294 |
| <i>Net changes in assets and liabilities in operating activities:</i> | | | |
| Decrease in loans, net of allowances for loan losses | (518) | 22,506 | 16,557 |
| Decrease/(Increase) in other assets before provisions for losses | 3,173 | (4,365) | 22,710 |
| Decrease/(Increase) in other liabilities | 7,940 | 6,249 | (39,915) |
| Income tax paid | <u>(2,421)</u> | <u>(927)</u> | <u>(1)</u> |
| Net cash provided by operating activities | <u>19,451</u> | <u>35,722</u> | <u>23,695</u> |
| Interest received | 26,565 | 32,137 | 70,499 |
| Interest paid | 21,054 | (1,800) | 54,919 |
| Net cash (used in) /provided by investing activities | <u>(85,279)</u> | <u>(5,821)</u> | <u>68,423</u> |
| Net cash provided by / (used in) financing activities | <u>66,799</u> | <u>(29,905)</u> | <u>(91,700)</u> |
| Net increase / (decrease) in cash and cash equivalents | <u>971</u> | <u>(4)</u> | <u>418</u> |
| Cash and cash equivalents at the beginning of the period | <u>460</u> | <u>42</u> | <u>42</u> |
| Cash and cash equivalents at the end of the period | <u>1,431</u> | <u>38</u> | <u>460</u> |

OTP MORTGAGE BANK LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(UNAUDITED) (in HUF million)

| | Share Capital | Retained earnings and reserves | Total |
|---|---------------|-----------------------------------|---------------|
| Balance as at 1 January 2016 | <u>27,000</u> | <u>54,823</u> | <u>81,823</u> |
| Dividend paid | - | (30,960) | (30,960) |
| Net profit for the period | - | 7,094 | 7,094 |
| Other comprehensive income for the period | <u>-</u> | <u>388</u> | <u>388</u> |
| Balance as at 30 June 2016 | <u>27,000</u> | <u>31,345</u> | <u>58,345</u> |
| Balance as at 1 January 2017 | <u>27,000</u> | <u>45,760</u> | <u>72,760</u> |
| Dividend paid | - | (20,623) | (20,623) |
| Net profit for the period | - | 11,111 | 11,111 |
| Other comprehensive income for the period | <u>-</u> | <u>18</u> | <u>18</u> |
| Balance as at 30 June 2017 | <u>27,000</u> | <u>36,266</u> | <u>63,266</u> |

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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 2017 AND POST BALANCE SHEET EVENTS

2.1. Relevant transactions related to issued securities

Issued securities became due in amount of HUF 155 billion, and securities issued in February in amount of HUF 155 billion and in March in amount of HUF 37 billion for the period.

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

| | 30 June 2017 | 31 December 2016 |
|--------------------------------------|----------------------|---------------------|
| Within one year | | |
| in HUF | 88,983 | 2.580 |
| in CHF | - | - |
| Subtotal | <u>88,983</u> | <u>2.580</u> |
| Accrued interest | 13 | - |
| Total | <u>88,996</u> | <u>2.580</u> |
| From this: amounts due from OTP Bank | 88,996 | 2.580 |

| | 30 June 2017 | 31 December 2016 |
|--|-----------------|---------------------|
| Interest conditions on placements with other banks | | |
| in HUF | 0.04%-0.15% | 0.03% |
| in foreign currency | - | 0.34-3.15% |

| | 30 June 2017 | 31 December 2016 |
|---|-----------------|---------------------|
| Average interest of placements with other banks | | |
| in HUF | 0.07% | 1.07% |

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

| | 30 June 2017 | 31 December 2016 |
|----------------------------|----------------------|----------------------|
| Hungarian Government bonds | 11,226 | 11,390 |
| Accrued interest | 18 | 338 |
| Total | <u>11,244</u> | <u>11,728</u> |

The whole portfolio was denominated in HUF as at 30 June 2017 and 31 December 2016.

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

| | 30 June 2017 | 31 December 2016 |
|--|-----------------|---------------------|
| Within five years, fixed interest | <u>11,226</u> | <u>11,390</u> |
| Interest condition on interest-bearing securities available-for-sale | 6.5% | 6.5% |

The valuation of the securities available-for-sale was as follows as at 30 June 2017:

| | 30 June 2017 | |
|----------------------------|----------------------|----------------------|
| | Cost | Fair value |
| Hungarian government bonds | <u>10,769</u> | <u>11,226</u> |
| Total | <u>10,769</u> | <u>11,226</u> |

The valuation of the securities available-for-sale was as follows as at 31 December 2016:

| | 31 December 2016 | |
|----------------------------|----------------------|----------------------|
| | Cost | Fair value |
| Hungarian government bonds | <u>10,954</u> | <u>11,390</u> |
| Total | <u>10,954</u> | <u>11,390</u> |

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

NOTE 5: LOANS, NET OF ALLOWANCES FOR LOAN LOSSES (in HUF million)

| | 30 June 2017 | 31 December 2016 |
|------------------------------------|-----------------------|-----------------------|
| Short-term loans (within one year) | | |
| in HUF | 81,316 | 52,702 |
| in CHF | 3 | 6 |
| in EUR | 19 | 4 |
| in JPY | 41 | 2 |
| Total in foreign currency | <u>63</u> | <u>12</u> |
| Subtotal | <u>81,379</u> | <u>52,714</u> |
| Long-term loans (over one year) | | |
| in HUF | 887,658 | 917,542 |
| in CHF | 16 | 38 |
| in EUR | 264 | 296 |
| in JPY | 444 | 553 |
| Total in foreign currency | <u>724</u> | <u>887</u> |
| Subtotal | <u>888,382</u> | <u>918,429</u> |
| Loans Gross Total | <u>969,761</u> | <u>971,143</u> |
| Provision for impairment | <u>(10,832)</u> | <u>(14,235)</u> |
| Accrued interest | <u>3,700</u> | <u>5,436</u> |
| Total | <u>962,629</u> | <u>962,344</u> |

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.

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

| | 30 June 2017 | 31 December 2016 |
|---|-----------------|---------------------|
| Loans denominated in HUF with the maturity over one year | 0.15%-17.89% | 0.54%-18.15% |
| Average interest of mortgage loans denominated in foreign currency for housing purposes | | |
| CHF | 7.23% | 7.02% |
| EUR | 7.54% | 7.54% |
| JPY | 4.74% | 4.76% |
| Average interest of mortgage loans denominated in foreign currency for free purposes | | |
| CHF | 6.99% | 6.99% |
| EUR | 7.36% | 7.16% |
| JPY | 4.83% | 4.87% |
| Average interest of real estate development loans | | |
| HUF | 7.13% | 8.02% |
| EUR | 6.17% | 6.18% |

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

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

NOTE 5: LOANS, NET OF ALLOWANCES FOR LOAN LOSSES (in HUF million) [continued]

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

| | 30 June 2017 | | 31 December 2016 | |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Mortgage loans | 965,307 | 99.54% | 967,027 | 99.58% |
| SME loans | 2,485 | 0.26% | 2,383 | 0.25% |
| Loans to medium and large corporates | <u>1,969</u> | <u>0.20%</u> | <u>1,733</u> | <u>0.18%</u> |
| Total | <u>969,761</u> | <u>100.00%</u> | <u>971,143</u> | <u>100.00%</u> |

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

| | 30 June 2017 | 31 December 2016 |
|-----------------------------------|----------------------|----------------------|
| Opening balance | 14,235 | 25,894 |
| Provision for the period | 11,223 | 21,402 |
| Provision released for the period | <u>(14,626)</u> | <u>(33,061)</u> |
| Closing balance | <u>10,832</u> | <u>14,235</u> |

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

NOTE 6: AMOUNTS DUE TO OTP BANK PLC. AND OTHER BANKS (in HUF million)

| | 30 June 2017 | 31 December 2016 |
|------------------------------------|-----------------------|-----------------------|
| Within one year | | |
| In HUF | 566,000 | 513,877 |
| In JPY | 484 | 530 |
| In EUR | 250 | 309 |
| In CHF | <u>21</u> | <u>40</u> |
| Total in foreign currency | <u>755</u> | <u>879</u> |
| Subtotal | <u>566,755</u> | <u>514,756</u> |
| Over one year | | |
| in HUF | <u>11,759</u> | <u>11,760</u> |
| Subtotal | <u>11,759</u> | <u>526,516</u> |
| Accrued interest | 439 | 719 |
| Total | <u>578,953</u> | <u>527,235</u> |
| From this: amounts due to OTP Bank | 578,953 | 527,235 |

Interest conditions on amounts due to OTP Bank Plc. and other banks

| | 30 June 2017 | 31 December 2016 |
|---------------------|-----------------|---------------------|
| In HUF | 0.15%-2.04% | 0.90%-4.39% |
| In foreign currency | (0.73)%-0.33% | (0.05)%-3.15% |

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

NOTE 7: LIABILITIES FROM ISSUED SECURITIES (in HUF million)

| | 30 June 2017 | 31 December 2016 |
|---|-------------------------|-----------------------------|
| Within one year: | | |
| In EUR | - | 155,797 |
| | <u>-</u> | <u>155,797</u> |
| Over one year | | |
| In HUF | 396,456 | 206,453 |
| | <u>396,456</u> | <u>206,453</u> |
| Subtotal | 396,456 | 362,250 |
| Accrued interest | <u>17,641</u> | <u>10,172</u> |
| Total | <u>414,097</u> | <u>372,422</u> |
| Issued mortgage bonds during the period (nominal value) | 192,100 | - |
| Mortgage bonds became due (nominal value) | 154,680 | 156,011 |

Interest conditions on issued securities

| | 30 June 2017 | 31 December 2016 |
|---------------------|-------------------------|-----------------------------|
| In HUF | 0.75%-11.00% | 9.00%-11.00% |
| In foreign currency | - | 0.34% |

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

| | 30 June 2017 | 31 December 2016 |
|-------------------------------------|-------------------------|-----------------------------|
| Face value of the issued securities | 391,350 | 354,760 |
| Unamortized premiums | 5,106 | 7,200 |
| Fair value hedge adjustment | <u>-</u> | <u>290</u> |
| Amortized cost | <u>396,456</u> | <u>362,250</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, UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

NOTE 8: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS
(in HUF million)

Fair value of derivative instruments

| | Fair value | | Notional value, net | |
|---|-------------------------|-----------------------------|----------------------------|-----------------------------|
| | 30 June 2017 | 31 December 2016 | 30 June 2017 | 31 December 2016 |
| CCIRS designated as fair value hedge | | | | |
| Positive fair value of CCIRS designated as fair value hedge | - | 801 | - | 395 |
| Negative fair value of CCIRS designated as fair value hedge | - | - | - | - |
| Derivative financial assets total | <u>-</u> | <u>801</u> | <u>-</u> | <u>395</u> |
| Derivative financial liabilities total | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Derivative financial instruments total | <u>-</u> | <u>801</u> | <u>-</u> | <u>395</u> |

NOTE 9: NET INTEREST INCOME (in HUF million)

| | Six month period ended 30 June 2017 | Six month period ended 30 June 2016 | Year ended 31 December 2016 |
|--|--|--|--|
| Interest income | | | |
| Loans | 19,518 | 23,724 | 45,489 |
| Placements with other banks | 275 | 3,121 | 4,545 |
| Interest subsidy on housing loans financed by mortgage bonds | 8,669 | 10,189 | 19,940 |
| Securities available-for-sale | <u>144</u> | <u>137</u> | <u>289</u> |
| Total Interest Income | <u>28,606</u> | <u>37,171</u> | <u>70,263</u> |
| Interest expense | | | |
| Amounts due to OTP Bank Plc. and other banks | 2,006 | 6,488 | 10,717 |
| Liabilities from issued securities | 11,592 | 14,176 | 25,251 |
| Subordinated loans | <u>11</u> | <u>68</u> | <u>137</u> |
| Total Interest Expense | <u>13,609</u> | <u>20,732</u> | <u>36,105</u> |
| NET INTEREST INCOME | <u>14,997</u> | <u>16,439</u> | <u>34,158</u> |

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

NOTE 10: RELATED PARTY TRANSACTIONS (in HUF million)

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

10.1.1. Outstanding balances in the Unconsolidated Statement of Financial Position related to OTP Bank

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

| | 30 June 2017 | 31 December 2016 |
|---|-----------------|---------------------|
| Assets | | |
| Cash, amounts due from OTP Bank | 912 | 460 |
| Placements with OTP Bank | 34,420 | 2,580 |
| Accrued receivables | 61 | 43 |
| Fair value hedge derivatives – positive fair value | - | 801 |
| Liabilities | | |
| Amounts due to OTP Bank and other banks | 578,953 | 527,235 |
| Face value of issued mortgage bonds held by OTP Bank | 114,322 | 70,438 |
| Accrued nominal interest payable related to mortgage bonds held by OTP Bank | 6,933 | 3,385 |
| Other liabilities due to OTP Bank | 5,783 | 967 |

10.1.2. Transactions in the Unconsolidated Statement of Recognized Income related to OTP Bank

| | Six month period ended 30 June 2017 | Six month period ended 30 June 2016 | Year ended 31 December 2016 |
|---|---|---|-----------------------------------|
| Interest income | 6,478 | 3,628 | 2,679 |
| Interest expense | 12,897 | 19,790 | 34,391 |
| Account handling fees paid to OTP Bank | 5,861 | 6,589 | 12,629 |
| Other fees and commissions relating to lending received from OTP Bank | 237 | 237 | 312 |
| Other fees and commissions relating to lending paid to OTP Bank | 98 | 731 | 97 |
| Revenue from the value appraisal activity from OTP Bank | 233 | 108 | 309 |

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

| | Six month period ended 30 June 2017 | Six month period ended 30 June 2016 | Year ended 31 December 2016 |
|--|---|---|-----------------------------------|
| Performing loans purchased from OTP Bank | 179 | 309 | 562 |
| Book value of performing loans purchased from OTP Bank | 162 | 310 | 565 |

10.2. 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 568 million as at 30 June 2017. These loans were covered by mortgages in amount of HUF 1,191 million.

10.3. Outstanding balances/Transactions related to other related parties

10.3.1. Outstanding balances related to OTP Building Society Ltd.

| | 30 June 2017 | 31 December 2016 |
|--|-----------------|---------------------|
| Face value of issued mortgage bonds held by OTP Building Society Ltd. | 44,282 | 44,282 |
| Accrued nominal interest payable related to mortgage bonds held by OTP Building Society Ltd. | 4,182 | 1,995 |

OTP MORTGAGE BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

NOTE 10: RELATED PARTY TRANSACTIONS (in HUF million) [continued]

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

| | Six month period ended 30 June 2017 | Six month period ended 30 June 2016 | Year ended 31 December 2016 |
|---|---|---|-----------------------------------|
| Book value of non-performing loans sold to OTP Factoring Ltd. | 7,631 | 9,428 | 13,756 |
| Selling price of the non-performing loans related to OTP Factoring Ltd. | 4,220 | 8,776 | 12,850 |
| Accrued receivables due from OTP Factoring Ltd. | 23 | 17 | - |

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

| | 30 June 2017 | 31 December 2016 |
|--|-----------------|---------------------|
| Face value of issued mortgage bonds held by Merkantil Bank Ltd. | 45,000 | 45,000 |
| Accrued nominal interest payable related to mortgage bonds held by Merkantil Bank Ltd. | 4,530 | 2,075 |

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

| Further Outstanding balances | 30 June 2017 | 31 December 2016 | |
|---|---|---|-----------------------------------|
| Accrued receivables due from other related party | 34 | - | |
| Other liabilities due to other related party | 280 | 65 | |
| Further Transactions related to other related party | Six month period ended 30 June 2017 | Six month period ended 30 June 2016 | Year ended 31 December 2016 |
| Other operating income from other related party | - | 4 | - |
| Revenue from the value appraisal activity from OTP Factoring Ltd. and from other related party | 114 | 71 | 168 |

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.