NATIONAL SAVINGS AND COMMERCIAL BANK PLC.

UNCONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006

CONTENTS

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2006
(in HUF mn)

	Note	June 30, 2006	December 31, 2005	June 30, 2005
Cash, due from banks and balances with the National Bank of Hungary	*3*	430,981	379,249	414,492
Placements with other banks, net of allowance for placement losses	*4*	519,884	393,659	140,072
Financial assets at fair value through statement of operations	*5*	52,075	34,054	44,283
Securities available-for-sale	*6*	349,041	371,433	363,385
Loans, net of allowance for loan losses	*7*	1,634,571	1,475,508	1,368,110
Accrued interest receivable		36,761	41,276	35,305
Investments in subsidiaries	*8*	232,389	223,881	214,457
Securities held-to-maturity	*9*	528,360	521,797	481,033
Premises, equipment and intangible assets, net	*10*	106,576	105,569	98,728
Other assets	*11*	65,114	46,447	43,254
TOTAL ASSETS		**3,955,752**	**3,592,873**	**3,203,119**
Due to banks and deposits from the National Bank of Hungary and other banks	*12*	453,455	255,211	307,530
Deposits from customers	*13*	2,610,123	2,506,457	2,296,156
Liabilities from issued securities	*14*	225,638	202,267	1,988
Accrued interest payable		10,228	5,735	12,690
Other liabilities	*15*	125,595	102,881	112,600
Subordinated bonds and loans	*16*	51,383	47,023	46,002
TOTAL LIABILITIES		**3,476,422**	**3,119,574**	**2,776,966**
Share capital	*17*	28,000	28,000	28,000
Retained earnings and reserves	*18*	501,557	486,051	417,535
Treasury shares	*19*	(50,227)	(40,752)	(19,382)
TOTAL SHAREHOLDERS' EQUITY		**479,330**	**473,299**	**426,153**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,955,752**	**3,592,873**	**3,203,119**

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(in HUF mn)

	Note	Six month period ended June 30, 2006	Six month period ended June 30, 2005	Year ended December 31, 2005
Interest Income:				
Loans		76,508	71,410	147,368
Placements with other banks		29,611	18,507	36,961
Due from banks and balances with the National Bank of Hungary		12,946	16,175	27,957
Securities held for trading		821	1,226	2,108
Securities available-for sale		13,033	13,700	27,742
Securities held-to-maturity		20,057	21,398	39,266
Total Interest Income		*152,976*	*142,416*	*281,402*
Interest Expense:				
Due to banks and deposits from the National Bank of Hungary and other banks		38,658	14,092	27,989
Deposits from customers		35,229	48,673	81,504
Liabilities from issued securities		2,935	79	1,677
Subordinated bonds and loans		951	728	1,593
Total Interest Expense		*77,773*	*63,572*	*112,763*
NET INTEREST INCOME		**75,203**	**78,844**	**168,639**
Provision for loan and placement losses	*4, 7*	11,552	6,416	16,435
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**63,651**	**72,428**	**152,204**
Non-Interest Income:				
Fees and commissions		71,337	60,194	136,264
Foreign exchange gains, net		17,843	(2,066)	1,603
Gains on securities, net		(3,406)	2,943	3,103
Losses on real estate transactions, net		82	(18)	(28)
Dividend income		15,081	13,937	13,937
Other		6,669	1,342	3,541
Total Non-Interest Income		*107,606*	*76,332*	*158,420*
Non-Interest Expenses:				
Fees and commissions		9,207	5,821	13,840
Personnel expenses		30,383	28,944	62,437
Depreciation and amortization		8,785	6,984	15,244
Other	*20*	35,432	26,414	63,301
Total Non-Interest Expenses		*83,807*	*68,163*	*154,822*
INCOME BEFORE INCOME TAXES		**87,450**	**80,597**	**155,802**
Income taxes	*21*	11,916	10,681	22,954
NET INCOME AFTER INCOME TAXES		**75,534**	**69,916**	**132,848**
Earnings per share (in HUF)				
Basic	*32*	284	259	492
Diluted	*32*	281	258	488

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(in HUF mn)

	Note	Six month period ended June 30, 2006	Six month period ended June 30, 2005	Year ended December 31, 2005
OPERATING ACTIVITIES				
Income before income taxes		87,450	80,597	155,802
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Income tax paid		(11,675)	(8,177)	(21,071)
Depreciation and amortization		8,785	6,984	15,244
Provision for loan and placement losses		11,552	6,416	16,435
Release of provision for permanent diminution in value of investments in subsidiaries	*8*	(60)	(1,909)	(1,909)
Allowance/(release of allowance) for losses of other assets	*11*	117	(173)	46
Allowance/(release of allowance) for losses on off-balance sheet commitments and contingent liabilities, net	*15*	566	(2,650)	(1,984)
Share-based compensation	*1.2, 24*	2,765	2,853	7,497
Unrealised losses on fair value adjustment of securities held for trading		3,206	(1,725)	7
Unrealised losses on fair value adjustment of derivative financial instruments		15,294	1,284	1,868
Changes in operating assets and liabilities:				
Net changes in financial assets through statements of operations		(18,133)	(13,439)	(5,192)
Net decrease/(increase) in accrued interest receivable		4,515	5,875	(96)
Net increase in other assets, excluding advances for investments and before provisions for losses		(16,412)	(10,649)	(14,231)
Net increase/(decrease) in accrued interest payable		4,493	3,276	(3,679)
Net increase/(decrease) in other liabilities		5,111	6,895	(754)
Net cash provided by operating activities		**97,574**	**75,458**	**147,983**
INVESTING ACTIVITIES				
Net (increase)/decrease in placements with other banks, before provision for placement losses		(126,225)	60,029	(193,558)
Net decrease/(increase) in securities available-for-sale		9,818	(26,889)	(41,795)
Net increase in investments in subsidiaries, before provision for permanent diminution in value		(8,448)	(58,250)	(67,674)
Net (increase)/decrease in securities held-to-maturity		(6,563)	26,470	(14,294)
Net increase in advances for investments included in other assets		(59)	(3)	(14)
Net increase in loans, before provision for possible loan losses		(170,615)	(98,286)	(215,703)
Net additions to premises, equipment and intangible assets		(9,792)	(9,174)	(24,275)
Net cash used in investing activities		**(311,884)**	**(106,103)**	**(557,313)**

The accompanying notes to unconsolidated financial statements on pages 8 to 52 form an integral part of these unconsolidated financial statements

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(in HUF mn) [continued]

	Note	Six month period ended June 30, 2006	Six month period ended June 30, 2006	Year ended December 31, 2005
FINANCING ACTIVITIES				
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		198,244	103,753	51,434
Net increase in deposits from customers		103,666	(44,768)	165,533
Net increase/(decrease) in liabilities from issued securities		23,371	(9)	200,270
Increase/(decrease) in subordinated bonds and loans		4,360	31,678	32,699
Net change in treasury shares		(8,520)	(3,801)	(19,518)
Net (increase)/decrease in the compulsory reserve established by the National Bank of Hungary		(12,990)	(9,215)	(12,489)
Dividends paid		(55,079)	(41,117)	(41,240)
Net cash provided by financing activities		**253,052**	**36,521**	**376,689**
Net increase/(decrease) in cash and cash equivalents		**38,742**	**5,876**	**(32,641)**
Cash and cash equivalents at the beginning of the Period		261,044	293,685	293,685
Cash and cash equivalents at the end of the period		**299,786**	**299,561**	**261,044**
Analysis of cash and cash equivalents				
Cash, due from banks and balances with the National Bank of Hungary		379,249	399,401	399,401
Compulsory reserve established by the National Bank of Hungary		(118,205)	(105,716)	(105,716)
Cash and cash equivalents at the beginning of the period		**261,044**	293,685	**293,685**
Cash, due from banks and balances with the National Bank of Hungary	*3,26*	430,981	414,492	379,249
Compulsory reserve established by the National Bank of Hungary	*3,26*	(131,195)	(114,931)	(118,205)
Cash and cash equivalents at the end of the period		**299,786**	299,561	**261,044**

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2005 (Restated)	**28,000**	**374,860**	**(13,808)**	**389,052**
Net income after income taxes	-	69,916	-	69,916
Fair value adjustment of securities available-for-sale recognised directly through equity	-	9,339	-	9,339
Share-based compensation	-	2,853	-	2,853
Dividend for the year 2004	-	(41,206)	-	(41,206)
Profit on sale of treasury shares	-	1,773	-	1,773
Change in carrying value of treasury shares	-	-	(5,574)	(5,574)
Balance as at June 30, 2005	**28,000**	**417,535**	**(19,382)**	**426,153**
Balance as at January 1, 2006	**28,000**	**486,051**	**(40,752)**	**473,299**
Net income after income taxes	-	75,534	-	75,534
Fair value adjustment of securities available-for-sale recognised directly through equity	-	(8,588)	-	(8,588)
Share-based compensation	-	2,765	-	2,765
Dividend for the year 2005	-	(55,160)	-	(55,160)
Profit on sale of treasury shares	-	955	-	955
Sale and purchase of treasury shares	-	-	(9,475)	(9,475)
Balance as at June 30, 2006	**28,000**	**501,557**	**(50,227)**	**479,330**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

National Savings and Commercial Bank Plc. (the "Bank" or "OTP") was established on December 31, 1990, when the predecessor State-owned company was transformed into a limited liability company. The Bank’s registered office address is 16, Nador street, Budapest 1051.

As at December 31, 1994, 79% of the Bank's shares were held directly or indirectly by the Hungarian Government and the remaining 21% were held by domestic investors or represented as own shares (less than 3%). In spring 1995, the Hungarian Government transferred 20% of the Bank’s shares to the Hungarian Social Security Funds. Subsequent to the successful initial public offering in summer 1995, the Bank's shares were introduced to the Budapest and the Luxembourg stock exchanges and were also listed on SEAQ London and PORTAL (USA).

At an extraordinary General Assembly on September 3, 1997, the Bank issued a preferential voting share with a nominal value of HUF 1 thousand (the "Special Share") to the State Privatization and Holding Company. The Special Share gives the power to the State Privatization and Holding Company to control the outcome of certain shareholder votes in accordance with the Bank's Articles of Association and the right to delegate one member to the Bank’s Board of Directors and one member to the Supervisory Board of the Bank.

By public offerings in fall 1997 and fall 1999, the State Privatization and Holding Company sold the remaining common shares.

The Annual General Meeting on April 25, 2001 approved the conversion of HUF 1,150 million nominal value preference shares issued by the Bank to common shares.

In the first quarter of the year of 2002 the nominal value of the common shares of the Bank decreased from HUF 1,000 to HUF 100 per share.

As at June 30, 2006 approximately 91.2% of the Bank’s shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (2.3%) and the Bank (6.5%).

The Bank provides a full range of commercial banking services through a nationwide network of 373 branches in Hungary.

As at June 30, 2006 the number of employees at the Bank was 8,096. The average number of employees as at June 30, 2006 was 7,936.

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.

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

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

1.2. Accounting [continued]

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 the Bank's Hungarian unconsolidated statutory accounts (see Note 33), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS).

The unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. As the Bank does not apply portfolio hedge accounting under IAS 39, there is no impact on these unconsolidated financial statements, had it been approved by the EU at the balance sheet date.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying unconsolidated financial statements are summarized below:

2.1. Basis of presentation

These unconsolidated financial statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded on fair value. Revenues and expenses are recorded in the period in which they are earned or incurred.

The presentation of unconsolidated financial statements in conformity with IFRS requires management of the Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Future changes in economic conditions, business strategies, regulatory requirements, accounting rules and other factors could result in a change in estimates that could have a material impact on future financial statements.

2.2. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary ("NBH") as of the date of the financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the Unconsolidated Statement of Operations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.3. Consolidated financial statements

These financial statements present the Bank's unconsolidated financial position and results of operations. Consolidated financial statements are currently being prepared by the Bank and consolidated net income and shareholders’ equity may differ significantly from that presented in these unconsolidated financial statements. See Note 2.8 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements.

2.4. Securities held-to-maturity

Investments in securities are accounted on a settlement date basis and are initially measured at cost. At subsequent reporting dates, securities that the Bank has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the investment so that the revenue recognised in each period represents a constant yield on the investment.

Held-to-maturity investments include securities, which the Bank has the ability and intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government and mortgage bonds.

2.5. Financial assets at fair value through statement of operations

2.5.1 Securities held for trading

Investments in securities are accounted on a settlement date basis and are initially measured at fair value. Held for trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities is recognised in profit/loss and included in the Unconsolidated Statement of Operations for the period. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in commercial companies, shares in investment funds.

2.5.2. Derivative financial instruments

In the normal course of business, the Bank is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency forward or swap agreements. These financial instruments are used by the Bank to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are initially measured at fair value and at subsequent reporting dates at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit/loss and included in the Unconsolidated Statement of Operation for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5.3. Derivative financial instruments designated as a fair-value or cash-flow hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the profit Unconsolidated Statement of Operations along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Unconsolidated Statement of Operations.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk, are recognised in the reserve among shareholders' equity. Amounts deferred in equity are transferred to the Unconsolidated Statement of Operations and classified as revenue or expense in the periods during which the hedged assets and liabilities affect the result for the period. The ineffective element of the hedge is charged directly to the Unconsolidated Statement of Operations.

Certain derivative transactions, while providing effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Unconsolidated Statement of Operations.

2.6. Securities available-for-sale

Investments in securities are accounted on a settlement date basis and are initially measured at fair value. Available-for-sale investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognised directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when realised in profit and loss for the applicable period. Such securities consist of discounted Treasury bills, Hungarian Government bonds, mortgage bonds and other securities. Other securities include shares in investment funds, bonds issued by companies and foreign government bonds.

Available-for-sale securities are remeasured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value future cash flows and the fair value of unquoted equity instruments is measured at cost.

Those available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less allowance for permanent diminution in value, when appropriate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Loans, placements with other banks and allowance for loan and placement losses

Loans and placements with other banks are stated at the principal amounts outstanding, net of allowance for loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amounts outstanding. When a borrower is unable to meet payments as they come due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they come due, all unpaid interest is reversed.

The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

The allowances for loan and placement losses are maintained at levels adequate to absorb probable future losses.

2.8. Investments in subsidiaries

Investments in subsidiaries representing a controlling interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to govern the financial and operating policies of the investee.

Investments in subsidiaries are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.

2.9. Sale and repurchase agreements

Where debt or equity securities are sold under a commitment to repurchase them at a pre-determined price, they remain on the balance sheet and the consideration received is recorded in Due to Banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognised in the balance sheet and the consideration paid is recorded in Placement with other Banks. Interest is accrued evenly over the life of the repurchase agreement.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Premises, equipment and intangible assets

Premises, equipment and intangible assets are stated at cost, less accumulated depreciation and amortization. The depreciable amount (book value less residual value) of the non-current assets must be allocated over them useful life. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Buildings	1-2%
Machinery and equipment	8-33.3%
Leased assets	16.7-33.3%
Vehicles	15-20%
Software	20-33.3%
Property rights	16.7%

Depreciation and amortization on premises, equipment and intangible assets commences on the day such assets are placed into service.

At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value of premises, equipment and other tangible fixed assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

2.11. Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the Unconsolidated Statement of Operations over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Payments made under operating leases are charged to the Unconsolidated Statement of Operations on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.12. Treasury shares

Treasury shares are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the Unconsolidated Balance Sheet at acquisition cost as a deduction from shareholders' equity. Gains and losses on the sale of treasury shares are credited or charged directly to retained earnings and reserves.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Interest Income and Interest Expense

Interest income and expense are recognised in the unconsolidated statement of operations on an accrual basis.

2.14. Income taxes

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for, using the balance sheet liability method in respect of temporary differences in the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted at the date of the Unconsolidated Balance Sheet.

2.15. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit and letters of credit and transactions with financial instruments. The allowance for losses on commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

The Bank recognises an allowance when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

2.16. Share-based payments

The Bank has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after November 7, 2002 that were unvested as of January 1, 2005.

The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2.17. Unconsolidated statement of cash flows

For the purposes of reporting cash flows, cash and cash equivalents include cash, due from banks and balances with the National Bank of Hungary, excluding compulsory reserve established by the National Bank of Hungary. Cash flows from hedging activities are classified in the same category as the item being hedged.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.18. Comparative figures

Certain amounts in the 2005 unconsolidated financial statements have been reclassified to conform with the current year presentation.

2.19. Significant accounting estimates and decisions in the application of accounting policies

(a) Impairment of Loans and Advances

The Bank regularly assesses its loan portfolio for possible impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors.

(b) Valuation of Instruments without Direct Quotations

Financial instruments without direct quotations in an active market are valued using the valuation model technique. The models are regularly reviewed and each model is calibrated for the most recent available market data. While the models are built only on available data, their use is subject to certain assumptions and estimates (eg, for correlations, volatilities, etc). Changes in the model assumptions may affect the reported market value of the relevant financial instruments.

(c) Provisions

The Bank is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. (see Note 15)

NOTE 3: CASH, DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

	June 30, 2006	December 31, 2005
Cash on hand:		
In HUF	60,806	47,122
In foreign currency	2,515	2,661
	63,321	49,783
Due from banks and balances with NBH:		
Within one year:		
In HUF	364,840	327,299
In foreign currency	2,820	2,167
	367,660	329,466
Total	430,981	379,249

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 131,195 million and HUF 118,205 million as at June 30, 2006 and as at December 31 2005, respectively.

NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)

	June 30, 2006	December 31, 2005
Within one year:		
In HUF	145,270	90,309
In foreign currency	162,553	192,258
	307,823	282,567
Over one year:		
In HUF	3,300	3,300
In foreign currency	208,761	107,792
	212,061	111,092
Total	519,884	393,659

NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn) [continued]

Placements with other banks in foreign currency as at June 30, 2006 and as at December 31 2005 bear interest rates in the range from 0.16% to 12.96% and from 0.05% to 12%, respectively.

Placements with other banks in HUF as June 30, 2006 and as at December 31 2005 bear interest rates in the range from 5.2% to 7.87% and from 5% to 7.6%, respectively.

An analysis of the change in the allowance for placement losses is as follows:

	June 30, 2006	December 31, 2005
Balance as at January 1	-	1
Release of allowance for placement losses	-	(1)
Closing balance	-	-

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS (in HUF mn)

	June 30, 2006	December 31, 2005
Securities held for trading		
Hungarian Government discounted Treasury bills	2,647	160
Hungarian Government interest bearing Treasury bills	1,199	1,485
Government bonds	35,281	19,743
Mortgage bonds	1,776	2,356
Other securities	443	199
	41,346	23,943
Derivative financial instruments designated as held for trading	10,729	10,111
Total	52,075	34,054

Approximately 97.2% and 99.3% of the held for trading securities portfolio was denominated in HUF as at June 30, 2006 and as at December 31 2005, respectively.

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS (in HUF mn) [continued]

Approximately 2.9% and 0.9% of the government bonds were denominated in foreign currency as at June 30, 2006 and as at December 31 2005, respectively. This portfolio was denominated in USD as at June 30, 2006 and as at December 31 2005, respectively.

Interest rates on securities held for trading ranged from 3% to 12% as at June 30, 2006 and as at December 31 2005, respectively.

Interest conditions and the remaining maturities of held for trading securities can be analysed as follows:

	June 30, 2006	December 31, 2005
Within five years:		
variable interest	798	953
fixed interest	29,526	19,400
	30,324	20,353
Over five years:		
variable interest	18	18
fixed interest	10,561	3,373
	10,579	3,391
Non interest-bearing securities	443	199
Total	41,346	23,943

NOTE 6: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

	June 30, 2006	December 31, 2005
Government bonds	32,897	67,567
Hungarian Government discounted Treasury bills	-	7,858
Mortgage bonds	242,046	253,365
Other securities	74,098	42,643
	349,041	371,433

Approximately 81.4% and 91% of the available-for-sale securities portfolio was denominated in HUF as at June 30, 2006 and as at December 31 2005, respectively.

NOTE 6: SECURITIES AVAILABLE-FOR-SALE (in HUF mn) [continued]

83.6% and 92.3% of the government bonds were denominated in HUF as at June 30, 2006 and as at December 31 2005, respectively. The whole government bond portfolio denominated in foreign currency was denominated in EUR as at June 30, 2006 and as at December 31 2005.

Interest rates on avaible-for-sale securities ranged from 2% to 12% and from 1.6% to 12% as at June 30, 2006 and as at December 31 2005, respectively.

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

	June 30, 2006	December 31, 2005
Within five years:		
variable interest	69,061	94,121
fixed interest	112,917	94,108
	181,978	188,229
Over five years:		
variable interest	24,973	24,600
fixed interest	131,858	148,649
	156,831	173,249
Non interest-bearing securities	10,232	9,955
Total	349,041	371,433

NOTE 7: LOANS AND ALLOWANCE FOR LOAN LOSSES (in HUF mn)

	June 30, 2006	December 31, 2005
Short-term loans and trade bills (within one year)	619,312	605,390
Long-term loans and trade bills (over one year)	1,041,484	892,280
	1,660,796	1,497,670
Allowance for loan losses	(26,225)	(22,162)
	1,634,571	1,475,508

Loans denominated in foreign currency loans represent approximately 45% and 41% of the loan portfolio, before allowance for losses, as at June 30, 2006 and as at December 31 2005, respectively.

Loans denominated in HUF, with a maturity within one year as at June 30, 2006 and as at December 31 2005 bear interest rates in the range from 11.3% to 29% and from 11.3% to 30%, respectively.

NOTE 7: LOANS AND ALLOWANCE FOR LOAN LOSSES (in HUF mn) [continued]

Loans denominated in HUF, with a maturity over one year as at June 30, 2006 and as at December 31 2005 bear interest rates in the range from 4% to 22.8%.

Foreign currency loans as at June 30, 2006 and as at December 31 2005 bear interest rates in the range from 1.4% to 17% and 1.1% to 16.5%, respectively.

Approximately 2.75% and 2.3% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2006 and as at December 31 2005, respectively.

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

	June 30, 2006		December 31, 2005	
Commercial loans	977,358	59%	902,696	60%
Municipality loans	162,007	10%	131,107	9%
Housing loans	239,703	14%	210,150	14%
Consumer loans	249,364	15%	226,153	15%
Mortgage backed loans	32,364	2%	27,564	2%
	1,660,796	100%	1,497,670	100%

An analysis of the change in the allowance for loan losses is as follows:

	June 30, 2006	December 31, 2005
Balance as at January 1	22,162	19,810
Provision for loan losses	11,552	16,436
Write-offs	(7,489)	(14,084)
Closing balance	26,225	22,162

The Bank sells non-performing loans without recourse at estimated fair value to a wholly owned subsidiary, OTP Factoring Ltd. See Note 25.

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	June 30, 2006	December 31, 2005
Investments in subsidiaries:		
Controlling interest	234,976	226,453
Significant interest	75	75
Other	786	861
	235,837	227,389
Allowance for permanent diminution in value	(3,448)	(3,508)
	232,389	223,881

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn) [continued]

Investments in subsidiaries in companies in which the Bank has a controlling interest are detailed below. All companies are incorporated in Hungary unless indicated otherwise.

	June 30, 2006		December 31, 2005	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
OTP Garancia Insurance Ltd.	100.00%	7,472	100.00%	7,472
OTP Real Estate Ltd.	100.00%	1,228	100.00%	1,228
OTP Real Estate Management Ltd.	-	-	-	-
Merkantil Bank Ltd.	100.00%	1,600	100.00%	1,600
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
HIF Ltd. (United Kingdom)	100.00%	1,132	100.00%	1,132
Bank Center No. 1. Ltd.	100.00%	9,364	100.00%	9,364
OTP Factoring Ltd.	100.00%	150	100.00%	150
INGA One Ltd.	100.00%	375	100.00%	375
INGA Two Ltd.	100.00%	5,892	100.00%	5,892
OTP Fund Servicing and Consulting Ltd.	100.00%	1,372	100.00%	1,372
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
OTP Mortgage Bank Company Ltd.	100.00%	20,000	100.00%	20,000
AIR-Invest Ltd.	100.00%	3,674	100.00%	3,674
DSK Bank EAD (Bulgaria)	100.00%	79,162	100.00%	79,162
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,037	97.23%	10,037
OTP Bank Romania S. A. (Romania)	100.00%	24,976	100.00%	19,746
OTP Banka Hrvatska (Croatia)	100.00%	59,941	100.00%	59,941
Niska Banka A.D.	89.39%	3,619	-	-
OTP Card Factory Ltd.	100.00%	450	100.00%	450
OTP Life Annuity Ltd.	100.00%	500	100.00%	500
IOLO OWEN & Co. Limited	-	-	99.25%	400
SCD Lease Ltd.	75.00%	210	75.00%	210
Other	-	219	-	145
Total		234,976		226,453

An analysis of the change in the allowance for permanent diminution in value is as follows:

	June 30, 2006	December 31, 2005
Balance as at January 1	3,508	5,417
Release of provision for permanent diminution in value	(60)	(1,909)
Closing balance	3,448	3,508

NOTE 9: HELD-TO-MATURITY INVESTMENTS (in HUF mn)

	June 30, 2006	December 31, 2005
Government securities	189,697	201,380
Hungarian Government discounted Treasury bills	47,520	29,962
Mortgage bonds	289,543	289,755
Other debt securities	1,600	700
	528,360	521,797

Interest conditions and the remaining maturities of held-to-maturity investments can be analysed as follows:

	June 30, 2006	December 31, 2005
Within five years:		
variable interest	28,167	50,037
fixed interest	372,886	345,850
	401,053	395,887
Over five years:		
variable interest	36,533	37,294
fixed interest	90,774	88,616
	127,307	125,910
Total	528,360	521,797

Approximately 100% and 99.6% of the debt securities portfolio was denominated in HUF as at June 30, 2006 and as at December 31 2005, respectively. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 5.5% to 10% as at June 30, 2006 and as at December 31 2005, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of held-to-maturity investments was HUF 520,703 million and HUF 533,791 million as at June 30, 2006 and as at December 31 2005, respectively.

NOTE 10: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

For the six month period ended June 30, 2006:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2006	53,565	57,675	60,471	6,414	178,125
Net additions	3,698	2,265	4,077	62	10,102
Net disposals	(23)	(442)	(1,003)	-	(1,468)
Balance as at June 30, 2006	57,240	59,498	63,545	6,476	186,759
Depreciation and Amortization					
Balance as at January 1, 2006	25,168	8,556	38,832	-	72,556
Net additions	4,345	654	3,786	-	8,785
Net disposals	(7)	(186)	(965)	-	(1,158)
Balance as at June 30, 2006	29,506	9,024	41,653	-	80,183
Net book value					
Balance as at January 1, 2006	28,397	49,119	21,639	6,414	105,569
Balance as at June 30, 2006	27,734	50,474	21,892	6,476	106,576

NOTE 10: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS [continued] (in HUF mn)

For the year ended December 31, 2005:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2005	38,501	52,778	56,574	10,127	157,980
Net additions	17,887	5,412	7,608	-	30,907
Net disposals	(2,823)	(515)	(3,711)	(3,713)	(10,762)
Balance as at December 31, 2005	53,565	57,675	60,471	6,414	178,125
Depreciation and Amortization					
Balance as at January 1, 2005	18,534	7,501	35,407	-	61,442
Net additions	6,974	1,227	7,053	-	15,254
Net disposals	(340)	(172)	(3,628)	-	(4,140)
Balance as at December 31, 2005	25,168	8,556	38,832	-	72,556
Net book value					
Balance as at January 1, 2005	19,967	45,277	21,167	10,127	96,538
Balance as at December 31, 2005	28,397	49,119	21,639	6,414	105,569

NOTE 11: OTHER ASSETS (in HUF mn)

	June 30, 2006	December 31, 2005
Property held for sale	4	4
Due from Government for interest subsidies	2,962	3,736
Trade receivables	3,448	4,194
Advances for securities and investments	568	509
Taxes recoverable	373	37
Inventories	541	481
Other advances	1,346	2,289
Credits sold under deferred payment scheme	406	280
Receivables from OTP Mortgage Bank Company Ltd.	31,769	25,778
Receivables from investing services	4,538	1,231
Prepayments and accrued income	13,090	5,342
Fair value of derivative financial instruments designated as hedge accounting relationships	2,348	35
Other	4,737	3,433
	66,130	47,349
Allowance for losses on other assets	(1,016)	(902)
	65,114	46,447

An analysis of the change in the allowance for losses on other assets is as follows:

	June 30, 2006	December 31, 2005
Balance as at January 1	902	899
Provision for possible losses	117	46
Write-offs	(3)	(43)
Closing balance	1,016	902

NOTE 12: DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	June 30, 2006	December 31, 2005
Within one year:		
In HUF	125,024	11,138
In foreign currency	133,660	86,198
	258,684	97,336
Over one year:		
In HUF	27,139	20,350
In foreign currency	167,632	137,525
	194,771	157,875
Total	453,455	255,211

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year at June 30, 2006 and as at December 31 2005, bear interest rates in the range from 5.2% to 5.3% and from 4.9% to 5.3%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year at June 30, 2006 and as at December 31 2005, bear interest rates in the range from 3% to 4.5% and from 3.1% to 4.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year at June 30, 2006 and as at December 31 2005, bear interest rates in the range from 1.28% to 5.36% and from 0.5% to 4.55%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year at June 30, 2006 and as at December 31 2005, bear interest rates in the range form 1.2% to 4.18% and from 0.7% to 6.1%, respectively.

NOTE 13: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2006	December 31, 2005
Within one year:		
In HUF	2,224,103	2,190,095
In foreign currency	370,849	298,767
	2,594,952	2,488,862
Over one year:		
In HUF	15,171	17,595
	15,171	17,595
Total	2,610,123	2,506,457

NOTE 13: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]

Deposits from customers payable in HUF within one year at June 30, 2006 and as at December 31 2005, bear interest rates in the range from 0.2% to 5.8% and from 0.2% to 6%, respectively.

Deposits from customers payable in HUF over one year at June 30, 2006 and as at December 31 2005, bear interest rates in the range from 1% to 3.5% and from 1% to 4.5%, respectively.

Deposits from customers payable in foreign currency at June 30, 2006 and as at December 31 2005, bear interest rates in the range from 0.1% to 5.8% and from 0.1% to 4.8%, respectively.

An analysis of deposits from customers by type, is as follows:

	June 30, 2006		December 31, 2005	
Commercial deposits	585,094	22%	474,052	19%
Municipality deposits	133,597	5%	161,993	6%
Consumer deposits	1,891,432	73%	1,870,412	75%
	2,610,123	100%	2,506,457	100%

NOTE 14: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	June 30, 2006	December 31, 2005
With original maturity:		
Within one year	343	355
Over one year	225,295	201,912
	225,638	202,267

Liabilities from issued securities denominated in HUF bear interest rates in the range from 0.3% to 1% as at June 30, 2006 and as at December 31 2005, respectively.

Liabilities from issued securities denominated in foreign currency bear interest rates in the range from 3.1% to 3.2% and from 0.3% to 2.6% at June 30, 2006 and as at December 31 2005, respectively.

The Bank issued EUR 500 million variable-rate bonds at three month EURIBOR + 0.16% quarterly, on July 1, 2005 due 1, July 2010 and EUR 300 million variable-rate bonds at three month EURIBOR + 0.15% quarterly, on December 20, 2005 due December 20, 2010, at a price of 99.81%.

NOTE 15: OTHER LIABILITIES (in HUF mn)

	June 30, 2006	December 31, 2005
Taxes payable	7,130	6,221
Deferred tax liabilities	2,333	2,793
Giro clearing accounts	23,323	18,361
Accounts payable	4,676	8,268
Salaries and social security payable	8,659	8,092
Liabilities from security trading	13,615	9,307
Allowances for losses on off-balance sheet commitments, contingent liabilities	8,448	7,882
Margin account balance	159	-
Dividends payable	664	581
Accrued expenses	9,070	6,444
Suspense accounts	3,153	1,998
Loans for collection	1,751	1,860
Advancement of Government grants for housing purposes	3,701	5,427
Fair value of derivative financial instruments designated as hedge accounting relationships	265	722
Fair value of derivative financial instruments designated as held for trading	27,439	8,757
Liabilities from trading activities (repurchase agreement)	1,267	5,785
Other	9,942	10,383
	125,595	102,881

The allowances for losses on off-balance sheet commitments and contingent liabilities are detailed as follows:

	June 30, 2006	December 31, 2005
Allowance for litigation	1,754	1,453
Allowance for other off-balance sheet commitments, contingent liabilities	6,694	6,429
	8,448	7,882

The allowance for losses on other off-balance sheet commitments and contingent liabilities primarily relates to commitments stemming from guarantees and credit lines issued by the Bank.

As part of its operations, until 1991, the Bank financed and constructed residential accommodations for resale on which it was required to provide a ten year guarantee against defective workmanship. The Bank has recourse against the constructors for any claims. The recovery of such claims is, however, dependent upon the financial status of the constructors, which is impaired in certain cases. An allowance has been recorded to account for the estimated possible future losses due to housing warranties. The allowance for housing warranties were reversed until December 31, 2004 in line with the expenses related to housing warranties.

NOTE 15: OTHER LIABILITIES (in HUF mn) [continued]

Movements in the allowance for possible losses on commitments and contingent liabilities can be summarized as follows:

	June 30, 2006	December 31, 2005
Balance as at January 1	7,882	9,866
Allowance/(credit) for off-balance sheet commitments and contingent liabilities, net	566	(1,984)
Release of allowance for housing warranties	-	-
Closing balance	8,448	7,882

NOTE 16: SUBORDINATED BONDS AND LOANS

In 1993, the Bank issued HUF 5 billion in bonds, which are subordinated to the other liabilities of the Bank and subscribed by the Hungarian Ministry of Finance. Interest on subordinated bonds and the frequency of payment of interests are based on condition of interest of 2013/C credit consolidated government bonds, which is a variable-rate bond, the interest payable and the rate of interest are fixed twice a year. The semi-annual interest payable was 4.36% as at December 20, 2002, 3.25% as at June 20, 2003, 4.8% as at December 20, 2003, 4.88% as at June 20, 2004, 6.05% as at December 20, 2004, 5.46% as at June 20, 2005, and 3.08% as at December 20, 2005, and 3.1% as at June 30, 2006. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

In December 1996, the Bank obtained a USD 30 million and DEM 31.14 million (15.92 million in EUR) subordinated loan from the European Bank for Reconstruction and Development with the original mauturity of December 27, 2006. The maturity date was modified to August 27, 2008 on August 22, 2003. The loan is unsecured, subordinate to the other liabilities and has a twelve-year maturity, with interest payable at six-month LIBOR + 1.4% from December 27, 1996 until December 29, 1997, at six-month LIBOR + 1.0% from December 29, 1997 until June 28, 1999, at six-month LIBOR + 1.7% from June 28, 1999 until December 27, 2003 and at six-month LIBOR + 1.35% from December 28, 2003 until August 27, 2008.

On March 4, 2005, the Bank issued EUR 125 million in bonds, which are subordinated to the other liabilities of the Bank. Interest on subordinated bonds is variable and payable at three-month EURIBOR + 0.55% quarterly. The original maturity of the bonds is 10 years.

NOTE 17: SHARE CAPITAL (in HUF mn)

	June 30, 2006	December 31, 2005
Authorized, issued and fully paid:		
Common shares	28,000	28,000
	28,000	28,000

From September 3, 1997, the Bank has one preferential voting share (the "Special Share") outstanding with a nominal value of HUF 1 thousand (see Note 1.1).

NOTE 18: RETAINED EARNINGS AND RESERVES (in HUF mn)

	June 30, 2006	December 31, 2005
Balance as at January 1	486,051	374,860
Net income after income taxes	75,534	132,848
Fair value adjustment of available-for-sale securities recognised through equity	(8,588)	4,626
Share-based compensation	2,765	7,497
Profit on sale of Treasury Shares	955	7,426
Dividend	(55,160)	(41,206)
Closing balance	501,557	486,051

The Bank's reserves under Hungarian Accounting Standards were HUF 387,745 million and HUF 310,215 million at June 30, 2006 and as at December 31 2005, respectively. Of these amounts, legal reserves represent HUF 125,226 million and HUF 107,619 million as at June 30, 2006 and as at December 31 2005, respectively. The legal reserves are not available for distribution.

Dividends of HUF 41,206 million for the year ended December 31, 2004 were proposed and approved by the Annual General Meeting on April 29, 2005.

Dividends of HUF 55,160 million for the year ended December 31, 2005 were proposed and approved by the Annual General Meeting on April 29, 2006.

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NOTE 19: TREASURY SHARES (in HUF mn)

	June 30, 2006	December 31, 2005
Nominal Value	1,095	1,005
Carrying Value at aquisition cost	50,227	40,752

NOTE 20: OTHER EXPENSES (in HUF mn)

	June 30, 2006	December 31, 2005
Release of provision for permanent diminution in value of investments in subsidiaries	(60)	(1,909)
Provision/(release of provision) for other assets	117	46
Provision/(release of provision) for possible losses on off-balance sheet commitments, contingent liabilities	566	(1,984)
Administration expenses, including rent	10,657	20,265
Advertising	1,835	4,028
Taxes, other than income tax	11,931	23,068
Services	8,378	15,811
Professional fees	1,189	2,686
Other	819	1,290
	35,432	63,301

NOTE 21: INCOME TAXES (in HUF mn)

The Bank is presently liable for income tax at a rate of 16% of taxable income.
In the calculation of deffered tax the 16% income tax rate and a 4% "solidarity" tax rate applicable from September 1, 2006 have been taken into account.

A reconciliation of the income tax is as follows:

	June 30, 2006	December 31, 2005
Current tax	10,866	22,804
Deferred tax	1,050	150
	11,916	22,954

A reconciliation of the deferred tax asset/(liability) is as follows:

	June 30, 2006	December 31, 2005
Balance as at January 1	(2,793)	(1,761)
Deferred tax charge	(1,050)	(150)
Tax effect of fair value adjustment of available-for-sale securities recognised through equity	1,510	(882)
Closing balance	(2,333)	(2,793)

NOTE 21: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax charge is as follows:

	June 30, 2006	December 31, 2005
Net income before income taxes	87,450	155,802
Income tax with statutory tax rate (16%)	13,992	24,928
Income tax adjustments are as follows:		
Reversal of statutory general provision	(680)	(651)
Reversal of statutory goodwill and negative goodwill	(648)	(1,318)
Revaluation of investments denominated in foreign currency to historical cost	1,840	305
Profit on sale of Treasury Shares	153	1,188
Fair value of share-based compensations (IFRS 2)	442	1,200
Dividend income	(2,413)	(2,230)
Other	(1,430)	468
Deferred tax effect of changing of income tax rate (+4%)	660	-
Income tax	11,916	22,954
Effective tax rate	13,6%	14,7%

NOTE 21: INCOME TAXES (in HUF mn) [continued]

A breakdown of the deferred tax asset/(liability) is as follows:

	June 30, 2006	December 31, 2005
Premium and discount amortization on investment securities	69	68
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	-	5
Difference in accounting for finance leases	256	158
Fair value adjustment of derivative financial instruments	-	90
Effect of applying interest rate method	120	-
Deferred tax asset	445	321
Fair value adjustment of held for trading and available-for-sale financial assets	(537)	(2,629)
Fair value adjustment of derivative financial instruments	(1,055)	-
Repurchase agreement	(71)	(4)
Difference in depreciation and amortization	(1,115)	(481)
Deferred tax liabilities	(2,778)	(3,114)
Net deferred tax liabilities	(2,333)	(2,793)

NOTE 22: FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to the right to receive cash or another financial asset from another party (financial asset) or the obligation to deliver cash or another financial asset to another party (financial liability).

Financial instruments may result in certain risks to the Bank. The most significant risks the Bank faces include:

Credit risk

The Bank takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a ‘value at risk’ methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management Board sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

Liquidity risk

See Note 29.

Foreign currency risk

See Note 30.

Interest rate risk

See Note 31.

NOTE 23: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Bank becomes a party to various financial transactions that are not reflected on the balance sheet and are referred to as off-balance sheet financial instruments. The following represent notional amounts of these off-balance sheet financial instruments, unless stated otherwise.

(a) Contingent liabilities and commitments

	June 30, 2006	December 31, 2005
Commitments to extend credit	711,637	566,647
Guarantees arising from banking activities	146,355	132,369
Confirmed letters of credit	19,570	10,540
Legal disputes	3,640	3,410
Contingent liabilities related to OTP Mortgage Bank Company Ltd.	37,036	49,452
Other	200	164
	918,438	762,582

Commitments to extend credit, from guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Guarantees, irrevocable letters of credit and undrawn loan commitments are subject to similar credit risk monitoring and credit policies as utilised in the extension of loans. The management of the Bank believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loans commitments to be minimal.

NOTE 23: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Legal disputes

At the balance sheet date the Bank was involved in various claims and legal proceedings of a nature considered normal to its business. The level of these claims and legal proceedings correspond to the level of claims and legal proceedings in previous years.

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.
Provision due to legal disputes were HUF 1,754 million and HUF 1,453 million as at June 30, 2006 and as at December 31, 2005, respectively.

Contingent liabilities related to OTP Mortgage Bank Company Ltd.

Under a syndication agreement with its fully owned subsidiary, OTP Mortgage Bank Company Ltd., the Bank guarantees, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Company Ltd. that become non-performing. OTP Mortgage Bank Company Ltd. utilises credit risk monitoring and credit policies for the granting of loans similar to those used by the Bank.
Provision due to recourse agreements were HUF 3,704 million and HUF 4,945 million as at June 30, 2006 and as at December 31 2005, respectively.

NOTE 23: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(b) Derivatives (nominal amount, unless otherwise stated)

	June 30, 2006	December 31, 2005
Foreign currency contracts designated as held for trading		
Assets	43,190	39,329
Liabilities	43,373	40,570
Net	(183)	(1,241)
Net fair value	856	(856)
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	812,997	612,543
Liabilities	821,362	601,539
Net	(8,365)	11,004
Net fair value	(17,577)	2,210
Interest rate swaps designated in hedge accounting relationships		
Assets	15,466	12,031
Liabilities	17,477	14,023
Net	(2,011)	(1,992)
Net fair value	1,587	(687)
Option contracts		
Assets	6,982	-
Liabilities	6,655	-
Net	327	-
Net fair value	495	-
Forward security agreements designated as held for trading		
Assets	1,167	-
Liabilities	1,101	-
Net	66	-
Net fair value	12	-

NOTE 23: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

The Bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except of trading with clients, where the Bank in most of the cases requires margin deposits.

As at June 30, 2006, the Bank has derivative instruments with positive fair values of HUF 13,077 million and negative fair values of HUF 27,704 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2005 are HUF 10,146 million and HUF 9,479 million.

Foreign currency contracts

Foreign currency contracts are agreements to exchange specific amounts of currencies at a specified rate of exchange, at a spot date (settlement occurs two days after the trade date) or at a forward date (settlement occurs more than two days after the trade date). The notional amount of these contracts does not represent the actual market or credit risk associated with these contracts.

Foreign currency contracts are used by the Bank for risk management and trading purposes. The Bank's risk management foreign currency contracts were used to hedge against exchange rate fluctuations on loans and advances to credit institutions denominated in foreign currency.

Foreign exchange swaps and interest rate swaps

The Bank enters into foreign-exchange swap and interest rate swap transactions. The swap transaction is a complex agreement concerning to the swap of certain financial instruments, which usually consist of a prompt and one or more futures contracts.

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount. Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps.

Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counter-parties. The Bank's interest rate swaps were used for management of interest rate exposures and have been accounted for at mark-to-market fair value.

NOTE 23: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

Forward rate agreements

A forward rate agreement is an agreement to settle amounts at a specified future date based on the difference between an interest rate index and an agreed upon fixed rate. Market risk arises from changes in the market value of contractual positions caused by movements in interest rates.

The Bank limits its exposure to market risk by entering into generally matching or offsetting positions and by establishing and monitoring limits on unmatched positions. Credit risk is managed through approval procedures that establish specific limits for individual counter-parties. The Bank's forward rate agreements were transacted for management of interest rate exposures and have been accounted for at mark-to-market fair value.

For an analysis of the allowance for possible losses on off balance sheet commitments and contingent liabilities, see Note 15.

NOTE 24: SHARE-BASED COMPENSATION

The terms of the options relating to the years of 2005 to 2009 were approved by the Annual General Meeting of 2005. The grant date of these options is April 29, 2005. The maximum number of shares which are available is 2.92 million pieces.

The 2006 Annual General Meeting approved a five year share option program for the years of 2006 to 2010 under which options are granted annually. These options are subject to IFRS 2 and have a grant date of April 28, 2006.

The exercise price of the options of 2005 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the two month period ending on the last day of the month of the Annual General Meeting.

The exercise prices of the options relating to the years of 2006 to 2009 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the period between April 30 and May 30 in the actual year and decreased by HUF 1,000. In that case if the average price of the shares exceeds by more than HUF 3,000 the exercise price one day before the date of exercise the exercise price would be increased by the amount above the HUF 3,000.

The exercise period of the options granted for the years of 2003 and 2004 is one year, for the year of 2005 is two years and for the years of 2006 to 2010 is 19 months. The exercise period of the option program for the years of 2006 to 2010 must be opened at June 1, in the actual year. If the options remain unexercised before the end of the exercise period the options expire. Additionally, options are forfeited if the employee leaves the Bank before the options vest.

NOTE 24: SHARE-BASED COMPENSATION [continued]

	For the year ended December 31, 2005		For the six month period ended June 30, 2006	
	Options (piece of shares)	Weighted average exercise price (in HUF)	Options (piece of shares)	Weighted average exercise price (in HUF)
Outstanding at beginning of period	3,575,930	2,552	3,346,200	6,079
Granted during the period	4,251,500	5,446	3,827,000	7,039
Forfeited during the period	30,000	3,107	-	-
Exercised during the period	4,451,230	2,661	453,200	3,107
Outstanding at the end of the period	3,346,200	6,079	6,720,000	6,826
Exercisable at the end of the period	446,200	3,107	3,400,000	6,296

The weighted average share price for share options of 2004 exercised during the six month period ended June 30, 2006 was HUF 7,190 at the date of exercise. The options outstanding at June 30, 2006 and at December 31, 2005 had a weighted average exercise price of HUF 6,826 and HUF 6,079 with a weighted average remaining contractual life of 25 and 18 months, respectively.

The inputs into the Binominal model are as follows:

	2004	**2005**	**2006**
Weighted average share price (HUF)	2,210	6,060	5,969
Weighted average exercise price (HUF)	1,264	6,536	4,882
Expected volatility (%)	30	35	36
Expected life (average year)	3.42	3.34	0.52
Risk free rate (%)	7.17	7.46	6,71
Expected dividends (%)	1.24	2.41	3,35

Expected volatility was determined by calculating the historical volatility of the Bank’s share price three months prior to the grant date. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

In connection with the share-based compensation programs approved by the Bank and applying IFRS 2, HUF 2,765 million and HUF 7,497 million has been recognised as an expense for the six month period ended June 30, 2006 and for the year ended December 31, 2005, respectively.

NOTE 25: RELATED PARTY TRANSACTIONS

Transactions with related parties, other than increases in share capital, are summarized below:

During the six month periods ended June 30, 2006 and 2005 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 3,906 million and HUF 4,028 million, respectively. The gross book value of such credits was HUF 9,469 million and HUF 11,630 million, respectively, with a corresponding allowance for loan losses of HUF 3,482 million and HUF 2,548 million, respectively. The underlying mortgage rights were also transferred to OTP Factoring. Losses related to such transactions are recorded in the unconsolidated financial statements, among for loans and placement losses, which were HUF 2,081 million and HUF 5,054 million, respectively.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 888 million and HUF 580 million for the six month periods ended June 30, 2006 and 2005, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 836 million and HUF 1,070 million for the six month periods ended June 30, 2006 and 2005, respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 305 million and HUF 242 million, in relation to trading activity were HUF 2,542 million and HUF 1,999 million for the six month periods ended June 30, 2006 and 2005, respectively.

Commissions paid by the Bank to OTP Real Estate in relation to its activity were HUF 857 million and HUF 1,323 million for the six month periods ended June 30, 2006 and 2005, respectively.

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 81,616 million and 52,114 million during the six month periods ended June 30, 2006 and 2005 (including interest). The book value of these receivables were HUF 81,568 million and HUF 52,026 million, respectively.

During the six month period ended June 30, 2006, the Bank received HUF 24,407 million in fees and commissions from OTP Mortgage Bank Company Ltd. For the six month period ended June 30, 2005 such fees and commissions were HUF 20,270 million. Such fees and commissions are related to services provided to OTP Mortgage Bank Company Ltd. under the syndication agreement.

In the normal course of business, the Bank enters into other transactions with its subsidiaries, the amounts and volumes of which are not significant to these unconsolidated financial statements taken as a whole.

The members of the Board of Directors and the Supervisory Board have credit lines of HUF 249 million and HUF 188 million as at June 30, 2006 and as at December 31, 2005, respectively. Such credit is made available at normal market conditions.

In the normal course of business, the Bank gives loans and provides services to other related parties at normal market conditions. The amount of these loans was HUF 269 million and HUF 283 million, with commitments to extend credit and guarantees of HUF 104 million and HUF 112 million as at June 30, 2006 and as at December 31, 2005, respectively.

NOTE 25: RELATED PARTY TRANSACTIONS [continued]

The compensation of key management, such as the members of the Board of Directors, the members of the Supervisory Board and the employees involved in the decision-making process according to the compensation categories defined in IAS 24, is summarised below:

Compensations	June 30, 2006	December 31, 2005
Short-term employee benefits	1,977	4,956
Share-based compensations	4,304	4,517
	6,281	9,473

NOTE 26: CASH AND CASH EQUIVALENTS (in HUF mn)

	June 30, 2006	December 31, 2005
Cash, due from banks and balances with the NBH	430,981	379,249
Compulsory reserve established by the NBH	(131,195)	(118,205)
	299,786	261,044

NOTE 27: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 45,549 million and HUF 46,825 million as at June 30 and as at December 31, 2005, respectively.

NOTE 28: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 17% and 18% of the Bank's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at June 30, 2006 and as at December 31, 2005, respectively. Approximately 13,5% and 15% of the Bank's total assets consisted of securities issued by the OTP Mortgage Bank Company Ltd. as at June 30, 2006 and as at December 31, 2005, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at June 30, 2006 and as at December 31, 2005, respectively.

NOTE 29: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the National Bank of Hungary. The following tables provide an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

NOTE 29: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at June 30, 2006	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	430,981	-	-	-	430,981
Placements with other banks, net of allowance for placement losses	277,210	30,613	210,503	1,558	519,884
Financial assets at fair value through statement of operations	3,000	5,884	28,692	14,499	52,075
Securities available-for-sale	17,892	11,789	152,297	167,063	349,041
Loans, net of allowance for loan losses	170,984	433,140	558,790	471,657	1,634,571
Accrued interest receivable	36,721	40	-	-	36,761
Investments in subsidiaries	-	-	-	232,389	232,389
Securities held-to-maturity	20,107	52,133	328,813	127,307	528,360
Premises, equipment and intangible assets, net	-	-	79,552	27,024	106,576
Other assets	53,398	11,664	27	25	65,114
TOTAL ASSETS	**1,010,293**	**545,263**	**1,358,674**	**1,041,522**	**3,955,752**
Due to banks and deposits from the National Bank of Hungary and other banks	171,833	86,851	144,998	49,773	453,455
Deposits from customers	2,467,836	127,116	15,171	-	2,610,123
Liabilities from issued securities	343	-	225,295	-	225,638
Accrued interest payable	10,228	-	-	-	10,228
Other liabilities	100,485	10,997	10,210	3,903	125,595
Subordinated bonds and loans	-	-	11,142	40,241	51,383
TOTAL LIABILITIES	**2,750,725**	**224,964**	**406,816**	**93,917**	**3,476,422**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	501,557	501,557
Treasury shares	(500)	(3,400)	(46,327)	-	(50,227)
TOTAL SHAREHOLDERS' EQUITY	**(500)**	**(3,400)**	**(46,327)**	**529,557**	**479,330**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,750,225**	**221,564**	**360,489**	**623,474**	**3,955,752**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,739,932)**	**323,699**	**998,185**	**418,048**	**-**

NOTE 29: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at December 31, 2005	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	379,249	-	-	-	379,249
Placements with other banks, net of allowance for placement losses	261,575	20,992	111,092	-	393,659
Financial assets at fair value through statement of operations	2,354	4,861	21,932	4,907	34,054
Securities available-for-sale	28,883	37,380	121,966	183,204	371,433
Loans, net of allowance for loan losses	160,934	432,322	501,097	381,155	1,475,508
Accrued interest receivable	41,237	39	-	-	41,276
Investments in subsidiaries	-	-	-	223,881	223,881
Securities held-to-maturity	28,639	66,117	301,131	125,910	521,797
Premises, equipment and intangible assets, net	-	-	77,685	27,884	105,569
Other assets	40,321	6,086	22	18	46,447
TOTAL ASSETS	**943,192**	**567,797**	**1,134,925**	**946,959**	**3,592,873**
Due to banks and deposits from the National Bank of Hungary and other banks	95,058	2,278	128,963	28,912	255,211
Deposits from customers	2,373,083	115,779	17,595	-	2,506,457
Liabilities from issued securities	355	-	201,912	-	202,267
Accrued interest payable	5,735	-	-	-	5,735
Other liabilities	84,339	8,515	7,419	2,608	102,881
Subordinated bonds and loans	-	-	10,431	36,592	47,023
TOTAL LIABILITIES	**2,558,570**	**126,572**	**366,320**	**68,112**	**3,119,574**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	486,051	486,051
Treasury shares	(200)	(2,597)	(37,955)	-	(40,752)
TOTAL SHAREHOLDERS' EQUITY	**(200)**	**(2,597)**	**(37,955)**	**514,051**	**473,299**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,558,370**	**123,975**	**328,365**	**582,163**	**3,592,873**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,615,178)**	**443,822**	**806,560**	**364,796**	**-**

NOTE 30: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at June 30, 2006

	USD	EUR	Others	Total
Assets	111,702	714,293	505,489	1,331,484
Liabilities	(106,626)	(653,777)	(191,428)	(951,831)
Off-balance sheet assets and liabilities, net	(3,639)	(135,667)	(189,892)	(329,198)
Net position	**1,437**	**(75,151)**	**124,169**	**50,455**

As at December 31, 2005

	USD	EUR	Others	Total
Assets	121,070	558,961	366,403	1,046,434
Liabilities	(94,248)	(543,337)	(133,913)	(771,498)
Off-balance sheet assets and liabilities, net	(30,026)	(86,132)	(131,702)	(247,860)
Net position	**(3,204)**	**(70,508)**	**(100,788)**	**(27,076)**

The table above provides an analysis of the Bank’s main currency exposures. The remaining currencies are shown within ‘Others’. Whilst the Bank monitors its foreign exchange position for compliance with the regulatory requirements of the National Bank of Hungary and own limit system established in respect of limits on open positions. The measurement of the Bank’s open foreign currency position involves monitoring the ‘value at risk’ limit on the foreign exchange exposure of the Bank.

NOTE 31: INTEREST RATE RISK MANAGEMENT

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

The majority of the Bank's interest bearing assets and liabilities are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Bank to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

The following table presents the interest repricing dates of the Bank. Variable yield assets and liabilities have been reported according to their next repricing date. Fixed income assets and liabilities have been reported according to their maturity.

NOTE 31: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at June 30, 2006

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**365,273**	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,373**	**5,323**	**425,646**	**5,334**	**430,980**
fixed interest	365,273	11	-	-	-	-	-	-	-	-	-	-	365.273	11	**365.284**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	60,373	5,323	60.373	5.323	**65.696**
Placements with other banks	**95,571**	**237,395**	**28,215**	**1,481**	**24,782**	**132,430**	**-**	**10**	**-**	**-**	**-**	**-**	**148,568**	**371,316**	**519,884**
fixed interest	92,571	160,284	28,215	369	24,482	1,901	-	-	-	-	-	-	145,268	162,554	**307,822**
variable interest	3,000	77,111	-	1,112	300	130,529	-	10	-	-	-	-	3,300	208,762	**212,062**
Securities held for trading	**642**	**-**	**1,626**	**-**	**4,510**	**-**	**8,438**	**183**	**24,663**	**841**	**329**	**114**	**40,208**	**1,138**	**41,346**
fixed interest	642	-	898	-	4,422	-	8,438	183	24,663	841	-	-	39,063	1,024	**40,087**
variable interest	-	-	728	-	88	-	-	-	-	-	-	-	816	-	**816**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	329	114	329	114	**443**
Securities available-for-sale	**48,417**	**6,684**	**27,014**	**12,591**	**9,789**	**3,327**	**12,153**	**-**	**176,691**	**42,144**	**9,954**	**277**	**284,018**	**65,023**	**349,041**
fixed interest	-	-	3,998	-	9,789	-	12,153	-	176,691	42,144	-	-	202,631	42,144	**244,775**
variable interest	48,417	6,684	23,016	12,591	-	3,327	-	-	-	-	-	-	71,433	22,602	**94,035**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,954	277	9,954	277	**10,231**
Loans	**631,454**	**273,858**	**1,033**	**3,948**	**225,984**	**463,573**	**2,450**	**35**	**32,236**	**-**	**-**	**-**	**893,157**	**741,414**	**1,634,571**
fixed interest	153	-	404	-	1,483	-	2,149	-	8,677	-	-	-	12,866	-	**12,866**
variable interest	631,301	273,858	629	3,948	224,501	463,573	301	35	23,559	-	-	-	880,291	741,414	**1,621,705**
Securities held-to-maturity	**46,344**	**-**	**15,230**	**-**	**60,651**	**-**	**25,826**	**-**	**380,309**	**-**	**-**	**-**	**528,360**	**-**	**528,360**
fixed interest	-	-	7,896	-	49,629	-	25,826	-	380,309	-	-	-	463,660	-	**463,660**
variable interest	46,344	-	7,334	-	11,022	-	-	-	-	-	-	-	64,700	-	**64,700**
Fair value of derivative financial instruments	**38,064**	**223,850**	**200,695**	**159,862**	**24,284**	**22,908**	**759**	**3,050**	**78,587**	**5,008**	**-**	**-**	**342,389**	**414,678**	**757,067**
fixed interest	37,675	111,726	198,594	31,881	22,072	22,218	759	3,050	78,587	5,008	-	-	337,687	173,883	**511,570**
variable interest	389	112,124	2,101	127,981	2,212	690	-	-	-	-	-	-	4,702	240,795	**245,497**

NOTE 31: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at June 30, 2006

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**151,244**	**144,502**	**-**	**62,520**	**1**	**90,623**	**-**	**-**	**410**	**-**	**508**	**3,647**	**152,163**	**301,292**	**453,455**
fixed interest	124,516	40,240	-	4,671	-	28,826	-	-	-	-	-	-	124,516	73,737	**198,253**
variable interest	26,728	104,262	-	57,849	1	61,797	-	-	410	-	-	-	27,139	223,908	**251,047**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	508	3,647	508	3,647	**4,155**
Deposits from customers	**2,067,685**	**295,110**	**164,839**	**47,087**	**6,444**	**28,177**	**-**	**-**	**-**	**-**	**306**	**475**	**2,239,274**	**370,849**	**2,610,123**
fixed interest	733,658	222,109	164,839	47,087	6,444	28,177	-	-	-	-	-	-	904,941	297,373	**1,202,314**
variable interest	1,334,027	73,001	-	-	-	-	-	-	-	-	-	-	1,334,027	73,001	**1,407,028**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	306	475	306	475	**781**
Liabilities from issued securities	**343**	**140,965**	**-**	**84,330**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**343**	**225,295**	**225,638**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	343	140,965	-	84,330	-	-	-	-	-	-	-	-	343	225,295	**225,638**
Fair value of derivative financial instruments in other liabilities	**18,467**	**242,803**	**2,921**	**368,397**	**7,711**	**38,268**	**3,426**	**-**	**4,966**	**84,735**	**-**	**-**	**37,491**	**734,203**	**771,694**
fixed interest	18,096	131,643	1,458	240,584	7,230	37,893	3,426	-	4,966	84,735	-	-	35,176	494,855	**530,031**
variable interest	371	111,160	1,463	127,813	481	375	-	-	-	-	-	-	2,315	239,348	**241,663**
Subordinated bonds and loans	**-**	**-**	**5,000**	**6,653**	**-**	**39,730**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**46,383**	**51,383**
variable interest	-	-	5,000	6,653	-	39,730	-	-	-	-	-	-	5,000	46,383	**51,383**
NET POSITION	**(1,011,974)**	**(81,582)**	**101,053**	**(391,105)**	**335,844**	**425,440**	**46,200**	**3,278**	**687,110**	**36,742**	**69,842**	**1,592**	**228,075**	**(79,119)**	**148,956**

NOTE 31: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2005

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**327,299**	**2,167**	-	-	-	-	-	-	-	-	**47,122**	**2,661**	**374,421**	**4,828**	**379,249**
fixed interest	327,299	2,167	-	-	-	-	-	-	-	-	-	-	327,299	2,167	**329,466**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	47,122	2,661	47,122	2,661	**49,783**
Placements with other banks	**73,409**	**240,976**	**20,000**	**56,119**	**200**	**2,955**	-	-	-	-	-	-	**93,609**	**300,050**	**393,659**
fixed interest	70,109	176,094	20,000	15,965	200	200	-	-	-	-	-	-	90,309	192,259	**282,568**
variable interest	3,300	64,882	-	40,154	-	2,755	-	-	-	-	-	-	3,300	107,791	**111,091**
Securities held for trading	**444**	-	**1,300**	-	**2,230**	-	**8,208**	**177**	**11,394**	-	**189**	**1**	**23,765**	**178**	**23,943**
fixed interest	444	-	401	-	2,149	-	8,208	177	11,394	-	-	-	22,596	177	**22,773**
variable interest	-	-	899	-	72	-	-	-	-	-	-	-	971	-	**971**
non-interest-bearing	-	-	-	-	9	-	-	-	-	-	189	1	198	1	**199**
Securities available-for-sale	**43,742**	**5,814**	**15,491**	**14,230**	**58,730**	**5,233**	**10,091**	-	**200,022**	**8,125**	**9,700**	**255**	**337,776**	**33,657**	**371,433**
fixed interest	-	-	2,966	-	21,553	-	10,091	-	200,022	8,125	-	-	234,632	8,125	**242,757**
variable interest	43,742	5,814	12,525	14,230	37,177	5,233	-	-	-	-	-	-	93,444	25,277	**118,721**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	9,700	255	9,700	255	**9,955**
Loans	**430,778**	**101,724**	**395,921**	**464,197**	**13,844**	**42,721**	**1,806**	-	**24,517**	-	-	-	**866,866**	**608,642**	**1,475,508**
fixed interest	154	-	282	758	1,198	501	1,670	-	6,710	-	-	-	10,014	1,259	**11,273**
variable interest	430,624	101,724	395,639	463,439	12,646	42,220	136	-	17,807	-	-	-	856,852	607,383	**1,464,235**
Securities held-to-maturity	**22,697**	-	**60,445**	-	**60,224**	**2,135**	**9,945**	-	**366,351**	-	-	-	**519,662**	**2,135**	**521,797**
fixed interest	-	-	5,933	-	50,102	2,135	9,945	-	366,351	-	-	-	432,331	2,135	**434,466**
variable interest	22,697	-	54,512	-	10,122	-	-	-	-	-	-	-	87,331	-	**87,331**
Fair value of derivative financial instruments	**90,496**	**83,861**	**108,836**	**172,138**	**69,538**	**2,261**	**16,752**	-	**48,107**	**4,967**	-	-	**333,729**	**263,227**	**596,956**
fixed interest	82,516	75,740	97,269	22,690	56,724	2,261	16,752	-	48,107	4,967	-	-	301,368	105,658	**407,026**
variable interest	7,980	8,121	11,567	149,448	12,814	-	-	-	-	-	-	-	32,361	157,569	**189,930**

NOTE 31: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at December 31, 2005

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**31,488**	**82,126**	**-**	**140,214**	**-**	**1,383**	**-**	**-**	**-**	**-**	**-**	**-**	**31,488**	**223,723**	**255,211**
fixed interest	3,811	31,409	-	-	-	-	-	-	-	-	-	-	3,811	31,409	**35,220**
variable interest	27,677	50,717	-	140,214	-	1,383	-	-	-	-	-	-	27,677	192,314	**219,991**
Deposits from customers	**2,058,315**	**240,986**	**145,912**	**30,726**	**3,463**	**27,055**	**-**	**-**	**-**	**-**	**-**	**-**	**2,207,690**	**298,767**	**2,506,457**
fixed interest	745,486	178,942	145,912	30,726	3,463	27,055	-	-	-	-	-	-	894,861	236,723	**1,131,584**
variable interest	1,312,829	62,044	-	-	-	-	-	-	-	-	-	-	1,312,829	62,044	**1,374,873**
Liabilities from issued securities	**356**	**126,059**	**-**	**75,852**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**356**	**201,911**	**202,267**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	356	126,059	-	75,852	-	-	-	-	-	-	-	-	356	201,911	202,267
Fair value of derivative financial instruments in other liabilities	**46,581**	**118,558**	**52,582**	**228,793**	**18,614**	**41,790**	**18,591**	**202**	**63,512**	**7,066**	**-**	**-**	**199,880**	**396,409**	**596,289**
fixed interest	45,772	112,430	40,396	79,540	14,281	41,790	18,591	202	63,512	7,066	-	-	182,552	241,028	**423,580**
variable interest	809	6,128	12,186	149,253	4,333	-	-		-	-	-	-	17,328	155,381	**172,709**
Subordinated bonds and loans	**5,000**	**-**	**-**	**31,591**	**-**	**10,432**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**42,023**	**47,023**
variable interest	5,000	-	-	31,591	-	10,432	-	-	-	-	-	-	5,000	42,023	**47,023**
NET POSITION	**(1,152,875)**	**(133,187)**	**403,499**	**199,508**	**182,689**	**(25,355)**	**28,211**	**(25)**	**586,879**	**6,026**	**57,011**	**2,917**	**105,414**	**49,884**	**155,298**

NOTE 32: EARNINGS PER SHARE

Earnings per share attributable to the Bank's common shares are determined based on dividing income after income taxes for the year attributable to common shareholders, after the deduction of declared preference dividends, by the weighted average number of common shares outstanding during the year.

	June 30, 2006	June 30, 2005
Income after income taxes (in HUF mn)	75,534	69,916
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	265,995,352	270,379,943
Basic Earnings per share (in HUF)	284	259
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	268,797,776	271,218,479
Diluted Earnings per share (in HUF)	281	258

The weighted average number of common shares outstanding during the period does not include treasury shares.

Diluted Earnings per share are determined after additionally taking into consideration the option rights granted.

NOTE 33: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)

	Retained Earnings and Reserves January 1, 2006	Net income for the six month period ended June 30, 2006	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at June 30, 2006
Hungarian financial statements	**379,566**	**81,604**	**(22,540)**	**19**	**438,649**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	25,636	4,249	-	-	29,885
Premium and discount amortization on investment securities	(418)	75	-	-	(343)
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Differences in carrying value of subsidiaries	799	-	-	-	799
Difference in accounting for finance leases	(949)	(333)	-	-	(1,282)
Effect of applying effective interest method (IAS 39)	-	(600)	-	-	(600)
Fair value adjustment of held for trading and available-for-sale financial assets	15,991	(3,206)	-	(10,098)	2,687
Fair value adjustment of derivative financial instruments	(345)	5,618	-	-	5,273
Gain on sale of Treasury Shares	-	(955)	-	955	-
Reversal of statutory goodwill and negative goodwill	16,585	4,053	-	-	20,638
Revaluation of investments denominated in foreign currency to historical cost	(1,868)	(11,501)	-	-	(13,369)
Difference in accounting of repo transactions	27	326	-	-	353
Reclassification of direct charges	-	19	-	(19)	-
Share-based compensation	-	(2,765)	-	2,765	-
Deferred taxation	(2,793)	(1,050)	-	1,510	(2,333)
Dividend payable for the year 2005	55,160	-	(55,160)	-	-
Dividend recognised as a liability for the year 2005	-	-	22,540	-	22,540
International financial statements	**486,051**	**75,534**	**(55,160)**	**(4,868)**	**501,557**

NOTE 34: POST BALANCE SHEET EVENTS

On July 1, the Bank signed the sale and purchase agreement for the acquisition of a 100% stake in Raiffeisenbank Ukraine (RBUA), the 100% subsidiary of raiffeisen International Bank-Holding AG.. OTP will pay a purchase price of EUR 650 million for the bank. The closing of the transaction and the transfer of the purchase price will happen in possession of the necessary governmental approvals, expectedly In September 2006.

On July 3, the Bank signed the sale and purchase agreement for the acquisition of a 96.4 percent share package of the Investerbank Group in Moscow, the capital of the Russian Federation. OTP Bank is expected to transfer the 90 percent of the USD 477 million (EUR 373 million) purchase price in possession of the required Russian and Hungarian regulatory approvals at the closing of the transaction, in autumn of 2006, while 10 percent will be deposited for a term of one year to cover any guarantee claims.

On July 7, the Bank signed the sale and purchase agreement on acquiring a majority interest in Kulska banka a.d. Novi sad (Kulska banka). The Banjk pays a purchase price of EUR 118.6 million for the 67% share package, and it is scheduled to be paid at the time of closing the transaction in October 2006, in possession of the necessary approvals.

On July 17, OTP Bank submitted a binding bid for the purchase of a majority 69,9% share stake in Romanian Casa de Ecomii si Consemnatiuni C.E.C.-S.A (CEC).

On August 18, OTP Bank submitted a binding bid to purchase up to 80% share stake of Montenegro’s Crnogorska komercijalna banka AD (CKB).