

OTP BANK PLC.

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

*FOR SIX MONTH PERIOD ENDED
30 JUNE, 2008*

OTP BANK PLC.

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OTP BANK PLC.
CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008 (UNAUDITED)
(in HUF mn)

| | <i>Note</i> | <i>30 June 2008</i> | <i>31 December 2007</i> | <i>30 June 2007</i> |
|---|-------------|-------------------------|-----------------------------|-------------------------|
| Cash, due from banks and balances with the National Bank of Hungary | 4 | 324,528 | 353,243 | 292,495 |
| Placements with other banks, net of allowance for placement losses | 5 | 685,007 | 654,788 | 654,212 |
| Financial assets at fair value through statements of operations | 6 | 321,561 | 285,895 | 201,112 |
| Securities available-for-sale | 7 | 461,797 | 473,925 | 462,459 |
| Loans, net of allowance for loan losses | 8 | 5,964,843 | 5,582,437 | 4,834,832 |
| Accrued interest receivable | | 75,473 | 63,459 | 64,352 |
| Equity investments | 9 | 14,522 | 9,892 | 8,659 |
| Securities held-to-maturity | 10 | 286,311 | 317,557 | 399,989 |
| Premises, equipment and intangible assets, net | 11 | 526,465 | 541,909 | 509,606 |
| Other assets | 12 | <u>192,739</u> | <u>178,769</u> | <u>164,394</u> |
| TOTAL ASSETS | | <u>8,853,246</u> | <u>8,461,874</u> | <u>7,592,110</u> |
| Due to banks and deposits from the National Bank of Hungary and other banks | 13 | 671,151 | 798,154 | 684,414 |
| Deposits from customers | 14 | 5,069,415 | 5,038,372 | 4,364,756 |
| Liabilities from issued securities | 15 | 1,340,561 | 985,265 | 940,008 |
| Accrued interest payable | | 91,461 | 60,153 | 78,790 |
| Other liabilities | 16 | 443,004 | 383,189 | 388,283 |
| Subordinated bonds and loans | 17 | <u>292,079</u> | <u>301,164</u> | <u>293,481</u> |
| TOTAL LIABILITIES | | <u>7,907,671</u> | <u>7,566,297</u> | <u>6,749,732</u> |
| Share capital | 18 | 28,000 | 28,000 | 28,000 |
| Retained earnings and reserves | 19 | 1,053,065 | 976,225 | 870,790 |
| Treasury shares | 20 | (141,932) | (114,001) | (61,537) |
| Minority interest | 21 | <u>6,442</u> | <u>5,353</u> | <u>5,125</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>945,575</u> | <u>895,577</u> | <u>842,378</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>8,853,246</u> | <u>8,461,874</u> | <u>7,592,110</u> |

The accompanying notes to consolidated financial statements on pages 7 to 66 form an integral part of these consolidated financial statements.

OTP BANK PLC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2008 (UNAUDITED)
(in HUF mn)

| | <i>Note</i> | <i>Six month period ended 30 June 2008</i> | <i>Six month period ended 30 June 2007</i> | <i>Year ended 31 December 2007</i> |
|--|-------------|--|--|--|
| Interest Income: | | | | |
| Loans | | 330,714 | 277,883 | 586,883 |
| Placements with other banks | | 111,208 | 43,009 | 95,793 |
| Due from banks and balances with the National Bank of Hungary | | 7,951 | 6,439 | 12,824 |
| Securities held for trading | | 3,982 | 4,014 | 7,272 |
| Securities available-for-sale | | 17,112 | 16,119 | 34,145 |
| Securities held-to-maturity | | <u>12,899</u> | <u>16,366</u> | <u>29,938</u> |
| <i>Total Interest Income</i> | | <u>483,866</u> | <u>363,830</u> | <u>766,855</u> |
| Interest Expense: | | | | |
| Due to banks and deposits from the National Bank of Hungary and other banks | | 56,281 | 37,696 | 76,147 |
| Deposits from customers | | 101,404 | 84,359 | 172,506 |
| Liabilities from issued securities | | 33,312 | 23,774 | 50,197 |
| Subordinated bonds and loans | | <u>8,854</u> | <u>7,831</u> | <u>16,438</u> |
| <i>Total Interest Expense</i> | | <u>199,851</u> | <u>153,660</u> | <u>315,288</u> |
| NET INTEREST INCOME | | <u>284,015</u> | <u>210,170</u> | <u>451,567</u> |
| Provision for loan and placement losses | 5,8 | <u>29,684</u> | <u>28,113</u> | <u>58,184</u> |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES | | <u>254,331</u> | <u>182,057</u> | <u>393,383</u> |
| Non-Interest Income | | | | |
| Fees and commissions | | 88,557 | 79,090 | 168,913 |
| Foreign exchange (losses) and gains, net | | (13,559) | 8,421 | 8,399 |
| (Losses) and gains on securities, net | | (419) | 6,839 | 5,085 |
| Gains on real estate transactions, net | | 760 | 847 | 1,371 |
| Dividend income and gains and losses of associated companies | | 1,061 | 605 | 993 |
| Insurance premiums | | 43,459 | 37,807 | 83,591 |
| Other | | <u>11,428</u> | <u>20,915</u> | <u>40,067</u> |
| <i>Total Non-Interest Income</i> | | <u>131,287</u> | <u>154,524</u> | <u>308,419</u> |
| Non-Interest Expenses: | | | | |
| Fees and commissions | | 19,793 | 18,155 | 35,903 |
| Personnel expenses | | 81,189 | 71,316 | 147,831 |
| Depreciation and amortization | 11 | 19,650 | 17,529 | 35,627 |
| Insurance expenses | | 31,651 | 32,094 | 69,204 |
| Other | 22 | <u>81,961</u> | <u>74,534</u> | <u>164,285</u> |
| <i>Total Non-Interest Expense</i> | | <u>234,244</u> | <u>213,628</u> | <u>452,850</u> |
| INCOME BEFORE INCOME TAXES | | <u>151,374</u> | <u>122,953</u> | <u>248,952</u> |
| Income taxes | 23 | <u>(21,756)</u> | <u>(21,755)</u> | <u>(40,404)</u> |
| INCOME AFTER INCOME TAXES | | <u>129,618</u> | <u>101,198</u> | <u>208,548</u> |
| Minority interest | | <u>417</u> | <u>181</u> | <u>340</u> |
| NET INCOME | | <u>129,201</u> | <u>101,017</u> | <u>208,208</u> |
| Consolidated earnings per share (in HUF) | | | | |
| Basic | 36 | <u>506</u> | <u>385</u> | <u>796</u> |
| Diluted | 36 | <u>504</u> | <u>364</u> | <u>794</u> |

The accompanying notes to consolidated financial statements on pages 7 to 66 form an integral part of these consolidated financial statements. 3

OTP BANK PLC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2008 (UNAUDITED)
(in HUF mn)

| | <i>Note</i> | <i>Six month period ended 30 June 2008</i> | <i>Six month period ended 30 June 2007</i> | <i>Year ended 31 December 2007</i> |
|---|-------------|--|--|--|
| OPERATING ACTIVITIES | | | | |
| Income before income taxes | | 151,374 | 122,953 | 248,952 |
| Income tax paid | | (15,559) | (19,614) | (45,005) |
| Depreciation and amortization | 11 | 19,650 | 17,529 | 35,627 |
| Provision for loan and placement losses | 5,8 | 29,684 | 28,113 | 58,184 |
| Provision for permanent diminution in value of equity investments | 9 | 137 | (44) | 131 |
| Provision for losses on other assets | 12 | 3,791 | 941 | 8,386 |
| Release of allowance for losses on off-balance sheet commitments and contingent liabilities, net | 16 | (2,408) | 3,549 | 4,018 |
| Net increase in insurance reserves | | 5,591 | 8,306 | 20,604 |
| Share-based compensation | 2,26 | 2,856 | 2,562 | 5,123 |
| Unrealised losses on fair value adjustment of securities held for trading | | 1,015 | 62 | 695 |
| Unrealised (losses)/gains on fair value adjustment of derivative financial instruments | | (27,405) | 908 | (44,522) |
| <i>Changes in operating assets and liabilities</i> | | | | |
| Net changes in financial assets through statement of operations | | 30,390 | (90,161) | (32,298) |
| Net increase in accrued interest receivables | | (11,940) | (9,231) | (8,338) |
| Net increase in other assets, excluding advances for investments and before allowance for losses | | (24,825) | (4,863) | (18,649) |
| Net increase in accrued interest payable | | 31,206 | 32,658 | 14,021 |
| Net increase in other liabilities | | <u>24,967</u> | <u>11,405</u> | <u>4,072</u> |
| Net Cash Provided by Operating Activities | | <u>218,524</u> | <u>105,073</u> | <u>251,001</u> |
| INVESTING ACTIVITIES | | | | |
| Net (increase)/decrease in placement with other bank before provision for placement losses | | (29,057) | 16,841 | 16,315 |
| Net (increase)/decrease in securities available-for-sale | | (3,202) | 32,398 | (94,121) |
| Net (increase)/decrease in equity investments, before provision for permanent diminution in value | | (4,720) | 62,541 | 61,133 |
| Net cash outflow from acquisition of subsidiaries | | (4,806) | (58,303) | (58,303) |
| Net decrease/(increase) in debt securities held-to-maturity | | 31,253 | (130,422) | (47,990) |
| Net decrease/(increase) in advances for investments, included in other assets | | 25 | (339) | 254 |
| Net increase in loans, before provision for loan losses | | (395,559) | (401,904) | (1,179,630) |
| Net additions to premises, equipment and intangible assets | | <u>2,744</u> | <u>(16,343)</u> | <u>(66,744)</u> |
| Net Cash Used in Investing Activities | | <u>(403,322)</u> | <u>(495,531)</u> | <u>(1,369,086)</u> |

The accompanying notes to consolidated financial statements on pages 7 to 66 form an integral part of these consolidated financial statements.

OTP BANK PLC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2008 (UNAUDITED)
(in HUF mn)

[continued]

| | <i>Note</i> | <i>Six month period ended June 30, 2008</i> | <i>Six month period ended June 30, 2007</i> | <i>Year ended December 31, 2007</i> |
|--|-------------|---|---|---|
| FINANCING ACTIVITIES | | | | |
| Net (decrease)/increase in due to banks and deposits from the | | | | |
| National Bank of Hungary and other banks | | (127,003) | 4,729 | 118,469 |
| Net increase/(decrease) in deposits from customers | | 10,638 | (2,345) | 671,271 |
| Net increase in liabilities from issued securities | | 355,294 | 158,693 | 203,950 |
| (Decrease)/increase in subordinated bonds and loans | | (9,346) | 42,755 | 50,438 |
| Increase/(decrease) of minority interest | | 1,089 | (101) | 127 |
| Foreign currency translation losses | | (40,162) | (12,232) | (5,579) |
| Issue of equity instrument (ICES) | | (5,934) | (1,765) | (5,640) |
| Net change in treasury shares | | (28,447) | 497 | (54,182) |
| Net increase in compulsory reserves | | | | |
| at National Bank of Hungary | 4,28 | (13,626) | (905) | (22,416) |
| Dividends paid | | (46) | (39,903) | (40,151) |
| Net Cash Provided by Financing Activities | | <u>142,457</u> | <u>149,423</u> | <u>916,287</u> |
| Net Increase in Cash and Cash Equivalents | | <u>(42,341)</u> | <u>(241,035)</u> | <u>(201,798)</u> |
| Cash and cash equivalents as at January 1 | | <u>194,860</u> | <u>396,658</u> | <u>396,658</u> |
| Cash and Cash Equivalents as at end of period | | <u>152,519</u> | <u>155,623</u> | <u>194,860</u> |
| Analysis of cash and cash equivalents opening and closing balance | | | | |
| Cash, due from banks and balances with the | | | | |
| National Bank of Hungary | 4,28 | 353,243 | 532,625 | 532,625 |
| Compulsory reserve established by the | | | | |
| National Bank of Hungary | 4,28 | <u>(158,383)</u> | <u>(135,967)</u> | <u>(135,967)</u> |
| Cash and cash equivalents as at January 1 | | <u>194,860</u> | <u>396,658</u> | <u>396,658</u> |
| Cash, due from banks and balances with the | | | | |
| National Bank of Hungary | 4,28 | 324,528 | 292,495 | 353,243 |
| Compulsory reserve established by the | | | | |
| National Bank of Hungary | 4,28 | <u>(172,009)</u> | <u>(136,872)</u> | <u>(158,383)</u> |
| Cash and cash equivalents as at end of period | | <u>152,519</u> | <u>155,623</u> | <u>194,860</u> |

The accompanying notes to consolidated financial statements on pages 7 to 66 form an integral part of these consolidated financial statements.

OTP BANK PLC.
CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2008 AND 2007 (UNAUDITED)
(in HUF mn)

| | <u>Note</u> | <u>Share Capital</u> | <u>Retained Earnings and Reserves</u> | <u>Treasury Shares</u> | <u>Minority interest</u> | <u>Total</u> |
|---|-------------|--------------------------|---|----------------------------|------------------------------|-----------------------|
| Balance as at 1 January 2007 | | <u>28,000</u> | <u>820,819</u> | <u>(63,716)</u> | <u>3,110</u> | <u>788,213</u> |
| Net income | | -- | 101,017 | -- | -- | 101,017 |
| Fair value adjustment of securities available-for-sale recognised directly through equity | | -- | 4,669 | -- | -- | 4,669 |
| Share-based payment | 26 | -- | 2,562 | -- | -- | 2,562 |
| Dividend for the year 2006 | | -- | (40,320) | -- | -- | (40,320) |
| Losses on sale of treasury shares | | -- | (1,682) | -- | -- | (1,682) |
| Sale and purchase of treasury shares | | -- | -- | 2,179 | -- | 2,179 |
| Derivative financial instruments designated as cash-flow hedge | | -- | (2,557) | -- | -- | (2,557) |
| Issuance equity instrument (ICES) | 19 | -- | (1,765) | -- | -- | (1,765) |
| Foreign currency translation losses | | -- | (12,233) | -- | -- | (12,233) |
| Deferred tax | | -- | 280 | -- | -- | 280 |
| Minority interest | | -- | -- | -- | <u>2,015</u> | <u>2,015</u> |
| Balance as at 30 June 2007 | | <u>28,000</u> | <u>870,790</u> | <u>(61,537)</u> | <u>5,125</u> | <u>842,378</u> |
| Balance as at 1 January 2008 | | <u>28,000</u> | <u>976,225</u> | <u>(114,001)</u> | <u>5,353</u> | <u>895,577</u> |
| Net income | | -- | 129,201 | -- | -- | 129,201 |
| Fair value adjustment of securities available-for-sale recognised directly through equity | | -- | (11,423) | -- | -- | (11,423) |
| Share-based compensation | 26 | -- | 2,856 | -- | -- | 2,856 |
| Dividend for the year 2007 | | -- | -- | -- | -- | -- |
| Loss on sale of treasury shares | | -- | (516) | -- | -- | (516) |
| Sale and purchase of treasury shares | | -- | -- | (27,931) | -- | (27,931) |
| Derivative financial instruments designated as cash-flow hedge | | -- | 2,819 | -- | -- | 2,819 |
| Issue of equity instrument (ICES) | 19 | -- | (5,934) | -- | -- | (5,934) |
| Foreign currency translation losses | | -- | (40,163) | -- | -- | (40,163) |
| Minority interest | | -- | -- | -- | <u>1,089</u> | <u>1,089</u> |
| Balance as at 30 June 2008 | | <u>28,000</u> | <u>1,053,065</u> | <u>(141,932)</u> | <u>6,442</u> | <u>945,575</u> |

The accompanying notes to consolidated financial statements on pages 7 to 66 form an integral part of these consolidated financial statements. 6

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information

OTP Bank Plc. (the “Bank” or “OTP”) was established on 31 December 1990, when the predecessor State-owned company was transformed into a public liability company.

The registered office of the Bank address is 16 Nádor Street, Budapest 1051.

In 1995, the shares of the Bank were introduced to the Budapest and the Luxembourg stock exchanges and were also listed on SEAQ London and PORTAL (USA).

As at 30 June 2008 approximately 95% of the shares of the Bank were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (2%) and the Bank (3%).

The Bank and its subsidiaries (together the “Group”) provide a full range of commercial banking services through a wide network of 1,531 branches. The Group has operations in Hungary, Bulgaria, Croatia, Slovakia, Romania, Ukraine, Serbia, Russia and Montenegro.

As at 30 June 2008 the number of employees at the Group was 34,025. The average number of employees for the half year period ended 30 June 2008 was 33,456.

1.2. Accounting

The Group maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary and in case of foreign subsidiaries in accordance with the local commercial, banking and fiscal regulations.

The Group’s functional currency is the Hungarian Forint (“HUF”).

Due to the fact that the Group is listed on international and national stock exchanges, the Bank is obliged to present its financial position according to the International Financial Reporting Standards in order to present the consolidated 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 consolidated 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 IASB, except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. As the Group does not apply portfolio hedge accounting under IAS 39, there is no impact on these consolidated financial statements, had it been approved by the EU at the balance sheet date.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2008

In the current year, the Group has adopted IFRIC 14 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2008, and the consequential amendments to IAS 1 Presentation of Financial Statements.

Two Interpretations issued by the IASB are effective for the current period. These are:

- IFRIC 12 Service Concession Arrangements;
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The adoption of the above amendments had no significant impact on the consolidated financial statements of the Group.

1.2.2. Changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2008

At the balance sheet date of these financial statements, other than the Standards and Interpretations adopted by the Group, the following Interpretations were in issue but not yet effective:

- IAS 1 (Revised) *Presentation of Financial Statements* (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23 (Revised) *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009);
- IAS 32 (Revised) *Financial Instruments: Presentation* (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 2 (Revised) *Share-based payment* (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 13 *Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 15 *Agreements for the Construction of Real Estate* (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 16 *Hedges of Net Investment in a Foreign Operation* (effective for accounting periods beginning on or after 1 October 2008)

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

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

1.2.2. Changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective January 1, 2008 [continued]

The above Interpretations will be adopted in financial statements of the Group commencing 1 January 2008 and 1 January 2009 that the adoption of those Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

These Consolidated 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 Consolidated Financial Statements in conformity with IFRS requires management of the Group 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

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary ("NBH"), or if there is no official rate, at exchange rate quoted by OTP as of the date of the Consolidated 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 Consolidated Statements of Operations.

Net differences resulting from translating foreign currency financial statements of consolidated subsidiaries are presented as an element of retained earnings and reserves in the Consolidated Balance Sheet.

Effective for acquisitions after 31 March 2004 goodwill arising on acquisition is expressed in the functional currency of the foreign operation and translated at the closing rate in the Consolidated Balance Sheet. The resulting exchange difference is presented as an element of retained earnings and reserves in the Consolidated Balance Sheet.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.3. Principles of consolidation

Included in these Consolidated Financial Statements are the accounts of those subsidiaries in which the Bank holds a controlling interest. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 30. However, certain subsidiaries in which the Bank holds a controlling interest have not been consolidated in accordance with IFRS because the effect of consolidating such companies is not material to the Consolidated Financial Statements as a whole (see Note 2.10.).

2.4. Accounting for acquisitions

Upon acquisition, subsidiaries are accounted for under the purchase method of accounting. Any goodwill arising on acquisition is recognized in the Consolidated Balance Sheet and accounted for as indicated below.

The Group has applied IFRS 3 Business Combinations since 31 March 2004 for acquisitions after that date. Goodwill, which represents the residual cost of the acquisition after recognizing the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is held as an intangible asset and recorded at cost less any accumulated impairment losses in the Consolidated Financial Statements.

Goodwill acquired in a business combination is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Negative goodwill, when the interest of the acquirer in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statements of Operations as other income.

2.5. Securities held-to-maturity

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the Group 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 Group has the ability and intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government and Hungarian National Bank and mortgage bonds.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Financial assets at fair value through statements of operations

2.6.1. Securities held for trading

Investments in securities are accounted for 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 are recognised in profit/loss and included in the Consolidated Statements of Operations for the period. Such securities consist of Hungarian and foreign discounted and interest bearing Treasury bills, government and other securities. Other securities include shares in commercial companies and units of investment funds.

2.6.2. Derivative financial instruments

In the normal course of business, the Group 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 and swap agreements. These financial instruments are used by the Group 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 Consolidated Statements of Operations for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.6.3. 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 Consolidated Statements 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 Consolidated Statements 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 the hedged risk are recognised in the reserve among Consolidated Shareholders' Equity. Amounts deferred in equity are transferred to the Consolidated Statements of Operations and classified as revenue or expense in the periods during which the hedged assets and liabilities affect the Consolidated Statements of Operations for the period. The ineffective element of the hedge is charged directly to the Consolidated Statements of Operations.

Certain derivative transactions, while providing effective economic hedges under the risk management policy of the Group, 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 Consolidated Statements of Operations.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Securities available-for-sale

Investments in securities are accounted for 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 Hungarian and foreign discounted and interest bearing Treasury bills, government bonds, mortgage bonds and other securities. Other securities include units of investments funds, shares in commercial companies bonds issued by National Bank of Hungary.

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 of future cash flows and any unquoted equity instruments are 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.

2.8. Loans, placements with other banks and allowance for loan and placements 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 amount 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 and accruals are stopped.

The amount of allowance 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.

Allowance for losses on loans and placements with other banks represent management assesment for potential losses in relation to these activities.

The allowances for loan and placement losses are maintained to cover losses that have been specifically identified and for potential losses which may be present based on portfolio performance.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Loans, placements with other banks and allowance for loan and placement losses [continued]

Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote. The loan is written off against the related account "Provisions for loan and placement losses" in the statement of operations. If the reason for provisioning is no longer deemed appropriate, the redundant provisioning charge is released into income.

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 other liabilities. 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 other assets. Interest is accrued evenly over the life of the repurchase agreement.

2.10. Associates and other investments

Companies where the Bank has the ability to exercise significant influence are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because the effect of using the equity method to account for such companies is not material to the consolidated financial statements as a whole. Shares which are intended to be disposed of are included among securities available-for-sale and measured at fair value.

Unconsolidated subsidiaries and associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a controlling or significant interest are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.

Gains and losses on the sale of equity investments are determined on the basis of the specific identification of the cost of each investment.

2.11. Premises, equipments and intangible assets

Premises, equipments and intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over the 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 – 22.9% |
| Machinery and equipment | 2.5 – 58.8% |
| Vehicles | 3 – 100% |
| Leased assets | 6.7 – 100% |
| Software | 4.9 – 50% |
| Property rights | 10 – 50% |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]**

2.11. Premises, equipments and intangible assets [continued]

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

At each balance sheet date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where the carrying value of premises, equipments and other tangible fixed assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

2.12. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the lease of the Group. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the net investment outstanding of the Group in respect of the leases. Direct costs such as commissions are included in the initial measurement of the finance lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

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 Consolidated Statements 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 Consolidated Statements 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.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Properties held for resale

Properties held for resale are accounted for at historical cost less allowance for permanent diminution in value and are included in Other assets in the Consolidated Balance Sheet. Properties held for resale include property held for sale in the normal course of business as a result of construction or development, real estate held due to work out of loans and property acquired exclusively with a view to subsequent disposal in the near future.

2.14. Insurance reserves

Insurance reserves are accrued for liabilities from life and non-life insurance contracts and are included in Other liabilities. The level of such reserves reflects the amount of future liabilities expected as at the date of the consolidated financial statements. The provision for outstanding claims and claim settlement expenses for non-life policies are based upon estimates of the expected losses for all classes of business. The reserve includes reported claims, claims incurred but not reported and claim adjustment expenses. This provision takes into account mortality factors within Hungary and other countries where insurance operations are conducted and is based upon mortality tables approved by regulatory authorities.

2.15. Treasury shares

Treasury shares are shares which are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Balance Sheet at acquisition cost as a deduction from Consolidated Shareholders' Equity.

Gains and losses on the sale of treasury shares are credited or charged directly to consolidated Retained earnings and reserves.

2.16. Interest Income and Interest Expense

According to the IAS 18 interest income and expense are recognised in the Consolidated Statements of Operations on an accrual basis. Revenue is recognised as the interest accrues using the effective interest method that is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.17. Fees and Commissions

Fees and commissions are recognised in the Consolidated Statements of Operations on an accrual basis based on IAS 18.

2.18. Income taxes

The annual taxation charge is based on the tax payable under fiscal regulations prevailing in the country where the company is incorporated, adjusted for deferred taxation.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that apply to the future period when the asset is expected to be realised or the liability is settled.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.19. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Group has entered into off-balance sheet commitments such as guarantees, commitments to extend credit and letters of credit and transactions with financial instruments. The provision 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 Group recognises a provision 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.

2.20. Share-based compensation

The Bank has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002.

The Bank issues equity-settled share-based compensations to certain employees. Equity-settled share-based compensations are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based compensations is expensed on a straight-line basis over the year, based on the estimate of the Bank 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.

2.21. Consolidated Statements of Cash Flows

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

2.22. Segment reporting

Segment information is based on two segments formats. The primary format represents the geographical markets of the Group. The secondary format represents three business segments – banking (finance) insurance and other.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated to a segment, whether from external transactions or from transactions with other segments of the Group.

Unallocated items mainly comprise administrative expenses. Segment results are determined before any adjustments for minority interest.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.22. Segment reporting [continued]

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment on a reasonable basis. Segment assets are determined after deducting related adjustments that are reported as direct offsets in the balance sheet of the Group.

2.23. Comparative figures

Certain amounts in the 2007 consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES

The presentation of financial statements in conformity with IFRS requires the management of the Group to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at 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. Significant areas of subjective judgement include:

3.1. Impairment of Loans and Advances

The Group 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. Provisioning involves many uncertainties about the outcome of those risks and requires the management of the Group to make many subjective judgements in estimating the loss amounts.

3.2. 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 (e.g., for correlations, volatilities, etc.). Changes in the model assumptions may affect the reported market value of the relevant financial instruments.

3.3. Provisions

The Group is involved in a number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for (see Note 16.).

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND DECISIONS IN THE APPLICATION OF ACCOUNTING POLICIES [continued]

3.4. Insurance liabilities

Insurance liabilities for life and non-life insurance contracts reflect the amount of future liabilities expected at the date of the consolidated financial statements. Such reserves are based on past experience, mortality tables and management estimates. Changes in these assumptions may affect the level of such liabilities.

NOTE 4: CASH, DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|--|-------------------------|-----------------------------|
| Cash on hand: | | |
| In HUF | 55,225 | 51,038 |
| In foreign currency | <u>75,916</u> | <u>90,850</u> |
| | <u>131,141</u> | <u>141,888</u> |
| Due from banks and balances with the National Bank of Hungary: | | |
| Within one year: | | |
| In HUF | 164,081 | 170,019 |
| In foreign currency | <u>29,306</u> | <u>41,336</u> |
| | <u>193,387</u> | <u>211,355</u> |
| Total | <u>324,528</u> | <u>353,243</u> |

Based on the requirements for compulsory reserve set by the National Bank of Hungary, the balance of compulsory reserves maintained by the Group amounted to HUF 172,009 million and HUF 158,383 million as at 30 June 2008 and 31 December 2007, respectively.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 5: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR PLACEMENT LOSSES (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|--------------------------------|-------------------------|-----------------------------|
| Within one year: | | |
| In HUF | 87,127 | 22,721 |
| In foreign currency | <u>578,111</u> | <u>594,408</u> |
| | <u>665,238</u> | <u>617,129</u> |
| Over one year: | | |
| In HUF | 3,000 | 2,700 |
| In foreign currency | <u>16,774</u> | <u>35,001</u> |
| | <u>19,774</u> | <u>37,701</u> |
| Allowance for placement losses | (5) | (42) |
| Total | <u>685,007</u> | <u>654,788</u> |

Placements of foreign subsidiaries with their respective National Banks amounted to HUF 254,586 million and HUF 284,885 million as at 30 June 2008 and 31 December 2007, respectively.

Placements with other banks in foreign currency as at 30 June 2008 and 31 December 2007 bear interest rates in the range from 0.7% to 9% and from 0.05% to 11.99%, respectively.

Placements with other banks in HUF as at 30 June 2008 and 31 December 2007 bear interest rates in the range from 0.05% to 14.74% and from 3.9% to 14.13%, respectively.

Allowance for placement losses as at 30 June 2008 and 31 December 2007 amounted to HUF 5 million and HUF 42 million, respectively.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 6: FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|---|-------------------------|-----------------------------|
| Securities held for trading: | | |
| Discounted Treasury bills | 20,719 | 24,143 |
| Hungarian Government interest bearing Treasury bills | 549 | 2,406 |
| Government bonds | 96,210 | 90,330 |
| Corporate bonds | 69,351 | 72,443 |
| Mortgage bonds | 912 | 807 |
| Other securities | <u>11,029</u> | <u>31,828</u> |
| | 198,770 | 221,957 |
| Derivative financial instruments designated as held for trading | <u>122,791</u> | <u>63,938</u> |
| Total | <u>321,561</u> | <u>285,895</u> |

Securities held for trading are measured at fair value in the financial statements of the Bank that is their book value.

Approximately 7.5% and 17% of the government bonds were denominated in foreign currency as at 30 June 2008 and 31 December 2007, respectively. Approximately 40.4%, 21.9% and 37.7% of this portfolio was denominated in EUR, BGN and RUR as at 30 June 2008 and 10%, 22%, 17%, and 51% of this portfolio was denominated in USD, EUR, BGN and RUR as at 31 December 2007. Interest rates on securities held for trading are ranged from 1.8% to 13% and from 2% to 12.1% as at 30 June 2008 and 31 December 2007, respectively.

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

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|---------------------------------|-------------------------|-----------------------------|
| Within five years | | |
| with variable interest | 22,997 | 25,803 |
| with fixed interest | <u>123,113</u> | <u>138,752</u> |
| | <u>146,110</u> | <u>164,555</u> |
| Over five years | | |
| with variable interest | 1,095 | - |
| with fixed interest | <u>45,961</u> | <u>51,820</u> |
| | <u>47,056</u> | <u>51,820</u> |
| Non-interest bearing securities | <u>5,604</u> | <u>5,582</u> |
| Total | <u>198,770</u> | <u>221,957</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 7: SECURITIES AVAILABLE-FOR-SALE (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|---|-------------------------|-----------------------------|
| Available-for-sale securities: | | |
| Discounted Treasury bills | 16,578 | 25,247 |
| Government bonds | 255,817 | 271,111 |
| Corporate bonds | 147,643 | 133,778 |
| Mortgage bonds | 574 | 264 |
| Other securities | <u>41,220</u> | <u>43,555</u> |
| | 461,832 | 473,955 |
| Allowance for securities available-for-sale | <u>(35)</u> | <u>(30)</u> |
| Total | <u>461,797</u> | <u>473,925</u> |

Securities available-for-sale are measured at fair value in the financial statements of the Bank that is their book value.

Approximately 56.7% and 60% of the available-for-sale securities portfolio was denominated in HUF as at 30 June 2008 and 31 December 2007, respectively.

Approximately 19.9% and 19% of the government bonds were denominated in foreign currency as at 30 June 2008 and 31 December 2007, respectively. Approximately 8.1%, 26.7%, 30.2%, 22.7% and 3.1% of this portfolio was denominated in USD, EUR, HRK, BGN and UAH as at June 30, 2007, and 7%, 35%, 29%, 16%, 11% and 2% of this portfolio was denominated in USD, EUR, HRK, BGN, UAH and in other currencies as at 31 December 2007, respectively.

Interest rates on securities available-for-sale are ranged from 2.4% to 16% and from 2% to 16.5% as at 30 June 2008 and 31 December 2007, respectively.

Interest conditions and the remaining maturities of available-for-sale financial assets can be analyzed as follows:

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|---------------------------------|-------------------------|-----------------------------|
| Within five years | | |
| with variable interest | 42,882 | 30,672 |
| with fixed interest | <u>234,940</u> | <u>256,643</u> |
| | <u>277,822</u> | <u>287,315</u> |
| Over five years | | |
| with variable interest | 70,877 | 66,247 |
| with fixed interest | <u>85,210</u> | <u>85,137</u> |
| | <u>156,087</u> | <u>151,384</u> |
| Non-interest bearing securities | <u>27,923</u> | <u>35,256</u> |
| Total | <u>461,832</u> | <u>473,955</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 7: SECURITIES AVAILABLE-FOR-SALE (in HUF mn) [continued]

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

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|-------------------------------------|-------------------------|-----------------------------|
| Balance as at January 1 | 30 | 29 |
| Allowance for losses | 6 | 1 |
| Foreign currency translation losses | <u>(1)</u> | <u>=</u> |
| Closing balance | <u>35</u> | <u>30</u> |

Certain fixed-rate bonds mainly denominated in foreign currency are hedged by derivative financial instruments to reduce the exposure to interest rate risk or the changes in fair value of these assets. In the case of these transactions the hedging relationships is designated and HUF 262 million and HUF 308 million net loss that had been recognised directly in equity was removed from equity and recognised in the net profit and loss as at 30 June 2008 and as at 31 December 2007, respectively in line with IAS 39.

The fair value of these bonds hedged was HUF 28,593 and HUF 29,457 as at 30 June 2008 and as at 31 December 2007, respectively.

NOTE 8: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|---------------------------------------|-------------------------|-----------------------------|
| Loans and trade bills within one year | 1,600,671 | 1,640,455 |
| Loans and trade bills over one year | <u>4,562,855</u> | <u>4,120,640</u> |
| | 6,163,526 | 5,761,095 |
| Allowance for loan losses | <u>(198,683)</u> | <u>(178,658)</u> |
| Total | <u>5,964,843</u> | <u>5,582,437</u> |

Foreign currency loans represent approximately 72% and 69% of the total loan portfolio, before allowance for losses, as at 30 June 2008 and 31 December 2007, respectively.

Loans denominated in HUF, with maturity within one year as at 30 June 2008 and 31 December 2007, bear interest rates in the range from 7.8% to 30% and from 6% to 30%, respectively.

Loans denominated in HUF, with maturity over one year as at 30 June 2008 and 31 December 2007, bear interest rates in the range from 4% to 24.8% and from 4% to 22.8%, respectively.

Foreign currency loans as at 30 June 2008 and 31 December 2007, bear interest rates in the range from 1.5% to 57.8% and from 1% to 40%, respectively.

Approximately 3.3% and 3% of the gross loan portfolio represented loans on which interest is not being accrued as at 30 June 2008 and 31 December 2007, respectively.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)
[continued]

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

| | <i>30 June</i> 2008 | | <i>31 December</i> 2007 | |
|--------------------|------------------------|-------------|----------------------------|-------------|
| Commercial loans | 2,338,622 | 38% | 2,227,693 | 39% |
| Municipality loans | 207,873 | 3% | 230,819 | 4% |
| Housing loans | 1,733,914 | 28% | 1,766,219 | 30% |
| Consumer loans | <u>1,883,117</u> | <u>31%</u> | <u>1,536,364</u> | <u>27%</u> |
| Total | <u>6,163,526</u> | <u>100%</u> | <u>5,761,095</u> | <u>100%</u> |

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

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|-------------------------------------|------------------------|----------------------------|
| Balance as at January 1 | 178,658 | 127,611 |
| Provision for loan losses | 29,654 | 58,144 |
| Write-offs | (4,333) | (6,274) |
| Foreign currency translation losses | <u>(5,296)</u> | <u>(823)</u> |
| Closing balance | <u>198,683</u> | <u>178,658</u> |

The Group issued fixed rate mortgage bonds with the face value of EUR 1,750 million to finance its mortgaging activity. Since the Group grants most of its mortgage loans in CHF, the Group entered into a cross currency interest rate swap (CCIRS) contract to hedge its exchange rate risk exposure. The hedging relationship can be proved. According to the IAS 39 an amount of HUF 9,926 was recognised on hedging derivative instruments as negative fair value adjustment and the same amount is recognised as a positive adjustment on mortgage bonds as at 31 December 2007. The nominal value of loans as designated hedged items is CHF 2,467 million and JPY 31,720 million.

NOTE 9: EQUITY INVESTMENTS (in HUF mn)

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|---|------------------------|----------------------------|
| Equity investments: | | |
| Unconsolidated subsidiaries | 10,980 | 6,741 |
| Associated companies | 987 | 998 |
| Other | <u>3,050</u> | <u>2,495</u> |
| | 15,017 | 10,234 |
| Allowance for permanent diminution in value | <u>(495)</u> | <u>(342)</u> |
| Total | <u>14,522</u> | <u>9,892</u> |
| Total assets of unconsolidated subsidiaries | <u>100,551</u> | <u>69,265</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9: EQUITY INVESTMENTS (in HUF mn) [continued]

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

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|------------------------------------|------------------------|----------------------------|
| Balance as at January 1 | 342 | 207 |
| Write-offs | 137 | 131 |
| Foreign currency translation gains | <u>16</u> | <u>4</u> |
| Closing balance | <u>495</u> | <u>342</u> |

NOTE 10: HELD-TO-MATURITY INVESTMENTS (in HUF mn)

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|--|------------------------|----------------------------|
| Hungarian Government discounted Treasury Bills | 1,426 | 1,140 |
| Government securities | 185,911 | 201,670 |
| Bonds issued by the National Bank of Hungary | 81,942 | 97,085 |
| Mortgage bonds | 13,536 | 13,022 |
| Other debt securities | <u>3,578</u> | <u>4,688</u> |
| | <u>286,393</u> | <u>317,605</u> |
| Allowance | (82) | (48) |
| Total | <u>286,311</u> | <u>317,557</u> |

Interest conditions and the remaining maturities of investments in debt securities can be analysed as follows:

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|------------------------|------------------------|----------------------------|
| Within five years | | |
| with variable interest | 28,631 | 30,304 |
| with fixed interest | <u>214,246</u> | <u>228,191</u> |
| | <u>242,877</u> | <u>258,495</u> |
| Over five years | | |
| with variable interest | 23,937 | 32,856 |
| with fixed interest | <u>19,579</u> | <u>26,254</u> |
| | <u>43,516</u> | <u>59,110</u> |
| Total | <u>286,393</u> | <u>317,605</u> |

Approximately 87.1% and 85% of the debt securities portfolio was denominated in HUF as at 30 June 2008 and 31 December 2007, respectively. In most cases, interests on variable rate bonds are based on the interest rates of 90-day Hungarian Government Treasury bills and are adjusted semi-annually.

OTP BANK PLC.
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NOTE 10: HELD-TO-MATURITY INVESTMENTS (in HUF mn) [continued]

Interest rates on fixed interest securities denominated in HUF are ranged from 2.8% to 9.5% and from 2.5% to 9.5% as at 30 June 2008 and 31 December 2007, 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 281,354 million and HUF 310,513 million as at 30 June 2008 and 31 December 2007, respectively.

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

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|---|------------------------|----------------------------|
| Balance as at January 1 | 48 | -- |
| Allowance on held-to-maturity investments | 51 | 168 |
| Release of allowance | (12) | (120) |
| Foreign currency translation losses | <u>(5)</u> | <u>--</u> |
| Closing balance | <u>82</u> | <u>48</u> |

NOTE 11: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS, NET (in HUF mn)

For the six month period ended 30 June 2008:

| <u>Cost</u> | Intangible assets | Land and buildings | Machinery and equipment | Construction in progress | Total |
|--|----------------------|-----------------------|-------------------------------|-----------------------------|-----------------|
| Balance as at 1 January 2008 | 409,437 | 129,034 | 131,647 | 16,544 | 686,662 |
| Acquisition of subsidiary | 4,845 | 1,715 | 246 | 9 | 6,815 |
| Net additions | 11,663 | 4,119 | 11,903 | 14,852 | 42,537 |
| Foreign currency translation differences | (19,217) | (3,256) | (2,115) | (544) | (25,132) |
| Net disposals | <u>(5,771)</u> | <u>(2,294)</u> | <u>(4,173)</u> | <u>(13,436)</u> | <u>(25,674)</u> |
| Balance as at 30 June 2008 | <u>400,957</u> | <u>129,318</u> | <u>137,508</u> | <u>17,425</u> | <u>685,208</u> |
| <u>Depreciation and Amortization</u> | | | | | |
| Balance as at 1 January 2008 | 56,014 | 17,108 | 71,631 | - | 144,753 |
| Net charge | 9,626 | 2,064 | 7,960 | - | 19,650 |
| Foreign currency translation differences | (624) | (297) | (863) | - | (1,784) |
| Net disposals | <u>(1,943)</u> | <u>(213)</u> | <u>(1,720)</u> | = | <u>(3,876)</u> |
| Balance as at 30 June 2008 | <u>63,073</u> | <u>18,662</u> | <u>77,008</u> | = | <u>158,743</u> |
| <u>Net book value</u> | | | | | |
| Balance as at 1 January 2008 | <u>353,423</u> | <u>111,926</u> | <u>60,016</u> | <u>16,544</u> | <u>541,909</u> |
| Balance as at 30 June 2008 | <u>337,884</u> | <u>110,656</u> | <u>60,500</u> | <u>17,425</u> | <u>526,465</u> |

OTP BANK PLC.
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NOTE 11: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS, NET
(in HUF mn) [continued]

An analysis of the changes in the goodwill for the six month period ended 30 June 2008 is as follows:

| <u>Cost</u> | Goodwill |
|--|-----------------|
| Balance as at 1 January 2008 | 296,336 |
| Additions | 6,265 |
| Foreign currency translation differences | <u>(17,610)</u> |
| Balance as at 30 June 2008 | <u>284,991</u> |

| <u>Net book value</u> | |
|------------------------------|----------------|
| Balance as at 1 January 2008 | <u>296,336</u> |
| Balance as at 30 June 2008 | <u>284,991</u> |

For the year ended 31 December 2007:

| <u>Cost</u> | Intangible assets | Land and buildings | Machinery and equipment | Construction in progress | Total |
|--|-------------------|--------------------|-------------------------|--------------------------|----------|
| Balance as at 1 January 2007 | 346,370 | 110,186 | 111,398 | 13,537 | 581,491 |
| Net additions | 62,896 | 24,451 | 29,029 | 28,976 | 145,352 |
| Foreign currency translation differences | 752 | (487) | (167) | (61) | 37 |
| Net disposals | (581) | (5,116) | (8,613) | (25,908) | (40,218) |
| Balance as at 31 December 2007 | 409,437 | 129,034 | 131,647 | 16,544 | 686,662 |

| <u>Depreciation and Amortization</u> | | | | | |
|--|--------|---------|---------|----|---------|
| Balance as at 1 January 2007 | 40,110 | 15,404 | 61,261 | -- | 116,775 |
| Net charge | 15,956 | 3,575 | 15,882 | -- | 35,413 |
| Foreign currency translation differences | (69) | (11) | 90 | -- | 10 |
| Net disposals | 17 | (1,860) | (5,602) | -- | (7,445) |
| Balance as at 31 December 2007 | 56,014 | 17,108 | 71,631 | -- | 144,753 |

| <u>Net book value</u> | | | | | |
|--------------------------------|---------|---------|--------|--------|---------|
| Balance as at 1 January 2007 | 306,260 | 94,782 | 50,137 | 13,537 | 464,716 |
| Balance as at 31 December 2007 | 353,423 | 111,926 | 60,016 | 16,544 | 541,909 |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS, NET
(in HUF mn) [continued]

An analysis of the changes in the goodwill for the year ended 31 December 2007 is as follows:

| <u>Cost</u> | Goodwill |
|--|----------------|
| Balance as at 1 January 2007 | 256,685 |
| Additions | 38,442 |
| Foreign currency translation differences | <u>1,209</u> |
| Balance as at 31 December 2007 | <u>296,336</u> |

| <u>Net book value</u> | |
|--------------------------------|----------------|
| Balance as at 1 January 2007 | <u>256,685</u> |
| Balance as at 31 December 2007 | <u>296,336</u> |

NOTE 12: OTHER ASSETS (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|--|-------------------------|-----------------------------|
| Property held for sale | 11,009 | 10,464 |
| Due from Hungarian Government for interest subsidies | 8,141 | 3,552 |
| Trade receivables | 8,509 | 12,237 |
| Advances for securities and investments | 487 | 512 |
| Taxes recoverable | 18,870 | 12,266 |
| Inventories | 16,607 | 12,908 |
| Receivables from inventories | 21,928 | 29,213 |
| Other advances | 7,312 | 8,538 |
| Receivables from leasing activities | 52,371 | 48,908 |
| Receivables due from insurance policy holders | 3,566 | 2,665 |
| Receivables due from pension funds and fund management | 1,291 | 2,444 |
| Prepayments and accrued income | 13,526 | 8,807 |
| Receivables from investment services | 4,506 | 1,425 |
| Fair value of derivative financial instruments designated as hedging instruments | 4,230 | 11,405 |
| Other | <u>27,062</u> | <u>20,086</u> |
| | 199,415 | 185,430 |
| Allowance for losses on other assets | <u>(6,676)</u> | <u>(6,661)</u> |
| Total | <u>192,739</u> | <u>178,769</u> |

Allowance for losses on other assets mainly consists of allowances for receivables from leasing activities and inventories.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 12: OTHER ASSETS (in HUF mn) [continued]

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

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|---|------------------------|----------------------------|
| Balance as at January 1 | 6,661 | 4,076 |
| Charge of allowance for losses on other assets | 33 | 2,726 |
| Write-offs | (8) | (129) |
| Foreign currency translation gains | <u>(10)</u> | <u>(12)</u> |
| Closing balance | <u>6,676</u> | <u>6,661</u> |

NOTE 13: DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|---------------------|------------------------|----------------------------|
| Within one year: | | |
| In HUF | 26,417 | 98,269 |
| In foreign currency | <u>307,758</u> | <u>349,777</u> |
| | <u>334,175</u> | <u>448,046</u> |
| Over one year: | | |
| In HUF | 74,833 | 70,185 |
| In foreign currency | <u>262,143</u> | <u>279,923</u> |
| | <u>336,976</u> | <u>350,108</u> |
| Total | <u>671,151</u> | <u>798,154</u> |

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at 30 June 2008 and 31 December 2007, bear interest rates in the range from 7.25% to 8.5% and from 5.79% to 7.52%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at 30 June 2008 and 31 December 2007, bear interest rates in the range from 3% to 8.4% and from 3% to 6.28%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at 30 June 2008 and 31 December 2007, bear interest rates in the range from 0.5% to 18.5% and from 0.5% to 18.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at 30 June 2008 and 31 December 2007, bear interest rates in the range from 0.5% to 8% and from 0.5% to 8%, respectively.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|---------------------|-------------------------|-----------------------------|
| Within one year: | | |
| In HUF | 2,321,856 | 2,487,829 |
| In foreign currency | <u>2,520,100</u> | <u>2,385,075</u> |
| | <u>4,841,956</u> | <u>4,872,904</u> |
| Over one year: | | |
| In HUF | 156,211 | 107,279 |
| In foreign currency | <u>71,248</u> | <u>58,189</u> |
| | <u>227,459</u> | <u>165,468</u> |
| Total | <u>5,069,415</u> | <u>5,038,372</u> |

Deposits from customers payable in HUF within one year as at 30 June 2008 and 31 December 2007, bear interest rates in the range from 0.2% to 12% and from 0.2% to 12%, respectively.

Deposits from customers payable in HUF over one year as 30 June 2008 and 31 December 2007, bear interest rates in the range from 0.2% to 8.5% and from 1.3% to 7.75%, respectively.

Deposits from customers payable in foreign currency within one year as at 30 June 2007 and 31 December 2006, bear interest rates in the range from 0.01% to 14% and from 0.05% to 18%, respectively.

Deposits from customers payable in foreign currency over one year as at 30 June 2007 and 31 December 2006, bear interest rates in the range from 0.1% to 19.6% and from 0.1% to 19.6%, respectively.

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

| | <i>30 June 2008</i> | | <i>31 December 2007</i> | |
|-----------------------|-------------------------|-------------|-----------------------------|-------------|
| Commercial deposits | 1,576,072 | 31% | 1,495,636 | 30% |
| Municipality deposits | 254,499 | 5% | 296,147 | 6% |
| Consumer deposits | <u>3,238,844</u> | <u>64%</u> | <u>3,246,589</u> | <u>64%</u> |
| Total | <u>5,069,415</u> | <u>100%</u> | <u>5,038,372</u> | <u>100%</u> |

NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|-------------------------|-------------------------|-----------------------------|
| With original maturity: | | |
| Within one year | 81,210 | 221,871 |
| Over one year | <u>1,259,351</u> | <u>763,394</u> |
| Total | <u>1,340,561</u> | <u>985,265</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15: LIABILITIES FROM ISSUED SECURITIES (in HUF mn) [continued]

24.32% and 28.79% of issued securities are denominated in HUF as at 30 June 2008 and 31 December 2007, and bear interest rates in the range from 0.3% to 10.5% and from 0.3% to 10.5%, respectively.

The Bank issued variable-rate bonds with the face value of EUR 500 million at 1 July 2005 due at 1 July 2010. Interest on these bonds is three months EURIBOR+0.16% quarterly.

The Bank issued variable-rate bonds with the face value of EUR 300 million at 20 December 2005 due to 20 December 2010 at 99.81%. Interest on these bonds is three months EURIBOR+0.15% quarterly.

On 26 February 2007 the Bank issued EUR 750 million floating rate note due 27 February 2009 at 99.87% under the EMTN program (European Medium Term Program). Interest on these bonds is three month EURIBOR + 0.125% that is payable quarterly.

OTP Bank Plc. issued bonds in nominal value of EUR 500 million at 99.81% of the face value with value on 16 May 2008. The bonds are fixed-rate senior bonds with 3 years maturity. The re-offer spread is 140 bps over 3 year mid-swap, the bond bears a coupon of 5.75% fixed rate, with annual interest payments.

An analysis of significant issued securities is as follows:

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|------------------|-------------------------|-----------------------------|
| Euro bonds | 479,548 | 392,557 |
| Mortgage bonds | 805,523 | 540,753 |
| Other securities | <u>55,490</u> | <u>51,955</u> |
| Total | <u>1,340,561</u> | <u>985,265</u> |

The Group issued fixed rate mortgage bonds with the face value of EUR 200 million. The Group entered into a cash-flow hedging cross currency interest rate swap (CCIRS) contract to hedge its exchange rate risk exposure. All conditions of the designated hedging relationship as described in IAS39 were met, hence HUF 3,523 million positive fair value adjustment and HUF 1,494 million negative fair value adjustment was recognised in the Consolidated Shareholders' Equity as at 30 June 2008 and 31 December 2007, respectively.

The Group issued a fixed rate interest bearing mortgage bond with 5 years maturity denominated in EUR on 10 July 2006 with EUR 750 million. Interest on these bonds is 4.25%.

The Group issued a fixed rate interest bearing mortgage bond with 2 years maturity denominated in EUR on 3 March 2008 with EUR 1 billion. Interest on these bonds is 4.5%.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 16: OTHER LIABILITIES (in HUF mn)

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|--|------------------------|----------------------------|
| Deferred tax liabilities | 3,340 | 5,373 |
| Taxes payable | 12,520 | 9,211 |
| Giro clearing accounts | 53,092 | 21,547 |
| Accounts payable | 13,721 | 18,721 |
| Insurance liabilities | 188,802 | 183,211 |
| Salaries and social security payable | 18,096 | 13,012 |
| Liabilities from security trading | 2,763 | 20,697 |
| Provision for losses on off-balance sheet commitments and contingent liabilities | 17,199 | 19,759 |
| Dividends payable | 874 | 930 |
| Advances received from customers | 2,713 | 5,631 |
| Accrued expenses | 24,233 | 18,100 |
| Loan for collection | 1,482 | 1,523 |
| Advance of Government grants for housing purposes | 1,632 | 3,890 |
| Fair value of derivative financial instruments designated as hedge accounting relationship | 12,248 | 3,471 |
| Fair value of derivative financial instruments designated as held for trading | 27,156 | 12,920 |
| Liabilities from trading activities (repurchase agreements) | 20,197 | 87 |
| Other | <u>42,936</u> | <u>45,106</u> |
| Total | <u>443,004</u> | <u>383,189</u> |

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

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|--|------------------------|----------------------------|
| Provision for litigation | 4,469 | 4,621 |
| Provision for losses on off-balance sheet commitments and contingent liabilities | 11,585 | 9,456 |
| Allowance for expected pension commitments | 381 | 409 |
| Other provision for expected liabilities | 764 | 5,273 |
| Total | <u>17,199</u> | <u>19,759</u> |

The provision 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 and other Group companies.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16: OTHER LIABILITIES (in HUF mn) [continued]

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

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|--|-------------------------|-----------------------------|
| Balance as at January 1 | 19,759 | 15,156 |
| Changes of allowance for possible off-balance sheet commitments and contingent liabilities | -- | 4,018 |
| Release of allowance for housing warranties | (2,408) | -- |
| Additions through business combinations | -- | 659 |
| Foreign currency translation differences | <u>(152)</u> | <u>(74)</u> |
| Closing balance | <u>17,199</u> | <u>19,759</u> |

Movements in insurance liabilities can be summarized as follows:

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|--|-------------------------|-----------------------------|
| Balance as at January 1 | 183,211 | 162,607 |
| Net increase in insurance liabilities | 5,727 | 20,630 |
| Foreign currency translation differences | <u>(136)</u> | <u>(26)</u> |
| Closing balance | <u>188,802</u> | <u>183,211</u> |

NOTE 17: 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 20 December 2002, 3.25% as at 20 June 2003, 4.8% as at 20 December 2003, 4.88% as at June 20, 2004 and 6.05% as at 20 December 2004, 5.46% as at 20 June 2005, 3.08% as at 20 December 2005, 3.10% as at 20 June 2006, 3.79% as at 20 December 2006, 4.02% as at 20 June 2007 and 3.76% as at 20 December 2007. 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 maturity of December 27, 2006. The maturity date was modified to 27 August 2008 on 22 August 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 27 December 1996 until 29 December 1997, at six-month LIBOR + 1.0% from 29 December 1997 until 28 June 1999, at six-month LIBOR + 1.7% from 28 June 1999 until 27 December 2003 and at six-month LIBOR + 1.35% from 28 December 2003 until 27 August 2008.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17: SUBORDINATED BONDS AND LOANS [continued]

In December 1999, the CJSC OTP Bank obtained a USD 10 million subordinated loan from the European Bank for Reconstruction and Development with the maturity date of 23 December 2009. The interest on subordinated loan is six-month LIBOR + 2.75%. The loan is secured by bankgarantee of the OTP Bank Plc. The repayment of the loan will be completed semi-annually, in five equal instalments, the first repayment date is 23 December 2007.

In 3 July 2003, the CJSC OTP Bank obtained an USD 5 million subordinated loan from the European Bank for Reconstruction and Development with the maturity date of 23 June 2010. The interest on subordinated loan is three-month LIBOR + 2.75%. The repayment of the loan will be completed semi-annually in four equal instalments, the first repayment date is 3 January 2009.

On 4 March 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.

On 31 October 2006 the Bank issued perpetual subordinated (UT2) bonds to finance acquisitions. The 500 EUR million nominal value bonds were issued at 99.375% of the face value with 7 November 2006 as payment date. The re-offer spread is 200 basis points over 10 year mid-swap. The bonds are perpetual and callable after year 10. The bonds bear a fixed coupon of 5.875%, with annual interest payments in the first 10 years, and a floating (variable) coupon of 3 months EURIBOR + 300 basis points per annum, quarterly thereafter. The bonds will be introduced to the Luxembourg Stock Exchange.

On 30 August 2006 the Bank updated EMTN Program and increased the Program amount from EUR 1 billion to EUR 3 billion.

Under the EMTN Program on 12 September 2006 the Bank issued fixed rate subordinated bonds in a total nominal value of EUR 300 million to finance acquisitions. The EUR 300 million nominal value bonds were issued at 100% of the face value with 19 September 2006 as payment date, and 19 September 2016 as maturity date. The bonds bear a coupon of 5.27%, annual interest payments.

On 26 February 2007 the Bank also issued EUR 200 million subordinated notes due 19 September 2016 under the same program.

In 15 April 2008, the CJSC OTP Bank obtained an USD 65 million subordinated loan from the European Bank for Reconstruction and Development with the maturity date of 13 October 2015. which is covered by bankgarantee of OTP Bank Plc. The interest on subordinated loan is payable at six-month LIBOR + 2.75%. The repayment of the loan will be completed semi-annually in four equal instalments, the first repayment date is 13 October 2008.

Donskoy Narodny Bank obtained a RUB 38.12 million subordinated loans from Russian counterparts 12 times. The original maturity of the loans change between 10 and 12 years, 10 transactions interest rate is 7% and 2 transacion's interest rate is CBR rate minus 2%. The interest will be completed at balance sheet date the principal will be completed at maturity date. The first transaction started in 5 June 2001 and the last transaction will be ended in 6 October 2016.

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NOTE 18: **SHARE CAPITAL (in HUF mn)**

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|------------------------------------|-------------------------|-----------------------------|
| Authorized, issued and fully paid: | | |
| Common shares | <u>28,000</u> | <u>28,000</u> |
| | <u>28,000</u> | <u>28,000</u> |

On 21 April 2007 the law on abolishment of „aranyrészvény” (Act XXVI of 2007) came into force. As a result of this, this special voting share was transformed to 10 ordinary shares with the face value of HUF 100. Therefore, the registered capital of the Bank consists of 280,000,010 ordinary shares with the face value of HUF 100.

NOTE 19: **RETAINED EARNINGS AND RESERVES (in HUF mn)**

The reserves of the Bank under Hungarian Accounting Standards were HUF 649,241 million and HUF 537,211 million as at 30 June 2008 and as at 31 December 2007 and respectively. Of these amounts, legal reserves represent HUF 188,958 million and HUF 152,569 million as at 30 June 2008 and 31 December 2007 respectively. The legal reserves are not available for distribution.

Dividends of HUF 40,320 million for the year 2006 were approved by the Annual General Meeting on 28 April 2007.

According to the decision made at the Annual General Meeting on 25 April 2008 the Bank doesn't pay dividend for the year 2007.

On 19 October 2006 the Bank sold 14.5 million treasury shares owned by OTP Group through an issue of Income Certificates Exchangeable for Shares („ICES”). Within the transaction 10 million shares owned by OTP Bank, and 4.5 million shares owned by OTP Fund Management Ltd. were sold during the underwriting period of ICES on the weighted average market price (HUF 7,080) of the Budapest Stock Exchange. The shares have been purchased by Opus Securities S.A., which issued an exchangeable bond with a total face value of EUR 514,274,000 backed by those shares. The exchangeable bonds have been sold at 32% premium over the selling price of the shares. The EUR denominated exchangeable bonds are without final maturity and the investors can exercise the conversion right between year 6 and 10. The bonds carry a fixed coupon of 3.95% during the first 10 years thereafter the Issuer has the right to buy back the bonds at face value. Following the year 10, the bonds carry a coupon of 3 month EURIBOR +3%.

If the Bank pays dividend for the ordinary shares, the Bank, under a subordinated swap contract, will pay the interest of ICES payable to Opus and receives the same amount of money from Opus than the dividend that is payable for the shares held by Opus.

OTP BANK PLC.
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NOTE 20: TREASURY SHARES (in HUF mn)

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|------------------------------------|------------------------|----------------------------|
| Nominal value (Common Shares) | <u>2,348</u> | <u>2,340</u> |
| Carrying value at acquisition cost | <u>141,932</u> | <u>114,001</u> |

NOTE 21: MINORITY INTEREST (in HUF mn)

| | <i>30 June</i> 2008 | <i>31 December</i> 2007 |
|---|------------------------|----------------------------|
| Balance as at January 1 | 5,353 | 3,110 |
| Minority interest purchased | -- | 2,116 |
| Foreign currency translation (losses)/gains | (504) | 171 |
| Purchase of minority interest | 1,176 | (384) |
| Minority interest included in net income | <u>417</u> | <u>340</u> |
| Closing balance | <u>6,442</u> | <u>5,353</u> |

NOTE 22: OTHER EXPENSES (in HUF mn)

| | <i>30 June</i> 2008 | <i>30 June</i> 2007 |
|--|------------------------|------------------------|
| Release of allowance for securities held-to-maturity | 45 | 80 |
| Provision for permanent diminution in value of equity investments | 137 | (44) |
| Allowance for other assets | 3,746 | 861 |
| (Release of provision)/provision for off-balance sheet commitments and contingent liabilities | (2,408) | 3,549 |
| Administration expenses, including rent | 30,071 | 22,621 |
| Advertising | 6,530 | 5,531 |
| Taxes, other than income taxes | 11,395 | 11,630 |
| Special tax for banks | 2,898 | 3,323 |
| Services | 16,820 | 16,066 |
| Professional fees | 4,319 | 4,654 |
| Other | <u>8,408</u> | <u>6,264</u> |
| Total | <u>81,961</u> | <u>74,535</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 23: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates between 9% and 30% of taxable income.

Deferred tax is calculated at the income tax rate of 10% in Bulgaria, 16% in Hungary and Romania, 19% in Slovakia, 20% in Croatia, 24% in Russia and 25% in Ukraine as these are the income tax rates effective from January 1, 2008.

A reconciliation of the income tax charges is as follows:

| | <i>30 June</i> <i>2008</i> | <i>30 June</i> <i>2007</i> |
|--------------|-------------------------------|-------------------------------|
| Current tax | 22,121 | 21,258 |
| Deferred tax | <u>(365)</u> | <u>497</u> |
| Total | <u>21,756</u> | <u>21,755</u> |

A reconciliation of the deferred tax liability is as follows:

| | <i>30 June</i> <i>2008</i> | <i>30 June</i> <i>2007</i> |
|--|-------------------------------|-------------------------------|
| Balance as at January 1 | (5,373) | (8,337) |
| Acquisition of subsidiaries | (208) | (168) |
| Foreign currency translation gains | 42 | 88 |
| Deferred tax credit/(charge) | 365 | (504) |
| Recognised in retained earnings and reserves | <u>1,834</u> | <u>664</u> |
| Closing balance | <u>(3,340)</u> | <u>(8,257)</u> |

A reconciliation of the income tax charges is as follows:

| | <i>30 June</i> <i>2008</i> | <i>30 June</i> <i>2007</i> |
|------------------------------------|-------------------------------|-------------------------------|
| Net income before income taxes | 151,374 | 122,953 |
| Income tax with statutory tax rate | 25,453 | 20,027 |
| Additional tax | 4,803 | 3,953 |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 23: INCOME TAXES (in HUF mn) [continued]

Income tax adjustments are as follows:

| | <i>30 June</i> 2008 | <i>30 June</i> 2007 |
|--|------------------------|------------------------|
| Reversal of statutory general provision | 532 | (77) |
| Reversal of statutory goodwill and negative goodwill | (895) | (854) |
| Revaluation of investments denominated in foreign currency to historical cost | (3,344) | (1,801) |
| Profit on sale of Treasury Shares | (101) | (336) |
| Fair value of share-based compensations (IFRS 2) | 571 | 512 |
| Valuation of equity instrument (ICES) | (2,429) | -- |
| Other | <u>(2,016)</u> | <u>331</u> |
| Income tax | <u>21,756</u> | <u>21,755</u> |
| Effective tax rate | 14.4% | 17.7% |

A reconciliation of the deferred tax asset and liability is as follows:

| | <i>30 June</i> 2008 | <i>30 June</i> 2007 |
|---|------------------------|------------------------|
| Difference in accounting for finance leases | 574 | 278 |
| Allowance for losses on off-balance sheet commitments and contingent liabilities on derivative financial instruments | 91 | -- |
| Fair value adjustment of securities held-for-trading, securities available-for-sale and equity investments (IAS 39). | 313 | -- |
| Fair value adjustment of derivative financial instruments | -- | 615 |
| Repurchase agreements | 1,914 | 176 |
| Temporary differences arising on consolidation | 465 | 648 |
| Other | <u>4,402</u> | <u>1,406</u> |
| Deferred tax asset | <u>7,759</u> | <u>3,123</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 23: INCOME TAXES (in HUF mn) [continued]

| | <i>30 June</i> 2008 | <i>30 June</i> 2007 |
|--|------------------------|------------------------|
| Fair value adjustment of held for trading and available-for-sale financial assets | (257) | (296) |
| Allowance for losses on off-balance sheet commitments and contingent liabilities on derivative financial instruments | -- | (144) |
| Fair value adjustment of securities held-for-trading, securities available-for-sale and equity investments (IAS 39). | -- | (2,010) |
| Fair value adjustment of derivative financial instruments | (188) | -- |
| Adjustment from effective interest rate method | (840) | -- |
| Reclassification of ICES-transaction into Shareholders' equity | (1,782) | (2,278) |
| Fixed assets | (4,076) | (3,082) |
| Accrued losses | <u>(3,956)</u> | <u>(3,570)</u> |
| Deferred tax liabilities | <u>(11,099)</u> | <u>(11,380)</u> |
| Net deferred tax liabilities | <u>(3,340)</u> | <u>(8,257)</u> |

NOTE 24: 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 Group. The most significant risks the Group faces include:

Credit risk

The Group 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 Group 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.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 24: FINANCIAL INSTRUMENTS [continued]

Market risk

The Group 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 Group 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 33.

Foreign currency risk

See Note 34.

Interest rate risk

See Note 35.

NOTE 25: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn)

In the normal course of business, the Group 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

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|--|-------------------------|-----------------------------|
| Commitments to extend credit | 914,089 | 999,639 |
| Guarantees arising from banking activities | 299,522 | 224,616 |
| Confirmed letters of credit | 16,052 | 12,757 |
| Legal disputes | 5,983 | 6,558 |
| Others | <u>46,793</u> | <u>53,772</u> |
| Total | <u>1,282,439</u> | <u>1,297,342</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 25: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(a) Contingent liabilities [continued]

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 Group 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 Group on behalf of a customer authorising a third party to draw drafts on the Group 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 Group 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 Group believes the market risk associated with guarantees, irrevocable letters of credit and undrawn loans commitments to be minimal.

Legal disputes

At the balance sheet date the Group 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 Group 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. Provisions due to legal disputes were HUF 4,469 million and HUF 4,621 million as at 30 June 2008 and 31 December 2007, respectively. (See Note 16)

OTP BANK PLC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 25: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(b) Derivatives and other options (nominal amount, unless otherwise stated)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|---|-------------------------|-----------------------------|
| Foreign currency contracts | | |
| Assets | 193,792 | 145,810 |
| Liabilities | 195,084 | 146,795 |
| Net | (1,292) | (985) |
| Net fair value | 163 | (119) |
| Foreign currency contracts designated as hedge accounting relationships | | |
| Assets | 45,542 | 41,858 |
| Liabilities | 45,548 | 41,857 |
| Net | (6) | 1 |
| Net fair value | 17 | -- |
| Foreign exchange swaps and interest rate swaps designated as held for trading | | |
| Assets | 2,320,243 | 1,947,648 |
| Liabilities | 2,078,630 | 1,849,946 |
| Net | 241,613 | 97,702 |
| Net fair value | 62,915 | 2,033 |
| Foreign exchange swaps and interest rate swaps designated as hedge accounting relationships | | |
| Assets | 476,434 | 260,777 |
| Liabilities | 471,441 | 245,626 |
| Net | 4,993 | 15,151 |
| Net fair value | (11,616) | (5,071) |
| Option contracts | | |
| Assets | 137,882 | 119,004 |
| Liabilities | 138,202 | 119,467 |
| Net | (320) | (463) |
| Net fair value | 27,142 | 25,910 |
| FRA | | |
| Assets | 44 | -- |
| Liabilities | -- | -- |
| Net | 44 | -- |
| Net fair value | 17 | -- |
| Forward security agreements designated as held for trading | | |
| Assets | 128 | 175 |
| Liabilities | 128 | 175 |
| Net | -- | -- |
| Net fair value | 11 | (1) |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 25: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(b) Derivatives and other options (nominal amount, unless otherwise stated)[continued]

The Group 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 one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (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 Group in most of the cases requires margin deposits.

As at 30 June 2008, the Group has derivative instruments with positive fair values of HUF 127,021 million and negative fair values of HUF 39,404 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 31 December 2007 are HUF 75,343 million and HUF 16,391 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 Group for risk management and trading purposes. The Group'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 Group enters into foreign-exchange swap and interest rate swap transactions. The swap transaction is a complex agreement concerning 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 Group's interest rate swaps were used for management of interest rate exposures and have been accounted for at mark-to-market fair value.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 25: OFF-BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS (in HUF mn) [continued]

(b) Derivatives and other options (nominal amount, unless otherwise stated)[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 Group 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 counterparties. The Group'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 losses on off balance sheet commitments and contingent liabilities, see Note 16.

NOTE 26: 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 29 April 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. The grant date of these options is 28 April 2006 and the date of the Annual General Meeting of 2007 (27 April 2007) for the amount increased under the modified program.

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 2010 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the period between 30 April and 30 May 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 2007 Annual General Meeting approved a few changes in the program:

The exercise prices of the options relating to the years of 2006 to 2010 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the three month period ended 31 March in the actual year and decreased by HUF 2,000. In that case if the average price of the shares exceeds by more than HUF 4,000 the exercise price one day before the date of exercise the exercise price would be increased by the amount above the HUF 4,000.

OTP BANK PLC.
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NOTE 26: SHARE-BASED COMPENSATION [continued]

The exercise period of the options granted 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 1 June in the actual year, the period can be prolonged by two years. 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.

| | For the six month period ended 30 June 2008 | | For the year ended 31 December 2007 | |
|--------------------------------------|--|--|--|--|
| | 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 | 6,678,130 | 7,957 | 4,799,825 | 7,231 |
| Granted during the period | 3,500,000 | 5,441 | 3,510,000 | 8,419 |
| Forfeited during the period | 1,018,050 | 6,484 | 187,250 | 7,648 |
| Exercised during the period | 257,500 | 6,536 | 1,444,445 | 6,706 |
| Outstanding at the end of the period | 8,574,080 | 6,721 | 6,678,130 | 7,957 |
| Exercisable at the end of the period | 6,626,789 | 8,251 | 2,334,304 | 7,369 |

The options outstanding at 30 June 2008 and as at 31 December 2007 had a weighted average exercise price of HUF 6,721 and HUF 7,957 with a weighted average remaining contractual life of 18 and 22 months, respectively.

The inputs into the Binominal model are as follows:

| | For the six month period ended 30 June 2008 | For the year ended 31 December 2007 |
|---------------------------------------|--|--|
| Weighted average share price (HUF) | 7,828 | 7,663 |
| Weighted average exercise price (HUF) | 7,941 | 7,594 |
| Expected volatility (%) | 29 | 29 |
| Expected life (average year) | 3.56 | 3.18 |
| Risk free rate (%) | 6.84 | 7.01 |
| Expected dividends (%) | 2.31 | 2.45 |

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 2,856 million and HUF 5,123 million has been recognised as an expense as at 30 June 2008 and as at 31 December 2007 respectively.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27: RELATED PARTY TRANSACTIONS

The members of the Board of Directors and the Supervisory Board had credit lines of HUF 121 million and HUF 169.3 million as at 30 June 2008 and 31 December 2007. 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 22,459 million and HUF 3,862 million, with commitments to extend credit and guarantees of HUF 2,915 million and HUF 5,456 million as at 30 June 2008 and 31 December 2007, respectively.

The amount of loans extended to unconsolidated subsidiaries was HUF 73,180 million and HUF 41,899 million as at 30 June 2008 and 31 December 2007, respectively.

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

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|-----------------------------------|---------------------|-------------------------|
| Short-term employee benefits | 7,437 | 7,545 |
| Other long-term employee benefits | 26 | 41 |
| Termination benefits | 7 | 1,519 |
| Share-based compensation | <u>1,396</u> | <u>2,459</u> |
| Total | <u>8,866</u> | <u>11,564</u> |

NOTE 28: CASH AND CASH EQUIVALENTS (in HUF mn)

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|--|-------------------------|-----------------------------|
| Cash, due from banks and balances with the National Bank of Hungary | 324,528 | 353,243 |
| Compulsory reserve established by the National Bank of Hungary | <u>(172,009)</u> | <u>(158,383)</u> |
| | <u>152,519</u> | <u>194,860</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29: ACQUISITIONS (in HUF mn)

a. Purchase and consolidation of subsidiary undertakings

On 12 November 2007 the Bank signed the purchase agreement on acquiring 100% interest in Russian Donskoy Narodny Bank. The sale and purchase transaction of the 100% stake of Donskoy Narodny Bank was completed on 6 May 2008. The total purchase price was USD 40.95 million.

On 7 July 2006 the Bank signed the purchase agreement on acquiring 67% majority interest in Kulska banka a.d. Novi Sad (Kulska banka). The total price was EUR 118,6 million. The control over these companies is exercised from 1 January 2007.

On 29 August 2006 the Bank signed the purchase agreement on acquiring 100% interest in Crnogorska komercijalna banka. The total price was EUR 104 million. The control over these companies is exercised from 1 January 2007.

On 18 May 2007 the Niska banka a.d. and the Zepter banka a.d. merged into the Kulska banka a.d.. The new bank renamed to OTP Banka Sbirja a.d.. The OTP Bank holds 91,43% of OTP banka Sbirja a.d. as at 30 June 2008.

The fair value of the assets and liabilities acquired, and related goodwill is as follows:

| | <i>At acquisition date Donskoy Narodny Bank Llc.</i> | <i>At acquisition date Kulska banka a.d., CKB</i> |
|--|--|---|
| Cash, due from banks, and balances with the National Bank | (1,880) | (11,095) |
| Placements with other banks, net of allowance for placement losses | (1,192) | (68,528) |
| Securities held-for-trading | (1,021) | (119) |
| Securities available-for-sale | -- | (585) |
| Loans, net of allowance for loan losses | (16,502) | (113,860) |
| Accrued interest receivable | (74) | (898) |
| Equity investment | (47) | (217) |
| Debt securities held-to-maturity | (7) | (1,287) |
| Premises, equipment and intangible assets | (2,123) | (9,378) |
| Other assets | (91) | (2,303) |
| Due to banks and deposits from the National Bank and other banks | -- | 19,268 |
| Deposits from customers | 20,405 | 134,948 |
| Issued securities | 2 | -- |
| Accrued interest payable | 102 | 121 |
| Other liabilities | 309 | 19,117 |
| Subordinated loans | 261 | -- |
| Minority Interest | -- | <u>2,116</u> |
| Net assets | <u>(1,858)</u> | <u>(32,700)</u> |
| Goodwill | (4,828) | (36,698) |
| Cash consideration | (6,686) | (69,398) |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29: ACQUISITIONS (in HUF mn) [continued]

b. Analysis of net outflow of cash in respect of purchase of subsidiaries

| | <i>30 June 2008</i> | <i>31 December 2007</i> |
|--------------------|-------------------------|-----------------------------|
| Cash consideration | (6,686) | (69,398) |
| Cash acquired | <u>1,880</u> | <u>11,095</u> |
| Net cash outflow | <u>(4,806)</u> | <u>(58,303)</u> |

NOTE 30: MAJOR SUBSIDIARIES

Equity investments in companies in which the Bank has a controlling interest are detailed below. They are fully consolidated companies and incorporated in Hungary unless indicated otherwise.

| <u>Name</u> | <u>Ownership (Direct and Indirect)</u> | | <u>Activity</u> |
|---|--|-----------------------------|--|
| | <i>30 June 2008</i> | <i>31 December 2007</i> | |
| OTP Garancia Insurance Ltd. | 100.00% | 100.00% | insurance |
| OTP Real Estate Ltd. | 100.00% | 100.00% | real estate management and development |
| Merkantil Bank Ltd. | 100.00% | 100.00% | finance lease |
| Merkantil Car Ltd. | 100.00% | 100.00% | finance lease |
| OTP Building Society Ltd. | 100.00% | 100.00% | flat finance and reconstruction |
| Bank Center No. 1. Ltd. | 100.00% | 100.00% | real estate lease |
| OTP Factoring Ltd. | 100.00% | 100.00% | work-out |
| Inga Two Commercial Llc. | 100.00% | 100.00% | property management |
| OTP Fund Management Ltd. | 100.00% | 100.00% | fund management |
| OTP Mortgage Bank Ltd. | 100.00% | 100.00% | mortgage lending |
| OTP Funds Servicing and Consulting Ltd. | 100.00% | 100.00% | fund services |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 30: MAJOR SUBSIDIARIES [continued]

| <u>Name</u> | <u>Ownership (Direct and Indirect)</u> | | <u>Activity</u> |
|--|--|-----------------------------|-----------------------------|
| | <i>30 June 2008</i> | <i>31 December 2007</i> | |
| OTP Trade Commercial Llc. | 100.00% | 100.00% | trade finance |
| OTP Real Estate Leasing Ltd. | 100.00% | 100.00% | real estate leasing |
| OTP Life Annuity Real Estate Investment Ltd. | 100.00% | 100.00% | life annuity services |
| OTP Banka Slovensko, a. s. (Slovakia) | 97.23% | 97.23% | commercial banking services |
| DSK Bank EAD (Bulgaria) | 100.00% | 100.00% | commercial banking services |
| OTP Bank Romania S.A. (Romania) | 100.00% | 100.00% | commercial banking services |
| OTP banka Hrvatska d.d. (Croatia) | 100.00% | 100.00% | commercial banking services |
| OTP banka Srbija a.d. (Serbia) | 91.43% | 91.43% | commercial banking services |
| Crnogorska komerčijalna banka a.d. (Montenegro) | 100.00% | 100.00% | commercial banking services |
| CJSC OTP Bank. (Ukraine) | 100.00% | 100.00% | commercial banking services |
| OAD OTP Bank (Russia) | 94.37% | 97.22% | commercial banking services |
| Donskoy Narodny Bank (Russia) | 100.00% | -- | commercial banking services |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 31: 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 43,939 million and HUF 45,081 million as at 30 June 2008 and as at 31 December 2007, respectively.

NOTE 32: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 8.6% and 9.4% of the Group's total assets consist of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at 30 June 2008 and 31 December 2007, respectively.

NOTE 33: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group 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.

OTP BANK PLC.
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NOTE 33: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

| As at 30 June 2008 | 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 | 315,220 | 9,308 | - | - | 324,528 |
| Placements with other banks, net of allowance for placement losses | 573,683 | 107,638 | 3,439 | 247 | 685,007 |
| Financial assets at fair value through statements of operations | 35,465 | 51,054 | 175,347 | 59,695 | 321,561 |
| Securities available-for-sale | 51,667 | 30,544 | 202,082 | 177,504 | 461,797 |
| Loans, net of allowance for loan losses | 531,865 | 1,083,030 | 1,724,660 | 2,625,287 | 5,964,843 |
| Accrued interest receivable | 68,478 | 4,866 | 848 | 1,280 | 75,473 |
| Equity investments | - | - | - | 14,522 | 14,522 |
| Securities held-to-maturity | 99,430 | 42,482 | 101,097 | 43,302 | 286,311 |
| Premises, equipment and intangible assets, net | 13,193 | 7,111 | 115,154 | 391,007 | 526,465 |
| Other assets | <u>63,043</u> | <u>41,351</u> | <u>42,287</u> | <u>46,058</u> | <u>192,739</u> |
| TOTAL ASSETS | <u>1,752,045</u> | <u>1,377,383</u> | <u>2,364,915</u> | <u>3,358,902</u> | <u>8,853,246</u> |
| Due to banks and deposits from the National Bank of Hungary and other banks | 186,340 | 161,928 | 222,479 | 100,403 | 671,151 |
| Deposits from customers | 4,117,919 | 743,147 | 189,231 | 19,118 | 5,069,415 |
| Liabilities from issued securities | 35,797 | 86,066 | 1,083,138 | 135,559 | 1,340,561 |
| Accrued interest payable | 83,424 | 4,160 | 3,637 | 240 | 91,461 |
| Other liabilities | 178,535 | 34,558 | 84,008 | 145,903 | 443,004 |
| Subordinated bonds and loans | -- | <u>8,321</u> | <u>1,846</u> | <u>281,912</u> | <u>292,079</u> |
| TOTAL LIABILITIES | <u>4,602,015</u> | <u>1,038,180</u> | <u>1,584,340</u> | <u>683,136</u> | <u>7,907,671</u> |
| Share capital | -- | -- | -- | 28,000 | 28,000 |
| Retained earnings and reserves | -- | -- | -- | 1,053,065 | 1,053,065 |
| Treasury shares | (4,239) | (28,261) | (52,572) | (56,859) | (141,932) |
| Minority interest | -- | -- | -- | <u>6,442</u> | <u>6,442</u> |
| TOTAL SHAREHOLDERS' EQUITY | <u>(4,239)</u> | <u>(28,261)</u> | <u>(52,572)</u> | <u>1,030,648</u> | <u>945,575</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>4,597,776</u> | <u>1,009,919</u> | <u>1,531,768</u> | <u>1,713,784</u> | <u>8,853,246</u> |
| LIQUIDITY (DEFICIENCY)/EXCESS | <u>(2,845,731)</u> | <u>367,464</u> | <u>833,148</u> | <u>1,645,118</u> | <u>--</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 33: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

| As at 31 December 2007 | 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 | 348,281 | 4,962 | -- | -- | 353,243 |
| Placements with other banks, net of allowance for placements losses | 540,504 | 72,025 | 42,127 | 132 | 654,788 |
| Financial assets at fair value through statements of operations | 65,732 | 35,038 | 124,691 | 60,434 | 285,895 |
| Securities available-for-sale | 27,493 | 95,423 | 182,848 | 168,161 | 473,925 |
| Loans, net of allowance for loan losses | 601,781 | 957,762 | 1,637,614 | 2,385,280 | 5,582,437 |
| Accrued interest receivable | 56,873 | 3,898 | 1,276 | 1,412 | 63,459 |
| Associates and other investments | -- | -- | -- | 9,892 | 9,892 |
| Securities held-to-maturity | 111,014 | 25,278 | 124,808 | 56,457 | 317,557 |
| Premises, equipments and intangible assets, net | 1,258 | 6,533 | 118,433 | 415,685 | 541,909 |
| Other assets | 84,043 | 29,079 | 27,999 | 37,648 | 178,769 |
| TOTAL ASSETS | <u>1,836,979</u> | <u>1,229,998</u> | <u>2,259,796</u> | <u>3,135,101</u> | <u>8,461,874</u> |
| Due to banks and deposits from the National Bank of Hungary and other banks | 338,051 | 108,821 | 253,228 | 98,054 | 798,154 |
| Deposits from customers | 4,326,480 | 529,282 | 164,351 | 18,259 | 5,038,372 |
| Liabilities from issued securities | 18,796 | 71,194 | 757,493 | 137,782 | 985,265 |
| Accrued interest payable | 54,178 | 2,409 | 3,332 | 234 | 60,153 |
| Other liabilities | 151,841 | 28,644 | 76,653 | 126,051 | 383,189 |
| Subordinated bonds and loans | -- | 10,111 | 1,339 | 289,714 | 301,164 |
| TOTAL LIABILITIES | <u>4,889,346</u> | <u>750,461</u> | <u>1,256,396</u> | <u>670,094</u> | <u>7,566,297</u> |
| Share capital | -- | -- | -- | 28,000 | 28,000 |
| Retained earnings and reserves | -- | -- | -- | 976,225 | 976,225 |
| Treasury shares | (3,554) | (14,217) | (36,437) | (59,793) | (114,001) |
| Minority interest | -- | -- | -- | 5,353 | 5,353 |
| TOTAL SHAREHOLDERS' EQUITY | <u>(3,554)</u> | <u>(14,217)</u> | <u>(36,437)</u> | <u>949,785</u> | <u>895,577</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>4,885,792</u> | <u>736,244</u> | <u>1,219,959</u> | <u>1,619,879</u> | <u>8,461,874</u> |
| LIQUIDITY (DEFICIENCY)/EXCESS | <u>(3,048,813)</u> | <u>493,754</u> | <u>1,039,837</u> | <u>1,515,222</u> | <u>--</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 34: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at 30 June 2008

| | <u>USD</u> | <u>EUR</u> | <u>CHF</u> | <u>Others</u> | <u>Total</u> |
|---|------------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| Assets | 809,901 | 1,971,525 | 1,042,797 | 1,903,529 | 5,727,752 |
| Liabilities | (253,630) | (2,559,395) | (219,195) | (1,490,230) | (4,522,450) |
| Off-balance sheet assets and liabilities, net | <u>(574,599)</u> | <u>1,115,818</u> | <u>(1,156,876)</u> | <u>(116,269)</u> | <u>(731,926)</u> |
| Net position | <u>(18,328)</u> | <u>527,948</u> | <u>(333,274)</u> | <u>297,030</u> | <u>473,376</u> |

As at 31 December 2007

| | <u>USD</u> | <u>EUR</u> | <u>CHF</u> | <u>Others</u> | <u>Total</u> |
|---|------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| Assets | 705,470 | 1,744,616 | 1,076,700 | 1,941,768 | 5,468,554 |
| Liabilities | (281,588) | (2,297,282) | (141,825) | (1,533,702) | (4,254,397) |
| Off-balance sheet assets and liabilities, net | <u>(464,046)</u> | <u>507,759</u> | <u>(943,333)</u> | <u>(8,162)</u> | <u>(907,782)</u> |
| Net position | <u>(40,164)</u> | <u>(44,907)</u> | <u>(8,458)</u> | <u>399,904</u> | <u>306,375</u> |

The table above provides an analysis of the main currency exposures of the Group. The remaining currencies are shown within 'Others'. Whilst the Group 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 open foreign currency position of the Group involves monitoring the 'value at risk' limit on the foreign exchange exposure of the Group.

NOTE 35: INTEREST RATE RISK MANAGEMENT (in HUF mn)

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 Group'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 Group 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 Group. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 35: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2008

| | Within 1 month | | Over 1 month and Within 3 months | | Over 3 months and Within 12 months | | Over 1 year and Within 2 years | | Over 2 years | | Non-interest-bearing | | Total | |
|---|----------------|-----------|-------------------------------------|----------|---------------------------------------|----------|-----------------------------------|----------|--------------|----------|----------------------|----------|-----------|-----------|
| | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency |
| ASSETS | | | | | | | | | | | | | | |
| Cash, due from banks and balances with the National Bank of Hungary | 143 426 | 11 937 | 20 998 | 9 623 | 2 | -- | -- | -- | -- | -- | 54 868 | 83 672 | 219 295 | 105 232 |
| fixed rate | 143 357 | 9 679 | 20 998 | 0 | 2 | -- | -- | -- | -- | -- | -- | -- | 164 357 | 9 679 |
| variable rate | 18 | 2 258 | -- | 9 623 | -- | -- | -- | -- | -- | -- | -- | -- | 18 | 11 881 |
| non-interest-bearing | 52 | 0 | -- | -- | -- | -- | -- | -- | -- | -- | 54 868 | 83 672 | 54 920 | 83 672 |
| Placements with other banks, net of allowance for placements losses | 80 316 | 304 596 | 6 949 | 39 604 | 2 951 | 37 042 | 270 | 270 | 77 260 | 77 260 | 12 | 136 008 | 90 228 | 594 779 |
| fixed rate | 79 877 | 197 082 | 4 068 | 35 446 | 2 951 | 34 530 | 270 | 270 | 77 260 | 77 260 | -- | -- | 86 895 | 344 588 |
| variable rate | 439 | 107 514 | 2 881 | 4 158 | -- | 2 512 | -- | -- | -- | -- | -- | -- | 3 320 | 114 184 |
| non-interest-bearing | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 12 | 136 007 | 12 | 136 007 |
| Securities held for trading | 14 725 | 1 577 | 8 156 | 152 | 9 577 | 1 473 | 27 669 | 4 960 | 102 094 | 22 782 | 3 810 | 1 795 | 166 032 | 32 738 |
| fixed rate | 14 725 | 482 | 2 872 | 152 | 9 489 | 1 473 | 18 444 | 4 948 | 93 857 | 22 630 | -- | -- | 139 388 | 29 684 |
| variable rate | -- | 1 095 | 5 283 | -- | 88 | -- | 9 225 | 11 | 8 237 | 153 | 3 811 | 1 795 | 22 834 | 1 259 |
| non-interest-bearing | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 3 811 |
| Securities available-for-sale | 12 179 | 7 213 | 33 836 | 91 057 | 15 429 | 18 870 | 41 734 | 10 393 | 134 511 | 68 689 | 22 762 | 5 126 | 260 449 | 201 348 |
| fixed rate | 12 179 | 1 998 | 30 054 | 2 850 | 15 428 | 11 186 | 41 675 | 9 737 | 132 493 | 68 426 | -- | -- | 231 830 | 94 197 |
| variable rate | -- | 5 215 | 3 782 | 88 207 | -- | 7 684 | 59 | 656 | 2 018 | 263 | -- | -- | 5 858 | 102 025 |
| non-interest-bearing | -- | -- | -- | -- | 1 | -- | -- | -- | -- | -- | 22 761 | 5 126 | 22 761 | 5 126 |
| Loans, net of allowance for loan losses | 823 860 | 2 862 939 | 279 646 | 744 289 | 149 993 | 299 466 | 28 810 | 151 671 | 307 814 | 246 179 | 18 360 | 51 818 | 1 608 481 | 4 356 361 |
| fixed rate | 10 000 | 67 801 | 8 854 | 105 675 | 5 368 | 205 422 | 1 225 | 98 606 | 3 999 | 187 009 | -- | -- | 29 446 | 664 512 |
| variable rate | 813 806 | 2 794 840 | 270 792 | 638 614 | 144 626 | 94 044 | 27 585 | 53 065 | 303 815 | 59 170 | -- | -- | 1 560 624 | 3 639 733 |
| non-interest-bearing | 53 | 298 | -- | -- | -- | -- | -- | -- | -- | -- | 18 358 | 51 818 | 18 411 | 52 116 |
| Debt securities held-to-maturity | 110 284 | 5 323 | 23 270 | 734 | 41 486 | 9 337 | 8 874 | 5 369 | 65 821 | 15 293 | -- | -- | 249 734 | 36 576 |
| fixed rate | 81 941 | 1 040 | 15 242 | 192 | 30 695 | 9 283 | 8 874 | 5 369 | 65 821 | 15 293 | -- | -- | 202 573 | 31 178 |
| variable rate | 28 343 | 4 283 | 8 028 | 542 | 10 791 | 53 | -- | -- | -- | -- | -- | -- | 47 162 | 4 878 |
| Fair value of derivative financial instruments | 300 029 | 616 625 | 489 226 | 211 529 | 87 767 | 59 612 | 1 205 | 76 530 | 549 | 11 563 | -- | -- | 878 776 | 977 979 |
| fixed rate | 111 194 | 615 154 | 31 269 | 119 336 | 27 439 | 57 885 | 1 205 | 76 517 | 549 | 11 563 | -- | -- | 171 656 | 880 455 |
| variable rate | 188 835 | 1 471 | 457 957 | 92 193 | 60 328 | 1 727 | -- | 12 | -- | -- | -- | -- | 707 120 | 95 404 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 35: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 30 June 2008

| | Within 1 month | | Over 1 month and Within 3 months | | Over 3 months and Within 12 months | | Over 1 year and Within 2 years | | Over 2 years | | Non-interest-bearing | | Total | |
|---|----------------|-----------|-------------------------------------|----------|---------------------------------------|----------|-----------------------------------|----------|--------------|----------|----------------------|----------|-----------|-----------|
| | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency |
| LIABILITIES | | | | | | | | | | | | | | |
| Due to banks and deposits from the National Bank of Hungary and other banks | 97 657 | 331 045 | 3 545 | 129 296 | 26 | 68 802 | 885 | 7 288 | 1 273 | 26 578 | - | 4 757 | 103 385 | 567 765 |
| <i>fixed rate</i> | 44 149 | 161 467 | 767 | 14 401 | 26 | 2 536 | 6 | 3 815 | - | 3 734 | - | - | 44 948 | 185 953 |
| <i>variable rate</i> | 53 507 | 169 578 | 2 778 | 114 895 | (0) | 66 266 | 879 | 3 472 | 1 273 | 22 844 | - | - | 58 437 | 377 055 |
| <i>non-interest-bearing</i> | - | - | - | - | - | - | - | - | - | - | - | 4 756 | - | 4 756 |
| Deposits from customers | 1 855 544 | 1 575 171 | 481 806 | 462 855 | 30 933 | 366 553 | 31 207 | 61 465 | 75 963 | 25 365 | 55 | 102 498 | 2 475 508 | 2 593 907 |
| <i>fixed rate</i> | 691 318 | 484 366 | 477 017 | 448 219 | 30 933 | 329 003 | 31 207 | 60 472 | 75 963 | 25 365 | - | - | 1 306 438 | 1 347 425 |
| <i>variable rate</i> | 1 164 226 | 1 090 804 | 4 789 | 14 636 | - | 37 551 | - | 992 | - | - | - | - | 1 169 015 | 1 143 983 |
| <i>non-interest-bearing</i> | - | - | - | - | - | - | - | - | - | - | 55 | 102 499 | 55 | 102 499 |
| Liabilities from issued securities | 16 140 | 122 057 | 50 051 | 278 496 | 61 304 | 13 516 | 21 687 | 236 830 | 187 782 | 351 942 | 3 | 753 | 336 968 | 1 003 593 |
| <i>fixed rate</i> | 12 | 5 595 | 28 083 | 255 | 58 562 | 5 676 | 21 687 | 236 830 | 187 782 | 351 942 | - | - | 296 127 | 600 297 |
| <i>variable rate</i> | 16 129 | 116 462 | 21 967 | 278 241 | 2 742 | 7 840 | - | - | - | - | - | - | 40 838 | 402 543 |
| <i>non-interest-bearing</i> | - | - | - | - | - | - | - | - | - | - | 3 | 753 | 3 | 753 |
| Fair value of derivative financial instruments in other liabilities | 113 218 | 928 998 | 9 550 | 884 819 | 48 198 | 86 194 | 7 593 | 68 797 | 50 111 | 11 727 | - | 17 | 228 670 | 1 980 553 |
| <i>fixed rate</i> | 108 412 | 594 710 | 5 084 | 143 960 | 44 676 | 41 207 | 7 593 | 68 797 | 50 111 | 11 727 | - | - | 215 876 | 860 401 |
| <i>variable rate</i> | 4 806 | 334 288 | 4 466 | 740 859 | 3 522 | 44 987 | - | - | - | - | - | - | 12 794 | 1 120 135 |
| Subordinated bonds and loans | - | 795 | 5 000 | 37 598 | - | 11 389 | - | - | - | 237 296 | - | - | 5 000 | 287 079 |
| <i>fixed rate</i> | - | - | - | - | - | - | - | - | - | 234 434 | - | - | - | 234 434 |
| <i>variable rate</i> | - | 795 | 5 000 | 37 598 | - | 11 389 | - | - | - | 2 863 | - | - | 5 000 | 52 646 |
| Net position | -597 740 | 852 144 | 312 129 | -696 076 | 166 744 | -120 653 | 46 920 | -125 187 | 295 659 | -211 141 | 99 753 | 173 054 | 323 463 | -127 882 |
| | | | | | | | | | | | | | | 195 581 |

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008

NOTE 35: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2007

| | Within 1 month | | Over 1 month and Within 3 months | | Over 3 months and Within 12 months | | Over 1 year and Within 2 years | | Over 2 years | | Non-interest-bearing | | Total | |
|---|----------------|-----------|-------------------------------------|----------|---------------------------------------|----------|-----------------------------------|----------|--------------|----------|----------------------|----------|-----------|-----------|
| | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency |
| ASSETS | | | | | | | | | | | | | | |
| Cash, due from banks and balances with the National Bank of Hungary | 176 105 | 18 694 | 490 | 7 718 | 12 | 16 | - | - | - | - | 44 451 | 105 757 | 221 058 | 132 185 |
| <i>fixed rate</i> | | | | | | | | | | | | | | 353 243 |
| <i>variable rate</i> | 174 741 | 13 448 | - | 58 | - | - | - | - | - | - | - | - | 174 741 | 13 506 |
| <i>non-interest-bearing</i> | 1 359 | 5 245 | 490 | 7 660 | 12 | 16 | - | - | - | - | - | - | 1 861 | 12 921 |
| Placements with other banks, net of allowance for placements losses | 5 | 1 | - | - | - | - | - | - | - | - | 44 451 | 105 757 | 44 456 | 105 758 |
| <i>fixed rate</i> | 21 859 | 296 252 | 3 000 | 6 973 | 550 | 115 691 | - | 1 927 | - | 165 | 6 | 200 850 | 25 420 | 629 368 |
| <i>variable rate</i> | 5 | 7 510 | 3 000 | 3 006 | 550 | 58 868 | - | 1 927 | - | 135 | - | - | 22 409 | 361 149 |
| <i>non-interest-bearing</i> | - | - | - | - | - | 56 823 | - | - | - | 30 | - | - | 3 005 | 67 369 |
| Securities held for trading | 24 149 | 1 225 | 36 648 | 1 476 | 9 270 | 4 649 | 7 587 | 8 241 | 82 675 | 40 456 | 4 688 | 893 | 165 017 | 56 940 |
| <i>fixed rate</i> | 23 165 | 24 | 15 141 | 1 388 | 9 199 | 4 339 | 7 586 | 8 241 | 82 675 | 40 456 | - | - | 137 766 | 54 448 |
| <i>variable rate</i> | 984 | 1 201 | 21 507 | 88 | 71 | 310 | 1 | - | - | - | - | - | 22 563 | 1 599 |
| <i>non-interest-bearing</i> | - | - | - | - | - | - | - | - | - | - | 4 688 | 893 | 4 688 | 893 |
| Securities available-for-sale | 14 090 | 22 813 | 4 922 | 59 726 | 77 433 | 22 436 | 45 753 | 5 160 | 112 590 | 73 776 | 28 109 | 7 117 | 282 897 | 191 028 |
| <i>fixed rate</i> | 12 342 | 767 | 1 952 | 1 717 | 77 194 | 10 947 | 45 753 | 5 160 | 112 590 | 73 776 | - | - | 249 831 | 92 367 |
| <i>variable rate</i> | 1 748 | 22 046 | 2 970 | 58 009 | 239 | 11 489 | - | - | - | - | - | - | 4 957 | 91 544 |
| <i>non-interest-bearing</i> | - | - | - | - | - | - | - | - | - | - | 28 109 | 7 117 | 28 109 | 7 117 |
| Loans, net of allowance for loan losses | 899 026 | 2 431 583 | 220 358 | 744 860 | 192 480 | 275 535 | 94 539 | 96 759 | 237 070 | 336 337 | 17 081 | 36 809 | 1 660 554 | 3 921 883 |
| <i>fixed rate</i> | 9 616 | 132 870 | 6 903 | 115 980 | 3 801 | 223 218 | 1 235 | 87 918 | 4 769 | 299 691 | - | - | 26 324 | 859 677 |
| <i>variable rate</i> | 889 410 | 2 298 713 | 213 455 | 628 880 | 188 679 | 52 317 | 93 304 | 8 841 | 232 301 | 36 646 | - | - | 1 617 149 | 3 025 397 |
| <i>non-interest-bearing</i> | - | - | - | - | - | - | - | - | - | - | 17 081 | 36 809 | 17 081 | 36 809 |
| Debt securities held-to-maturity | 97 085 | 15 961 | 38 035 | 2 286 | 31 040 | 1 999 | 39 882 | 10 048 | 65 413 | 15 808 | - | - | 271 455 | 46 102 |
| <i>fixed rate</i> | 97 085 | 3 460 | - | 1 909 | 20 249 | 1 068 | 39 882 | 9 826 | 65 413 | 15 327 | - | - | 222 629 | 31 590 |
| <i>variable rate</i> | - | 12 501 | 38 035 | 377 | 10 791 | 931 | - | 222 | - | 481 | - | - | 48 826 | 14 512 |
| Fair value of derivative financial instruments | 366 501 | 454 187 | 645 215 | 356 623 | 38 095 | 33 924 | 1 237 | 34 016 | 1 770 | 241 366 | - | - | 1 052 818 | 1 120 116 |
| <i>fixed rate</i> | 273 123 | 343 091 | 212 118 | 182 451 | 37 545 | 32 838 | 1 237 | 34 016 | 1 770 | 241 366 | - | - | 525 793 | 833 762 |
| <i>variable rate</i> | 93 378 | 111 096 | 433 097 | 174 172 | 550 | 1 086 | - | - | - | - | - | - | 527 025 | 286 354 |

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NOTE 35: INTEREST RATE RISK MANAGEMENT (in HUF mn) [continued]

As at 31 December 2007

| | Within 1 month | | Over 1 month and Within 3 months | | Over 3 months and Within 12 months | | Over 1 year and Within 2 years | | Over 2 years | | Non-interest-bearing | | Total | |
|---|----------------|-----------|-------------------------------------|----------|---------------------------------------|----------|-----------------------------------|----------|--------------|----------|----------------------|----------|-----------|-----------|
| | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency | HUF | Currency |
| LIABILITIES | | | | | | | | | | | | | | |
| Due to banks and deposits from the National Bank of Hungary and other banks | 59 664 | 287 216 | 26 138 | 141 177 | 81 840 | 70 053 | 298 | 37 633 | 514 | 90 195 | - | 3 426 | 168 454 | 629 700 |
| <i>fixed rate</i> | | | | | | | | | | | | | | |
| <i>variable rate</i> | | | | | | | | | | | | | | |
| <i>non-interest-bearing</i> | | | | | | | | | | | | | | |
| Deposits from customers | 2 081 493 | 1 758 308 | 364 691 | 231 818 | 49 870 | 268 089 | 28 520 | 36 213 | 68 984 | 34 203 | 1 551 | 114 632 | 2 595 109 | 2 443 263 |
| <i>fixed rate</i> | | | | | | | | | | | | | | |
| <i>variable rate</i> | | | | | | | | | | | | | | |
| <i>non-interest-bearing</i> | | | | | | | | | | | | | | |
| Liabilities from issued securities | 13 155 | 137 539 | 27 023 | 300 178 | 35 409 | 10 012 | 77 342 | 4 819 | 130 158 | 248 516 | 3 | 1 111 | 283 090 | 702 175 |
| <i>fixed rate</i> | | | | | | | | | | | | | | |
| <i>variable rate</i> | | | | | | | | | | | | | | |
| <i>non-interest-bearing</i> | | | | | | | | | | | | | | |
| Fair value of derivative financial instruments in other liabilities | 116 423 | 878 365 | 33 849 | 943 177 | 23 878 | 19 971 | 11 796 | 25 072 | 5 179 | 49 559 | - | - | 191 125 | 1 916 144 |
| <i>fixed rate</i> | | | | | | | | | | | | | | |
| <i>variable rate</i> | | | | | | | | | | | | | | |
| Subordinated bonds and loans | - | 856 | 5 000 | 33 015 | - | 9 202 | - | - | - | 253 091 | - | - | 5 000 | 296 164 |
| <i>fixed rate</i> | | | | | | | | | | | | | | |
| <i>variable rate</i> | | | | | | | | | | | | | | |
| Net position | -671 915 | 185 941 | 491 967 | -469 703 | 157 883 | 76 923 | 71 042 | 52 414 | 294 683 | 32 344 | 92 781 | 232 257 | 436 441 | 110 176 |

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NOTE 36: EARNINGS PER SHARE

Consolidated Earnings per share attributable to the Group's common shares are determined based on dividing consolidated net income for the year attributable to common shareholders, by the weighted average number of common shares outstanding during the period.

| | <i>30 June 2008</i> | <i>30 June 2007</i> |
|--|-------------------------|-------------------------|
| Consolidated net income (in HUF mn) | 129,201 | 101,017 |
| Weighted average number of common shares outstanding during the year for calculating basic EPS (piece) | <u>255,521,190</u> | <u>262,648,824</u> |
| Consolidated Basic Earnings per share (in HUF) | <u>506</u> | <u>385</u> |
| Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece) | <u>256,100,515</u> | <u>277,783,867</u> |
| Consolidated Diluted Earnings per share (in HUF) | <u>504</u> | <u>364</u> |

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 37: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS
(in HUF mn)

As at 30 June 2008

| | Net interest gains and losses | Net non- interest gains and losses | Allowance / Provision | Equity |
|---|-------------------------------------|--|--------------------------|-----------------|
| Cash, due from banks and balances with the National Bank of Hungary | 7,951 | -- | -- | -- |
| Placements with other banks, net of allowance for placement losses | 9,841 | -- | (32) | -- |
| Securities held for trading | 3,982 | (3,013) | -- | -- |
| Securities available-for-sale | 17,112 | (762) | -- | (10,755) |
| Loans | 326,637 | 6,347 | (29,654) | -- |
| Securities held-to-maturity | 12,899 | 243 | -- | -- |
| Derivative financial instruments | 65,394 | (4,643) | -- | -- |
| Due to banks and deposits from the National Bank of Hungary and other banks | (18,366) | -- | -- | -- |
| Deposits from customers | (99,269) | 52,675 | -- | -- |
| Issued securities | (33,312) | -- | -- | -- |
| Subordinated bonds and loans | (8,854) | -- | -- | -- |
| | <u>284,015</u> | <u>50,847</u> | <u>(29,686)</u> | <u>(10,755)</u> |

OTP BANK PLC.
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NOTE 37: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS
(in HUF mn) [continued]

As at 31 December 2007

| | Net interest gains and losses | Net non- interest gains and losses | Allowance / Provision | Equity |
|---|-------------------------------------|--|--------------------------|----------------|
| Cash, due from banks and balances with the National Bank of Hungary | 12,825 | - | - | - |
| Placements with other banks, net of allowance for placements losses | 22,729 | - | (41) | - |
| Securities held for trading | 7,272 | (353) | - | - |
| Securities available-for-sale | 34,145 | 1,345 | - | (1,073) |
| Loans, net of allowance for loan losses | 561,391 | 28,985 | (58,144) | - |
| Securities held-to-maturity | 29,938 | - | - | - |
| Derivative financial instruments | 30,174 | (2,040) | - | - |
| Due to banks and deposits from the National Bank of Hungary and other banks | (31,294) | - | - | - |
| Deposits from customers | (168,853) | 101,991 | - | - |
| Issued securities | (50,197) | - | - | - |
| Subordinated bonds and loans | (16,438) | 54 | - | - |
| | <u>431,692</u> | <u>129,982</u> | <u>(58,185)</u> | <u>(1,073)</u> |

Megjegyzés [T1]:

NOTE 38: SENSIVITY ANALYSIS

38.1. Market Risk sensitivity analysis

The VaR risk measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Group reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies are employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

The VaR of the trading portfolio can be summarized as follows:

| Historical VaR (99%, one-day) by risk type | 30 June 2008 | Average 31 December 2007 |
|---|---------------------|-------------------------------------|
| Foreign exchange | 1,158 | 443 |
| Interest rate | 585 | 559 |
| Equity instruments | 83 | 96 |
| Diversification | (381) | (262) |
| Total VaR exposure | <u>1,445</u> | <u>836</u> |

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 38: SENSIVITY ANALYSIS [continued]

38.1. Market Risk sensitivity analysis [continued]

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk are set out in 34.2 below, for interest rate risk in 34.3 below and for equity price risk in 38.4. below.

38.2. Foreign currency sensitivity analysis

The following table details the OTP's sensitivity to a increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations were negative by EUR 515 million and USD 79.5 million as of 30 June 2008 and were positive by EUR 570 million as of 31 December 2007, respectively. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

| Probability | Effects to the Statements of Operations in 3 | |
|-------------|---|-------------------------|
| | months period | |
| | 30 June 2008 | 31 December 2007 |
| | In HUF billion | In HUF billion |
| 1% | (14.4) | (16.4) |
| 5% | (10.0) | (11.0) |
| 25% | (4.8) | (4.2) |
| 50% | (1.4) | 0.3 |
| 25% | 1.5 | 3.7 |
| 5% | 5.1 | 6.4 |
| 1% | 7.3 | 6.9 |

Notes:

- (1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
- (2) The EUR/HUF currency rates were stronger than the consensus of the market forecasts, therefore the probability of the short-term loss is higher.

OTP BANK PLC.
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NOTE 38: SENSIVITY ANALYSIS [continued]

38.3. Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of assets and liabilities outstanding at the balance sheet date was outstanding for the whole year. The analyses were prepared by assuming only the adversing interest rate changes. The main assumptions were as follows:

- Floating rate assets and liabilities were repriced to the modelled benchmark yields at the repricing dates assuming the unchanged marge compared to the last repricing.
- Fixed rate assets and liabilities were repriced at the contractual maturity date.
- As for liabilities with discretionary repricing feature by the Bank were assumed to be repriced with two-weeks delay, assuming no change in the marge compared to the last repricing date.
- The assets and liabilities with interest rate lower than 0.3% assumed to be unchanged during the whole period.

The simulations were prepared by assuming two scenarios:

1. 0.50%-0.75% decrease in average HUF yields (scenario 1)
2. 1 % - 1.50% decrease in average HUF yields (scenario 2)

The net interest income in a one year period after 30 June 2008 would be decreased by HUF 603 million (scenario 1) and HUF 3,212 million (scenario 2) as a result of these simulations.

The effects of the parallel shifts of the yield-curves to the net interest income on a one year period can be summarized as follows:

| Description | Effects to the net interest income in one year period | |
|---------------------------|--|--|
| | 30 June 2008 In HUF million | 31 December 2007 In HUF million |
| HUF (0.1%) parallel shift | (54) | (354) |
| EUR (0.1%) parallel shift | (31) | (41) |
| USD 0.1% parallel shift | (89) | (79) |
| Total | (174) | (474) |

OTP BANK PLC.
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NOTE 38: SENSIVITY ANALYSIS [continued]

38.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.

The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenario shows the loss of the portfolio when all prices change with the maximum amount of the last year.

The Group has no significant equity instruments held in 2007 therefor only the sensitivity of 2008 H1 is reported.

| Description | 30 June 2008 |
|---------------------------------|---------------------|
| VaR (99%, one day, million HUF) | 83 |
| Stress test (million HUF) | (170) |

NOTE 39: SEGMENT REPORTING (in HUF mn)

Geographical segments provide products or services within a particular economic environment that is subject to different risks and rewards that are different to those of components operating in other economic environments. Geographical segments are the primary reporting segments.

Business segments are distinguishable components of the Group that provide products or services that are subject to risks and reward that are different to those of other business segments. Business segments are the secondary reporting segments.

OTP BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 39: SEGMENT REPORTING (in HUF mn) [continued]

39.1. Primary reporting format by geographical segments

| | Hungary | Slovakia | Montenegro | Bulgaria | Romania | Croatia | Serbia | Russia | Ukraine | Elimination | Consolidated |
|---|---------------|----------|------------|------------|------------|---------|---------|---------|---------|-----------------|-----------------|
| Interest income | | | | | | | | | | | |
| External | 320,027 | 11,499 | 8,370 | 38,547 | 9,320 | 12,377 | 4,997 | 41,558 | 37,171 | - | 483,866 |
| Inter-segment | <u>16,909</u> | - | - | <u>185</u> | <u>366</u> | - | - | - | - | <u>(17,460)</u> | - |
| Total | 336,936 | 11,499 | 8,370 | 38,732 | 9,686 | 12,377 | 4,997 | 41,558 | 37,171 | (17,460) | 483,866 |
| Non-interest income | | | | | | | | | | | |
| External | 88,004 | 3,536 | 3,288 | 10,103 | 5,108 | 3,843 | 4,746 | 8,066 | 4,593 | - | 131,287 |
| Inter-segment | <u>2,730</u> | - | - | <u>63</u> | <u>639</u> | - | - | - | - | <u>(3,432)</u> | - |
| Total | 90,734 | 3,536 | 3,288 | 10,166 | 5,747 | 3,843 | 4,746 | 8,066 | 4,593 | (3,432) | 131,287 |
| Segment income before income taxes | 113,828 | 1,447 | 1,621 | 16,546 | (1,733) | 2,982 | 2,338 | 4,548 | 9,203 | (594) | 151,374 |
| Income taxes | - | - | - | - | - | - | - | - | - | - | <u>(21,756)</u> |
| Net income after income taxes | - | - | - | - | - | - | - | - | - | - | 129,618 |
| Segment assets | 5,843,351 | 433,198 | 277,414 | 1,042,759 | 248,468 | 440,336 | 139,611 | 487,608 | 878,475 | (937,974) | 8,853,246 |
| Segment liabilities | 5,550,376 | 404,829 | 262,506 | 885,679 | 221,502 | 359,709 | 96,316 | 382,578 | 687,009 | (942,833) | 7,907,671 |
| Capital expenditure | 7,919 | 857 | - | 2,864 | 2,284 | 586 | 178 | 164 | - | - | 14,852 |
| Depreciation and amortization | 12,536 | 622 | 232 | 1,784 | 649 | 517 | 469 | 2,054 | 787 | - | 19,650 |
| Allowance for loan and placement losses | 7,043 | 626 | 1,213 | 4,756 | 1,293 | 693 | 509 | 10,773 | 2,778 | - | 29,684 |

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NOTE 39: SEGMENT REPORTING (in HUF mn) [continued]

39.2. Secondary segment information by business segments

| | Finance segment | Insurance segment* | Other segment | Total |
|---|--------------------|-----------------------|------------------|-----------|
| Total segment income | 553,692 | 49,989 | 11,472 | 615,153 |
| Segment net income before income taxes | 141,340 | 3,164 | 6,870 | 151,374 |
| Segment assets | 8,568,697 | 208,758 | 75,791 | 8,853,246 |
| Capital expenditure | 7,639 | 6,333 | 880 | 14,852 |

* See Note 40.

NOTE 40: PLANNED SALE OF THE INSURANCE BUSINESS (in HUF mn)

Based on an agreement signed on 11 February 2008, subject to the prior approval of the Hungarian Financial Supervisory Authority, upon signing of the contractual documentation that is subject to the receipt of all necessary regulatory and competition approvals and certain other conditions, Groupama S.A. will undertake to buy 100 % of the shares in OTP Garancia Insurance Ltd. as well as to acquire the minority shares held by the local subsidiaries of OTP Bank Plc. in the Romanian, Slovakian and Bulgarian subsidiaries of OTP Garancia Insurance Ltd. (see Note 42).

The assets, liabilities, equity and net income of the insurance business line do not represent significant portion of the Group's consolidated assets, liabilities, equity and net income, therefore the Group doesn't apply the requirements of IFRS 5 for the above transaction, therefore the assets, liabilities, shareholders equity and net income of the insurance business line are included in the the attached consolidated financial statements as of and for the years ended 30 June 2008 and 31 December 2007, respectively (insurance business line does not include OTP Life Annuity Ltd.).

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NOTE 40: PLANNED SALE OF THE INSURANCE BUSINESS (in HUF mn) [continued]

Recognition of the assets, liabilities, shareholders equity and net income of insurance business line:

| | 30 June 2008 | 31 December 2007 |
|---|-----------------------|-----------------------|
| Financial assets at fair value through statements of operations | 97,384 | 107,760 |
| Securities available-for-sale | 53,609 | 56,301 |
| Other assets | 43,724 | 19,044 |
| Total Assets | <u>194,717</u> | <u>183,105</u> |
| Insurance reserves | 188,802 | 183,211 |
| Other liabilities | 9,198 | 5,796 |
| Total Liabilities | <u>198,000</u> | <u>189,007</u> |
| Shareholders' Equity | <u>9,456</u> | <u>10,731</u> |
| | 30 June 2008 | 31 December 2007 |
| Net interest income | 5,025 | 11,017 |
| Insurance premium | 43,459 | 83,591 |
| Other income | (630) | 5,349 |
| Insurance expense | 31,651 | 69,204 |
| Other expenses | 12,292 | 23,320 |
| Income taxes | 1,051 | 1,775 |
| NET INCOME | <u>2,860</u> | <u>5,658</u> |

Cash Flows of the insurance business line:

| | 30 June 2008 | 31 December 2007 |
|--|----------------------|---------------------|
| Net Cash Provided by Operating Activities | 16,218 | 16,922 |
| Net Cash Used in Investing Activities | (161) | (14,233) |
| Net Cash Provided by Financing Activities | (675) | (815) |
| Net Increase in Cash and Cash Equivalents | <u>15,382</u> | <u>1,874</u> |

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NOTE 41: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2008

On 9 January 2008 the Bank, the 100% owner of CJSC OTP Bank Ukraine, has increased the registered capital of its subsidiary by UAH 247,972,709 thus the share capital of CJSC OTP Bank is UAH 902,558,018.

On 17 January 2008 - effective from 29 November 2007 - the Bank, the 100% owner of OTP Life Annuity Ltd., has increased the registered capital of its subsidiary by HUF 5 million, the equity reserve of its subsidiary by HUF 745 million, thus the share capital of OTP Life Annuity Ltd. is HUF 505 million.

On 11 February 2008, subject to the prior approval of the Hungarian Financial Supervisory Authority, upon signing of the contractual documentation that is subject to the receipt of all necessary regulatory and competition approvals and certain other conditions, Groupama S.A. will undertake to buy 100 % of the shares in OTP Garancia Insurance Ltd. as well as to acquire the minority shares held by the local subsidiaries of OTP Bank Plc. in the Romanian, Slovakian and Bulgarian subsidiaries of OTP Garancia Insurance Ltd. As a result of the transaction, Groupama S.A. will acquire 100% of both the life and non-life insurance businesses of OTP Bank Plc. in Hungary, Slovakia, Romania and Bulgaria. The total cost of the transaction and the distributive partnership is HUF 164 billion (approximately EUR 617 million).

Furthermore, as part of the transaction and subject to certain conditions, OTP Bank Plc. and Groupama S.A. will enter into co-operation agreements allowing for (in some jurisdictions exclusive) cross-selling of banking and insurance products through the respective parties' branch networks in Hungary, Slovakia, Romania, Bulgaria, Ukraine, Russia, Serbia, Montenegro and Croatia.

As part of this strategic co-operation between OTP Bank Plc. and Groupama S.A., subject to certain conditions, Groupama S.A. will undertake to buy up to 8% of the shares in OTP Bank Plc, in two steps. In order to facilitate the transaction, subject to the agreements to be entered into by the relevant parties and the completion of the transaction, Deutsche Bank AG, London Branch will, upon completion of the transaction, deliver approximately 5% of OTP Bank Plc. shares to Groupama S.A. If the above referred conditions (such as the receipt of regulatory approvals) were not satisfied and therefore the transaction would not be completed, Deutsche Bank AG, London Branch would cash-settle the agreement entered into with OTP Bank Plc.

On 6 March 2008 the Bank the 100% owner of OTP banka Hrvatska increased the share capital of its subsidiary to HRK 822,279,600.

The Bank has acquired 100% share-interest in Donskoy Narodny Bank. The transaction closed at 6 May 2008 and the purchase price of USD 40.95 million was transferred to the owners.

On 16 June 2008 the Bank the 100% owner of Crnogorska komercijalna banka (CKB) increased the share capital of its subsidiary by EUR 15 million, thus the share capital of CKB is EUR 46.8 million.

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NOTE 42: POST BALANCE SHEET EVENTS

The subscription period of the fixed rate OTP 2009/I Bond (tranche 002) between 30 June 2008 and 11 July 2008 closed successfully. The Bonds could be subscribed in the domestic branches of OTP Bank Plc. The investors subscribed the total of HUF 1,546,820,000. OTP Bank Plc. accepted all of the subscriptions, HUF 1,546,820,000 amount of OTP 2009/I bonds was issued. The total amount of the series OTP 2009/I bond is HUF 4,622,130,000.

The subscription period of the fixed rate OTP 2009/I Bond (tranche 003) between 14 July 2008 and 25 July 2008 closed successfully. The Bonds could be subscribed in the domestic branches of OTP Bank Plc. The investors subscribed the total of HUF 2,520,970,000. OTP Bank Plc. accepted all of the subscriptions, HUF 2,520,970,000 amount of OTP 2009/I bonds was issued. The total amount of the series OTP 2009/I bond is HUF 7,143,100,000.

OTP Bank Plc. has launched a bond issue program of HUF 300,000 million (three hundred thousand million).

The Committee for Product Development, Marketing and Pricing of OTP Bank Plc. adopted the resolution no. 456/2008 about the bond issue program on 31 July 2008. The Information Memorandum related to the program and this announcement were approved by the Hungarian Financial Supervisory Authority. OTP Bank Plc. is not intend to introduce the bonds on the market.

As part of establishing an international holding corporate structure, the Bank has established OTP HOLDING LIMITED. The company was registered on 5 September 2008. As part of the establishment process, on 10 September 2008 OTP Bank Plc. transferred to OTP HOLDING LIMITED as contribution in kind (i) its 7,350 shares in OTP Garancia Insurance Ltd., representing 99.986% of the registered capital; (ii) its 12,281 shares in OTP Real Estate Ltd., representing 73.54% of the registered capital; and (iii) its quotaholding in OTP Travel Ltd., representing 100% of the registered capital. OTP Bank Plc. is the sole shareholder of OTP HOLDING LIMITED. OTP Bank Plc. has become the indirect holder of the equity interests transferred as contribution in kind.

As part of the pre-set closing procedure of the Garancia-transaction OTP Holding Limited and Merkantil Bank Zrt., which are the subsidiaries of OTP Bank Plc, transferred shares representing 100% of the registered capital of OTP Garancia Insurance Ltd. to Groupama International. The Hungarian part of the Garancia-transaction was closed on 17 September 2008.