NATIONAL SAVINGS AND COMMERCIAL BANK PLC.

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

FOR SIX MONTH PERIOD ENDED
JUNE 30, 2006

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.

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NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2006 (UNAUDITED), DECEMBER 31, 2005 (AUDITED) AND JUNE 30, 2005 (UNAUDITED)
(in HUF mn)

	Note	*June 30, 2006*	*December 31, 2005*	*June 30, 2005*
Cash, due from banks and balances with the National Bank of Hungary	4	480,341	483,191	469,349
Placements with other banks, net of allowance for placement losses	5	456,567	438,768	289,117
Financial assets at fair value through statements of operations	6	67,092	48,054	57,391
Securities available-for-sale	7	403,586	409,945	382,620
Loans, net of allowance for loan losses	8	3,575,435	3,191,298	2,889,124
Accrued interest receivable		39,502	37,870	29,218
Equity investments	9	9,123	12,357	10,747
Securities held-to-maturity	10	289,535	289,803	238,925
Premises, equipment and intangible assets, net	11	266,365	233,245	224,313
Other assets	12	147,717	71,371	102,188
TOTAL ASSETS		**5,735263**	**5,215,902**	**4,692,992**
Due to banks and deposits from the National Bank of Hungary and other banks	13	449,774	364,124	406,884
Deposits from customers	14	3,715,398	3,428,193	3,146,585
Liabilities from issued securities	15	569,222	543,460	325,706
Accrued interest payable		32,377	24,902	33,490
Other liabilities	16	318,360	260,728	256,745
Subordinated bonds and loans	17	51,383	47,023	47,267
TOTAL LIABILITIES		**5,136,514**	**4,668,430**	**4,216,677**
Share capital	18	28,000	28,000	28,000
Retained earnings and reserves	19	629,514	572,567	479,143
Treasury shares	20	(59,739)	(53,586)	(31,704)
Minority interest	21	974	491	876
TOTAL SHAREHOLDERS' EQUITY		**598,749**	**547,472**	**476,315**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,735,263**	**5,215,902**	**4,692,992**

Budapest, August 31, 2006

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2005 (AUDITED)
(in HUF mn)

	Note	*Six month period ended June 30, 2006*	*Six month period ended June 30,2005*	*Year ended December 31, 2005*
Interest Income:				
Loans		179,696	130,899	340,793
Placements with other banks		31,014	21,431	43,734
Due from banks and balances with		13,653	16,932	29,174
Securities held for trading		1,103	1,558	2,708
Securities available-for-sale		12,070	46,711	25,235
Securities held-to-maturity		9,052	10,562	17,380
Total Interest Income		*246,588*	*228,093*	*459,024*
Interest Expense:				
Due to banks and deposits from the		41,330	15,430	34,501
Deposits from customers		46,037	57,163	99,703
Liabilities from issued securities		13,817	12,381	25,959
Subordinated bonds and loans		951	759	1,636
Total Interest Expense		*102,135*	*85,733*	*161,799*
NET INTEREST INCOME		**144,453**	**142,360**	**297,225**
Provision for loan and placement losses	5,8	9,289	12,926	28,042
NET INTEREST INCOME AFTER PROVISION FOR		**135,164**	**129,434**	**269,183**
Non-Interest Income:				
Fees and commissions		69,309	54,746	118,884
Foreign exchange gains, net		19,060	(1,221)	3,879
Gains and losses on securities, net		435	3,260	9,708
Gains on real estate transactions, net		688	441	96
Dividend income and gains and losses of		508	645	672
Insurance premiums		37,844	32,481	69,793
Other		8,148	5,979	13,465
Total Non-Interest Income		135,992	*96,331*	*216,497*
Non-Interest Expenses:				
Fees and commissions		14,351	8,527	19,930
Personnel expenses		49,125	42,996	95,235
Depreciation and amortization	11	12,925	10,313	21,897
Insurance expenses		29,534	27,806	58,468
Other	22	54,103	43,650	98,073
Total Non-Interest Expense		160,038	*133,292*	*293,603*
INCOME BEFORE INCOME TAXES		**111,118**	**92,473**	**192,077**
Income taxes	23	(18,197)	(16,042)	(33,803)
INCOME AFTER INCOME TAXES		**92,921**	**76,431**	**158,274**
Minority interest		75	(28)	(39)
NET INCOME		**92,996**	**76,403**	**158,235**
Consolidated earnings per share (in HUF)				
Basic	36	**359**	**291**	**603**
Diluted	36	**358**	**290**	**599**

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED) AND FOR THE YEAR ENDED DECEMBER 31, 2005 (AUDITED)
(in HUF mn)

	Note	*Six month period ended June 30, 2006*	*Six month period ended June 30, 2005*	*Year ended December 31, 2005*
OPERATING ACTIVITIES				
Income before income taxes		**111,118**	**92,473**	**192,077**
Adjustments to reconcile income before income taxes to net cash provided by operating activities				
Income tax paid		(15,465)	(11,816)	(29,208)
Depreciation and amortization	11	12,925	10,313	21,897
Provision for loan and placement losses	5,8	9,289	12,926	28,042
Provision for permanent diminution in value of equity investments	9	(1,963)	(103)	166
Provision/(Release of allowance) for losses on other assets	12	193	(261)	88
Release of allowance for losses on off-balance sheet commitments and contingent liabilities, net	16	100	(2,697)	(1,544)
Net increase in insurance reserves		17,357	14,844	31,763
Share-based compensation		2,765	2,853	7,497
Unrealised losses on fair value adjustment of securities held for trading		(3,192)	(554)	41
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments		16,222	1,315	797
Changes in operating assets and liabilities				
Net changes in financial assets through statements of operations		(15,006)	22,340	29,244
Net (increase)/decrease in accrued interest receivables		(1,602)	3,825	(4,827)
Net (increase)/decrease in other assets, excluding advances for investments and before allowance for losses		(73,642)	(24,327)	5,843
Net decrease/(increase) in accrued interest payable		7,468	4,909	(3,679)
Net increase in other liabilities		15,771	9,085	1,207
Net Cash Provided by Operating Activities		**82,338**	**135,125**	**279,404**
INVESTING ACTIVITIES				
Net (increase) in placement with other bank before provision for placement losses		(14,637)	70,481	(79,136)
Net decrease/(increase) in securities available-for-sale		1,144	(38,831)	(72,018)
Net (increase) in equity investments, before provision for permanent diminution in value		5,197	(586)	(2,465)
Net cash outflow from acquisition of subsidiaries		(3,361)	(56,541)	(57,667)
Net decrease in debt securities held-to-maturity		268	9,502	(41,376)
Net (increase)/decrease in advances for investments, included in other assets		(58)	(2)	(14)
Net (increase) in loans, before provision for loan losses		(391,394)	(274,793)	(590,490)
Net additions to premises, equipment and intangible assets		(42,572)	(14,384)	(33,580)
Net Cash Used in Investing Activities		**(445,413)**	**(305,154)**	**(876,746)**

**NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED)
AND FOR THE YEAR ENDED DECEMBER 31, 2005 (AUDITED)
(in HUF mn)
[continued]**

	Note	*Six month period ended June 30, 2006*	*Six month period ended June 30, 2005*	*Year ended December 31, 2005*
FINANCING ACTIVITIES				
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		84,725	143,558	100,798
Net increase in deposits from customers		283,651	31,554	313,162
Net increase in liabilities from issued securities		25,762	8,484	226,238
Increase/(decrease) in subordinated bonds and loans		4,360	31,710	31,466
Increase/(decrease)of minority interest		54	57	66
Foreign currency translation gains/(losses)		21,950	3,309	4,449
Net change in treasury shares		(5,198)	(4,064)	(20,293)
Net (decrease)/increase in compulsory reserves at National Bank of Hungary	4	(10,251)	(9,104)	(10,981)
Dividends paid		(55,079)	(41,117)	(41,240)
Net Cash Provided by Financing Activities		**349,974**	**164,387**	**603,665**
Net Increase in Cash and Cash Equivalents		**(13,101)**	**(5,642)**	**6,323**
Cash and cash equivalents as at January 1		361,966	355,673	355,673
Cash and Cash Equivalents as at end of period		**(348,895)**	**350,031**	**361,996**

Analysis of cash and cash equivalents opening and closing balance

Cash, due from banks and balances with the National Bank of Hungary	4	483,191	465,887	465,887
Compulsory reserve established by the National Bank of Hungary	4	(121,195)	(110,214)	(110,214)
Cash and cash equivalents as at January 1		**361,996**	**355,673**	**355,673**
Cash, due from banks and balances with the National Bank of Hungary	4	480,341	469,349	483,191
Compulsory reserve established by the National Bank of Hungary	4	(131,446)	(119,318)	(121,195)
Cash and cash equivalents as at end of period		**348,895**	**350,031**	**361,996**

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED)
(in HUF mn)

		Share Capital	Retained Earnings and Reserves	Treasury Shares	Minority interest	Total
Balance as at January 1, 2005 (Restated)		**28,000**	**431,127**	**(25,867)**	**425**	**433,685**
Net income		--	76,403	--		76,403
Fair value adjustment of securities available-for-sale recognised directly through equity		--	5,709	--	--	5,709
Share-based payment		--	2,853	--	--	2,853
Derecognition of opening balance of negative goodwill		--	3,034	--	--	3,034
Dividend for the year 2004		--	(41,206)	--	--	(41,206)
Gain on sale of treasury shares		--	1,773	--	--	1,773
Change in carrying value of treasury shares		--	--	(5,837)	--	(5,837)
Derivative financial instruments designated as cash-flow hedge			(2,232)			(2,232)
Foreign currency translation gain		--	1.682	--	--	1.682
Minority interest		--	--	--	451	451
Balance as at June 30, 2005		**28,000**	**479,143**	**(31,704)**	**876**	**476,315**
Balance as at January 31, 2006 (Restated)		**28,000**	**572,567**	**(53,586)**	**491**	**547,472**
Net income		--	92,996	--	--	92,996
Fair value adjustment of securities available-for-sale recognised directly through equity		--	(6,753)	--	--	(6,753)
Share-based compensation	26	--	2,765	--	--	2,765
Dividend for the year 2005		--	(55,160)	--	--	(55,160)
Profit on sale of treasury shares		--	955	--	--	955
Sale and purchase of treasury shares		--	--	(6,153)	--	(6,153)
Derivative financial instruments designated as cash-flow hedge		--	194	--	--	194
Foreign currency translation gain		--	21,950	--	--	21,950
Minority interest		--	--	--	483	483
Balance as at June 30, 2006		**28,000**	**629,514**	**(59,739)**	**974**	**598,749**

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General

National Savings and Commercial Bank Plc. (the "Bank" or "OTP") was established on December 31, 1990, when the predecessor State-owned company was transformed into a limited liability company.

The Bank's registered office address is 16 Nador Street, Budapest 1051.

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

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

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

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

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

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

The Bank provides a full range of commercial banking services through a wide network of 969 branches. 373 branches are in Hungary, 356 branches are in Bulgaria, 74 branches are in Slovakia, 45 branches are in Romania, 96 branches are in Croatia and 25 branches are in Serbia.

As at June 30, 2006 the number of employees at the Bank and its subsidiary companies (together the "Group") was 18,905. The average number of employees for the six month period ended June 30, 2006 was 18,668.

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

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").

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to the Bank's Hungarian consolidated statutory accounts, 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 International Accounting Standards Board (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.

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

2.2. Foreign currency translation

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 Bank 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 Statement 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 March 31, 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.

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.).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions

Upon acquisition, subsidiaries are accounted for under the fair value method of accounting. Any goodwill or negative goodwill arising on acquisition is recognized in the consolidated balance sheet and accounted for as indicated below.

Acquisition before March 31, 2004
Goodwill, which represents the residual cost of the acquisition after recognizing the acquirer's interest in the fair value of the identifiable assets and liabilities acquired, is held as an intangible asset and recorded as Depreciation and amortization in the Consolidated Statement of Operations, in anticipation of future economic benefits, on a straight-line basis over a period of five years. The value of any goodwill held in the Consolidated Balance Sheet is reassessed on an annual basis, determined on the basis of specific identification of the investment. If it is no longer probable that the goodwill will be recovered from future economic benefits, it is recognized immediately as an expense.

The excess, as at the date of the exchange transaction, of the Bank's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, is recognised as negative goodwill among intangible assets.

The extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Bank's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised as Other income in the Consolidated Statement of Operations when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition, negative goodwill is recognised as other income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets.

Acquisition after March 31, 2004
The Bank has applied IFRS 3 Business Combinations since March 31, 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 acquirer's interest in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Operations as a gain.

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

2.5. Securities held-to-maturity

Investments in securities are accounted 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 mortgage bonds.

2.6. Financial assets at fair value through statements of operations

2.6.1. Securities held for trading

Investments in securities are accounted on a settlement date basis and are initially measured at fair value. Held for trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognised in profit/loss and included in the Consolidated Statement of Operations for the period. Such securities consist of Hungarian and foreign discounted and interest bearing Treasury bills and government bonds and other securities. Other securities include shares in commercial companies, shares in 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 Statement of Operations for the period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6.3. 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 Statement of Operations along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Consolidated Statement of Operations.

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

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policy, 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 Statement of Operations.

2.7. Securities available-for-sale

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

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 the unquoted equity instruments is measured at cost.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

Loans and placements with other banks are stated at the principal amounts outstanding, net of allowance for loan or placements 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.

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

Provisions 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.

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 profit and loss account. 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 liabilities Due to Banks. Conversely, debt or equity securities purchased under a commitment to resell are not recognised in the balance sheet and the consideration paid is recorded in Placement with other Banks. Interest is accrued evenly over the life of the repurchase agreement.

2.10. Equity investments

Companies where the Bank has a significant interest 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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Premises, equipment and intangible assets

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

Buildings	0.7 – 15%
Machinery and equipment	2.5 – 50%
Vehicles	3 – 50%
Leased assets	2 – 95%
Software	12.5 – 50%
Property rights	12.5 – 50%

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

At each balance sheet date, the 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, equipment 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 classifies as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group’s net investment in the lease. Finance lease income in allocated to accounting periods so as to reflect a constant rate of return on the Group’s net investment outstanding 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Leases [continued]

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 Statement of Operations over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

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

2.13. 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 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 acquisiton 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.16. Interest Income and Interest Expense

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

2.17. Fees and Commissions

Fees and commissions are recognised in the consolidated statement of operations on an accrual basis.

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 in 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.

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 allowance for losses on commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

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

2.20. 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 that were unvested as of 1 January 2005.

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 Bank's estimate of shares that will eventually vest.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.21. Consolidated Statement 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 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 Group's geographical markets. The secondary format represents two business segments – banking (finance) and insurance.

Segment results include revenue and expenses directly attributable to a segment and the revelant 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.

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

2.23. Comparative figures

Certain amounts in the 2005 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 (eg, 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 Bank assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for.

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)

	June 30, 2006	*December 31, 2005*
Cash on hand:		
In HUF	61,607	47,676
In foreign currency	28,630	25,609
	90,237	73,285
Due from banks and balances with the National Bank of Hungary:		
Within one year:		
In HUF	379,515	404,753
In foreign currency	10,589	5,153
	390,104	409,906
Total	480,341	483,191

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 131,446 million and HUF 121,195 million as at June 30, 2006 and December 31, 2005, respectively.

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

	June 30, 2006	*December 31, 2005*
Within one year:		
In HUF	99,202	94,110
In foreign currency	330,737	317,654
	429,939	411,764
Over one year:		
In HUF	3,000	3,000
In foreign currency	23,628	24,004
	26,628	27,004
	456,567	438,768
Allowance for placement losses	--	--
Total	456,567	438,768

Placements of foreign subsidiaries with their respective National Banks amounted to HUF 125,554 million and HUF 77,879 million as at June 30, 2006 and December 31, 2005, respectively.

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

Placements with other banks in foreign currency as at June 30, 2006 and December 31, 2005 bear interest rates in the range from 0.0% to 22.0% and from 0.0% to 12.0%, respectively.

Placements with other banks in HUF as at June 30, 2006 and December 31, 2005 bear interest rates in the range from 5.2% to 7.9% and from 0.5% to 7.6%, respectively.

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

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

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

	June 30, 2006	*December 31, 2005*
Securities held for trading:		
Discounted Treasury bills	2,647	160
Hungarian Government interest bearing Treasury bills	1,199	1,485
Government bonds	49,358	34,151
Mortgage bonds	891	895
Other securities	2,096	1,282
	56,191	37,973
Derivative financial instruments designated as held for trading	10,901	10,081
Total	67,092	48,054

Approximately 30.58% and 42.96% of the government bonds were denominated in foreign currency as at June 30, 2006 and December 31, 2005, respectively. Approximately 21.15%, 28.59%, 24.45% and 25.8% of this portfolio was denominated in USD, EUR, SKK and BGN as at June 30, 2006, and 16.62%, 30.81%, 23.96%, and 28.61% of this portfolio was denominated in USD, EUR, SKK and BGN as at December 31, 2005. Interest rates on securities held for trading are ranged from 2% to 9.8% and from 2.16% to 9.5% as at June 30, 2006 and December 31, 2005, respectively.

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

	June 30, 2006	*December 31, 2005*
Within five years		
with variable interest	1,475	1,492
with fixed interest	37,175	27,160
	38,650	28,652

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

	June 30, 2006	*December 31, 2005*
Over five years		
with variable interest	3,790	3,764
with fixed interest	12,865	5,100
	16,665	8,864
Non-interest bearing securities	886	457
Total	56,191	37,973

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

	June 30, 2006	*December 31, 2005*
Available-for-sale securities:		
Government bonds	255,984	283,342
Discounted Treasury bills	64,431	51,621
Mortgage bonds	1,728	541
Other securities	81,443	74,442
	403,586	409,946

Approximately 65.88% and 74.52% of the available-for-sale securities portfolio was denominated in HUF as at June 30, 2006 and December 31, 2005, respectively.

Approximately 25.95% and 22.51% of the government bonds were denominated in foreign currency as at June 30, 2006 and December 31, 2005, respectively. Approximately 3.62%, 50.29%, 23.64% and 21.9% of this portfolio was denominated in USD, EUR, HRK and BGN as at June 30, 2006, and 3.82%, 54.25%, 21.36%, and 20.57% of this portfolio was denominated in USD, EUR, SKK and BGN as at December 31, 2005, respectively.

Interest rates on securities available-for-sale are ranged from 2% to 28.8% and from 1.6% to 8.08% as at June 30, 2006 and December 31, 2005, respectively.

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

	June 30, 2006	*December 31, 2005*
Within five years		
with variable interest	69,367	116,784
with fixed interest	211,043	182,887
	280,410	299,671

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

	June 30, 2006	*December 31, 2005*
Over five years		
with variable interest	4,645	4,261
with fixed interest	94,060	81,364
	98,705	85,625
Non-interest bearing securities	24,471	24,650
Total	403,586	409,946

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

	June 30, 2006	*December 31, 2005*
Loans and trade bills within one year	1,003,092	925,331
Loans and trade bills over one year	2,687,483	2,371,887
	3,690,575	3,297,218
Allowance for loan losses	(115,140)	(105,920)
Total	3,575,435	3,191,298

Foreign currency loans represent approximately 51.34% and 45.76% of the total loan portfolio, before allowance for losses, as at June 30, 2006 and December 31, 2005, respectively.

Loans denominated in HUF, with maturity within one year as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 6% to 29% and from 6% to 30%, respectively.

Loans denominated in HUF, with maturity over one year as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 4% to 22.8% and from 4% to 22.3%, respectively.

Foreign currency loans as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 0% to 42.6% and from 0.04% to 24%, respectively.

Approximately 4% and 4% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2006 and December 31, 2005, respectively.

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:

	June 30, 2006		*December 31, 2005*	
Commercial loans	1,227,239	33%	1,195,374	36%
Municipality loans	169,091	5%	136,039	4%
Housing loans	1,334,463	36%	1,222,397	37%
Consumer loans	959,782	26%	743,408	23%
Total	3,690,575	100%	3,297,218	100%

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

	June 30, 2006	*December 31, 2005*
Balance as at January 1	105,920	79,315
Provision for loan losses	9,289	28,043
Write-offs	(2,192)	(1,808)
Foreign currency translation gain/(loss)	2,123	370
Closing balance	115,140	105,920

NOTE 9: EQUITY INVESTMENTS (in HUF mn)

	June 30, 2006	*December 31, 2005*
Equity investments:		
Unconsolidated subsidiaries	2,760	11,356
Associated companies	679	679
Other	5,865	2,466
	9,304	14,501
Allowance for permanent diminution in value	(181)	(2,144)
Total	9,123	12,357
Total assets of unconsolidated subsidiaries	24,640	63,102

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

	June 30, 2006	*December 31, 2005*
Balance as at January 1	2,144	1,978
Provision for permanent diminution in value	(1,963)	166
Closing balance	181	2,144

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

	June 30, 2006	*December 31, 2005*
Government securities	220,329	242,094
Hungarian Government discounted Treasury Bills	47,870	29,962
Mortgage bonds	12,407	11,264
Other debt securities	8,929	6,483
	289,535	289,803
Allowance for permanent diminution in value	--	--
Total	289,535	289,803

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

	June 30, 2006	*December 31, 2005*
Within five years		
with variable interest	42,695	60,836
with fixed interest	176,524	155,524
	219,219	216,360
Over five years		
with variable interest	38,977	43,051
with fixed interest	31,339	30,392
	70,316	73,443
Total	289,535	289,803

Approximately 82.48% and 80.33% of the debt securities portfolio was denominated in HUF as at June 30, 2006 and December 31, 2005, 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.

Interest rates on fixed interest securities denominated in HUF are ranged from 2.75% to 10% and from 3.25% to 10% as at June 30, 2006 and December 31, 2005, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of held-to-maturity investments was HUF 284,351 million and HUF 291,894 million as at June 30, 2006 and December 31, 2005, respectively.

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

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

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

For the year ended June 30, 2006:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2005	130,604	97,524	91,426	12,430	331,984
Acquisition of subsidiary	183	3,540	457	130	4,310
Net additions	11,210	11,063	16,688	19,976	58,937
Foreign currency translation differences	5,415	3,351	2,210	733	11,709
Net disposals	(1,220)	(499)	(9,562)	(19,621)	(30,902)
Balance as at June 30, 2006	146,192	114,979	101,219	13,648	376,038
Depreciation and Amortization					
Balance as at January 1, 2005	28,737	13,367	56,635	--	98,739
Net charge	8,236	1,323	3,512	--	13,071
Foreign currency translation differences	395	378	1,282	--	2,055
Net disposals	(583)	(211)	(3,398)	--	(4,192)
Balance as at June 30, 2006	36,785	14,857	58,031	--	109,673
Net book value					
Balance as at January 1, 2006	101,867	84,157	34,791	12,430	233,245
Balance as at June 30, 2006	109,407	100,122	43,188	13,648	266,365

An analysis of the changes in the goodwill and negative goodwill for the six month period ended June 30, 2006 is as follows:

Cost	Goodwill	Negative goodwill
Balance as at January 1, 2005	70,765	--
Additions	435	--
Foreign currency translation differences	4,865	--
Balance as at June 30, 2006	76,065	--

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

For the year ended December 31, 2005:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2005	82,328	94,626	83,970	12,227	273,151
Acquisition of subsidiary	141	6,783	891	258	8,073
Net additions	17,421	5,508	22,637	5,724	51,290
Foreign currency translation differences	(93)	(882)	(198)	(46)	(1,219)
Net disposals	(3,804)	(900)	(29,503)	--	(34,207)
Balance as at December 31, 2005	130,604	97,524	91,426	12,430	331,984
Depreciation and Amortization					
Balance as at January 1, 2005	30,381	15,673	52,322	--	98,376
Net charge	7,766	2,801	11,347	--	21,914
Foreign currency translation differences	91	337	462	--	890
Net disposals	(9,501)	(5,444)	(7,496)	--	(22,441)
Balance as at December 31, 2005	28,737	13,367	56,635	--	98,739
Net book value					
Balance as at January 1, 2005	51,947	78,953	31,648	12,227	174,775
Balance as at December 31, 2005	101,867	84,157	34,791	12,430	233,245

An analysis of the changes in the goodwill and negative goodwill for the year ended December 31, 2005 is as follows:

Cost	Goodwill	Negative goodwill
Balance as at January 1, 2005	44,177	4,204
Additions	35,809	--
Foreign currency translation differences	1,411	--
Disposal from the effect of adopting revised IFRS	(10,632)	(4,204)
Balance as at December 31, 2005	70,765	--
Amortization		
Balance as at January 1, 2005	10,632	1,170
Charge	--	--
Disposal from the effect of adopting revised IFRS	(10,632)	(1,170)
Balance as at December 31, 2005	--	--
Net book value		
Balance as at January 1, 2005	33,545	3,034
Balance as at December 31, 2005	70,765	--

NOTE 12: OTHER ASSETS (in HUF mn)

June 30, *December 31,*

	2006	*2005*
Property held for sale	11,766	13,408
Due from Hungarian Government for interest subsidies	3,120	3,895
Trade receivables	12,399	5,456
Advances for securities and investments	569	511
Taxes recoverable	2,794	1,654
Inventories	9,367	1,926
Other advances	37,172	7,758
Receivables from leasing activities	27,844	13,840
Receivables due from insurance bond holders	3,236	1,883
Receivables due from pension funds and fund management	1,202	2,243
Prepayments and accrued income	11,621	7,792
Receivables from investment services	4,538	1,231
Sundry Clearing Account Recievables	7,104	1,235
Fair value of derivative financial instruments	2,719	452
Other	15,818	11,514
	151,269	74,798
Allowance for losses on other assets	(3,552)	(3,427)
Total	147,717	71,371

Allowance for losses on other assets mainly consists of allowances for property held for sale, trade receivables, receivables from leasing activities and reinsurance receivables.

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

	June 30, 2006	*December 31, 2005*
Balance as at January 1	3,427	3,372
Release of allowance for losses on other assets	193	(54)
(Credit)	(60)	128
Foreign currency translation loss	(8)	(19)
Closing balance	3,552	3,427

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

	June 30, 2006	*December 31, 2005*
Within one year:		
In HUF	13,051	8,018
In foreign currency	169,250	126,766
	182,301	134,784
Over one year:		
In HUF	27,444	20,510
In foreign currency	240,029	208,830
	267,473	229,340
Total	449,774	364,124

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 5.2% to 5.9% and from 4.9% to 5.3%, respectively.

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

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 0.2% to 12.68% and from 0.05% to 6.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 1.2% to 8% and from 0.7% to 6.5%, respectively.

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2006	*December 31, 2005*
Within one year:		
In HUF	2,224,616	2,214,998
In foreign currency	1,382,909	1,137,175
	3,607,525	3,352,173
Over one year:		
In HUF	103,205	72,480
In foreign currency	4,667	3,540
	107,873	76,020
Total	3,715,398	3,428,193

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]

Deposits from customers payable in HUF within one year as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 0.2% to 6.0% and from 0.2% to 6.5%, respectively.

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

Deposits from customers payable in foreign currency within one year as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 0.1% to 18% and from 0.1% to 18.5%, respectively.

Deposits from customers payable in foreign currency over one year as at June 30, 2006 and December 31, 2005, bear interest rates in the range from 0.1% to 12% and from 2% to 18%, respectively.

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

	June 30, 2006		*December 31, 2005*	
Commercial deposits	774,444	21%	662,215	19%
Municipality deposits	200,858	5%	203,110	6%
Consumer deposits	2,740,096	74%	2,562,868	75%
Total	3,715,398	100%	3,428,193	100%

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

	June 30, 2006	*December 31, 2005*
With original maturity:		
Within one year	44,582	65,520
Over one year	524,640	477,940
Total	569,222	543,460

41.3% and 46.42% of issued securities are denominated in HUF as at June 30, 2006 and December 31, 2005, and bear interest rates in the range from 0.3% to 12% and from 0.3% to 12.5%, respectively.

The Bank issued EUR 500 million variable-rate bonds at three month EURIBOR + 0,16% quarterly, on July 1, 2005 due 1, July 2010 and EUR 300 million variable-rate bonds at three month EURIBOR + 0,15% quarterly, on December 20, 2005 due 20, December 2010, at a price of 99,81%.

An analysis of significant issued securities as at June 30, 2006 is as follows:

Variable-rate Euro Bonds	225,294
Mortgage bonds	260,807
Other securities	83,121
Total	569,222

NOTE 16: OTHER LIABILITIES (in HUF mn)

	June 30, 2006	*December 31, 2005*
Deferred tax liabilities	3,257	2,761
Taxes payable	11,227	8,363
Giro clearing accounts	28,528	22,744
Accounts payable	8,062	12,253
Insurance liabilities	147,711	130,354
Salaries and social security payable	10,535	10,839
Liability from security trading	13,615	9,307
Provision for losses on off-balance sheet commitments and contingent liabilities	8,062	7,376
Dividends payable	705	617
Advances received from customers	1,319	689
Accrued expenses	18,041	10,214
Loan for collection	1,751	1,860
Suspense accounts	3,701	2,150
Advancement of Government grants for housing purposes	4,024	5,427
Fair value of derivative financial instruments designated as hedge accounting relationship	3,044	2,230
Fair value of derivative financial instruments designated as held for trading	26,500	8,199
Liabilities from trading activities (repurchase agreement)	1,267	5,785
Other	27,011	19,560
Total	318,360	260,728

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

	June 30, 2006	*December 31, 2005*
Provision for litigation	2,803	2,138
Provision for losses on off-balance sheet commitments and contingent liabilities	4,188	3,674
Other provision for expected liabilities	870	1,234
Provision for housing warranties	201	330
Total	8,062	7,376

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.

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

NOTE 16: OTHER LIABILITIES (in HUF mn) [continued]

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

	June 30, 2006	*December 31, 2005*
Balance as at January 1	7,376	7,378
Changes of allowance for possible off-balance sheet commitments and contingent liabilities	(249)	(1,544)
Release of allowance for housing warranties	--	--
Additions through business combinations	910	1,545
Foreign currency translation differences	25	(3)
Closing balance	8,062	7,376

Movements in insurance liabilities can be summarized as follows:

	June 30, 2006	*December 31, 2005*
Balance as at January 1	130,354	98,591
Net increase in insurance liabilities	16,413	31,763
Increase because of acquisition	944	--
Closing balance	147,711	130,354

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 December 20, 2002, 3.25% as at June 20, 2003, 4.8% as at December 20, 2003, 4.88% as at June 20, 2004 and 6.05% as at December 20, 2004, 5.46% as at June 20, 2005, 3.08% as at December 20, 2005. 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 August 27, 2008 on August 22, 2003. The loan is unsecured, subordinate to the other liabilities and has a twelve-year maturity, with interest payable at six-month LIBOR + 1.4% from December 27, 1996 until December 29, 1997, at six-month LIBOR + 1.0% from December 29, 1997 until June 28, 1999, at six-month LIBOR + 1.7% from June 28, 1999 until December 27, 2003 and at six-month LIBOR + 1.35% from December 28, 2003 until August 27, 2008.

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

NOTE 18: SHARE CAPITAL (in HUF mn)

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

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

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

	June 30, 2006	*December 31, 2005*
Balance as at January 1	572,567	431,127
Fair value adjustment of available-for-sale securities recognised through equity	(6,753)	2,051
Share-based compensation	2,765	7,497
Net income after income taxes	92,996	158,235
Gain on sale of treasury shares	955	7,426
Foreign currency translation gain/(loss)	21,950	4,449
Derivative financial instruments designated as cash-flow hedge	194	(46)
Derecognition of opening balance of negative goodwill	--	3,034
Dividends	(55,160)	(41,206)
Closing balance	629,514	572,567

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 387,745 million and HUF 310,215 million as at June 30, 2006 and December 31, 2005, respectively.

Of these amounts, legal reserves represent HUF 125,226 million and HUF 107,619 million as at June 30, 2006 and December 31, 2005, respectively. The legal reserves are not available for distribution.

The Annual General Meeting on April 29, 2005 decided that the Bank distributes HUF 41,206 million dividend for the year ended December 31, 2004.

Dividends for the year ended December 31, 2005 will be approved by the Annual General Meeting in April, 2006. The proposed dividend is HUF 55,160 million.

NOTE 20: TREASURY SHARES (in HUF mn)

	June 30, 2006	*December 31, 2005*
Nominal value (Common Shares)	1,820	1,796
Carrying value at acquisition cost	59,739	53,586

NOTE 21: MINORITY INTEREST (in HUF mn)

	June 30, 2006	*December 31, 2005*
Balance as at January 1	491	425
Minority interest purchased	492	398
Foreign currency translation gain/(loss)	51	23
Purchase of minority interest	0	(394)
Minority interest included in net income	(60)	39
Closing balance	974	491

NOTE 22: OTHER EXPENSES (in HUF mn)

	June 30, 2006	*June 30, 2005*
Release of allowance for securities held-to-maturity	--	(30)
Provision for permanent diminution in value of equity investments	(1,963)	(103)
Provision/(release of allowance) for other assets	193	(231)
Provision/(release of allowance) for off-balance sheet commitments and contingent liabilities	100	(2,697)
Administration expenses, including rent	15,983	13,926
Advertising	3,510	2,900
Taxes, other than income taxes	9,194	7,964
Special tax for banks	5,443	4,784
Services	13,275	10,426
Professional fees	3,186	2,432
Other	5,182	4,279
Total	54,103	43,650

NOTE 23: INCOME TAXES (in HUF mn)

The Group is presently liable for income tax at rates of 10%, 15%, 16%, 19%, 20% and 30% of taxable income. The 10% rate relates to the Bank's subsidiary in Serbia. The 15% rate relates to the Bank's subsidiaries incorporated in Bulgaria. The 16% rate relates to the Bank and its subsidiaries incorporated in Hungary and Romania. The 19% rate relates to the Bank's subsidiaries incorporated in Slovakia. The 20% rate relates to the Bank's subsidiaries incorporated in Croatia and the 30% rate relates to the Bank's United Kingdom subsidiary.

Deferred tax is calculated at the income tax rate of 10% in Serbia, 15% in Bulgaria, 16% in Hungary and Romania, 19% in Slovakia and 20% in Croatia, as these are the income tax rates effective from January 1, 2006.

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

A reconciliation of the income tax charges is as follows:

	June 30, 2006	*June 30, 2005*
Current tax	16,898	16,497
Deferred tax	1,299	(455)
Total	18,197	16,042

A reconciliation of the deferred tax liability is as follows:

	June 30, 2006	*June 30, 2005*
Balance as at January 1	(2,761)	(2,175)
Acquisition of subsidiaries	(94)	2,165
Foreign currency translation (loss)/gain	(151)	(43)
Deferred tax (charge)/credit	(1,299)	(455)
Recognised in retained earnings and reserves	1,048	(861)
Closing balance	(3,257)	(459)

	June 30, 2006	*June 30, 2005*
Net income before income taxes	111,118	92,473
Income tax with statutory tax rate	17,759	14,763
Income tax adjustments are as follows:		
Reversal of statutory general provision	(749)	(658)
Reversal of statutory goodwill and negative goodwill	(648)	(653)
Revaluation of investments denominated in foreign currency to historical cost	1,834	421
Profit on sale of Treasury Shares	153	284
Fair value of share-based compensations	442	--
Deferred tax effect of changing of income tax rate (+4%)	606	--
Other	(1,200)	1,885
Income tax	18,197	16,042
Effective tax rate	16.4%	17.3%

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

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

	June 30, 2006	*June 30, 2005*
Premium and discount amortization on investment securities	--	106
Allowance for losses on off-balance sheet commitments and contingent liabilities on derivative financial instruments	--	9
Difference in accounting for finance leases	312	154
Fair value adjustment of securities held-for-trading, securities available-for-sale and equity investments.	138	--
Fair value adjustment of derivative financial instruments	--	1,117
Repurchase agreements	--	2
Losses available for carry forward	1,023	--
Temporary differences arising on consolidation	98	--
Other	--	2,242
Deferred tax asset	1,571	3,630
Fair value adjustment of held for trading and available-for-sale financial assets	(42)	--
Allowance for losses on off-balance sheet commitments and contingent liabilities on derivative financial instruments	(104)	--
Fair value adjustment of securities held-for-trading, securitie available-for-sale and equity investments.	--	(1,816)
Fair value adjustment of derivative financial instruments	(776)	--
Repurchase agreements	(71)	--
Fixed assets	(3,830)	(1,972)
Temporary differences arising on consolidation	--	(301)
Other	(5)	--
Deferred tax liabilities	(4,828)	(4,089)
Net deferred tax liabilities	(3,257)	(459)

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.

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.

Foreign currency risk

See Note 33.

Liquidity 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

	June 30, 2006	*December 31, 2005*
Commitments to extend credit	730,373	620,231
Guarantees arising from banking activities	129,599	118,203
Confirmed letters of credit	22,667	12,850
Legal disputes	7,653	4,180
Others	36,306	164
Total	926,598	755,628

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.

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

(a) Contingent liabilities [continued]

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 2,803 million and HUF 2,138 million as at June 30, 2006 and December 31, 2005, respectively.

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

	June 30, 2006	*December 31, 2005*
Foreign currency contracts		
Assets	61,103	50,242
Liabilities	61,255	51,571
Net	(152)	(1,329)
Net fair value	999	(856)
Foreign currency contracts designated as hedge accounting relationships		
Assets	173	--
Liabilities	173	--
Net	--	--
Net fair value	--	--
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	696,929	613,217
Liabilities	699,778	(597,038)
Net	(2,850)	16,179
Net fair value	(17,646)	1,228
Foreign exchange swaps and interest rate swaps designated as hedge accounting relationships		
Assets	171,833	12,031
Liabilities	167,878	14,023
Net	3,955	(1,992)
Net fair value	(856)	(687)
Option contracts		
Assets	6,982	--
Liabilities	6,655	--
Net	327	--
Net fair value	495	--
Other options		
Assets	--	--
Liabilities	341	341
Net	(341)	(341)
Net fair value	--	--

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

Dated stock transactions		
Assets	1,167	--
Liabilities	941	--
Net	226	--
Net fair value	12	--

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 June 30, 2006, the Group has derivative instruments with positive fair values of HUF 13,620 million and negative fair values of HUF 29,544 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2005 are HUF 10,533 million and HUF 10,429 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 to the swap of certain financial instruments, which usually consist of a prompt and one or more futures contracts.

Interest rate swaps obligate two parties to exchange one or more payments calculated with reference to fixed or periodically reset rates of interest applied to a specific notional principal amount. Notional principal is the amount upon which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counter-parties.

The Group’s interest rate swaps were used for management of interest rate exposures and have been accounted for at mark-to-market fair value.

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

Forward rate agreements

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

The 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 April 29, 2005. The maximum number of shares which are available is 2.92 million pieces.

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

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

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

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

NOTE 26: SHARE-BASED COMPENSATION [continued]

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

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

The inputs into the Binominal model are as follows:

	2004	**2005**	**2006**
Weighted average share price (HUF)	2 210	6 060	5 969
Weighted average exercise price (HUF)	1 264	6 536	4 882
Expected volatility (%)	30	35	36
Expected life (average year)	3.42	3.34	0.52
Risk free rate (%)	7.17	7.46	6.71
Expected dividends (%)	1.24	2.41	3.35

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

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

NOTE 27: RELATED PARTY TRANSACTIONS

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

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

The amount of loans extended to unconsolidated subsidiaries was HUF 1,211 million and HUF 45,603 million as at June 30, 2006 and December 31, 2005, 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:

	June 30, 2006	*December 31, 2005*
Short-term employee benefits	2,365	9,964
Other long-term employee benefits	24	--
Termination benefits	240	15
Share-based compensation	4,304	4,517
Total	6,933	14,496

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

	June 30, 2006	*December 31, 2005*
Cash, due from banks and balances with the National Bank of Hungary	480,341	483,191
Compulsory reserve established by the National Bank of Hungary	(131,446)	(121,195)
	348,895	361,996

NOTE 29: ACQUISITIONS (in HUF mn)

a. Purchase and consolidation of subsidiary undertakings

On March 7, 2006 the Group completed the acquisition of 89.39% of the shares of Niška banka a.d.. The total purchase price of Niška banka was EUR 14.21 million.

On March 10, 2005 the Group completed the acquisition of 95.59% of the shares of Nova banka d.d., a Croatian bank (renamed OTP banka Hrvatska d.d.), which has subsequently been increased to 100%. The total purchase price of Nova banka d.d. of EUR 248 million was provided in cash. The Bank acquired 100% of the shares of OTP banka Hrvatska d.d. through a series of transactions.

NOTE 29: ACQUISITIONS (in HUF mn) [continued]

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

	At acquisition date Niška banka a.d.	*At acquisition date OTP banka Hrvatska d.d.*
Cash, due from banks, and balances with the National Bank	(258)	(2,274)
Placements with other banks, net of allowance for placement losses	(3,162)	(73,431)
Securities held-for-trading	(20)	--
Securities available-for-sale	(276)	(40,929)
Loans, net of allowance for loan losses	(2,032)	(122,056)
Accrued interest receivable	(30)	(1,643)
Equity investment	--	(669)
Debt securities held-to-maturity	--	(1,168)
Premises, equipment and intangible assets	(3,473)	(7,944)
Other assets	(572)	(3,439)
Due to banks and deposits from the National Bank and other banks	925	9,201
Deposits from customers	3,554	212,841
Accrued interest payable	7	1,566
Other liabilities	1,289	4,580
Subordinated loans	--	1,233
Minority Interest	429	--
	(3,619)	(24,132)
Goodwill	--	(35,809)
Cash consideration	(3,619)	(59,941)

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

	June 30, 2006	*December 31, 2005*
Cash consideration	(3,619)	(59,941)
Cash acquired	258	2,274
Net cash outflow	(3,361)	(57,667)

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.

Name	Ownership (Direct and Indirect) June 30, 2006	December 31, 2005	Activity
OTP Garancia Insurance Closed Company Ltd.	100.00%	100.00%	insurance
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
HIF Ltd. (United Kingdom)	100.00%	100.00%	forfeiting
Merkantil Bank Closed Company Ltd.	100.00%	100.00%	financing car purchases
Merkantil Car Closed Company Ltd.	100.00%	100.00%	financing car purchases, leasing
OTP Building Society Closed Company Ltd.	100.00%	100.00%	financing flat purchase and reconstruction
Bank Center No. 1. Ltd.	100.00%	100.00%	letting real estates
OTP Factoring Closed Company Ltd.	100.00%	100.00%	work-out
Inga Companies	100.00%	100.00%	property management
OTP Fund Management Closed Company Ltd.	100.00%	100.00%	fund management
OTP Mortgage Bank Close Company Ltd.	100.00%	100.00%	mortgage lending
OTP Funds Servicing and Consulting Close Company Ltd.	100.00%	100.00%	fund 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
Niška banka a.d. Niš (Serbia)	89,39%	--	commercial banking services
OTP Trade Commercial Llc.	100.00%	--	commercial wholesaler

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 45,549 million and HUF 46,825 million as at June 30 and as at December 31, 2005, respectively.

NOTE 32: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 17.9% and 18.5% 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 June 30, 2006 and December 31, 2005, respectively.

NOTE 33: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at June 30, 2006

	USD	EUR	Others	Total
Assets	183,650	952,088	1,507,250	2,642,988
Liabilities	(171,173)	(1.048,135)	(962,567)	(2,181,875)
Off-balance sheet assets and liabilities, net	(34,452)	154,223	(359,391)	(239,620)
Net position	**(21,975)**	**58,176**	**185,292**	**221,493**

As at December 31, 2005

	USD	EUR	Others	Total
Assets	201,662	746,710	1,128,786	2,077,158
Liabilities	(174,739)	(858,881)	(838,748)	(1,872,368)
Off-balance sheet assets and liabilities, net	(35,644)	(71,103)	(259,463)	(366,210)
Net position	**(8,721)**	**(183,274)**	**30,575**	**(161,420)**

The table above provides an analysis of the Group's main currency exposures. 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 measurment of the Group's open foreign currency position involves monitoring the 'value at risk' limit on the foreign exchange exposure of the Group.

NOTE 34: 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.

NOTE 34: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at June 30, 2006	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	480,341	--	--	--	480,341
Placements with other banks, net of allowance for placement losses	409,970	19,969	26,628	--	456,567
Financial assets at fair value through statements of operations	3,288	7,991	35,232	20,581	67,092
Securities available-for-sale	67,001	56,401	161,863	118,321	403,586
Loans, net of allowance for loan losses	335,575	552,857	1,290,349	1,396,654	3,575,435
Accrued interest receivable	33,322	4,425	862	893	39,502
Equity investments	--	--	588	8,535	9,123
Debt securities held-to-maturity	21,395	62,278	135,546	70,316	289,535
Premises, equipment and intangible assets, net	824	1,015	166,510	98,016	266,365
Other assets	80,520	22,124	21,121	23,952	147,717
TOTAL ASSETS	**1,432,236**	**727,060**	**1,838,699**	**1,737,268**	**5,735,263**
Due to banks and deposits from the National Bank of Hungary and other banks	83,286	99,015	193,176	74,297	449,774
Deposits from customers	3,321,744	285,781	96,483	11,390	3,715,398
Liabilities from issued securities	15,104	29,478	315,251	209,389	569,222
Accrued interest payable	23,447	6,115	2,406	409	32,377
Other liabilities	135,716	17,192	65,243	100,209	318,360
Subordinated bonds and loans	--	--	11,142	40,241	51,383
TOTAL LIABILITIES	**3,579,297**	**437,581**	**683,701**	**435,935**	**5,136,514**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	629,514	629,514
Treasury shares	(500)	(3,400)	(46,327)	(9,512)	(59,739)
Minority interests	--	--	--	974	974
TOTAL SHAREHOLDERS' EQUITY	**(500)**	**(3,400)**	**(46,327)**	**648,976**	**598,749**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,578,797**	**434,181**	**637,374**	**1,084,911**	**5,735,263**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,146,561)**	**292,879**	**1,201,325**	**652,357**	**--**

NOTE 34: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn) [continued]

As at December 31, 2005 (Restated)	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	483,191	--	--	--	483,191
Placements with other banks, net of allowance for placement losses	391,722	17,502	26,933	2,611	438,768
Financial assets at fair value through statements of operations	2,029	6,524	29,119	10,382	48,054
Securities available-for-sale	49,966	86,875	170,402	102,702	409,945
Loans, net of allowance for loan losses	320,488	518,413	1,157,581	1,194,816	3,191,298
Accrued interest receivable	33,294	3,142	795	639	37,870
Equity investments	--	--	36	12,321	12,357
Debt securities held-to-maturity	42,339	81,780	92,235	73,449	289,803
Premises, equipment and intangible assets, net	331	1,120	84,030	147,764	233,245
Other assets	29,182	24,344	14,727	3,118	71,371
TOTAL ASSETS	**1,352,542**	**739,700**	**1,575,858**	**1,547,802**	**5,215,902**
Due to banks and deposits from the National Bank of Hungary and other banks	109,974	24,478	193,144	36,528	364,124
Deposits from customers	3,068,438	283,734	63,995	12,026	3,428,193
Liabilities from issued securities	21,318	44,345	273,509	204,288	543,460
Accrued interest payable	14,751	6,843	3,119	189	24,902
Other liabilities	109,301	8,391	52,950	90,086	260,728
Subordinated bonds and loans	--	--	9,831	37,192	47,023
TOTAL LIABILITIES	**3,323,782**	**367,791**	**596,548**	**380,309**	**4,668,430**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	572,567	572,567
Treasury shares	(200)	(15,431)	(37,955)	--	(53,586)
Minority interests	--	--	--	491	491
TOTAL SHAREHOLDERS' EQUITY	**(200)**	**(15,431)**	**(37,955)**	**601,058**	**547,472**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,323,582**	**352,360**	**558,593**	**981,367**	**5,215,902**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,971,040)**	**387,340**	**1,017,265**	**566,435**	**--**

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

As at June 30, 2006

	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		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	**380,370**	**5,112**	**1**	**1,393**	**16**	--	--	--	--	--	**60,735**	**32,714**	**441,122**	**39,219**	**480,341**
fixed rate	*379,776*	*264*	--	--	--	--	--	--	--	--	--	--	*379,776*	*264*	*380,040*
variable rate	*594*	*4,848*	*1*	*1,393*	*16*	--	--	--	--	--	--	--	*611*	*6,241*	*6,852*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*60,735*	*32,714*	*60,735*	*32,714*	*93,449*
Placements with other banks, net of allowance for possible placement losses	**49,205**	**167,149**	**28,215**	**7,842**	**24,782**	**108,765**	--	**98**	--	**191**	--	**70,320**	**102,202**	**354,365**	**456,567**
fixed rate	*46,494*	*158,530*	*28,215*	*6,730*	*24,482*	*14,124*	--	*88*	--	*155*	--	--	*99,191*	*179,627*	*278,818*
variable rate	*2,711*	*8,619*	--	*1,112*	*300*	*94,641*	--	*10*	--	*36*	--	--	*3,011*	*104,418*	*107,429*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	*70,320*	--	*70,320*	*70,320*
Securities held for trading	**559**	**106**	**1,540**	**36**	**4,039**	**5,490**	**8,262**	**2,593**	**24,272**	**8,408**	**329**	**557**	**39,001**	**17,190**	**56,191**
fixed rate	*559*	*106*	*812*	*36*	*3,951*	*1,041*	*8,262*	*2,593*	*24,272*	*8,408*	--	--	*37,856*	*12,184*	*50,040*
variable rate	--	--	*728*	--	*88*	*4,449*	--	--	--	--	--	--	*816*	*4,449*	*5,265*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*329*	*557*	*329*	*557*	*886*
Securities available-for-sale	**22,939**	**6,870**	**57,174**	**14,035**	**42,135**	**15,070**	**56,780**	**6,621**	**94,552**	**62,939**	**21,218**	**3,253**	**294,798**	**108,788**	**403,586**
fixed rate	*6,253*	--	*27,811*	*1,444*	*37,850*	*10,853*	*56,780*	*6,621*	*94,552*	*62,939*	--	--	*223,246*	*81,857*	*305,103*
variable rate	*16,686*	*6,870*	*29,363*	*12,591*	*4,285*	*4,217*	--	--	--	--	--	--	*50,334*	*23,678*	*74,012*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*21,218*	*3,253*	*21,218*	*3,253*	*24,471*
Loans	**649,904**	**1,145,299**	**22,255**	**18,058**	**270,683**	**494,145**	**58,104**	**31,464**	**700,147**	**171,141**	**14,080**	**155**	**1,715,173**	**1,860,262**	**3,575,435**
fixed rate	*3,621*	*8,609*	*10,883*	*12,738*	*10,094*	*21,449*	*3,034*	*20,604*	*12,361*	*45,708*	--	--	*39,993*	*109,108*	*149,101*
variable rate	*646,283*	*1,136,690*	*11,372*	*5,320*	*260,589*	*472,696*	*55,070*	*10,860*	*687,786*	*125,433*	--	--	*1,661,100*	*1,750,999*	*3,412,099*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*14,080*	*155*	*14,080*	*155*	*14,235*
Debt securities held-to-maturity	**46,839**	**12,394**	**16,315**	**368**	**61,319**	**5,107**	**5,089**	**7,249**	**111,503**	**23,352**	--	--	**241,065**	**48,470**	**289,535**
fixed rate	--	*618*	*8,246*	--	*49,629*	*2,217*	*5,089*	*7,249*	*111,503*	*23,312*	--	--	*174,467*	*33,396*	*207,863*
variable rate	*46,839*	*11,776*	*8,069*	*368*	*11,690*	*2,890*	--	--	--	*40*	--	--	*66,598*	*15,074*	*81,672*
Fair value of derivative financial instruments	**38,064**	**223,850**	**200,695**	**159,862**	**24,284**	**22,908**	**759**	**3,050**	**78,587**	**5,008**	--	**209**	**342,389**	**414,887**	**757,276**
fixed rate	*37,675*	*111,726*	*198,594*	*31,881*	*22,072*	*22,218*	*759*	*3,050*	*78,587*	*5,008*	--	--	*337,687*	*173,883*	*511,570*
variable rate	*389*	*112,124*	*2,101*	*127,981*	*2,212*	*690*	--	--	--	--	--	--	*4,702*	*240,795*	*245,497*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	*209*	--	*209*	*209*

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

As at June 30, 2006

	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		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	**36,943**	**181,796**	**2**	**92,701**	**2,583**	**103,003**	**6**	**22,511**	**453**	**8,805**	**508**	**463**	**40,495**	**409,279**	**449,774**
fixed rate	*12,430*	*60,581*	--	*15,599*	--	*2,805*	--	*696*	*135*	*2,826*	--	--	*12,565*	*82,507*	*95,072*
variable rate	*24,513*	*121,215*	*2*	*77,102*	*2,583*	*100,198*	*6*	*21,815*	*318*	*5,979*	--	--	*27,422*	*326,309*	*353,731*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*508*	*463*	*508*	*463*	*971*
Deposits from customers	**2,078,916**	**1,184,392**	**167,785**	**106,907**	**12,459**	**91,030**	**18,929**	**736**	**47,132**	**1,488**	**2,601**	**3,023**	**2,327,822**	**1,387,576**	**3,715,398**
fixed rate	*745,474*	*354,439*	*167,785*	*81,827*	*12,459*	*59,179*	*18,929*	*308*	*47,132*	*837*	--	--	*991,779*	*496,590*	*1,488,369*
variable rate	*1,333,442*	*829,953*	--	*25,080*	--	*31,851*	--	*428*	--	*651*	--	--	*1,333,442*	*887,963*	*2,221,405*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*2,601*	*3,023*	*2,601*	*3,023*	*5,624*
Liabilities from issued securities	**34,682**	**151,648**	**23,974**	**97,101**	**110,358**	**11,006**	**60,798**	**3,681**	**4,771**	**70,560**	**643**	--	**235,226**	**333,996**	**569,222**
fixed rate	*24,360*	*10,683*	*4,733*	*12,771*	*110,358*	*11,006*	*60,798*	*3,681*	*4,771*	*70,560*	--	--	*205,020*	*108,701*	*313,721*
variable rate	*10,322*	*140,965*	*19,241*	*84,330*	--	--	--	--	--	--	--	--	*29,563*	*225,295*	*254,858*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*643*	--	*643*	--	*643*
Fair value of derivative financial instruments in other liabilities	**18,467**	**242,803**	**2,921**	**368,397**	**7,711**	**38,268**	**3,426**	--	**4,966**	**84,735**	--	**27**	**37,491**	**734,230**	**771,721**
fixed rate	*18,096*	*131,643*	*1,458*	*240,584*	*7,230*	*37,893*	*3,426*	--	*4,966*	*84,735*	--	--	*35,176*	*494,855*	*530,031*
variable rate	*371*	*111,160*	*1,463*	*127,813*	*481*	*375*	--	--	--	--	--	--	*2,315*	*239,348*	*241,663*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	--	*27*	--	*27*	*27*
Subordinated bonds and loans	--	--	**5,000**	**6,653**	--	**39,730**	--	--	--	--	--	--	**5,000**	**46,383**	**51,383**
variable rate	--	--	*5,000*	*6,653*	--	*39,730*	--	--	--	--	--	--	*5,000*	*46,383*	*51,383*
Net position	**(981,128)**	**(199,859)**	**126,513**	**(470,165)**	**294,147**	**368,448**	**45,835**	**24,147**	**951,739**	**105,451**	**92,610**	**103,695**	**529,716**	**(68,283)**	**461,433**

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

As at December 31, 2005

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

As at December 31, 2005

	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		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	**404,859**	**4,733**	**4**	**1,021**	**72**	**--**	**--**	**--**	**1**	3,423	**47,493**	**21,585**	**452,429**	**30,762**	**483,191**
fixed rate	*404,400*	*3,526*	*2*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*404,402*	*3,526*	*407,928*
variable rate	*459*	*1,207*	*2*	*1,021*	*72*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*533*	*2,228*	*2,761*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*1*	*3,423*	*47,493*	*21,585*	*47,494*	*25,008*	*72,502*
Placements with other banks, net of allowance for possible placement losses	**76,910**	**265,237**	**20,000**	**16,954**	**200**	**8,832**	**--**	**89**	**--**	**1,321**	**--**	**49,225**	**97,110**	**341,658**	**438,768**
fixed rate	*73,910*	*243,879*	*20,000*	*7,754*	*200*	*3,943*	*--*	*89*	*--*	*1,137*	*--*	*--*	*94,110*	*256,802*	*350,912*
variable rate	*3,000*	*21,358*	*--*	*9,200*	*--*	*4,889*	*--*	*--*	*--*	*184*	*--*	*--*	*3,000*	*35,631*	*38,631*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*49,225*	*--*	*49,225*	*49,225*
Securities held for trading	**369**	**3,763**	**1,110**	**522**	**1,850**	**1,755**	**8,169**	**972**	**10,300**	**8,706**	**198**	**259**	**21,996**	**15,977**	**37,973**
fixed rate	*369*	*--*	*211*	*--*	*1,778*	*1,755*	*8,169*	*972*	*10,300*	*8,706*	*--*	*--*	*20,827*	*11,433*	*32,260*
variable rate	*--*	*3,763*	*899*	*522*	*72*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*971*	*4,285*	*5,256*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*198*	*259*	*198*	*259*	*457*
Securities available-for-sale	**30,305**	**7,136**	**39,580**	**16,241**	**57,919**	**17,499**	**30,678**	**28,100**	**124,714**	**33,148**	**22,296**	**2,329**	**305,492**	**104,453**	**409,945**
fixed rate	*7,591*	*463*	*11,544*	*1,704*	*57,378*	*12,266*	*30,678*	*28,100*	*124,714*	*28,666*	*--*	*--*	*231,905*	*71,199*	*303,104*
variable rate	*22,714*	*6,673*	*28,036*	*14,537*	*541*	*5,233*	*--*	*--*	*--*	*4,482*	*--*	*--*	*51,291*	*30,925*	*82,216*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*22,296*	*2,329*	*22,296*	*2,329*	*24,625*
Loans	**456,855**	**645,890**	**459,196**	**485,887**	**55,760**	**94,195**	**58,626**	**32,058**	**714,857**	**171,614**	**7,506**	**8,854**	**1,752,800**	**1,438,498**	**3,191,298**
fixed rate	*4,760*	*6,863*	*7,127*	*8,347*	*5,644*	*24,209*	*3,552*	*9,862*	*7,881*	*47,569*	*--*	*--*	*28,964*	*96,850*	*125,814*
variable rate	*452,095*	*639,027*	*452,069*	*477,540*	*50,116*	*69,986*	*55,074*	*22,196*	*706,976*	*124,045*	*--*	*--*	*1,716,330*	*1,332,794*	*3,049,124*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*7,506*	*8,854*	*7,506*	*8,854*	*16,360*
Debt securities held-to-maturity	**23,688**	**14,532**	**61,639**	**10,495**	**60,892**	**4,927**	**9,945**	**6,186**	**76,596**	**20,348**	**--**	**555**	**232,760**	**57,043**	**289,803**
fixed rate	*--*	*2,973*	*5,933*	*9,852*	*50,102*	*3,760*	*9,945*	*6,186*	*76,596*	*20,348*	*--*	*--*	*142,576*	*43,119*	*185,695*
variable rate	*23,688*	*11,559*	*55,706*	*643*	*10,790*	*1,167*	*--*	*--*	*--*	*--*	*--*	*--*	*90,184*	*13,369*	*103,553*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*555*	*--*	*555*	*555*
Fair value of derivative financial instruments	**90,496**	**80,844**	**108,836**	**92,128**	**69,538**	**2,261**	**16,752**	**--**	**45,549**	**101,459**	**--**	**--**	**331,171**	**276,692**	**607,863**
fixed rate	*82,516*	*72,723*	*97,269*	*18,141*	*56,724*	*2,261*	*16,752*	*--*	*45,549*	*101,459*	*--*	*--*	*298,810*	*194,584*	*493,394*
variable rate	*7,980*	*8,121*	*11,567*	*73,987*	*12,814*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*32,361*	*82,108*	*114,469*

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

As at December 31, 2005

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

As at December 31, 2005

	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		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	**28,522**	**99,893**	**--**	**187,842**	**--**	**15,685**	**1**	**11,329**	**4**	**16,856**	**1**	**3,991**	**28,528**	**335,596**	**364,124**
fixed rate	*701*	*38,616*	*--*	*7,500*	*--*	*5,454*	*1*	*5,455*	*3*	*9,872*	*--*	*--*	*705*	*66,897*	*67,602*
variable rate	*27,821*	*61,277*	*--*	*180,342*	*--*	*10,231*	*--*	*5,874*	*1*	*6,984*	*--*	*--*	*27,822*	*264,708*	*292,530*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*1*	*3,991*	*1*	*3,991*	*3,992*
Deposits from customers	**2,057,329**	**954,508**	**152,830**	**87,925**	**21,851**	**87,677**	**12,701**	**1,424**	**42,183**	**2,718**	**584**	**6,463**	**2,287,478**	**1,140,715**	**3,428,193**
fixed rate	*744,560*	*277,454*	*152,830*	*79,369*	*21,851*	*74,031*	*12,701*	*1,149*	*42,183*	*1,881*	*--*	*--*	*974,125*	*433,884*	*1,408,009*
variable rate	*1,312,769*	*677,054*	*--*	*8,556*	*--*	*13,646*	*--*	*275*	*--*	*837*	*--*	*--*	*1,312,769*	*700,368*	*2,013,137*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*584*	*6,463*	*584*	*6,463*	*7,047*
Liabilities from issued securities	**19,657**	**128,759**	**31,549**	**85,100**	**38,567**	**6,746**	**4,823**	**6,682**	**149,743**	**63,907**	**7,919**	**8**	**252,258**	**291,202**	**543,460**
fixed rate	*6,602*	*2,700*	*9,491*	*9,248*	*38,567*	*6,746*	*4,823*	*6,682*	*149,743*	*63,907*	*--*	*--*	*209,226*	*89,283*	*298,509*
variable rate	*13,055*	*126,059*	*22,058*	*75,852*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*35,113*	*201,911*	*237,024*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*7,919*	*8*	*7,919*	*8*	*7,927*
Fair value of derivative financial instruments in other liabilities	**44,023**	**118,047**	**52,582**	**148,297**	**18,614**	**41,790**	**18,591**	**202**	**158,557**	**7,066**	**--**	**--**	**292,367**	**315,402**	**607,769**
fixed rate	*43,214*	*111,919*	*40,396*	*74,913*	*14,281*	*41,790*	*18,591*	*202*	*158,557*	*7,066*	*--*	*--*	*275,039*	*235,890*	*510,929*
variable rate	*809*	*6,128*	*12,186*	*73,384*	*4,333*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*17,328*	*79,512*	*96,840*
Subordinated bonds and loans	**5,000**	**--**	**--**	**31,591**	**--**	**10,432**	**--**	**--**	**--**	**--**	**--**	**--**	**5,000**	**42,023**	**47,023**
variable rate	*5,000*	*--*	*--*	*31,591*	*--*	*10,432*	*--*	*--*	*--*	*--*	*--*	*--*	*5,000*	*42,023*	*47,023*
Net position	**(1,071,049)**	**(279,072)**	**453,404**	**82,493**	**167,199**	**(32,861)**	**88,054**	**47,768**	**621,530**	**249,472**	**68,989**	**72,345**	**328,127**	**140,145**	**468,272**

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.

	June 30, 2006	*December 31, 2005*
Consolidated net income (in HUF mn)	92,996	76,403
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	258,746,792	262,465,923
Consolidated Basic Earnings per share (in HUF)	359	291
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	260,094,375	263,403,459
Consolidated Diluted Earnings per share (in HUF)	358	290

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: 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.

37.1. Primary reporting format by geographical segments

	Hungary	United Kingdom	Slovakia	Bulgaria	Romania	Croatia	Serbia	Eliminations	Consolidated
Interest income									
External	202,593	454	7,677	24,919	2,002	8,722	221	--	246,588
Inter-segment	1,693	--	26	371	--	--	--	(2,090)	--
Total	204,286	454	7,703	25,290	2,002	8,722	221	(2,090)	246,588
Non-interest income									
External	120,140	38	2,667	7,168	1.752	3,848	379	--	135,992
Inter-segment	80	--	--	474	--	--	--	(554)	--
Total	120,220	38	2,667	7,642	1,752	3,848	379	(554)	135,992
Segment income before income taxes	96,751	61	372	12,201	(1,680)	2,236	45	1,132	111,118
Income taxes	--	--	--	--	--	--		--	(18,197)
Net income after income taxes	--	--	--	--	--	--		--	(92,921)
Segment assets	4,285,522	10,141	351,763	763,017	117,972	398,121	11,313	(202,586)	5,735,263
Segment liabilities	3,929,278	7,790	331,750	646,658	91,122	326,840	6,794	(203,718)	5,136,514
Capital expenditure	12,451	--	818	2,335	4,142	230	--	--	19,976
Depreciation	10,526	3	388	1,208	403	358	39	--	12,925
Allowance for loan and placement losses	2,857	(35)	1,328	3,394	343	1,238	164	--	9,289

37.2. Secondary segment information by business segments

	Banking segment	Insurance segment
Total segment income	335,178	44,059
Segment net income before income taxes	109,277	5,344
Segment assets	6,334,023	175,866
Capital expenditure	17,553	62

NOTE 38: POST BALANCE SHEET EVENTS

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

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

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

On July 17, OTP Bank submitted a binding bid for the purchase of a majority 69.9% share stake in Romanian Casa de Economii si Consemnatiuni C.E.C. S.A (CEC).

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