

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.



**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

**UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006**

Budapest, May, 2006

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NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT MARCH 31, 2006 (UNAUDITED) AND
AS AT DECEMBER 31, 2005 (AUDITED) AND AS AT MARCH 31, 2005 (UNAUDITED)
(in HUF mn)

	Note	March 31, 2006	December 31, 2005	March 31, 2005
Cash, due from banks and balances with the National Bank of Hungary		515,325	379,249	562,961
Placements with other banks, net of allowance for possible placement losses		382,697	393,659	165,288
Financial assets at fair value through profit and loss	4	38,209	34,054	57,646
Securities available-for-sale	5	372,212	371,433	336,976
Loans, net of allowance for possible loan losses	6	1,522,240	1,475,508	1,309,095
Accrued interest receivable		39,667	41,276	39,249
Investments in subsidiaries	7	227,099	223,881	211,201
Securities held-to-maturity	8	508,793	521,797	506,655
Premises, equipment and intangible assets, net		105,172	105,569	96,461
Other assets		<u>49,058</u>	<u>46,447</u>	<u>47,326</u>
TOTAL ASSETS		<u>3,760,472</u>	<u>3,592,873</u>	<u>3,332,858</u>
Due to banks and deposits from the National Bank of Hungary and other banks		323,916	255,211	264,102
Deposits from customers	9	2,547,577	2,506,457	2,461,185
Liabilities from issued securities		212,521	202,267	1,991
Accrued interest payable		7,520	5,735	12,597
Other liabilities		168,854	102,881	157,056
Subordinated bonds and loans		<u>48,996</u>	<u>47,023</u>	<u>45,557</u>
TOTAL LIABILITIES		<u>3,309,384</u>	<u>3,119,574</u>	<u>2,942,488</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		473,707	486,051	382,998
Treasury shares		<u>(50,619)</u>	<u>(40,752)</u>	<u>(20,628)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>451,088</u>	<u>473,299</u>	<u>390,370</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,760,472</u>	<u>3,592,873</u>	<u>3,332,858</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS FOR THE THREE MONTH
PERIODS ENDED MARCH 31, 2006 AND 2005 (UNAUDITED) AND FOR THE YEAR ENDED
DECEMBER 31, 2005 (AUDITED)
(in HUF mn)

	Note	Three month period ended March 31, 2006	Three month period ended March 31, 2005	Year ended December 31, 2005
<i>Interest Income</i>	<i>11</i>	<u>75,259</u>	<u>71,089</u>	<u>281,402</u>
<i>Interest Expense</i>	<i>11</i>	<u>37,630</u>	<u>35,182</u>	<u>112,763</u>
NET INTEREST INCOME	<i>11</i>	37,629	35,907	168,639
Provision for possible loan and placement losses	6, 7	<u>5,478</u>	<u>3,244</u>	<u>16,435</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		32,151	32,663	152,204
<i>Non-Interest Income</i>		<u>56,322</u>	<u>44,885</u>	<u>158,420</u>
<i>Non-Interest Expenses</i>		<u>39,201</u>	<u>29,794</u>	<u>154,822</u>
INCOME BEFORE INCOME TAXES		49,272	47,754	155,802
Income taxes		<u>5,830</u>	<u>5,077</u>	<u>22,954</u>
NET INCOME AFTER INCOME TAXES		<u>43,442</u>	<u>42,677</u>	<u>132,848</u>
Earnings per share (in HUF)				
Basic		<u>164</u>	<u>157</u>	<u>492</u>
Diluted		<u>163</u>	<u>157</u>	<u>488</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS FOR THE THREE MONTH
PERIODS ENDED MARCH 31, 2006, AND 2005 (UNAUDITED) AND THE YEAR ENDED
DECEMBER 31, 2005 (AUDITED)
(in HUF mn)

	Note	Three month period ended March 31, 2006	Year ended December 31, 2005	Three month period ended March 31, 2005
OPERATING ACTIVITIES				
Income before income taxes		49,272	47,754	155,802
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i>				
Income tax paid		(4,676)	(3,738)	(21,071)
Depreciation and amortization		4,399	3,284	15,244
Provision	6, 7	5,295	454	12,588
Share-based payment	1.2.2.	1,199	1,160	7,497
Unrealised gains on fair value adjustment of securities held-for-trading		1,099	(177)	7
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments		6,760	1,863	1,868
Other changes in operating assets and liabilities		<u>107</u>	<u>5,825</u>	<u>(23,952)</u>
Net cash provided by operating activities		<u>63,455</u>	<u>56,425</u>	<u>147,983</u>
Net cash used in investing activities		<u>(39,691)</u>	<u>(98,358)</u>	<u>(557,313)</u>
Net cash provided by financing activities		<u>105,358</u>	<u>198,063</u>	<u>376,689</u>
Net (increase)/decrease in cash and cash equivalents		<u>129,122</u>	<u>156,130</u>	<u>(32,641)</u>
Cash and cash equivalents at the beginning of the period		<u>261,044</u>	<u>293,685</u>	<u>293,685</u>
Cash and cash equivalents at the end of the period		<u>390,166</u>	<u>449,815</u>	<u>261,044</u>
<i>Analysis of cash and cash equivalents opening and closing balance</i>				
Cash, due from banks and balances with the National Bank of Hungary		379,249	399,401	399,401
Compulsory reverse established by National Bank of Hungary		(118,205)	(105,716)	(105,716)
Cash and Cash equivalents opening balance		<u>261,044</u>	<u>293,685</u>	<u>293,685</u>
Cash, due from banks and balances with the National Bank of Hungary		515,325	562,961	379,249
Compulsory reverse established by National Bank of Hungary		(125,159)	(113,146)	(118,205)
Cash and Cash equivalents closing balance		<u>390,166</u>	<u>449,815</u>	<u>261,044</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE THREE MONTH PERIODS ENDED
MARCH 31, 2006 AND 2005 (UNAUDITED)
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2005 (Restated)	28,000	374,860	(13,808)	389,052
Net income after income taxes	-	42,677	-	42,677
Fair value adjustment of securities available-for-sale recognised directly through equity	-	5,006	-	5,006
Share-based compensation	-	1,160	-	1,160
Dividend for the year 2004	-	(41,206)	-	(41,206)
Profit on sale of treasury shares	-	501	-	501
Change in carrying value of treasury shares	-	-	(6,820)	(6,820)
Balance as at March 31, 2005 (Restated)	<u>28,000</u>	<u>382,998</u>	<u>(20,628)</u>	<u>390,370</u>
Balance as at January 1, 2006	28,000	486,051	(40,752)	473,299
Net income after income taxes	-	43,442	-	43,442
Fair value adjustment of securities available-for-sale recognised directly through equity	-	(1,956)	-	(1,956)
Share-based compensation	-	1,199	-	1,199
Dividend for the year 2005	-	(55,160)	-	(55,160)
Profit on sale of treasury shares	-	131	-	131
Change in carrying value of treasury shares	-	-	(9,867)	(9,867)
Balance as at December 31, 2005	<u>28,000</u>	<u>473,707</u>	<u>(50,619)</u>	<u>451,088</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2006**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

These interim condensed financial statements had been prepared in accordance with the prescriptions of IAS 34.

1.2. Accounting

The Bank maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

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

Preparing these financial statements the Bank followed the same accounting policies and methods as are applied in the annual financial statements of the year ended December 31, 2005 and were prepared according to the International Financial Reporting Standards.

NOTE 2: SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2006

Based on the authorization of the Annual General Meeting of 2005, the Bank repurchased 1,000,000 pieces of own shares between January 1 and 25, 2006 at an average price of HUF 7,405.

On October 24, 2005 the Bank made a binding bid for purchasing the 89,39% of the shares of Niska Banka a.d. registered in Serbia. The purchase agreement was signed on December 23, 2005 at the price of EUR 14,21 million. The transaction was closed March 7, 2006.

On March 31, 2006 the Bank made a contract on buying the 75.1% of the shares of the privately owned Zepter banka a.d. Beograd registered in Serbia. The purchase price of HUF 41,305 million will be offset after obtaining the necessary approvals.

NOTE 3: DIVIDENDS PAID

Dividends paid on common shares in the first quarter of 2006 and 2005, respectively:

	Three month period ended March 31, 2006	Three month period ended March 31, 2005
Dividends paid on common shares	<u>4</u>	<u>1</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2006**

**NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS
OF OPERATIONS (in HUF mn)**

	March 31, 2006	December 31, 2005
Securities held for trading		
Hungarian Government discounted Treasury bills	9,893	160
Hungarian Government interest bearing Treasury bills	384	1,485
Government bonds	18,246	19,743
Mortgage bonds	1,714	2,356
Other securities	<u>489</u>	<u>199</u>
	<u>30,726</u>	<u>23,943</u>
Derivative financial instruments designated as held for trading	<u>7,483</u>	<u>10,111</u>
Total	<u>38,209</u>	<u>34,054</u>

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

	March 31, 2006	December 31, 2005
Government bonds	45,716	67,567
Hungarian Government discounted Treasury bills	4,958	7,858
Mortgage bonds	250,541	253,365
Other securities	<u>70,997</u>	<u>42,643</u>
	<u>372,212</u>	<u>371,433</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2006**

NOTE 6: LOANS AND ALLOWANCE FOR LOAN LOSSES (in HUF mn)

	March 31, 2006	December 31, 2005
Short-term loans and trade bills (within one year)	619,910	605,390
Long-term loans and trade bills (over one year)	<u>925,857</u>	<u>892,280</u>
	<u>1,545,767</u>	<u>1,497,670</u>
Allowance for possible loan losses	<u>(23,527)</u>	<u>(22,162)</u>
	<u>1,522,240</u>	<u>1,475,508</u>

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

	March 31, 2006		December 31, 2005	
Commercial loans	939,630	61%	902,696	60%
Municipality loans	136,681	9%	131,107	9%
Housing loans	210,383	13%	210,150	14%
Consumer loans	234,022	15%	226,153	15%
Mortgage loans	<u>25,051</u>	<u>2%</u>	<u>27,564</u>	<u>2%</u>
	<u>1,545,767</u>	<u>100%</u>	<u>1,497,670</u>	<u>100%</u>

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

	March 31, 2006	December 31, 2005
Balance as at January 1	22,162	19,810
Provision for possible loan losses	5,478	16,436
Write-offs	<u>(4,113)</u>	<u>(14,084)</u>
Closing balance	<u>23,527</u>	<u>22,162</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2006**

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	March 31, 2006	December 31, 2005
Equity investments:		
Controlling interest	229,671	226,453
Significant interest	75	75
Other	<u>861</u>	<u>861</u>
	<u>230,607</u>	<u>227,389</u>
Allowance for permanent diminution in value	<u>(3,508)</u>	<u>(3,508)</u>
	<u>227,099</u>	<u>223,881</u>

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

	March 31, 2006	December 31, 2005
Balance as at January 1	3,508	5,417
Credit for permanent diminution in value	<u>-</u>	<u>(1,909)</u>
Closing balance	<u>3,508</u>	<u>3,508</u>

NOTE 8: HELD-TO-MATURITY INVESTMENTS (in HUF mn)

	March 31, 2006	December 31, 2005
Government securities	182,522	201,380
Hungarian Government discounted Treasury bills	35,922	29,962
Mortgage bonds	289,649	289,755
Other debt securities	<u>700</u>	<u>700</u>
	<u>508,793</u>	<u>521,797</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2006**

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	March 31, 2006	December 31, 2005
Within one year:		
In HUF	2,200,905	2,190,095
In foreign currency	<u>330,471</u>	<u>298,767</u>
	<u>2,531,376</u>	<u>2,488,862</u>
Over one year:		
In HUF	<u>16,201</u>	<u>17,595</u>
	<u>16,201</u>	<u>17,595</u>
Total	<u>2,547,577</u>	<u>2,506,457</u>

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

	March 31, 2006		December 31, 2005	
Commercial deposits	512,640	20%	474,052	19%
Municipality deposits	188,522	7%	161,993	6%
Consumer deposits	<u>1,846,415</u>	<u>73%</u>	<u>1,870,412</u>	<u>75%</u>
	<u>2,547,577</u>	<u>100%</u>	<u>2,506,457</u>	<u>100%</u>

NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) *Contingent liabilities and commitments*

	March 31, 2006	December 31, 2005
Commitments to extend credit	643,632	566,647
Guarantees arising from banking activities	131,789	132,369
Confirmed letters of credit	16,170	10,540
Legal disputes	3,173	3,410
Contingent liabilities related to OTP Mortgage Bank Company Ltd.	35,595	49,452
Other	<u>164</u>	<u>164</u>
	<u>830,523</u>	<u>762,582</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2006**

NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS [continued]

(b) Derivatives

	March 31, 2006	December 31, 2005
Foreign currency contracts designated as held for trading		
Assets	38,659	39,329
Liabilities	<u>39,028</u>	<u>40,570</u>
Net	<u>(369)</u>	<u>(1,241)</u>
Net fair value	<u>(226)</u>	<u>(856)</u>
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	676,549	612,543
Liabilities	<u>676,163</u>	<u>601,539</u>
Net	<u>386</u>	<u>11,004</u>
Net fair value	<u>(6,323)</u>	<u>2,210</u>
Interest rate swaps designated in hedge accounting relationships		
Assets	15,120	12,031
Liabilities	<u>17,245</u>	<u>14,023</u>
Net	<u>(2,125)</u>	<u>(1,992)</u>
Net fair value	<u>321</u>	<u>(687)</u>
Option contracts		
Assets	2,565	-
Liabilities	2,575	-
Net	<u>(10)</u>	<u>-</u>
Net fair value	<u>135</u>	<u>-</u>

As at March 31, 2006, the Bank has derivative instruments with positive fair values of HUF 8,425 million and negative fair values of HUF 14,518 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2005 are HUF 10,146 million and HUF 9,479 million.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2006**

NOTE 11: NET INTEREST INCOME (in HUF mn)

	Three month period ended March 31, 2006	Three month period ended March 31, 2005
Interest income		
Loans	36,846	35,226
Placements with other banks	15,828	9,532
Due from banks and balances with National Bank of Hungary	5,832	8,649
Securities held-for-trading	316	302
Securities available-for-sale	6,686	6,151
Debt securities held-to-maturity	<u>9,751</u>	<u>11,229</u>
<i>Total Interest Income</i>	<u>75,259</u>	<u>71,089</u>
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	18,821	8,059
Deposits from customers	17,005	26,792
Liabilities from issued securities	1,346	40
Subordinated bonds and loans	<u>458</u>	<u>291</u>
<i>Total Interest Expense</i>	<u>37,630</u>	<u>35,182</u>
NET INTEREST INCOME	37,629	35,907

NOTE 12: RELATED PARTY TRANSACTIONS

The Bank enters into transactions for services with a number of subsidiaries. Such transactions are conducted at rates which approximate market conditions.

The Bank sells non-performing loans to a work-out subsidiary. Such loans are transferred at amounts which approximate the net carrying value of such loans.

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 42,422 million and HUF 15,497 million the three month periods ended March 31, 2006 and 2005 (including interest). The book value of these receivables were HUF 42,399 million and HUF 15,458 million.

During the three month period ended March 31, 2006 the Bank received HUF 11,930 million fees and commission from OTP Mortgage Bank Company Ltd. For the three month period ended March 31, 2005 such fees and commissions were HUF 10,065 million. Such fees and commissions are related to loans originated by the Bank and sold to OTP Mortgage Bank Company Ltd.