



**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

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

**FOR THE YEAR ENDED
DECEMBER 31, 2005**

Budapest, April, 2006

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Unconsolidated Financial Statements prepared in accordance with International Financial Reporting Standards adopted by the European Union	
Unconsolidated Balance Sheet as at December 31, 2005	3
Unconsolidated Statement of Operations for the year ended December 31, 2005	4
Unconsolidated Statement of Cash Flows for the year ended December 31, 2005	5-6
Unconsolidated Statement of Changes in Shareholders' Equity for the year ended December 31, 2005	7
Notes to Unconsolidated Financial Statements	8-54

INDEPENDENT AUDITORS' OPINION

To the Shareholders and Board of Directors of National Savings and Commercial Bank Ltd.

We have audited the accompanying unconsolidated balance sheet of National Savings and Commercial Bank Ltd. ("the Bank") as of December 31, 2005 and the related unconsolidated statements of operations, cash flows and changes in shareholders' equity for the year then ended. These unconsolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing issued by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Consolidated financial statements have not been presented at the date of this report, as required by International Accounting Standard No. 27. We draw attention to Notes 2.3 and 2.8 to the unconsolidated financial statements, which explain why consolidated financial statements have not been presented and the method of accounting for unconsolidated subsidiaries, respectively.

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as of December 31, 2005 and the unconsolidated results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union.

Budapest, March 10, 2006

The logo for Deloitte, featuring the word "Deloitte" in a blue, cursive script font.

Deloitte Auditing and Consulting Ltd.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2005
(in HUF mn)

	Note	2005	Restated 2004
Cash, due from banks and balances with the National Bank of Hungary	3	379,249	399,401
Placements with other banks, net of allowance for placement losses	4	393,659	200,100
Financial assets at fair value through statement of operations	5	34,054	22,059
Securities available-for-sale	6	371,433	324,130
Loans, net of allowance for loan losses	7	1,475,508	1,276,241
Accrued interest receivable		41,276	41,180
Investments in subsidiaries	8	223,881	154,298
Securities held-to-maturity	9	521,797	507,503
Premises, equipment and intangible assets, net	10	105,569	96,538
Other assets	11	<u>46,447</u>	<u>33,025</u>
TOTAL ASSETS		<u>3,592,873</u>	<u>3,054,475</u>
Due to banks and deposits from the National Bank of Hungary and other banks	12	255,211	203,777
Deposits from customers	13	2,506,457	2,340,924
Liabilities from issued securities	14	202,267	1,997
Accrued interest payable		5,735	9,414
Other liabilities	15	102,881	94,987
Subordinated bonds and loans	16	<u>47,023</u>	<u>14,324</u>
TOTAL LIABILITIES		<u>3,119,574</u>	<u>2,665,423</u>
Share capital	17	28,000	28,000
Retained earnings and reserves	18	486,051	374,860
Treasury shares	19	<u>(40,752)</u>	<u>(13,808)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>473,299</u>	<u>389,052</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,592,873</u>	<u>3,054,475</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2005
(in HUF mn)

	Note	2005	Restated 2004
Interest Income:			
Loans		147,368	136,968
Placements with other banks		36,961	40,634
Due from banks and balances with the National Bank of Hungary		27,957	30,872
Securities held for trading		2,108	2,581
Securities available-for sale		27,742	26,677
Securities held-to-maturity		<u>39,266</u>	<u>53,203</u>
<i>Total Interest Income</i>		<u>281,402</u>	<u>290,935</u>
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks		27,989	19,699
Deposits from customers		81,504	119,116
Liabilities from issued securities		1,677	167
Subordinated bonds and loans		<u>1,593</u>	<u>870</u>
<i>Total Interest Expense</i>		<u>112,763</u>	<u>139,852</u>
NET INTEREST INCOME		168,639	151,083
Provision for loan and placement losses	4, 7	<u>16,435</u>	<u>8,628</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		152,204	142,455
Non-Interest Income:			
Fees and commissions		136,264	113,299
Foreign exchange gains, net		1,603	914
Gains on securities, net		3,103	1,081
Losses on real estate transactions, net		(28)	(103)
Dividend income		13,937	8,500
Other		<u>3,541</u>	<u>2,654</u>
<i>Total Non-Interest Income</i>		<u>158,420</u>	<u>126,345</u>
Non-Interest Expenses:			
Fees and commissions		13,840	9,692
Personnel expenses		62,437	54,342
Depreciation and amortization		15,244	13,401
Other	20	<u>63,301</u>	<u>59,006</u>
<i>Total Non-Interest Expenses</i>		<u>154,822</u>	<u>136,441</u>
INCOME BEFORE INCOME TAXES		155,802	132,359
Income taxes	21	<u>22,954</u>	<u>18,882</u>
NET INCOME AFTER INCOME TAXES		<u>132,848</u>	<u>113,477</u>
Earnings per share (in HUF)			
Basic	32	<u>492</u>	<u>420</u>
Diluted	32	<u>488</u>	<u>418</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
(in HUF mn)

	Note	2005	Restated 2004
OPERATING ACTIVITIES			
Income before income taxes		155,802	132,359
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i>			
Income tax paid		(21,071)	(19,508)
Depreciation and amortization		15,244	13,401
Provision for loan and placement losses		16,435	8,628
Release of provision for permanent diminution in value of investments in subsidiaries	8	(1,909)	(253)
Provision/(release of allowance) for losses of other assets	11	46	(1,314)
(Release of allowance)/provision for losses on off-balance sheet commitments and contingent liabilities, net	15	(1,984)	901
Share-based compensation	1.2, 24	7,497	2,348
Unrealised losses on fair value adjustment of securities held for trading		7	23
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments		1,868	(635)
<i>Changes in operating assets and liabilities:</i>			
Net changes in financial assets through statements of operations		(5,192)	34,070
Net increase in accrued interest receivable		(96)	(9,388)
Net (increase)/decrease in other assets, excluding advances for investments and before provisions for losses		(14,231)	12,495
Net (decrease)/increase in accrued interest payable		(3,679)	1,519
Net (decrease)/increase in other liabilities		(754)	16,585
Net cash provided by operating activities		<u>147,983</u>	<u>191,231</u>
INVESTING ACTIVITIES			
Net increase in placements with other banks, before provision for placement losses		(193,558)	(34,710)
Net increase in securities available-for-sale		(41,795)	(48,151)
Net increase in investments in subsidiaries, before provision for permanent diminution in value		(67,674)	(15,237)
Net (increase)/decrease in securities held-to-maturity		(14,294)	117,806
Net (decrease)/increase in advances for investments included in other assets		(14)	33
Net increase in loans, before provision for possible loan losses		(215,703)	(214,625)
Net additions to premises, equipment and intangible assets		(24,275)	(23,539)
Net cash used in investing activities		<u>(557,313)</u>	<u>(218,423)</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
(in HUF mn) [continued]

	Note	2005	Restated 2004
FINANCING ACTIVITIES			
Net increase in due to banks and deposits			
from the National Bank of Hungary and other banks		51,434	112,696
Net increase in deposits from customers		165,533	76,396
Net increase/(decrease) in liabilities from issued securities		200,270	(42)
Increase/(decrease) in subordinated bonds and loans		32,699	(1,089)
Net change in treasury shares		(19,518)	2,480
Net (increase)/decrease in the compulsory reserve established by the National Bank of Hungary		(12,489)	3,816
Dividends paid		<u>(41,240)</u>	<u>(16,823)</u>
Net cash provided by financing activities		<u>376,689</u>	<u>177,434</u>
Net (decrease)/increase in cash and cash equivalents		(32,641)	150,242
Cash and cash equivalents at the beginning of the Period		<u>293,685</u>	<u>143,443</u>
Cash and cash equivalents at the end of the period		<u>261,044</u>	<u>293,685</u>
 <i>Analysis of cash and cash equivalents</i>			
Cash, due from banks and balances with the National Bank of Hungary		399,401	252,975
Compulsory reserve established by the National Bank of Hungary		<u>(105,716)</u>	<u>(109,532)</u>
Cash and cash equivalents at the beginning of the period		<u>293,685</u>	<u>143,443</u>
Cash, due from banks and balances with the National Bank of Hungary	3,26	379,249	399,401
Compulsory reserve established by the National Bank of Hungary	3,26	<u>(118,205)</u>	<u>(105,716)</u>
Cash and cash equivalents at the end of the period		<u>261,044</u>	<u>293,685</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2004 (Restated)	28,000	262,504	(14,328)	276,176
Net income after income taxes	-	113,477	-	113,477
Fair value adjustment of securities available-for-sale recognised directly through equity	-	11,371	-	11,371
Share-based compensation	-	2,348	-	2,348
Dividend for the year 2003	-	(16,800)	-	(16,800)
Profit on sale of treasury shares	-	1,960	-	1,960
Sale and purchase of treasury shares	-	-	520	520
Balance as at December 31, 2004 (Restated)	<u>28,000</u>	<u>374,860</u>	<u>(13,808)</u>	<u>389,052</u>
Net income after income taxes	-	132,848	-	132,848
Fair value adjustment of securities available-for-sale recognised directly through equity	-	4,626	-	4,626
Share-based compensation	-	7,497	-	7,497
Dividend for the year 2004	-	(41,206)	-	(41,206)
Profit on sale of treasury shares	-	7,426	-	7,426
Sale and purchase of treasury shares	-	-	(26,944)	(26,944)
Balance as at December 31, 2005	<u>28,000</u>	<u>486,051</u>	<u>(40,752)</u>	<u>473,299</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

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

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

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

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

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

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

As at December 31, 2005 approximately 90.4% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (3.1%) and the Bank (6.5%).

The Bank provides a full range of commercial banking services through a nationwide network of 377 branches in Hungary.

As at December 31, 2005 the number of employees at the Bank was 7,999. The average number of employees for the year ended December 31, 2005 was 7,842.

1.2. Accounting

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

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

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

1.2. Accounting [continued]

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts (see Note 33), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS).

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

1.2.1. The effect of adopting revised International Financial Reporting Standards effective from January 1, 2005 on the 2004 financial statements

Effective from January 1, 2005 the Bank adopted revised IAS 39 ("Financial Instruments: Recognition and Measurement"), and IFRS 2 ("Share-based payment"). Revisions to a number of other IAS also took effect in the unconsolidated condensed financial statements of the Bank, but those revisions concerned matters of detailed application which have no significant effect on amounts reported.

IAS 39 Financial Instruments: Recognition and Measurement

IAS 39 Revised, which is effective after January 1, 2005 changes the category held for trading instruments by introducing a new category „a financial asset at fair value through statements of operations". In this category is classified previously held for trading assets and other instruments which upon initial recognition are designated by the entity as to be held at fair value through statements of operations.

Due to the retrospective application of IAS 39 Revised, an opening adjustment of HUF 5,297 million has been presented in retained earnings and reserves as of January 1, 2004. Due to restatement of prior periods, income after income tax decreased by HUF 11,371 million for the year ended December 31, 2004, from what was previously reported.

IFRS 2 Share based payment

For equity settled share based compensation, under IFRS 2 the Bank is required to measure the fair value of services received, based on the fair value of the equity instrument granted, and to recognise such expense in the unconsolidated financial statements. IFRS 2 has been adopted retrospectively from January 1, 2005 in respect of options which have a grant date later than November 7, 2002.

The Annual General Meeting for the year 2000 approved a five year share option and bonus program for the years 2000 to 2004 granting options and bonus shares on an annual basis. For the options for the years 2003 and 2004, the grant date is December 31, 2002.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

1.2.1. The effect of adopting revised International Financial Reporting Standards effective from January 1, 2005 on the 2004 financial statements (continued)

Due to the retrospective application of IFRS 2, an opening adjustment of HUF 2,085 million is presented separately in retained earnings and reserves as of January 1, 2004. Due to restatement of prior periods, income after income tax was decreased by HUF 2,348 million for the year ended December 31, 2004.

A summary of the effects of introduction of IAS 39 Revised and IFRS 2 for the year ended December 31, 2004 is as follows:

	As originally reported for the year ended December 31, 2004	Restated for the year ended December 31, 2004
Fair value adjustment of available-for-sale securities recognized in profit and loss	14,632	1,095
Deferred tax effect	<u>(2,341)</u>	<u>(175)</u>
Contribution to net income	<u>12,291</u>	<u>920</u>
Share based compensation	<u>-</u>	<u>(2,348)</u>
Net income after income taxes	<u>127,196</u>	<u>113,477</u>
Fair value adjustment of available-for-sale securities recognized directly through equity	-	13,537
Deferred tax effect	<u>-</u>	<u>(2,166)</u>
Effect to equity	<u>-</u>	<u>11,371</u>
Share based compensation directly through equity	<u>-</u>	<u>2,348</u>
Total shareholders' equity	<u>389,052</u>	<u>389,052</u>

1.2.2. Changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2006

At the date of authorisation of these financial statements, the following standards were in issue but not yet effective:

- IFRS 7 'Financial Instruments: Disclosures' (effective 1 January 2007);
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' in respect of cash flow hedge accounting (effective 1 January 2006);
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' for financial guarantee contracts (effective 1 January 2006);
- Amendments to IAS 1 'Presentation of Financial Statements' on capital disclosures (effective 1 January 2007).

The adoption of these standards in the future periods is not expected to have a material impact on the unconsolidated profit or equity.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

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

2.2. Foreign currency translation

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

2.3. Consolidated financial statements

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

2.4. Securities held-to-maturity

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Financial assets at fair value through statement of operations

2.5.1 Securities held for trading

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

2.5.2. Derivative financial instruments

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Financial assets at fair value through statement of operations (continued)

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

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

2.6. Securities available-for-sale

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

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

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

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

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Investments in subsidiaries

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

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

2.9. Sale and repurchase agreements

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

2.10. Premises, equipment and intangible assets

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

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Leases

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

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

2.12. Treasury shares

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

2.13. Interest Income and Interest Expense

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

2.14. Income taxes

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.15. Off-balance sheet commitments and contingent liabilities

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

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

2.16. Share-based payments

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

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

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

2.17. Unconsolidated statement of cash flows

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

2.18. Comparative figures

Certain amounts in the 2004 unconsolidated financial statements have been reclassified to conform with the current year presentation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

(a) Impairment of Loans and Advances

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

(b) Valuation of Instruments without Direct Quotations

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

(c) Provisions

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

	2005	2004
Cash on hand:		
In HUF	47,122	53,122
In foreign currency	<u>2,661</u>	<u>2,743</u>
	<u>49,783</u>	<u>55,865</u>
Due from banks and balances with NBH:		
Within one year:		
In HUF	327,299	341,940
In foreign currency	<u>2,167</u>	<u>1,596</u>
	<u>329,466</u>	<u>343,536</u>
Total	<u>379,249</u>	<u>399,401</u>

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 118,205 million and HUF 105,716 million as at December 31, 2005 and 2004, respectively.

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

	2005	2004
Within one year:		
In HUF	90,309	127,437
In foreign currency	<u>192,258</u>	<u>61,339</u>
	<u>282,567</u>	<u>188,776</u>
Over one year:		
In HUF	3,300	300
In foreign currency	<u>107,792</u>	<u>11,025</u>
	<u>111,092</u>	<u>11,325</u>
Total	<u>393,659</u>	<u>200,101</u>
Allowance for placement losses	<u>-</u>	<u>(1)</u>
	<u>393,659</u>	<u>200,100</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Placements with other banks in foreign currency as at December 31, 2005 and 2004 bear interest rates in the range from 0.05% to 12% and from 0.4% to 7%, respectively.

Placements with other banks in HUF as at December 31, 2005 and 2004 bear interest rates in the range from 5% to 7.6% and from 9% to 12.5%, respectively.

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

	2005	2004
Balance as at January 1	1	182
Release of provision for placement losses	<u>(1)</u>	<u>(181)</u>
Balance as at December 31	<u>=</u>	<u>=<u>1</u></u>

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

	2005	Restated 2004
Securities held for trading		
Hungarian Government discounted Treasury bills	160	5,055
Hungarian Government interest bearing Treasury bills	1,485	2,756
Government bonds	19,743	8,538
Mortgage bonds	2,356	2,238
Other securities	<u>199</u>	<u>171</u>
	<u>23,943</u>	<u>18,758</u>
Derivative financial instruments designated as held for trading	<u>10,111</u>	<u>3,301</u>
Total	<u>34,054</u>	<u>22,059</u>

Approximately 99.3% and 98.1% of the held for trading securities portfolio was denominated in HUF as at December 31, 2005 and 2004, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Approximately 0.9% and 4.2% of the government bonds were denominated in foreign currency as at December 31, 2005 and 2004, respectively. This portfolio was denominated in USD as at December 31, 2005. Approximately 90% and 10% of this portfolio was denominated in USD and EUR as at December 31, 2004.

Interest rates on securities held for trading ranged from 3% to 12% and from 3% to 13.4% as at December 31, 2005 and 2004, respectively.

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

	2005	Restated 2004
Within five years:		
variable interest	953	768
fixed interest	<u>19,400</u>	<u>11,547</u>
	<u>20,353</u>	<u>12,315</u>
Over five years:		
variable interest	18	141
fixed interest	<u>3,373</u>	<u>6,147</u>
	<u>3,391</u>	<u>6,288</u>
Non interest-bearing securities	<u>199</u>	<u>155</u>
Total	<u>23,943</u>	<u>18,758</u>

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

	2005	Restated 2004
Government bonds	67,567	60,252
Hungarian Government discounted Treasury bills	7,858	-
Mortgage bonds	253,365	235,405
Other securities	<u>42,643</u>	<u>28,473</u>
	<u>371,433</u>	<u>324,130</u>

Approximately 91% and 94.9% of the available-for-sale securities portfolio was denominated in HUF as at December 31, 2005 and 2004, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

92.3% and 100% of the government bonds were denominated in HUF as at December 31, 2005 and 2004, respectively. The whole government bond portfolio denominated in foreign currency was denominated in EUR as at December 31, 2005.

Interest rates on available-for-sale securities ranged from 1.6% to 12% and from 2.9% to 12.3% as at December 31, 2005 and 2004, respectively.

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

	2005	Restated 2004
Within five years:		
variable interest	94,121	88,770
fixed interest	<u>94,108</u>	<u>110,913</u>
	<u>188,229</u>	<u>199,683</u>
Over five years:		
variable interest	24,600	21,044
fixed interest	<u>148,649</u>	<u>94,339</u>
	<u>173,249</u>	<u>115,383</u>
Non interest-bearing securities	<u>9,955</u>	<u>9,064</u>
Total	<u>371,433</u>	<u>324,130</u>

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

	2005	2004
Short-term loans and trade bills (within one year)	605,390	491,209
Long-term loans and trade bills (over one year)	<u>892,280</u>	<u>804,842</u>
	<u>1,497,670</u>	<u>1,296,051</u>
Allowance for loan losses	<u>(22,162)</u>	<u>(19,810)</u>
	<u>1,475,508</u>	<u>1,276,241</u>

Loans denominated in foreign currency loans represent approximately 41% and 34% of the loan portfolio, before allowance for losses, as at December 31, 2005 and 2004, respectively.

Loans denominated in HUF, with a maturity within one year as at December 31, 2005 and 2004 bear interest rates in the range from 11.3% to 30% and from 13.8% to 32%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Loans denominated in HUF, with a maturity over one year as at December 31, 2005 and 2004 bear interest rates in the range from 4% to 22.8%.

Foreign currency loans as at December 31, 2005 and 2004 bear interest rates in the range from 1.1% to 16.5% and from 1.9% to 8.4%, respectively.

Approximately 2.3% and 2.5% of the gross loan portfolio represented loans on which interest is not being accrued as at December 31, 2005 and 2004, respectively.

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

	2005		2004	
Commercial loans	902,696	60%	805,804	62%
Municipality loans	131,107	9%	116,175	9%
Housing loans	210,150	14%	169,415	13%
Consumer loans	226,153	15%	180,421	14%
Mortgage backed loans	<u>27,564</u>	<u>2%</u>	<u>24,236</u>	<u>2%</u>
	<u>1,497,670</u>	<u>100%</u>	<u>1,296,051</u>	<u>100%</u>

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

	2005	2004
Balance as at January 1	19,810	18,636
Provision for loan losses	16,436	8,809
Write-offs	<u>(14,084)</u>	<u>(7,635)</u>
Balance as at December 31	<u>22,162</u>	<u>19,810</u>

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

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	2005	2004
Investments in subsidiaries:		
Controlling interest	226,453	158,521
Significant interest	75	75
Other	<u>861</u>	<u>1,119</u>
	<u>227,389</u>	<u>159,715</u>
Allowance for permanent diminution in value	<u>(3,508)</u>	<u>(5,417)</u>
	<u>223,881</u>	<u>154,298</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

	2005		2004	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
OTP Garancia Insurance Ltd.	100.00%	7,472	100.00%	7,472
OTP Real Estate Ltd.	100.00%	1,228	100.00%	1,228
OTP Real Estate Management Ltd.	-	-	100.00%	750
Merkantil Bank Ltd.	100.00%	1,600	100.00%	1,600
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
HIF Ltd. (United Kingdom)	100.00%	1,132	100.00%	1,132
Bank Center No. 1. Ltd.	100.00%	9,364	100.00%	9,364
OTP Factoring Ltd.	100.00%	150	100.00%	150
INGA One Ltd.	100.00%	375	100.00%	407
INGA Two Ltd.	100.00%	5,892	100.00%	5,892
OTP Fund Servicing and Consulting Ltd.	100.00%	1,372	100.00%	1,372
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
OTP Mortgage Bank Company Ltd.	100.00%	20,000	100.00%	20,000
AIR-Invest Ltd.	100.00%	3,674	100.00%	3,524
DSK Bank EAD (Bulgaria)	100.00%	79,162	100.00%	79,162
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,037	97.23%	10,037
OTP Bank Romania S. A. (Romania)*	100.00%	19,746	100.00%	12,273
OTP Banka Hrvatska (Croatia)**	100.00%	59,941	-	-
OTP Card Factory Ltd.	100.00%	450	100.00%	450
OTP Life Annuity Ltd.	100.00%	500	-	-
IOLO OWEN & Co. Limited	99.25%	400	-	-
SCD Lease Ltd.	75%	210	-	-
Other	-	145	-	105
Total		<u>226,453</u>		<u>158,521</u>

*The name of Robank S.A. changed to OTP Bank Romania S. A. in the third quarter of 2005.

**The name of Nova Banka d.d. changed to OTP Banka Hrvatska in the third quarter of 2005.

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

	2005	2004
Balance as at January 1	5,417	5,670
Release of provision for permanent diminution in value	(1,909)	(253)
Balance as at December 31	<u>3,508</u>	<u>5,417</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

	2005	2004
Government securities	201,380	210,891
Hungarian Government discounted Treasury bills	29,962	6,125
Mortgage bonds	289,755	289,787
Other debt securities	<u>700</u>	<u>700</u>
	<u>521,797</u>	<u>507,503</u>

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

	2005	2004
Within five years:		
variable interest	50,037	66,778
fixed interest	<u>345,850</u>	<u>283,114</u>
	<u>395,887</u>	<u>349,892</u>
Over five years:		
variable interest	37,294	40,642
fixed interest	<u>88,616</u>	<u>116,969</u>
	<u>125,910</u>	<u>157,611</u>
Total	<u>521,797</u>	<u>507,503</u>

Approximately 99.6% of the debt securities portfolio was denominated in HUF as at December 31, 2005 and 2004, respectively. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 5.5% to 10% and from 6.3% to 10% as at December 31, 2005 and 2004, 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 533,791 million and HUF 508,581 million as at December 31, 2005 and 2004, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

For the year ended December 31, 2005:

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

For the year ended December 31, 2004:

<u>Cost</u>	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2004	30,666	49,366	62,452	4,386	146,870
Net additions	10,285	4,198	15,494	5,741	35,718
Net disposals	<u>(2,450)</u>	<u>(786)</u>	<u>(21,372)</u>	-	<u>(24,608)</u>
Balance as at December 31, 2004	<u>38,501</u>	<u>52,778</u>	<u>56,574</u>	<u>10,127</u>	<u>157,980</u>

Depreciation and Amortization

Balance as at January 1, 2004	14,830	6,369	39,271	-	60,470
Net additions	4,888	1,263	7,352	-	13,503
Net disposals	<u>(1,184)</u>	<u>(131)</u>	<u>(11,216)</u>	-	<u>(12,531)</u>
Balance as at December 31, 2004	<u>18,534</u>	<u>7,501</u>	<u>35,407</u>	-	<u>61,442</u>

Net book value

Balance as at January 1, 2004	15,836	42,997	23,181	4,386	86,400
Balance as at December 31, 2004	<u>19,967</u>	<u>45,277</u>	<u>21,167</u>	<u>10,127</u>	<u>96,538</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 11: OTHER ASSETS (in HUF mn)

	2005	Restated 2004
Receivables due to collection of Hungarian Government securities	-	33
Property held for sale	4	205
Due from Government for interest subsidies	3,736	5,619
Trade receivables	4,194	2,621
Advances for securities and investments	509	495
Taxes recoverable	37	2
Inventories	481	784
Other advances	2,289	638
Credits sold under deferred payment scheme	280	176
Receivables from OTP Mortgage Bank Company Ltd.	25,778	13,216
Receivables from investing services	1,231	203
Prepayments and accrued income	5,342	5,749
Fair value of derivative financial instruments designated as hedge accounting relationships	35	812
Other	<u>3,433</u>	<u>3,371</u>
	<u>47,349</u>	<u>33,924</u>
 Allowance for losses on other assets	 <u>(902)</u>	 <u>(899)</u>
	<u>46,447</u>	<u>33,025</u>

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

	2005	2004
Balance as at January 1	899	2,213
Provision/(credit) for possible losses	46	(1,314)
Write-offs	<u>(43)</u>	<u>-</u>
Balance as at December 31	<u>902</u>	<u>899</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

	2005	2004
Within one year:		
In HUF	11,138	22,334
In foreign currency	<u>86,198</u>	<u>86,356</u>
	<u>97,336</u>	<u>108,690</u>
Over one year:		
In HUF	20,350	8,491
In foreign currency	<u>137,525</u>	<u>86,596</u>
	<u>157,875</u>	<u>95,087</u>
Total	<u>255,211</u>	<u>203,777</u>

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at December 31, 2005 and 2004, bear interest rates in the range from 4.9% to 5.3% and from 8.9% to 12%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at December 31, 2005 and 2004, bear interest rates in the range from 3.1% to 4.5% and from 3% to 9.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at December 31, 2005 and 2004, bear interest rates in the range from 0.5% to 4.55% and from 0.5% to 4.9%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at December 31, 2005 and 2004, bear interest rates in the range from 0.7% to 6.1% and from 0.5% to 5%, respectively.

NOTE 13: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2005	2004
Within one year:		
In HUF	2,190,095	2,050,048
In foreign currency	<u>298,767</u>	<u>269,900</u>
	<u>2,488,862</u>	<u>2,319,948</u>
Over one year:		
In HUF	<u>17,595</u>	<u>20,976</u>
	<u>17,595</u>	<u>20,976</u>
Total	<u>2,506,457</u>	<u>2,340,924</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Deposits from customers payable in HUF within one year as at December 31, 2005 and 2004, bear interest rates in the range from 0.2% to 6% and from 0.5% to 9.9%, respectively.

Deposits from customers payable in HUF over one year as at December 31, 2005 and 2004, bear interest rates in the range from 1% to 4.5% and from 4.3% to 6.5%, respectively.

Deposits from customers payable in foreign currency as at December 31, 2005 and 2004, bear interest rates in the range from 0.1% to 4.8% and from 0.1% to 5%, respectively.

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

	2005		2004	
Commercial deposits	474,052	19%	431,921	19%
Municipality deposits	161,993	6%	170,431	7%
Consumer deposits	<u>1,870,412</u>	<u>75%</u>	<u>1,738,572</u>	<u>74%</u>
	<u>2,506,457</u>	<u>100%</u>	<u>2,340,924</u>	<u>100%</u>

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

	2005	2004
With original maturity:		
Within one year	355	1,997
Over one year	<u>201,912</u>	<u>-</u>
	<u>202,267</u>	<u>1,997</u>

Liabilities from issued securities denominated in HUF bear interest rates in the range from 0.3% to 1% and from 2% to 7.5% as at December 31, 2005 and 2004, respectively.

Liabilities from issued securities denominated in foreign currency bear interest rates in the range from 0.3% to 2.6% as at December 31, 2005 and 2004, 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%.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 15: OTHER LIABILITIES (in HUF mn)

	2005	Restated 2004
Taxes payable	6,221	4,992
Deferred tax liabilities	2,793	1,761
Giro clearing accounts	18,361	7,603
Accounts payable	8,268	10,799
Salaries and social security payable	8,092	8,038
Liabilities from security trading	9,307	17,040
Allowances for losses on off-balance sheet commitments, contingent liabilities	7,882	9,866
Margin account balance	-	87
Dividends payable	581	617
Accrued expenses	6,444	10,242
Suspense accounts	1,998	846
Loans for collection	1,860	2,005
Advancement of Government grants for housing purposes	5,427	-
Fair value of derivative financial instruments designated as hedge accounting relationships	722	400
Fair value of derivative financial instruments designated as held for trading	8,757	1,178
Liabilities from trading activities (repurchase agreement)	5,785	12,523
Other	<u>10,383</u>	<u>6,990</u>
	<u>102,881</u>	<u>94,987</u>

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

	2005	2004
Allowance for litigation	1,453	1,414
Allowance for other off-balance sheet commitments, contingent liabilities	6,429	7,588
Other allowances for expected liabilities	<u>-</u>	<u>864</u>
	<u>7,882</u>	<u>9,866</u>

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

	2005	2004
Balance as at January 1	9,866	9,041
(Credit)/allowance for off-balance sheet commitments and contingent liabilities, net	(1,984)	901
Release of allowance for housing warranties	<u>-</u>	<u>(76)</u>
Balance as at December 31	<u>7,882</u>	<u>9,866</u>

NOTE 16: SUBORDINATED BONDS AND LOANS

In 1993, the Bank issued HUF 5 billion in bonds, which are subordinated to the other liabilities of the Bank and subscribed by the Hungarian Ministry of Finance. Interest on subordinated bonds and the frequency of payment of interests are based on condition of interest of 2013/C credit consolidated government bonds, which is a variable-rate bond, the interest payable and the rate of interest are fixed twice a year. The semi-annual interest payable was 4.36% as at December 20, 2002, 3.25% as at June 20, 2003, 4.8% as at December 20, 2003, 4.88% as at June 20, 2004, 6.05% as at December 20, 2004, 5.46% as at June 20, 2005, and 3.08% as at December 20, 2005. 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 17: SHARE CAPITAL (in HUF mn)

	2005	2004
<u>Authorized, issued and fully paid:</u>		
Common shares	<u>28,000</u>	<u>28,000</u>
	<u>28,000</u>	<u>28,000</u>

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).

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

	2005	2004
Balance as at January 1	374,860	262,504
Net income after income taxes	132,848	113,477
Fair value adjustment of available-for-sale securities recognised through equity	4,626	11,371
Share-based compensation	7,497	2,348
Profit on sale of Treasury Shares	7,426	1,960
Dividend	<u>(41,206)</u>	<u>(16,800)</u>
Balance as at December 31	<u>486,051</u>	<u>374,860</u>

The Bank's reserves under Hungarian Accounting Standards were HUF 310,215 million and HUF 243,848 million as at December 31, 2005 and 2004, respectively. Of these amounts, legal reserves represent HUF 107,619 million and HUF 66,395 million as at December 31, 2005 and 2004, respectively. The legal reserves are not available for distribution.

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

Dividends 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.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 19: TREASURY SHARES (in HUF mn)

	2005	2004
Nominal Value	<u>1,005</u>	<u>1,010</u>
Carrying Value at aquisition cost	<u>40,752</u>	<u>13,808</u>

NOTE 20: OTHER EXPENSES (in HUF mn)

	2005	Restated 2004
Release of provision for permanent diminution in value of investments in subsidiaries	(1,909)	(253)
Provision/(release of provision) for other assets	46	(1,314)
(Release of provision)/provision for possible losses on off-balance sheet commitments, contingent liabilities	(1,984)	901
Administration expenses, including rent	20,265	19,002
Advertising	4,028	3,810
Taxes, other than income tax	23,068	11,493
Services	15,811	16,099
Professional fees	2,686	2,278
Other	<u>1,290</u>	<u>6,990</u>
	<u>63,301</u>	<u>59,006</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 21: INCOME TAXES (in HUF mn)

The Bank is presently liable for income tax at a rate of 16% of taxable income.

A reconciliation of the income tax is as follows:

	2005	Restated 2004
Current tax	22,804	18,728
Deferred tax	<u>150</u>	<u>154</u>
	<u>22,954</u>	<u>18,882</u>

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

	2005	Restated 2004
Balance as at January 1	(1,761)	559
Deferred tax charge	(150)	(154)
Tax effect of fair value adjustment of available-for-sale securities recognised through equity	<u>(882)</u>	<u>(2,166)</u>
Balance as at December 31	<u>(2,793)</u>	<u>(1,761)</u>

A reconciliation of the income tax charge is as follows:

	2005	Restated 2004
Net income before income taxes	155,802	132,359
Income tax with statutory tax rate (16%)	24,928	21,177

Income tax adjustments are as follows:

Reversal of statutory general provision	(651)	(722)
Reversal of statutory goodwill and negative goodwill	(1,318)	(1,226)
Revaluation of investments denominated in foreign currency to historical cost	305	(346)
Profit on sale of Treasury Shares	1,188	314
Fair value of share-based compensations (IFRS 2)	1,200	376
Dividend income	(2,230)	(1,360)
Other	<u>(468)</u>	<u>669</u>
Income tax	<u>22,954</u>	<u>18,882</u>
Effective tax rate	14,7%	14,3%

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

	2005	Restated 2004
Premium and discount amortization on investment securities	68	115
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	5	5
Difference in accounting for finance leases	158	60
Fair value adjustment of derivative financial instruments	90	
Repurchase agreement	<u>-</u>	<u>4</u>
Deferred tax asset	<u>321</u>	<u>184</u>
Fair value adjustment of held for trading and available-for-sale financial assets	(2,629)	(1,611)
Fair value adjustment of derivative financial instruments	-	(37)
Repurchase agreement	(4)	-
Difference in depreciation and amortization	<u>(481)</u>	<u>(297)</u>
Deferred tax liabilities	<u>(3,114)</u>	<u>(1,945)</u>
Net deferred tax liabilities	<u>(2,793)</u>	<u>(1,761)</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 22: FINANCIAL INSTRUMENTS

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

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

Credit risk

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

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

Market risk

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

Liquidity risk

See Note 29.

Foreign currency risk

See Note 30.

Interest rate risk

See Note 31.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

(a) *Contingent liabilities and commitments*

	2005	2004
Commitments to extend credit	566,647	446,702
Guarantees arising from banking activities	132,369	92,780
Confirmed letters of credit	10,540	2,480
Legal disputes	3,410	2,127
Contingent liabilities related to OTP Mortgage Bank Company Ltd.	49,452	38,783
Other	<u>164</u>	<u>102</u>
	<u>762,582</u>	<u>582,974</u>

Commitments to extend credit, from guarantees and letters of credit

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

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes were HUF 1,453 million and HUF 1,414 million as at December 31, 2005 and 2004, respectively.

Contingent liabilities related to OTP Mortgage Bank Company Ltd.

Under a syndication agreement with its fully owned subsidiary, OTP Mortgage Bank Company Ltd., the Bank guarantees, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Company Ltd. that become non-performing. OTP Mortgage Bank Company Ltd. utilises credit risk monitoring and credit policies for the granting of loans similar to those used by the Bank.

Provision due to recourse agreements were HUF 4,945 million and HUF 3,878 million as at December 31, 2005 and 2004, respectively.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
 NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

	2005	2004
Foreign currency contracts designated as held for trading		
Assets	39,329	32,604
Liabilities	<u>40,570</u>	<u>35,320</u>
Net	<u>(1,241)</u>	<u>(2,716)</u>
Net fair value	<u>(856)</u>	<u>(911)</u>
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	612,543	207,207
Liabilities	<u>601,539</u>	<u>196,856</u>
Net	<u>11,004</u>	<u>10,351</u>
Net fair value	<u>2,210</u>	<u>3,035</u>
Interest rate swaps designated in hedge accounting relationships		
Assets	12,031	27,873
Liabilities	<u>14,023</u>	<u>21,672</u>
Net	<u>(1,992)</u>	<u>6,201</u>
Net fair value	<u>(687)</u>	<u>411</u>
Option contracts		
Assets	-	2,205
Liabilities	<u>-</u>	<u>-</u>
Net	<u>-</u>	<u>2,205</u>
Net fair value	<u>-</u>	<u>-</u>
Other options		
Assets	-	6,834
Liabilities	<u>-</u>	<u>-</u>
Net	<u>-</u>	<u>6,834</u>
Net fair value	<u>-</u>	<u>-</u>

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

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

As at December 31, 2005, the Bank has derivative instruments with positive fair values of HUF 10,146 million and negative fair values of HUF 9,479 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, 2004 are HUF 4,113 million and HUF 1,578 million.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

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

Forward rate agreements

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

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

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

NOTE 24: SHARE-BASED COMPENSATION

The 2000 Annual General Meeting approved a five year share option and bonus program for the years 2000 to 2004 granting options and bonus shares on an annual basis. For the options for the years 2003 and 2004, the grant date is December 31, 2002.

The exercise price of the share options related to the years 2003 and 2004 is equal to half of the average market price of the month before the Annual General Meeting.

The 2005 Annual General Meeting approved a five year share option program for the years 2005 to 2009 under which options are granted annually. Such options are subject to IFRS 2 and have a grant date of April 29, 2005. The maximum number of shares which are available is 2.92 million in a year.

The exercise prices of the options for each year for the years 2005 to 2009 is equal to the average market price of OTP shares in the two month period ending on the last day of the month of the Annual General Meeting.

The exercise period of the share options granted for the years of 2003 and 2004 is one year and for the five year share option program for the years 2005 to 2009 is two years. The exercise period of the option program for the years 2005 to 2009 must be opened after the actual year but not later than August 31. If the options remain unexercised before the end of the exercise period, such options expire. Additionally, options are forfeited if the employee leaves the Bank before the options vest.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 24: SHARE-BASED COMPENSATION [continued]

	For the year ended December 31, 2004		For the year ended December 31, 2005	
	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	3,599,930	2,548	3,575,930	2,552
Granted during the period	-	-	4,251,500	5,446
Forfeited during the period	-	-	30,000	3,107
Exercised during the period	24,000	1,980	4,451,230	2,661
Outstanding at the end of the period	3,575,930	2,552	3,346,200	6,079
Exercisable at the end of the period	1,761,930	1,980	446,200	3,107

The weighted average share price at the date of exercise for share options of the year of 2003 and 2004 exercised during the year ended December 31, 2005 was HUF 6,116 and 7,333, respectively. The options outstanding at December 31, 2005 had a weighted average exercise price of HUF 6,079 with a weighted average remaining contractual life of 18 months.

The inputs into the Binominal model are as follows:

	2003	2004	2005
Weighted average share price (HUF)	2,210	2,210	6,060
Weighted average exercise price (HUF)	1,211	1,264	6,536
Expected volatility (%)	25	30	35
Expected life (average year)	2.42	3.42	3.34
Risk free rate (%)	7.30	7.17	7.46
Expected dividends (%)	1.24	1.24	2.41

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 7,497 million and HUF 2,348 million has been recognised as an expense for the years ended December 31, 2005 and 2004, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 25: RELATED PARTY TRANSACTIONS

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

During the year ended December 31, 2005 and 2004 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 7,776 million and HUF 4,132 million, respectively. The gross book value of such credits was HUF 21,063 million and HUF 11,224 million, respectively, with a corresponding allowance for loan losses of HUF 5,196 million and HUF 2,345 million, respectively. The underlying mortgage rights were also transferred to OTP Factoring. Losses related to such transactions are recorded in the unconsolidated financial statements, among for loans and placement losses, which were HUF 8,091 million and HUF 4,747 million, respectively.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 1,349 million and HUF 1,085 million for the years ended December 31, 2005 and 2004, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 2,039 million and HUF 1,209 million for the years ended December 31, 2005 and 2004, respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 557 million and HUF 337 million, in relation to trading activity were HUF 4,996 million and HUF 2,505 million for the years ended December 31, 2005 and 2004, respectively.

Commissions paid by the Bank to OTP Real Estate in relation to its activity were HUF 2,968 million and HUF 2,913 million for the years ended December 31, 2005 and 2004, respectively.

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 146,323 million and 213,954 million during the years ended December 31, 2005 and 2004 (including interest). The book value of these receivables were HUF 146,118 million and HUF 213,517 million.

During the year ended December 31, 2005 the Bank received HUF 51,697 million in fees and commissions from OTP Mortgage Bank Company Ltd. For the year ended December 31, 2004 such fees and commissions were HUF 37,386 million. Such fees and commissions are related to services provided to OTP Mortgage Bank Company Ltd. under the syndication agreement.

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

The members of the Board of Directors and the Supervisory Board have credit lines of HUF 188 million and HUF 184 million as at December 31, 2005 and 2004, respectively. Such credit is made available at normal market conditions.

In the normal course of business, the Bank gives loans and provides services to other related parties at normal market conditions. The amount of these loans was HUF 283 million and HUF 294 million, with commitments to extend credit and guarantees of HUF 112 million and HUF 126 million as at December 31, 2005 and 2004, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 25: RELATED PARTY TRANSACTIONS [continued]

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

Compensations	2005	2004
Short-term employee benefits	4,956	6,376
Share-based compensations	<u>4,517</u>	<u>1,113</u>
	<u>9,473</u>	<u>7,489</u>

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

	2005	2004
Cash, due from banks and balances with the NBH	379,249	399,401
Compulsory reserve established by the NBH	<u>(118,205)</u>	<u>(105,716)</u>
	<u>261,044</u>	<u>293,685</u>

NOTE 27: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 46,825 million and HUF 47,301 million as at December 31, 2005 and 2004, respectively.

NOTE 28: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 18% and 21% of the Bank's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at December 31, 2005 and 2004, respectively. Approximately 15% and 17% of the Bank's total assets consisted of securities issued by the OTP Mortgage Bank Company Ltd. as at December 31, 2005 and 2004, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at December 31, 2005 and 2004, respectively.

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

Restated As at December 31, 2004	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	399,401	-	-	-	399,401
Placements with other banks, net of allowance for placement losses	171,652	17,123	11,013	312	200,100
Financial assets at fair value through statement of operations	5,828	8,518	1,278	6,435	22,059
Securities available-for-sale	-	5,866	193,817	124,447	324,130
Loans, net of allowance for loan losses	207,259	274,298	568,366	226,318	1,276,241
Accrued interest receivable	41,176	4	-	-	41,180
Investments in subsidiaries	-	-	-	154,298	154,298
Securities held-to-maturity	1,334	61,614	286,944	157,611	507,503
Premises, equipment and intangible assets, net	-	-	42,941	53,597	96,538
Other assets	31,465	1,560	-	-	33,025
TOTAL ASSETS	<u>858,115</u>	<u>368,983</u>	<u>1,104,359</u>	<u>723,018</u>	<u>3,054,475</u>
Due to banks and deposits from the National Bank of Hungary and other banks	54,443	54,247	77,762	17,325	203,777
Deposits from customers	2,177,994	141,954	20,976	-	2,340,924
Liabilities from issued securities	196	1,801	-	-	1,997
Accrued interest payable	7,714	1,700	-	-	9,414
Other liabilities	84,546	10,441	-	-	94,987
Subordinated bonds and loans	-	-	9,324	5,000	14,324
TOTAL LIABILITIES	<u>2,324,893</u>	<u>210,143</u>	<u>108,062</u>	<u>22,325</u>	<u>2,665,423</u>
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	374,860	374,860
Treasury shares	(327)	(2,600)	(1,300)	(9,581)	(13,808)
TOTAL SHAREHOLDERS' EQUITY	<u>(327)</u>	<u>(2,600)</u>	<u>(1,300)</u>	<u>393,279</u>	<u>389,052</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,324,566</u>	<u>207,543</u>	<u>106,762</u>	<u>415,604</u>	<u>3,054,475</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(1,466,451)</u>	<u>161,440</u>	<u>997,597</u>	<u>307,414</u>	<u>-</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

As at December 31, 2005

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

As at December 31, 2004

	USD	EUR	Others	Total
Assets	79,851	342,490	175,954	598,295
Liabilities	(77,445)	(288,127)	(88,355)	(453,927)
Off-balance sheet assets and liabilities, net	<u>(14,283)</u>	<u>(49,401)</u>	<u>(32,659)</u>	<u>(96,343)</u>
Net position	<u>(11,877)</u>	<u>4,962</u>	<u>54,940</u>	<u>48,025</u>

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

NOTE 31: INTEREST RATE RISK MANAGEMENT

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

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

As at December 31, 2005

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

As at December 31, 2004 restated

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total	
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency
Cash due from banks and balances with the National Bank of Hungary	342,214	-	-	-	-	-	-	-	-	-	52,848	4,339	395,062	4,339
<i>fixed interest</i>	342,214	-	-	-	-	-	-	-	-	-	-	-	342,214	-
<i>variable interest</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	52,848	4,339	52,848	4,339
Placements with other banks	122,774	43,995	800	17,838	200	10,035	-	-	-	-	3,962	496	127,736	72,364
<i>fixed interest</i>	119,704	39,635	500	5,066	200	4,802	-	-	-	-	-	-	120,404	49,503
<i>variable interest</i>	3,070	4,360	300	12,772	-	5,233	-	-	-	-	-	-	3,370	22,365
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	3,962	496	3,962	496
Securities held for trading	937	1,747	2,159	3,864	447	1,676	73	73	6,512	1,188	155	-	10,283	8,475
<i>fixed interest</i>	937	-	1,321	202	373	-	73	73	6,512	1,188	-	-	9,216	1,390
<i>variable interest</i>	-	1,747	838	3,662	74	1,676	-	-	-	-	-	-	912	7,085
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	155	-	155	-
Securities available-for-sale	43,862	1,859	13,538	5,409	51,012	1,028	16,288	16,288	182,071	-	8,835	229	315,605	8,525
<i>fixed interest</i>	-	-	-	-	13,981	-	16,288	16,288	182,071	-	-	-	212,340	-
<i>variable interest</i>	43,862	1,859	13,538	5,409	37,030	1,028	-	-	-	-	8,835	229	94,430	8,296
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	-	-	8,835	229
Loans	434,790	30,831	386,288	392,852	11,403	16,163	512	1,691	1,711	-	-	-	834,704	441,537
<i>fixed interest</i>	5,215	-	14,043	174	1,126	890	511	984	1,711	-	-	-	22,606	2,048
<i>variable interest</i>	429,575	30,831	372,245	392,678	10,277	15,273	1	707	-	-	-	-	812,098	439,489
Securities held-to-maturity	23,196	-	74,601	-	52,462	-	26,167	1,801	329,276	-	-	-	505,702	1,801
<i>fixed interest</i>	499	-	-	-	42,340	-	26,167	1,801	329,276	-	-	-	398,282	1,801
<i>variable interest</i>	22,697	-	74,601	-	10,122	-	-	-	-	-	-	-	107,420	-
Fair value of derivative financial instruments	74,029	26,963	70,431	17,475	53,073	19,693	24,000	3,935	29,261	6,099	-	-	250,794	74,165
<i>fixed interest</i>	53,729	26,963	255	17,475	14,312	18,709	24,000	3,935	29,261	6,099	-	-	121,557	73,181
<i>variable interest</i>	20,300	-	70,176	-	38,761	984	-	-	-	-	-	-	129,237	984

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

As at December 31, 2004

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	20,399	126,534	3,339	42,741	6,607	3,501	-	-	-	-	480	176	30,825	172,952	203,777
<i>fixed interest</i>	18,414	28,055	-	4,970	-	1,753	-	-	-	-	-	-	18,414	34,778	53,192
<i>variable interest</i>	1,985	98,479	3,339	37,771	6,607	1,748	-	-	-	-	-	-	11,931	137,998	149,929
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	480	176	480	176	656
Deposits from customers	1,724,869	217,930	342,659	24,562	3,496	27,408	-	-	-	-	-	-	2,071,024	269,900	2,340,924
<i>fixed interest</i>	528,076	150,293	342,659	24,562	3,496	27,408	-	-	-	-	-	-	874,231	202,263	1,076,494
<i>variable interest</i>	1,196,793	67,637	-	-	-	-	-	-	-	-	-	-	1,196,793	67,637	1,264,430
Liabilities from issued securities	105	-	-	-	1,800	-	-	-	-	-	92	-	1,997	-	1,997
<i>fixed interest</i>	-	-	-	-	1,800	-	-	-	-	-	-	-	1,800	-	1,800
<i>variable interest</i>	105	-	-	-	-	-	-	-	-	-	-	-	105	-	105
<i>non-interest-bearing</i>	-	-	-	-	-	-	-	-	-	-	92	-	92	-	92
Fair value of derivative financial instruments in other liabilities	13,087	87,629	29,353	67,794	58,173	18,559	5,000	3,935	31,761	7,133	-	-	137,374	185,050	322,424
<i>fixed interest</i>	1,587	79,662	3,353	17,430	28,412	18,559	5,000	3,935	31,761	7,133	-	-	70,113	126,719	196,832
<i>variable interest</i>	11,500	7,967	26,000	50,364	29,761	-	-	-	-	-	-	-	67,261	58,331	125,592
Subordinated bonds and loans	-	-	-	-	5,000	9,324	-	-	-	-	-	-	5,000	9,324	14,324
<i>variable interest</i>	-	-	-	-	5,000	9,324	-	-	-	-	-	-	5,000	9,324	14,324
NET POSITION	(716,658)	(326,698)	172,466	302,341	93,520	(10,197)	62,040	3,492	517,070	154	65,228	4,888	193,666	(26,020)	167,646

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 32: EARNINGS PER SHARE

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

	2005	Restated 2004
Income after income taxes (in HUF mn)	132,848	113,477
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	270,109,683	270,339,171
Basic Earnings per share (in HUF)	<u>492</u>	<u>420</u>
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	272,234,330	271,479,651
Diluted Earnings per share (in HUF)	<u>488</u>	<u>418</u>

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

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

	Retained Earnings and Reserves January 1, 2005	Net income for the year ended December 31, 2005	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at December 31, 2005
Hungarian financial statements	296,978	138,346	(55,160)	(598)	379,566
<i>Adjustments to Hungarian financial statements:</i>					
Reversal of statutory general provision	21,570	4,066	-	-	25,636
Premium and discount amortization on investment securities	(709)	291	-	-	(418)
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Differences in carrying value of subsidiaries	799	-	-	-	799
Difference in accounting for finance leases	(336)	(613)	-	-	(949)
Fair value adjustment of held for trading and available-for-sale financial assets	9,636	847	-	5,508	15,991
Fair value adjustment of derivative financial instruments	451	(796)	-	-	(345)
Gain on sale of Treasury Shares	-	(7,426)	-	7,426	-
Reversal of statutory goodwill and negative goodwill	8,348	8,237	-	-	16,585
Revaluation of investments denominated in foreign currency to historical cost	39	(1,907)	-	-	(1,868)
Difference in accounting of repo transactions	(21)	48	-	-	27
Reclassification of direct charges	-	(598)	-	598	-
Share-based compensation	-	(7,497)	-	7,497	-
Deferred taxation	(1,761)	(150)	-	(882)	(2,793)
Dividend for the year 2004	41,206	-	(41,206)	-	-
Dividend payable for the year 2005 proposed at the Annual General Meeting	-	-	55,160	-	55,160
International financial statements	<u>374,860</u>	<u>132,848</u>	<u>(41,206)</u>	<u>19,549</u>	<u>486,051</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 34: POST BALANCE SHEET EVENTS

Based on the authorization of the Annual General Meeting of the year 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.