OTP BANK PLC.

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

FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2008

CONTENTS

OTP BANK PLC.
UNCONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008 [unaudited]
(in HUF mn)

	Note	30 June 2008	31 December 2007	30 June 2007
Cash, due from banks and balances with the National Bank of Hungary	*3*	205,298	229,644	206,220
Placements with other banks, net of allowance for placement losses	*4*	850,195	725,458	764,306
Financial assets at fair value through statement of operations	*5*	195,792	123,371	71,355
Securities available-for-sale	*6*	300,594	320,615	367,244
Loans, net of allowance for loan losses	*7*	2,294,330	2,188,632	1,843,789
Accrued interest receivable		44,347	46,421	44,964
Investments in subsidiaries	*8*	650,516	630,703	601,693
Securities held-to-maturity	*9*	515,928	558,510	637,201
Premises, equipments and intangible assets, net	*10*	110,615	110,273	100,430
Other assets	*11*	57,334	177,047	47,340
TOTAL ASSETS		**5,224,949**	**5,110,674**	**4,684,542**
Due to banks and deposits from the National Bank of Hungary and other banks	*12*	467,906	590,748	521,908
Deposits from customers	*13*	3,022,529	2,955,035	2,587,332
Liabilities from issued securities	*14*	484,996	394,196	381,308
Accrued interest payable		36,094	18,411	36,490
Other liabilities	*15*	169,020	138,111	149,094
Subordinated bonds and loans	*16*	279,628	298,914	290,697
TOTAL LIABILITIES		**4,460,173**	**4,395,415**	**3,966,829**
Share capital	*17*	28,000	28,000	28,000
Retained earnings and reserves	*18*	821,849	741,467	689,713
Treasury shares	*19*	(85,073)	(54,208)	-
TOTAL SHAREHOLDERS' EQUITY		**764,776**	**715,259**	**717,713**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,224,949**	**5,110,674**	**4,684,542**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008 [unaudited]
(in HUF mn)

	Note	Six month period ended 30 June 2008	Six month period ended 30 June 2007	Year ended 31 December 2007
Interest Income:				
Loans		110,340	96,821	199,770
Placements with other banks		123,902	45,130	104,968
Due from banks and balances with the National Bank of Hungary		6,671	5,947	11,754
Securities held for trading		2,367	1,689	2,808
Securities available-for sale		9,750	12,249	24,952
Securities held-to-maturity		23,207	26,941	51,298
Total Interest Income		*276,237*	*188,777*	*395,550*
Interest Expense:				
Due to banks and deposits from the National Bank of Hungary and other banks		52,240	31,735	65,939
Deposits from customers		67,238	53,467	110,504
Liabilities from issued securities		10,609	6,731	16,151
Subordinated bonds and loans		8,354	7,707	16,086
Total Interest Expense		*138,441*	*99,640*	*208,680*
NET INTEREST INCOME		**137,796**	**89,137**	**186,870**
Provision for loan and placement losses	*4, 7*	7,871	5,000	21,453
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**129,925**	**84,137**	**165,417**
Non-Interest Income:				
Fees and commissions		76,114	75,495	153,449
Foreign exchange gains/(losses), net		(30,216)	7,015	633
Gains on securities, net		(561)	(975)	2,232
(Losses)/gains on real estate transactions, net		(2)	(6)	(54)
Dividend income		15,964	18,578	18,920
Other		1,307	997	4,717
Total Non-Interest Income		*62,606*	*101,104*	*179,897*
Non-Interest Expenses:				
Fees and commissions		11,746	10,515	20,611
Personnel expenses		36,723	35,026	71,018
Depreciation and amortization		11,285	9,995	20,035
Other	*20*	35,203	35,518	71,868
Total Non-Interest Expenses		*94,957*	*91,054*	*183,532*
INCOME BEFORE INCOME TAXES		**97,574**	**94,187**	**161,782**
Income taxes	*21*	9,287	11,898	20,101
NET INCOME		**88,287**	**82,289**	**141,681**
Earnings per share (in HUF)				
Basic	*32*	326	294	508
Diluted	*32*	325	293	507

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008 [unaudited]
(in HUF mn)

	Note	Six month period ended 30 June 2008	Six month period ended 30 June 2007	Year ended 31 December 2007
OPERATING ACTIVITIES				
Income before income taxes		97,574	94,187	161,782
Income tax paid		(6,100)	(12,006)	(24,101)
Depreciation and amortization		11,285	9,995	20,035
Provision for loan and placement losses		7,871	5,000	21,453
Provision for permanent diminution in value of investments in subsidiaries	*8*	409	231	56
Allowance for losses of other assets	*11*	41	51	351
(Release of allowance)/allowance for losses on off-balance sheet commitments and contingent liabilities, net	*15*	(3,221)	2,310	512
Share-based compensation	*2, 24,33*	2,856	2,562	5,123
Unrealised losses on fair value adjustment of securities held for trading		1,164	61	688
Unrealised (losses)/gains on fair value adjustment of derivative financial instruments		(45,040)	1,757	(1,620)
Net increase in financial assets through statements of operations		(16,408)	(4,927)	(24,698)
Net decrease/(increase) in accrued interest receivables		2,074	(566)	(2,023)
Net increase in other assets, excluding advances for investments and before provisions for losses		(10,016)	(21,539)	(45,697)
Net increase in accrued interest payable		17,683	20,315	2,236
Net increase in other liabilities		17,687	15,024	8,070
Net cash provided by operating activities		**77,859**	**112,455**	**122,167**
INVESTING ACTIVITIES				
Net decrease/(increase) in placements with other banks, before provision for placement losses		4,232	(106,367)	(199,711)
Net decrease/(increase) in securities available-for-sale		10,312	(13,674)	25,422
Net increase in investments in subsidiaries, before provision for permanent diminution in value		(20,222)	(18,626)	(47,461)
Net decrease/(increase) in securities held-to-maturity		43,000	(133,090)	(54,399)
Net decrease/(increase) in advances for investments included in other assets		33	13	(2)
Net increase in loans, before provision for loan losses		(113,568)	(97,111)	(458,407)
Net additions to premises, equipment and intangible assets		(11,701)	(9,704)	(29,088)
Net cash used in investing activities		**(87,914)**	**(378,559)**	**(763,646)**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008
(in HUF mn) [unaudited] [continued]

	Note	Six month period ended 30 June 2008	Six month period ended 30 June 2007	Year ended 31 December 2007
FINANCING ACTIVITIES				
Net (decrease)/increase in due to banks and deposits from the National Bank of Hungary and other banks		(122,842)	(35,949)	32,891
Net increase/(decrease) in deposits from customers		67,494	(102,766)	264,937
Net increase in liabilities from issued securities		94,248	179,258	192,146
(Decrease)/increase in subordinated bonds and loans		(19,286)	42,832	51,049
Issuance of equity instrument (ICES)		(2,478)	(538)	(2,715)
Effect of treasury share transaction		(12)	-	-
Net change in treasury shares		(31,369)	65	(56,359)
Net increase/(decrease) in the compulsory reserve established by the National Bank of Hungary		(11,480)	19	(21,459)
Dividends paid		(46)	(39,903)	(40,151)
Net cash (used in)/provided by financing activities		**(25,771)**	**43,018**	**420,339**
Net decrease in cash and cash equivalents		**(35,826)**	**(223,086)**	**(221,140)**
Cash and cash equivalents at the beginning of the year		73,441	294,581	294,581
Cash and cash equivalents at the end of the year		37,615	71,495	73,441

Analysis of cash and cash equivalents

	Note	Six month period ended 30 June 2008	Six month period ended 30 June 2007	Year ended 31 December 2007
Cash, due from banks and balances with the National Bank of Hungary		229,644	429,325	429,325
Compulsory reserve established by the National Bank of Hungary		(156,203)	(134,744)	(134,744)
Cash and cash equivalents at the beginning of the year		**73,441**	**294,581**	**294,581**
Cash, due from banks and balances with the National Bank of Hungary	*3,26*	205,298	206,220	229,644
Compulsory reserve established by the National Bank of Hungary	*3,26*	(167,683)	(134,725)	(156,203)
Cash and cash equivalents at the end of the year		**37,615**	**71,495**	**73,441**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008 [unaudited]
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at 1 January 2007	**28,000**	**644,000**	**(1,746)**	**670,254**
Net income	-	82,289	-	82,289
Fair value adjustment of securities available-for-sale recognised directly through equity, net	-	3,401	-	3,401
Share-based compensation	-	2,562	-	2,562
Profit on ICES - exchangeable bond transaction recognised through equity	-	(538)	-	(538)
Dividend for the year 2006	-	(40,320)	-	(40,320)
Loss on sale of treasury shares	-	(1,681)	-	(1,681)
Sale of treasury shares	-	-	1,746	1,746
Balance as at 30 June 2007	**28,000**	**689,713**	**-**	**717,713**
Balance as at 1 January 2008	**28,000**	**741,467**	**(54,208)**	**715,259**
Net income	-	88,287	-	88,287
Fair value adjustment of securities available-for-sale recognised directly through equity, net	-	(7,767)	-	(7,767)
Share-based compensation	-	2,856	-	2,856
Profit on ICES - exchangeable bond transaction recognised through equity	-	(2,478)	-	(2,478)
Effect of Treasury share transaction	-	(12)	-	(12)
Loss on sale of treasury shares	-	(504)	-	(504)
Purchase of treasury shares	-	-	(30,865)	(30,865)
Balance as at 30 June 2008	**28,000**	**821,849**	**(85,073)**	**764,776**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

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

The Bank provides a full range of commercial banking services through a nationwide network of 385 branches in Hungary.

As at 30 June 2008 the number of employees at the Bank was 8,424. The average number of employees in the six month period ended 30 June 2008 was 8,312.

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 functional currency of the Bank is the Hungarian Forint ("HUF").

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position according to the International Financial Reporting Standards. Certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts (see Note 34), 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") except for the matters discussed in 2.3. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. As the Bank does not apply portfolio hedge accounting under IAS 39, there is no impact on these unconsolidated financial statements, had it been approved by the EU at the balance sheet date.

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

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

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

Two Interpretations issued by the IASB are effective for the current period. These are:
- IFRIC 12 *Service Concession Arrangements;*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

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

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

At the balance sheet date of these financial statements, other than the Standards and Interpretations adopted by the Bank, the following Interpretations were in issue but not yet effective:
- IAS 1 (Revised) *Prsentation of Financial Statements* (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23 (Revised) *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009);
- IAS 32 (Revised) *Financial Instruments: Presentation* (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 2 (Revised) *Share-based payment* (effective for accounting periods beginning on or after 1 January 2009)
- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 13 *Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 16 Hedges of Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008)

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 the 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 at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. 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 at 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 to the Unconsolidated Statement of Operations.

2.3. Consolidated financial statements

These financial statements present the unconsolidated financial position and results of operations of the Bank. Consolidated financial statements are currently being prepared by the Bank and consolidated net income and shareholders' equity differs 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. The consolidated financial statements and the unconsolitated financial statements will be published on the same date.

2.4. Securities held-to-maturity

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. At subsequent reporting dates, securities that the 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 for on a settlement date basis and are initially measured at fair value. Held for trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on held for trading securities are recognised in profit/loss and included in the 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 and shares in investment funds.

2.5.2. Derivative financial instruments

In the normal course of business, the Bank is a party to contract 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 Operations 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 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 Unconsolidated Statement of Operation for the period. The ineffective element of the hedge is charged directly to the Unconsolidated Statement of Operations.

Certain derivative transactions, while providing effective economic hedges under risk management positions of the Bank, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Securities available-for-sale

Investments in securities are accounted for on a settlement date basis and are initially measured at fair value. Available-for-sale investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses on available-for-sale financial instruments are recognised directly in equity, unless such available-for-sale security is part of an effective fair value hedge. Such gains and losses will be reported when realised in profit and loss for the applicable period. Such securities consist of 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 values 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 any unquoted equity instruments are measured at cost.

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

2.7. 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 and accruals are stopped.

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 estimated future losses.

2.8. Investments in subsidiaries

Investments in subsidiaries 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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, equipments and intangible assets

Premises, equipments and intangible assets are stated at cost, less accumulated depreciation and amortization and impairment, if any. The depreciable amount (book value less residual value) of the non-current assets must be allocated over 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, equipments and intangible assets commences on the day such assets are placed into service.

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

2.11. Leases

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Treasury shares

Treasury shares are shares which 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 based on the IAS 18.

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 between the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted at the date of the Unconsolidated Balance Sheet.

2.15. Off-balance sheet commitments and contingent liabilities

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

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

2.16. 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 7 November 2002 that were unvested as at 1 January 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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 2007 unconsolidated financial statements have been reclassified to conform with the current year presentation.

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

The presentation of financial statements in conformity with IFRS requires the management of the Bank to make judgement about estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant areas of subjective judgement include.

(a) Impairment of Loans and Advances

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

(b) Valuation of Instruments without Direct Quotations

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

(c) Provisions

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

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

	30 June 2008	31 December 2007
Cash on hand:		
In HUF	54,406	50,601
In foreign currency	2,580	3,486
	56,986	54,087
Due from banks and balances with NBH:		
Within one year:		
In HUF	137,063	162,268
In foreign currency	11,249	13,289
	148,312	175,557
Total	205,298	229,644

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of the compulsory reserves amounted to approximately HUF 167,683 million and HUF 156,203 million as at 30 June 2008 and as at 31 December 2007 respectively.

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

	30 June 2008	31 December 2007
Within one year:		
In HUF	143,568	35,330
In foreign currency	429,562	289,789
	573,130	325,119
Over one year:		
In HUF	3,000	3,000
In foreign currency	274,066	397,339
	277,066	400,339
Total	850,196	725,458

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

	30 June 2008	31 December 2007
Balance as at 1 January	-	-
Allowance for placement losses	1	-
Closing balance	1	-

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

Placements with other banks in foreign currency as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range from 0.7% to 9% and from 1% to 11.99% respectively.

Placements with other banks in HUF as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range from 7.45% to 9.95% and from 6.7% to 8.94% respectively.

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

	30 June 2008	31 December 2007
Securities held for trading		
Hungarian Government discounted Treasury bills	5,036	2,147
Hungarian Government interest bearing Treasury bills	549	2,406
Government bonds	59,947	47,964
Mortgage bonds	5,145	3,549
Other securities	3,762	4,318
	74,439	60,384
Derivative financial instruments designated as held for trading	121,353	62,987
Total	195,792	123,371

Securities held for trading are measured at fair value in the financial statements of the Bank which approximates book value.

Approximately 97.4% and 100% of the held for trading securities portfolio was denominated in HUF as at 30 June 2008 and as at 31 December 2007 respectively.

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

The 100% of the government bond portfolio was denominated in HUF as at 30 June 2008 and as at 31 December 2007 respectively.

Interest rates on securities held for trading ranged from 3.7% to 11.1% and from 5.5% to 11.1% as at 30 June 2008 and as at 31 December 2007 respectively.

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

	30 June 2008	31 December 2007
Within five years:		
variable interest	366	369
fixed interest	52,897	33,918
	53,263	34,287
Over five years:		
variable interest	-	-
fixed interest	17,794	21,779
	17,794	21,779
Non interest-bearing securities	3,382	4,318
Total	74,439	60,384

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

	30 June 2008	31 December 2007
Government bonds	27,650	41,773
Mortgage bonds	143,169	161,545
Other securities	129,775	117,297
	300,594	320,615

Securities available-for-sale are measured at fair value in the financial statements of the Bank which approximates book value.

Approximately 61.1 and 67.3% of the available-for-sale securities portfolio was denominated in HUF as at 30 June 2008 and as at 31 December 2007 respectively.

The 83.6% and 88% of the government bonds were denominated in HUF as at 30 June 2008 and as at 31 December 2007 respectively. The whole foreign currency denominated government bond portfolio was denominated in EUR as at 30 June 2008 and as at 31 December 2007 respectively.

Interest rates on avaible-for-sale securities ranged from 3.1% to 10% and from 3% to 10% as at 30 June 2008 and as at 31 December 2007 respectively.

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

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

	30 June 2008	31 December 2007
Within five years:		
variable interest	66,393	63,187
fixed interest	139,177	171,723
	205,570	234,910
Over five years:		
variable interest	67,674	56,519
fixed interest	15,458	17,240
	83,132	73,759
Non interest-bearing securities	11,892	11,946
Total	300,594	320,615

Certain fixed-rate mortgage bonds and other securities mainly denominated in foreign currency are hedged by derivative financial instruments to reduce the exposure to interest rate risk or the changes in fair value of these assets. In the case of these transactions the hedging relationships is designated and HUF 772 million and HUF 298 million net loss that had been recognised directly in equity was removed from equity and recognised in the net profit and loss as at 30 June 2008 and as at 31 December 2007 respectively in line with IAS 39.

The fair value of the hedged mortgage bonds was HUF 15,635 million and HUF 16,557 million as at 30 June 2008 and as at 31 December 2007 respectively. The fair value of the other hedged bonds was HUF 28,593 million and HUF 30,491 million as at 30 June 2008 and as at 31 December 2007 and respectively.

NOTE 7: LOANS, NET OF ALLOWANCE FOR LOAN LOSSES (in HUF mn)

	30 June 2008	31 December 2007
Short-term loans and trade bills (within one year)	555,709	563,007
Long-term loans and trade bills (over one year)	1,770,251	1,654,445
	2,325,960	2,217,452
Allowance for loan losses	(31,630)	(28,820)
	2,294,330	2,188,632

Loans denominated in foreign currency represent approximately 61% and 58% of the loan portfolio, before allowance for losses as at 30 June 2008 and as at 31 December 2007 respectively.

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

Loans denominated in HUF, with a maturity within one year bear interest rates in the range from 8.4% to 30% and from 10% to 30% as at 30 June 2008 and as at 31 December 2007 respectively.

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

Foreign currency loans as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range from 2% to 19.3% and from 2% to 18% respectively.

Approximately 2.1% and 2% of the gross loan portfolio represented loans on which interest is not being accrued as at 30 June 2008 and as at 31 December 2007 respectively.

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

	30 June 2008		31 December 2007	
Commercial loans	1,521,337	65%	1,446,354	64%
Municipality loans	188,267	8%	214,428	10%
Housing loans	239,055	10%	211,504	10%
Consumer loans	316,868	14%	280,925	13%
Mortgage backed loans	60,433	3%	64,241	3%
	2,325,960	100%	2,217,452	100%

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

	30 June 2008	31 December 2007
Balance as at 1 January	28,820	31,021
Allowance for loan losses	7,870	21,453
Write-offs	(5,060)	(23,654)
Closing balance	31,630	28,820

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)

	30 June 2008	31 December 2007
Investments in subsidiaries:		
Controlling interest	650,981	630,805
Significant interest	73	75
Other	986	938
	652,040	631,818
Allowance for permanent diminution in value	(1,524)	(1,115)
	650,516	630,703

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

	30 June 2008	31 December 2007
Balance as at 1 January	1,115	1,059
Provision for permanent diminution in value	409	56
Closing balance	1,524	1,115

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.

	30 June 2008		31 December 2007	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
CJSC OTP Bank (Ukraine)	100.00%	182,537	100.00%	182,537
DSK Bank EAD (Bulgaria)	100.00%	86,831	100.00%	86,831
OTP Banka Hrvatska d.d. (Croatia)	100.00%	72,940	100.00%	65,065
OTP banka Srbija a.d. Novi Sad (Serbia)	91.43%	55,997	91.43%	55,997
Investsberbank OAO (Russia)	93.23%	50,340	97.22%	50,078
OTP Bank Romania S.A. (Romania)	100.00%	38,117	100.00%	38,117
Crnogorska komercijalna banka A.D. (Montenegro)	100.00%	32,988	100.00%	29,130
OTP Mortgage Bank Company Ltd.	100.00%	27,000	100.00%	27,000
Invest Oil OOO (Russia)	100.00%	21,224	100.00%	21,224
Megaform Inter OOO (Russia)	100.00%	17,704	100.00%	17,704
AlyansReserv OOO (Russia)	100.00%	11,147	100.00%	11,147
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,038	97.23%	10,038
OTP Garancia Insurance Ltd.	100.00%	7,472	100.00%	7,472
Bank Center No. 1. Ltd.	100.00%	7,330	100.00%	7,330
Donskoy Narodny Bank (Russia)	100.00%	6,687	-	-
INGA Two Ltd.	100.00%	5,892	100.00%	5,892
Air-Invest Ltd.	100.00%	3,854	100.00%	3,854
OTP Fund Servicing and Consulting Ltd.	100.00%	2,469	100.00%	2,392
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
Merkantil Bank Ltd.	100.00%	1,600	100.00%	1,600
OTP Life Annuity Ltd.	100.00%	1,250	100.00%	1,250
OTP Real Estate Ltd.	100.00%	1,228	100.00%	1,228
S.C. OTP Fond de Pensii (Romania)	100.00%	831	-	-
OTP Financing Nethetrlands B.V.	100.00%	481	-	-
OTP Card Factory Ltd.	100.00%	450	100.00%	450
OTP Flat Lease Ltd.	100.00%	410	100.00%	410
OTP Factoring Ltd.	100.00%	150	100.00%	150
Other	-	411	-	306
Total		650,981		630,805

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

	30 June 2008	31 December 2007
Government securities	165,694	172,125
Hungarian Government discounted Treasury bills	347	341
Bonds issued by NBH	81,942	97,085
Mortgage bonds	267,945	288,959
	515,928	558,510

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

	30 June 2008	31 December 2007
Within five years:		
variable interest	23,974	16,765
fixed interest	446,459	485,475
	470,433	502,240
Over five years:		
variable interest	21,784	30,657
fixed interest	23,711	25,613
	45,495	56,270
Total	515,928	558,510

The 100% of the securities portfolio was denominated in HUF as at 30 June 2008 and as at 31 December 2007 respectively. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 5.5% to 10% as at 30 June 2008 and as at 31 December 2007 respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of held-to-maturity investments was HUF 506,833 million and HUF 562,404 million as at 30 June 2008 and as at 31 December 2007 respectively.

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

For the six month period ended 30 June 2008:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at 1 January 2008	80,272	55,301	69,115	6,173	210,861
Net additions	9,032	1,446	2,979	658	14,115
Net disposals	(1,907)	(143)	(1,639)	-	(3,689)
Balance as at 30 June 2008	87,397	56,604	70,455	6,831	221,287
Depreciation and Amortization					
Balance as at 1 January 2008	44,006	9,411	47,171	-	100,588
Net additions	7,132	677	3,476	-	11,285
Net disposals	(2)	(45)	(1,154)	-	(1,201)
Balance as at 30 June 2008	51,136	10,043	49,493	-	110,672
Net book value					
Balance as at 1 January 2008	36,266	45,890	21,944	6,173	110,273
Balance as at 30 June 2008	36,261	46,561	20,962	6,831	110,615

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

For the year ended 31 December 2007:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at 1 January 2007	64,186	49,624	67,653	5,998	187,461
Net additions	16,108	7,107	7,390	175	30,780
Net disposals	(22)	(1,430)	(5,928)	-	(7,380)
Balance as at 31 December 2007	80,272	55,301	69,115	6,173	210,861
Depreciation and Amortization					
Balance as at 1 January 2007	33,342	8,443	44,955	-	86,740
Net additions	10,669	1,288	8,078	-	20,035
Net disposals	(5)	(320)	(5,862)	-	(6,187)
Balance as at 31 December 2007	44,006	9,411	47,171	-	100,588
Net book value					
Balance as at 1 January 2007	30,844	41,181	22,698	5,998	100,721
Balance as at 31 December 2007	36,266	45,890	21,944	6,173	110,273

NOTE 11: OTHER ASSETS (in HUF mn)

	30 June 2008	31 December 2007
Property held for sale	13	14
Due from Government for interest subsidies	3,284	2,860
Trade receivables	5,261	5,649
Advances for securities and investments	477	510
Taxes recoverable	12,831	7,279
Inventories	528	473
Other advances	886	1,767
Credits sold under deferred payment scheme	108	119
Receivables from OTP Mortgage Bank Company Ltd.*	12,074	144,927
Receivables from investing services	4,506	1,425
Prepayments and accrued income	12,556	6,441
Fair value of derivative financial instruments designated as hedge accounting relationships	2,802	2,309
Other	3,423	4,649
	58,749	178,422
Allowance for losses on other assets	(1,415)	(1,375)
	57,334	177,047

* The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd.

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

	30 June 2008	31 December 2007
Balance as at 1 January	1,375	1,046
Provision for losses	41	351
Write-offs	(1)	(22)
Closing balance	1,415	1,375

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

	30 June 2008	31 December 2007
Within one year:		
In HUF	114,091	124,641
In foreign currency	134,730	173,276
	248,821	297,917
Over one year:		
In HUF	74,704	70,065
In foreign currency	144,381	222,766
	219,085	292,831
Total	467,906	590,748

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range from 7.25% to 8.5% and from 6.5% to 7.52% respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range from 3% to 6.48% and from 3% to 6.28%respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range from 2% to 6% and from 1% to 10.5% respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range form 2.79% to 6.15% and from 2.69% to 6.15% respectively.

NOTE 13: DEPOSITS FROM CUSTOMERS (in HUF mn)

	30 June 2008	31 December 2007
Within one year:		
In HUF	2,327,762	2,462,047
In foreign currency	684,502	483,208
	3,012,264	2,945,255
Over one year:		
In HUF	10,265	9,780
	10,265	9,780
Total	3,022,529	2,955,035

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

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

Deposits from customers payable in HUF over one year as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range from 0.2% to 8% and from 1.3% to 7% respectively.

Deposits from customers payable in foreign currency as at 30 June 2008 and as at 31 December 2007 bear interest rates in the range from 0.1% to 6.4% and from 0.1% to 6% respectively.

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

	30 June 2008		31 December 2007	
Commercial deposits	1,025,969	34%	906,160	31%
Municipality deposits	163,883	5%	204,545	7%
Consumer deposits	1,832,677	61%	1,844,330	62%
	3,022,529	100%	2,955,035	100%

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

	30 June 2008	31 December 2007
With original maturity:		
Within one year	3,320	245
Over one year	481,676	393,951
	484,996	394,196

Liabilities from issued securities denominated in HUF bear interest rates in the range from 0.3 to 10% and from 0.3% to 9% as at 30 June 2008 and as at 31 December 2007 respectively.

Liabilities from issued securities denominated in foreign currency bear interest rates in the range from 4.5% to 5.8% and from 4.8% to 5% as at 30 June 2008 and as at 31 December 2007 respectively.

The Bank issued variable-rate bonds with the face value of EUR 500 million at 1 July 2005 due at 1 July 2010 at 99.9%. Interest on these bonds is three month EURIBOR + 0.16% that is payable quarterly.

The Bank issued variable-rate bonds with the face value of EUR 300 million at 20 December 2005, due at 20 December 2010 at 99,81%. Interest on these bonds is three month EURIBOR + 0.15% that is payable quarterly.

On 26 February 2007 the Bank issued EUR 750 million floating rate note due 27 February 2009 at 99,87% under the EMTN program (European Medium Term Note Program). Interest on these bonds is three month EURIBOR + 0.125% that is payable quarterly.

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

OTP Bank Plc. issued bonds in nominal value of EUR 500 million at 99.812 per cent of the face value with value on 16 May 2008. The bonds are fixed-rate senior bonds with 3 years maturity. The re-offer spread is 140 bps over 3 year mid-swap, the bond bears a coupon of 5.75 per cent fixed rate, with annual interest payments.

NOTE 15: OTHER LIABILITIES (in HUF mn)

	30 June 2008	31 December 2007
Taxes payable	3,527	4,269
Deferred tax liabilities	241	2,969
Giro clearing accounts	44,394	19,017
Accounts payable	2,145	10,902
Salaries and social security payable	10,805	8,372
Liabilities from security trading	2,763	20,697
Allowances for losses on off-balance sheet commitments, contingent liabilities	11,000	14,221
Dividends payable	743	792
Accrued expenses	15,850	11,245
Advancement of Government grants for housing purposes	1,632	3,666
Loans for collection	1,482	1,523
Fair value of derivative financial instruments designated as hedge accounting relationships	3,687	612
Fair value of derivative financial instruments designated as held for trading	35,640	22,543
Liabilities from trading activities (repurchase agreement)	20,197	87
Other	14,914	17,196
	169,020	138,111

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

	30 June 2008	31 December 2007
Allowance for litigation	2,888	2,845
Allowance for other off-balance sheet commitments, contingent liabilities	7,837	6,524
Other allowance (for expected liabilities)	275	4,852
	11,000	14,221

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.

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

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

	30 June 2008	31 December 2007
Balance as at 1 January	14,221	13,709
Release of allowance for off-balance sheet commitments and contingent liabilities, net	(3,221)	512
Closing balance	11,000	14,221

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 20 December 2002, 3.25% as at 20 June 2003, 4.8% as at 20 December 2003, 4.88% as at 20 June 2004, 6.05% as at 20 December 2004, 5.46% as at 20 June 2005, and 3.08% as at 20 December 2005, 3.1% as at 20 June 2006 and 3.79% as at 31 December 2006, 4.02% as at 20 June 2007, 3.76% as at 20 December 2007 and 4.15% as at 20 June 2008. 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 27 December 2006. The maturity date was modified to 27 August 2008 on 22 August 2003. The loan is unsecured, subordinate to the other liabilities and has a twelve-year maturity, with interest payable at six-month LIBOR + 1.4% from 27 December 1996 until 29 December 1997, at six-month LIBOR + 1.0% from 29 December 1997 until 28 June 1999, at six-month LIBOR + 1.7% from 28 June 1999 until 27 December 2003 and at six-month LIBOR + 1.35% from 28 December 2003 until 27 August 2008.

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

On 31 October 2006 the Bank issued perpetual subordinated (UT2) bonds to finance acquisitions. The 500 EUR million nominal value bonds were issued at 99.375 % of the face value with 7 November 2006 as payment date. The re-offer spread is 200 basis points over the 10 year mid-swap. The bonds are perpetual and callable after year 10. The bonds bear a fixed coupon of 5.875%, with annual interest payments in the first 10 years, and a floater (variable) coupon of 3 months EURIBOR + 300 basis points per annum, quaterly thereafter. The bonds were introduced to the Luxembourg Stock Exchange.
On 30 August 2006 the Bank updated EMTN Program and increased the Program amount from EUR 1 billion to EUR 3 billion.

NOTE 16: SUBORDINATED BONDS AND LOANS [continued]

Under the EMTN Program on 12 September 2006 the Bank issued fixed rate subordinated bonds in a total nominal value of EUR 300 million to finance acquisitions. The EUR 300 million nominal value bonds were issued at 100% of the face value with 19 September 2006 as payment date, and 19 September 2016 as maturity date. The bonds bear a coupon of 5.27%, with annual interest payments.
On 26 February 2007 the Bank also issued EUR 200 million subordinated notes due 19 September 2016 under the same program.

NOTE 17: SHARE CAPITAL (in HUF mn)

	30 June 2008	31 December 2007
Authorized, issued and fully paid:		
Common shares	28,000	28,000
	28,000	28,000

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

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

The reserves of the Bank under Hungarian Accounting Standards were HUF 649,241 million and HUF 537,211 million as at 30 June 2008 and as at 31 December 2007 and respectively. Of these amounts, legal reserves represent HUF 188,958 million and HUF 152,569 million as at 31 December 2007 and 2006 respectively. The legal reserves are not available for distribution.

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

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

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

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

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

NOTE 19: TREASURY SHARES (in HUF mn)

	30 June 2008	31 December 2007
Nominal Value	602	610
Carrying Value at aquisition cost	85,073	54,208

NOTE 20: OTHER EXPENSES (in HUF mn)

	30 June 2008	31 December 2007
Provision for permanent diminution in value of investments in subsidiaries	409	56
Provision for other assets	41	351
(Release of provision)/Provision for losses on off-balance sheet commitments and contingent liabilities	(3,221)	512
Administration expenses, including rent	13,208	23,996
Advertising	2,727	5,129
Taxes, other than income tax	7,426	16,903
Services	9,113	17,803
Professional fees	1,076	2,762
Other	4,424	4,356
	35,203	71,868

NOTE 21: INCOME TAXES (in HUF mn)

The Bank is presently liable for income tax at a rate of 16% of taxable income. From 1 September 2006 an additional 4% special tax was introduced.
In the calculation of deferred tax the 20% tax rate was taken into account.

A breakdown of the income tax expense is:

	30 June 2008	31 December 2007
Current tax	9,095	22,169
Deferred tax	192	(2,068)
	9,287	20,101

A reconciliation of the deferred tax liability is as follows:

	30 June 2008	31 December 2007
Balance as at 1 January	(2,969)	(5,831)
Deferred tax charge	(192)	2,068
Tax effect of fair value adjustment of available-for-sale securities recognised through equity	2,920	794
Closing balance	(241)	(2,969)

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

A breakdown of the deferred tax liability is as follows:

	30 June 2008	31 December 2007
Difference in accounting for finance leases	772	510
Fair value adjustment of held for trading and available-for-sale securities	1,062	-
Repurchase agreement	1,964	1,818
Fair value adjustment of derivative financial instruments	-	378
Deferred tax asset	3,798	2,706
Fair value adjustment of held for trading and available-for-sale financial assets	-	(1,021)
Premium and discount amortization on investment securities	(454)	(339)
Fair value adjustment of derivative financial instruments	(237)	-
Valuation of equity instrument (ICES)	(1,782)	(2,760)
Difference in depreciation and amortization	(1,566)	(1,555)
Deferred tax liabilities	(4,039)	(5,675)
Net deferred tax liabilities	(241)	(2,969)

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

A reconciliation of the income tax charge is as follows:

	30 June 2008	**31 December 2007**
Income before income taxes	97,574	161,782
Income tax with statutory tax rate (16%)	15,612	25,885
Special tax (4%)	3,371	5,763
Income tax adjustments are as follows:		
Reversal of statutory general provision	581	(1,819)
Reversal of statutory goodwill and negative goodwill	(895)	(1,762)
Revaluation of investments denominated in foreign currency to historical cost	(3,342)	(2,514)
Profit on sale of treasury shares	(101)	(779)
Fair value of share-based compensations	571	1,025
Permanent differences related to issued equity instruments	287	(389)
Treasury shares transaction according to IFRS	(2,429)	-
Dividend income	(2,554)	(3,027)
Other	(1,814)	(2,282)
Income tax	9,287	20,101
Effective tax rate	9.5%	12.4%

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 borrower including banks and brokers is further restricted by sublimits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

Market risk

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

Liquidity risk

See Note 29.

Foreign currency risk

See Note 30.

Interest rate risk

See Note 31.

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

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

(a) Contingent liabilities and commitments

	30 June 2008	31 December 2007
Commitments to extend credit	727,871	749,015
Guarantees arising from banking activities	252,309	255,406
Confirmed letters of credit	222	5,892
Legal disputes	6,221	5,708
Contingent liabilities related to OTP Mortgage Bank Ltd.	52,726	38,702
Other	628	5,178
	1,039,977	1,059,901

Commitments to extend credit, from guarantees and letters of credit

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

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

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

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

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

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes were HUF 2,888 million and HUF 2,845 million as at 30 June 2008 and as at 31 December 2007 respectively. (See Note 15)

Contingent liabilities related to OTP Mortgage Bank Ltd.

Under a syndication agreement with its fully owned subsidiary, OTP Mortgage Bank Ltd., the Bank guarantees, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. OTP Mortgage Bank 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 5,272 million and HUF 3,870 million as at 30 June 2008 and as at 31 December 2007 respectively.

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

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

	30 June 2008	31 December 2007
Foreign currency contracts designated as held for trading		
Assets	185,839	97,699
Liabilities	190,978	99,161
Net	(5,139)	(1,462)
Net fair value	(4,816)	(649)
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	2,458,584	2,063,109
Liabilities	2,241,199	1,980,414
Net	217,385	82,695
Net fair value	63,542	15,413
Interest rate swaps designated in hedge accounting relationships		
Assets	13,883	20,041
Liabilities	11,819	17,320
Net	2,064	2,721
Net fair value	(1,040)	1,478
Option contracts		
Assets	140,173	123,467
Liabilities	140,279	123,520
Net	(106)	(53)
Net fair value	27,114	25,900
Forward security agreements designated as held for trading		
Assets	128	175
Liabilities	128	175
Net	-	-
Net fair value	11	(1)
FRA		
Assets	44	-
Liabilities	-	-
Net	44	-
Net fair value	17	-

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 30 June 2008 the Bank has derivative instruments with positive fair values of HUF 124,155 million and negative fair values of HUF 39,327 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at 31 December 2007 are HUF 65,296 million and HUF 23,155 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 are often used to express the volume of these transactions but are not actually exchanged between the counter-parties. The Bank’s interest rate swaps were used for management of interest rate exposures and have been accounted for at mark-to-market fair value.

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

Forward rate agreements

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

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

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

NOTE 24: SHARE-BASED COMPENSATION

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

The 2006 Annual General Meeting approved a five year share option program for the years of 2006 to 2010 under which options are granted annually. The grant date of these options is 28 April 2006 and the date of the Annual General Meeting of 2007 (27 April 2007) for the amount increased under the modified program.

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

The exercise prices of the options relating to the years of 2006 to 2010 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the period between 30 April and 30 May in the actual year and decreased by HUF 1,000. In that case if the average price of the shares exceeds by more than HUF 3,000 the exercise price one day before the date of exercise the exercise price would be increased by the amount above the HUF 3,000.

The 2007 Annual General Meeting approved a few changes in the program:
The exercise prices of the options relating to the years of 2006 to 2010 is calculated as the average of the market price of OTP shares quoted by the BSE daily during the three month period ended 31 March in the actual year and decreased by HUF 2,000. In that case if the average price of the shares exceeds by more than HUF 4,000 the exercise price one day before the date of exercise the exercise price would be increased by the amount above the HUF 4,000.

NOTE 24: SHARE-BASED COMPENSATION [continued]

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

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

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

The inputs into the Binominal model are as follows:

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

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

In connection with the share-based compensation programs approved by the Bank and applying IFRS 2, HUF 2,856 million and HUF 5,123 million has been recognised as an expense as at 30 June 2008 and as at 31 December 2007 respectively.

NOTE 25: RELATED PARTY TRANSACTIONS

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

During the six month periods ended 30 June 2008 and 2007 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring Ltd. for HUF 4,829 million and HUF 3,881 million respectively. The gross book value of such credits were HUF 9,348 million and HUF 10,190 million respectively, with a corresponding allowance for loan losses of HUF 3,834 million and HUF 4,783 million respectively. The underlying mortgage rights were also transferred to OTP Factoring Ltd. Losses related to such transactions are recorded in the unconsolidated financial statements, among for loans and placement losses, which were HUF 685 million and HUF 1,526 million as at 30 June 2008 and 2007 respectively.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 1,291 million and HUF 859 million for the six month periods ended 30 June 2008 and 2007 respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 1,174 million and HUF 1,215 million for the six month periods ended 30 June 2008 and 2007 respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 212 million and HUF 225 million, in relation to trading activity were HUF 3,162 million and HUF 2,146 million for the six month periods ended 30 June 2008 and 2007 respectively.

Commissions paid by the Bank to OTP Real Estate in relation to its activity were HUF 344 million and HUF 656 million for the six month periods ended 30 June 2008 and 2007 respectively.

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd. of HUF 27,810 million and 67,486 million during the six month periods ended 30 June 2008 and 2007 (including interest). The book value of these receivables were HUF 27,781 million and HUF 66,919 million respectively.

During the six month period ended 30 June 2008, the Bank received HUF 17,958 million in fees and commissions from OTP Mortgage Bank Ltd. For the six month period ended 30 June 2007 such fees and commissions were HUF 25,719 million. Such fees and commissions are related to services provided to OTP Mortgage Bank 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 Bank provide loans to subsidiaries, and collect deposits.

Loans provided to Merkantil Car Ltd. were HUF 36,223 million and HUF 41,896 million as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to OTP Trade Ltd. were HUF 18,076 million and HUF 29,584 million as at 30 June 2008 and as at 31 December 2007 respectively

Loans provided to OTP Flat Lease Ltd. were HUF 19,423 million and HUF 15,458 million as at 30 June 2008 and as at 31 December 2007 respectively

NOTE 25: RELATED PARTY TRANSACTIONS [continued]

Loans provided to OTP Financing Cyprus Co. Ltd. were HUF 353,571 million and HUF 258,621 million as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to OTP Financing Netherlands B. V. were HUF 115,620 million and HUF 50,670 million as at 30 June 2008 and as at 31 December 2007 respectively.

Deposits from OTP Garancia Insurance Ltd. were HUF 6,687 million and HUF 7,328 million as at 30 June 2008 and as at 31 December 2007 respectively.

Deposits from OTP Building Society Ltd. were HUF 24,275 million and HUF 17,622 million as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to Investsberbank OAO were HUF 103,246 million and HUF 63,675 million as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided DSK Bank EAD were HUF 109,216 million and HUF 139,671 million as at 30 June 2008 and as at 31 December 2007 respectively, deposits from DSK Bank EAD were HUF 2,088 and HUF 58,741 million as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to Crnogorska komercijalna banka a.d.-were HUF 12,918 million and HUF 11,907 as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to OTP Banka Hrvatska Group were HUF 32,406 million and HUF 30,478 as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to OTP banka Srbija were HUF 12,439 million and HUF 22,889 million as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to Merkantil Bank Ltd. were HUF 182,671 million and HUF 175,567 million as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to OTP Bank Romania S.A. were HUF 76,971 million and HUF 98,525 million as at 30 June 2008 and as at 31 December 2007 respectively.

Loans provided to CJSC OTP Bank were HUF 100,339 million and HUF 61,692 million as at 30 June 2008 and as at 31 December 2007 respectively.

The members of the Board of Directors and the Supervisory Board have credit lines of HUF 121 million and HUF 169,3 million as at 30 June 2008 and as at 31 December 2007 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 22,459 million and HUF 3,832 million, with commitments to extend credit and guarantees of HUF 2,915 million and HUF 5,456 million as at 30 June 2008 and as at 31 December 2007 respectively.

NOTE 25: RELATED PARTY TRANSACTIONS [continued]

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

Compensations	30 June 2008	31 December 2007
Short-term employee benefits	2,488	2,700
Redundancy payments	-	1,500
Share-based compensations	1,396	2,459
	3,884	6,659

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

	30 June 2008	31 December 2007
Cash, due from banks and balances with the NBH	205,298	229,644
Compulsory reserve established by the NBH	(167,683)	(156,203)
	37,615	73,441

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 43,939 million and HUF 45,081 million as at June 30 2008 and as at 31 December 2007 respectively.

NOTE 28: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 9% and 10% of the total assets of the Bank consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at 30 June 2008 and as at 31 December 2007 respectively. Approximately 8% and 9% of the Bank's total assets consisted of securities issued by the OTP Mortgage Bank Ltd. As at 30 June 2008 and as at 31 December 2007 respectively. There were no other significant concentrations of the assets or liabilities of the Bank as at 30 June 2008 and as at 31 December 2007 respectively.

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

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

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

As at 30 june 2008	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	205,298	-	-	-	205,298
Placements with other banks, net of allowance for placement losses	381,931	191,199	269,626	7,439	850,195
Financial assets at fair value through statement of operations	13,622	45,854	107,358	28,958	195,792
Securities available-for-sale	1,632	24,704	179,234	95,024	300,594
Loans, net of allowance for loan losses	97,443	447,184	979,752	769,951	2,294,330
Accrued interest receivable	44,060	235	46	6	44,347
Investments in subsidiaries	-	-	-	650,516	650,516
Securities held-to-maturity	165,796	92,122	212,515	45,495	515,928
Premises, equipments and intangible assets, net	-	-	94,524	16,091	110,615
Other assets	36,410	18,256	551	2,117	57,334
TOTAL ASSETS	**946,192**	**819,554**	**1,843,606**	**1,615,597**	**5,224,949**
Due to banks and deposits from the National Bank of Hungary and other banks	160,703	88,118	138,109	80,976	467,906
Deposits from customers	2,737,217	275,047	8,768	1,497	3,022,529
Liabilities from issued securities	3	3,317	481,676	-	484,996
Accrued interest payable	36,094	-	-	-	36,094
Other liabilities	127,628	17,544	18,964	4,884	169,020
Subordinated bonds and loans	-	8,321	-	271,307	279,628
TOTAL LIABILITIES	**3,061,645**	**392,347**	**647,517**	**358,664**	**4,460,173**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	821,849	821,849
Treasury shares	(4,239)	(28,261)	(52,573)	-	(85,073)
TOTAL SHAREHOLDERS' EQUITY	**(4,239)**	**(28,261)**	**(52,573)**	**849,849**	**764,776**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,057,406**	**364,086**	**594,944**	**1,208,513**	**5,224,949**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,111,214)**	**455,468**	**1,248,662**	**407,084**	**-**

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

As at 31 December 2007	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	229,644	-	-	-	229,644
Placements with other banks, net of allowance for placement losses	254,245	70,874	388,037	12,302	725,458
Financial assets at fair value through statement of operations	26,396	22,485	45,624	28,866	123,371
Securities available-for-sale	95	35,149	199,665	85,706	320,615
Loans, net of allowance for loan losses	131,755	414,334	1,012,213	630,330	2,188,632
Accrued interest receivable	46,071	300	48	2	46,421
Investments in subsidiaries	-	-	-	630,703	630,703
Securities held-to-maturity	97,920	142,583	261,737	56,270	558,510
Premises, equipments and intangible assets, net	-	-	92,622	17,651	110,273
Other assets	164,111	10,820	77	2,039	177,047
TOTAL ASSETS	**950,237**	**696,545**	**2,000,023**	**1,463,869**	**5,110,674**
Due to banks and deposits from the National Bank of Hungary and other banks	294,010	3,907	228,722	64,109	590,748
Deposits from customers	2,794,724	150,531	8,948	832	2,955,035
Liabilities from issued securities	245	-	393,951	-	394,196
Accrued interest payable	18,411	-	-	-	18,411
Other liabilities	98,317	22,187	15,614	1,993	138,111
Subordinated bonds and loans	-	9,212	-	289,702	298,914
TOTAL LIABILITIES	**3,205,707**	**185,837**	**647,235**	**356,636**	**4,395,415**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	741,467	741,467
Treasury shares	(3,554)	(14,217)	(36,437)	-	(54,208)
TOTAL SHAREHOLDERS' EQUITY	**(3,554)**	**(14,217)**	**(36,437)**	**769,467**	**715,259**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,202,153**	**171,620**	**610,798**	**1,126,103**	**5,110,674**
LIQUIDITY (DEFICIENCY)/EXCESS	**(2,251,916)**	**524,925**	**1,389,225**	**337,766**	**-**

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

As at 30 June 2008

	USD	EUR	CHF	Others	Total
Assets	656,962	872,748	723,204	630,341	2,883,255
Investments in subsidiaries	-	(32,988)	-	(554,955)	(587,943)
Liabilities	(83,092)	(1,539,049)	(111,627)	(35,377)	(1,769,145)
Off-balance sheet assets and liabilities, net	(613,357)	534,621	(626,886)	(37,250)	(742,872)
Net position	**(39,487)**	**(164,668)**	**(15,309)**	**2,759**	**(216,705)**

As at 31 December 2007

	USD	EUR	CHF	Others	Total
Assets	542,607	982,164	715,792	565,159	2,805,722
Investments in subsidiaries	-	(29,135)	-	(538,821)	(567,956)
Liabilities	(109,108)	(1,309,605)	(135,431)	(30,368)	(1,584,512)
Off-balance sheet assets and liabilities, net	(479,265)	97,133	(574,874)	10,748	(946,258)
Net position	**(45,766)**	**(259,443)**	**5,487**	**6,718**	**(293,004)**

The assets category contains foreign currency-investments in subsidiaries that are measured at cost, and are deducted from the net position calculation.
The table above provides an analysis of the Bank's main currency exposures. The remaining currencies are shown within 'Others'. Whilst the Bank monitors its foreign exchange position for compliance with the regulatory requirements of the National Bank of Hungary and own limit system established in respect of limits on open positions. The measurement of the Bank's open foreign currency position involves monitoring the 'value at risk' limit on the foreign exchange exposure of the Bank.

NOTE 31: INTEREST RATE RISK MANAGEMENT

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

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

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

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

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

As at 30 June 2008

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**137,063**	**11,249**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,406**	**2,580**	**191,469**	**13,829**	**205,298**
fixed interest	137,063	11,249	-	-	-	-	-	-	-	-	-	-	137,063	11,249	**148,312**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	54,406	2,580	54,406	2,580	**56,986**
Placements with other banks	**98,211**	**238,810**	**26,727**	**283,662**	**21,630**	**103,200**	**-**	**-**	**-**	**77,955**	**-**	**-**	**146,568**	**703,628**	**850,196**
fixed interest	97,866	123,812	23,277	18,626	21,630	-	-	-	-	77,955	-	-	142,773	220,393	**363,166**
variable interest	345	114,998	3,450	265,036	-	103,200	-	-	-	-	-	-	3,795	483,235	**487,030**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held for trading	**65**	**-**	**3,066**	**-**	**6,439**	**1**	**15,902**	**-**	**43,626**	**1,958**	**3,382**	**-**	**72,480**	**1,959**	**74,439**
fixed interest	65	-	2,788	-	6,351	1	15,902	-	43,626	1,958	-	-	68,732	1,959	**70,691**
variable interest	-	-	278	-	88	-	-	-	-	-	-	-	366	-	**366**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	3,382	-	3,382	-	**3,382**
Securities available-for-sale	**20,998**	**2,949**	**3,7775**	**85,097**	**18,999**	**5,290**	**17,283**	**4,187**	**111,420**	**18,701**	**11,246**	**647**	**183,723**	**116,871**	**300,594**
fixed interest	-	-	-	-	-	3,044	17,283	4,187	111,420	18,701	-	-	128,703	25,932	**154,635**
variable interest	20,998	2,949	3,777	85,097	18,999	2,246	-	-	-	-	-	-	43,774	90,292	**134,066**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	11,246	647	11,246	647	**11,893**
Loans, net of allowance for loan losses	**636,047**	**701,107**	**237,766**	**672,567**	**3,592**	**37,934**	**287**	**154**	**4,644**	**232**	**-**	**-**	**882,336**	**1,411,994**	**2,294,330**
fixed interest	5,971	-	39	77	185	77	287	154	4,644	232	-	-	11,126	540	**11,666**
variable interest	630,076	701,107	237,727	672,490	3,407	37,857	-	-	-	-	-	-	871,210	1,411,454	**2,282,664**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held-to-maturity	**178,282**	**-**	**22,285**	**-**	**99,741**	**-**	**89,023**	**-**	**126,596**	**-**	**-**	**-**	**515,927**	**-**	**515,927**
fixed interest	149,939	-	14,992	-	89,618	-	89,023	-	126,596	-	-	-	470,168	-	**470,168**
variable interest	28,343	-	7,293	-	10,123	-	-	-	-	-	-	-	45,759	-	**45,759**
Fair value of derivative financial instruments	**294,409**	**616,625**	**489,226**	**207,855**	**87,767**	**59,557**	**1,205**	**76,534**	**549**	**11,563**	**-**	**-**	**873,156**	**972,134**	**1,845,290**
fixed interest	111,194	615,154	31,269	119,336	27,439	57,885	1,205	76,534	549	11,563	-	-	171,656	880,472	**1,052,128**
variable interest	183,215	1,471	457,957	88,519	60,328	1,672	-	-	-	-	-	-	701,500	91,662	**793,162**

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

As at 30 June 2008

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	**185,961**	**154,869**	**2,802**	**118,320**	**26**	**1,216**	**6**	**-**	**-**	**4,706**	**-**	**-**	**188,795**	**279,111**	**467,906**
fixed interest	76,222	46,493	767	-	26	1,216	6	-	-	4,706	-	-	77,021	52,415	**129,436**
variable interest	109,739	108,376	2,035	118,320	-	-	-	-	-	-	-	-	111,774	226,696	**338,470**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from customers	**1,857,801**	**286,991**	**470,664**	**346,917**	**9,561**	**50,566**	**1**	**28**	**-**	**-**	**-**	**-**	**2,338,027**	**684,502**	**3,022,529**
fixed interest	692,639	201,923	465,137	346,917	9,561	50,566	1	28	-	-	-	-	1,167,338	599,434	**1,766,772**
variable interest	1,165,162	85,068	5,527	-	-	-	-	-	-	-	-	-	1,170,689	85,068	**1,255,757**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities from issued securities	**5,450**	**116,462**	**-**	**244,569**	**-**	**-**	**-**	**-**	**-**	**118,515**	**-**	**-**	**5,450**	**479,546**	**484,996**
fixed interest	-	-	-	-	-	-	-	-	-	118,515	-	-	-	118,515	**118,515**
variable interest	5,450	116,462	-	244,569	-	-	-	-	-	-	-	-	5,450	361,031	**366,481**
Fair value of derivative financial instruments in other liabilities	**113,218**	**761,626**	**9,550**	**652,173**	**48,198**	**86,166**	**7,593**	**68,797**	**771**	**11,727**	**-**	**-**	**179,330**	**1,580,489**	**1,759,819**
fixed interest	108,412	594,710	5,084	143,960	44,676	41,207	7,593	68,797	771	11,727	-	-	166,536	860,401	**1,026,937**
variable interest	4,806	166,916	4,466	508,213	3,522	44,959	-	-	-	-	-	-	12,794	720,088	**732,882**
Subordinated bonds and loans	**-**	**-**	**5,000**	**37,598**	**-**	**-**	**-**	**-**	**-**	**237,030**	**-**	**-**	**5,000**	**274,628**	**279,628**
fixed interest	-	-	-	-	-	-	-	-	-	237,030	-	-	-	237,030	**237,030**
variable interest	-	-	5,000	37,598	-	-	-	-	-	-	-	-	5,000	37,598	**42,598**
NET POSITION	**(797,355)**	**250,792**	**294,831**	**(150,396)**	**180,383**	**68,034**	**116,100**	**12,050**	**286,064**	**(261,569)**	**69,071**	**2,547**	**149,094**	**(78,541)**	**70,553**

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

As at 31 December 2007

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**168,212**	**13,289**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44,657**	**3,486**	**212,869**	**16,775**	**229,644**
fixed interest	168,212	13,289	-	-	-	-	-	-	-	-	-	-	168,212	13,289	**181,501**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	44,657	3,486	44,657	3,486	**48,143**
Placements with other banks	**34,780**	**385,154**	**3,000**	**188,622**	**550**	**113,352**	**-**	**-**	**-**	**-**	**-**	**-**	**38,330**	**687,128**	**725,458**
fixed interest	34,780	192,056	-	63	550	32,984	-	-	-	-	-	-	35,330	225,103	**260,433**
variable interest	-	193,098	3,000	188,559	-	80,368	-	-	-	-	-	-	3,000	462,025	**465,025**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held for trading	**401**	**-**	**2,432**	**-**	**6,865**	**-**	**12,245**	**-**	**34,123**	**-**	**4,317**	**1**	**60,383**	**1**	**60,384**
fixed interest	401	-	2,135	-	6,794	-	12,244	-	34,123	-	-	-	55,697	-	**55,697**
variable interest	-	-	297	-	71	-	1	-	-	-	-	-	369	-	**369**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	4,317	1	4,317	1	**4,318**
Securities available-for-sale	**22,727**	**6,540**	**2,119**	**57,838**	**31,452**	**12,342**	**-**	**4,653**	**148,330**	**22,668**	**11,200**	**746**	**215,828**	**104,787**	**320,615**
fixed interest	-	-	-	-	12,458	853	-	4,653	148,330	22,668	-	-	160,788	28,174	**188,962**
variable interest	22,727	6,540	2,119	57,838	18,994	11,489	-	-	-	-	-	-	43,840	75,867	**119,707**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	11,200	746	11,200	746	**11,946**
Loans, net of allowance for loan losses	**718,099**	**609,275**	**186,173**	**638,107**	**1,367**	**31,007**	**278**	**123**	**3,958**	**245**	**-**	**-**	**909,875**	**1,278,757**	**2,188,632**
fixed interest	5,533	-	44	62	184	62	278	123	3,958	245	-	-	9,997	492	**10,489**
variable interest	712,566	609,275	186,129	638,045	1,183	30,945	-	-	-	-	-	-	899,878	1,278,265	**2,178,143**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held-to-maturity	**97,085**	**-**	**37,300**	**-**	**150,174**	**-**	**108,344**	**-**	**165,607**	**-**	**-**	**-**	**558,510**	**-**	**558,510**
fixed interest	97,085	-	-	-	140,051	-	108,344	-	165,607	-	-	-	511,087	-	**511,087**
variable interest	-	-	37,300	-	10,123	-	-	-	-	-	-	-	47,423	-	**47,423**
Fair value of derivative financial instruments	**288,643**	**453,246**	**645,215**	**347,062**	**38,095**	**33,901**	**1,237**	**33,994**	**1,770**	**683**	**-**	**-**	**974,960**	**868,886**	**1,843,846**
fixed interest	195,265	342,150	212,118	182,451	37,545	32,815	1,237	33,994	1,770	683	-	-	447,935	592,093	**1,040,028**
variable interest	93,378	111,096	433,097	164,611	550	1,086	-	-	-	-	-	-	527,025	276,793	**803,818**

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

As at 31 December 2007

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	**86,054**	**223,769**	**26,138**	**167,446**	**82,487**	**1,265**	**26**	**-**	**1**	**3,562**	**-**	**-**	**194,706**	**396,042**	**590,748**
fixed interest	84,188	130,829	24,935	659	153	1,265	26	-	1	3,562	-	-	109,303	136,315	**245,618**
variable interest	1,866	92,940	1,203	166,787	82,334	-	-	-	-	-	-	-	85,403	259,727	**345,130**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits from customers	**2,090,732**	**321,364**	**349,174**	**107,262**	**31,915**	**54,212**	**6**	**370**	**-**	**-**	**-**	**-**	**2,471,827**	**483,208**	**2,955,035**
fixed interest	668,459	243,725	344,667	107,262	31,915	54,212	6	370	-	-	-	-	1,045,047	405,569	**1,450,616**
variable interest	1,422,273	77,639	4,507	-	-	-	-	-	-	-	-	-	1,426,780	77,639	**1,504,419**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities from issued securities	**1,639**	**126,540**	**-**	**266,017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,639**	**392,557**	**394,196**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	1,639	126,540	-	266,017	-	-	-	-	-	-	-	-	1,639	392,557	**394,196**
Fair value of derivative financial instruments in other liabilities	**39,191**	**699,462**	**33,849**	**943,177**	**23,878**	**19,903**	**11,796**	**25,051**	**5,179**	**219**	**-**	**-**	**113,893**	**1,687,812**	**1,801,705**
fixed interest	26,899	509,689	26,017	366,880	23,687	19,903	11,796	25,051	5,179	219	-	-	93,578	921,742	**1,015,320**
variable interest	12,292	189,773	7,832	576,297	191	-	-	-	-	-	-	-	20,315	766,070	**786,385**
Subordinated bonds and loans	**-**	**-**	**5,000**	**31,635**	**-**	**9,202**	**-**	**-**	**-**	**253,077**	**-**	**-**	**5,000**	**293,914**	**298,914**
fixed interest	-	-	-	-	-	-	-	-	-	253,077	-	-	-	253,077	**253,077**
variable interest	-	-	5,000	31,635	-	9,202	-	-	-	-	-	-	5,000	40,837	**45,837**
NET POSITION	**(887,669)**	**96,369**	**462,078**	**(283,908)**	**90,223**	**106,020**	**110,276**	**13,349**	**348,608**	**(233,262)**	**60,174**	**4,233**	**183,690**	**(297,199)**	**(113,509)**

NOTE 32: EARNINGS PER SHARE

Earnings per share attributable to the Bank's common shares are determined based on dividing net income 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.

	30 June 2008	**31 December 2007**
Net income (in HUF mn)	88,287	141,681
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	270,889,031	278,742,688
Basic Earnings per share (in HUF)	326	508
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	271,468,356	279,368,972
Diluted Earnings per share (in HUF)	325	507

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

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

NOTE 33: NET GAIN OR LOSS REALIZED ON FINANCIAL INSTRUMENTS (in HUF mn)

As at 30 June 2008

	Net interest gain and loss	Net non-interest gain and loss	Provision	Equity
Cash, due from banks and balances with the National Bank of Hungary	6,671	-	-	-
Placements with other banks, net of allowance for placement losses	19,446	-	-	-
Securities held for trading	2,366	(3,013)	-	-
Securities available-for-sale	9,750	(762)	-	(9,709)
Loans	106,263	19,498	(7,871)	-
Securities held-to-maturity	23,207	243	-	-
Derivative financial instruments	67,330	(4,599)	-	-
Due to banks and deposits from the National Bank of Hungary and other banks	(13,171)	-	-	-
Deposits from customers	(65,103)	37,894	-	-
Issued securities	(10,609)	-	-	-
Subordinated bonds and loans	(8,354)	-	-	-
	137,796	58,164	(7,871)	(9,709)

As at 31 December 2007

	Net interest gain and loss	**Net non-interest gain and loss**	**Provision**	**Equity**
Cash, due from banks and balances with the National Bank of Hungary	11,754	-	-	-
Placements with other banks, net of allowance for placement losses	41,920	-	-	-
Securities held for trading	2,807	(353)	-	-
Securities available-for-sale	24,952	1,345	-	(2,523)
Loans	194,803	51,326	(21,453)	-
Securities held-to-maturity	51,298	-	-	-
Derivative financial instruments	20,928	(1,853)	-	(484)
Due to banks and deposits from the National Bank of Hungary and other banks	(22,471)	-	-	-
Deposits from customers	(106,884)	73,850	-	-
Issued securities	(16,151)	-	-	-
Subordinated bonds and loans	(16,086)	54	-	-
	186,870	**124,369**	**(21,453)**	**(3,007)**

NOTE 34: SENSITIVITY ANALYSIS

34.1. Market Risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	2008 H1	Average 2007 H1
Foreign exchange	19	28
Interest rate	452	249
Equity instruments	83	-
Diversification	(94)	(20)
Total VaR exposure	**460**	**257**

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

NOTE 34: SENSITIVITY ANALYSIS [continued]

34.2. Foreign currency sensitivity analysis

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

	Effects to the P&L in 3 months period	
Probability	**30/06/2008 In HUF billion**	**30/06/2007 In HUF billion**
1%	(14.4)	(13.9)
5%	(10.0)	(-9.8)
25%	(4.8)	(-4.5)
50%	(1.4)	(-1.1)
25%	1.5	2.1
5%	5.1	6.4
1%	7.3	9.5

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

34.3. Interest rate sensitivity analysis

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

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

NOTE 34: SENSITIVITY ANALYSIS [continued]

34.3. Interest rate sensitivity analysis [continued]

The simulations were prepared by assuming two scenarios:
1. 0.50% - 0.75% decrease in average HUF yields (scenario 1)
2. 1 % - 1.50% decrease in average HUF yields (scenario 2)

The net interest income in a one year period after 30 June 2008 would be decreased by HUF 312 million (scenario 1) and HUF 2039 million (scenario 2) as a result of these simulations.

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

Description	**Effects to the net interest income in one year period**	
	2008 H1 In HUF million	**2007 H1 In HUF million**
HUF (0.1%) parallel shift	(24)	(135)
EUR (0.1%) parallel shift	(38)	(115)
USD 0.1% parallel shift	(75)	(32)
Total	(137)	(282)

34.4. Equity price sensitivity analysis

The following table shows the effect of the equity price sensitivity. The Group uses VaR calculation with 1 day holding period and 99% confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. The daily loss will not exceed the reported VaR number with 99% of probability.
The stress test assumes the largest price movement of the last year and calculates with it as the adverse direction. These scenario shows the loss of the portfolio when all prices change with the maximum amount of the last year.
The Group has no significant equity instruments held in 2007 H1 therefore only the sensitivity of 2008 H1 is reported.

Description	2008 H1
VaR (99%, one day, million HUF)	83
Stress test (million HUF)	(170)

NOTE 35: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF mn)

	Retained Earnings and Reserves 1 January 2007	Net income for the year ended 31 December 2007	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2007
Hungarian financial statements	**645,037**	**59,823**	**(25,480)**	**1,111**	**680,491**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	43,269	(2,907)	-	-	40,362
Premium and discount amortization of financial instruments measured at amortised cost	1,694	578	-	-	2,272
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Differences in carrying value of subsidiaries	799	-	-	-	799
Difference in accounting for finance leases	(2,551)	(1,311)	-	-	(3,862)
Fair value adjustment of held for trading and available-for-sale financial assets	5,104	(706)	-	(9,709)	(5,311)
Fair value adjustment of derivative financial instruments	(1,888)	3,075	-	-	1,187
Profit on sale of Treasury Shares	-	504	-	(504)	-
Reversal of statutory goodwill and negative goodwill	33,632	4,476	-	-	38,108
Revaluation of investments denominated in foreign currency to historical cost	15,967	16,713	-	-	32,680
Difference in accounting of repo transactions	(9,089)	(732)	-	-	(9,821)
Treasury share transaction	-	12,147	-	(12)	12,135
Reclassification of direct charges	-	1,111	-	(1,111)	-
Share-based compensation	-	(2,856)	-	2,856	-
Profit on ICES - exchangeabled bond transaction recognised through equity	13,802	(1,436)	-	(3,456)	8,910
Deferred taxation	(2,969)	(192)	-	2,920	(241)
Dividend payable for 2007	-	-	25,480	-	25,480
International financial statements	**741,467**	**88,287**	**-**	**(7,905)**	**821,849**

NOTE 36: SIGNIFICANT EVENTS DURING THE SIX MONTH PERIOD ENDED 30 JUNE 2008

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

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

Subject to the prior approval of the Hungarian Financial Supervisory Authority, upon signing of the contractual documentation that is subject to the receipt of all necessary regulatory and competition approvals and certain other conditions, Groupama S.A. will undertake to buy 100 % of the shares in OTP Garancia Insurance Ltd. as well as to acquire the minority shares held by the local subsidiaries of OTP Bank Plc. in the Romanian, Slovak and Bulgarian subsidiaries of OTP Garancia Insurance Ltd. The total cost of the transaction and the distributive partnership is HUF 164 billion (approximately EUR 617 million). As a result of the transaction, Groupama S.A. will acquire 100% of both the life and non-life insurance businesses of OTP Bank Plc. in Hungary, Slovakia, Romania and Bulgaria. Furthermore, as part of the transaction and subject to certain conditions, OTP Bank Plc. and Groupama S.A. will enter into co-operation agreements allowing for (in some jurisdictions exclusive) cross-selling of banking and insurance products through the respective parties' branch networks in Hungary, Slovakia, Romania, Bulgaria, Ukraine, Russia, Serbia, Montenegro and Croatia. As part of this strategic co-operation between OTP Bank Plc. and Groupama S.A., subject to certain conditions, Groupama S.A. will undertake to buy up to 8%. of the shares in OTP Bank Plc, in two steps. In order to facilitate the transaction, subject to the agreements to be entered into by the relevant parties and the completion of the transaction, Deutsche Bank AG, London Branch will, upon completion of the transaction, deliver approximately 5% of OTP Bank Plc. shares to Groupama S.A. If the above referred conditions (such as the receipt of regulatory approvals) were not satisfied and therefore the transaction would not be completed, Deutsche Bank AG, London Branch would cash-settle the agreement entered into with OTP Bank Plc.

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

On 13 March 2008 the Bank purchased 9.67% share-interest in ESS Hungary Ltd.

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

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

NOTE 37: POST BALANCE SHEET EVENTS

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

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

OTP Bank Plc. has launched a bond issue program of HUF 300,000 million (three hundred thousand million).
The Committee for Product Development, Marketing and Pricing of OTP Bank Plc. adopted the resolution no. 456/2008 about the bond issue program on 31 July 2008. The Information Memorandum related to the program and this announcement were approved by the Hungarian Financial Supervisory Authority. OTP Bank Plc. is not intend to introduce the bonds on the market.

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

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