OTP Bank Ltd.

2005 Audited Annual Stock Exchange Report

Budapest, April 28, 2006

2005 AUDITED STOCK EXCHANGE REPORT OF OTP BANK LTD.

OTP Bank Ltd. has prepared its Audited Stock Exchange Report for 2005. The report contains International Financial Reporting Standards (IFRS) audited non consolidated and consolidated balance sheet and profit and loss account for the 12 months ending December 31, 2005.

CONSOLIDATED AND NON CONSOLIDATED, AUDITED IFRS REPORTS OF OTP BANK LTD.

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

Effective from January 1, 2005 the Bank adopted the revised IAS 39 ("Financial Instruments: Recognition and Measurement"), the IFRS 2 ("Share-based payment") and IFRS 3 ("Business combinations"). Revisions to a number of other IAS also took effect in the unconsolidated condensed financial statements of the Bank, but those revisions concerned matters of detailed application which have no significant effect on amounts reported.

IAS 39 Financial Instruments: Recognition and Measurement

The revised IAS 39 standard, which is effective after January 1, 2005 will change the category held for trading instruments by introducing a new category „a financial asset at fair value through profit or loss". In this category could be classified the previous held for trading assets and other instruments upon initial recognition it is designated by the entity as at fair value through profit or loss.

Previously changes in fair value of available-for-sale assets could have been recognised in the profit/loss or directly in the equity. Effective from January 1, 2005 unrealised gains and losses on available-for-sale financial instruments must be 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 in the profit and loss for the applicable period.

IFRS 2 Share based payments

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

The Annual General Meeting of the year of 2000 approved a five-year share option and bonus program for the years 2000 to 2004 which are granted on an annual basis. For the options after the year 2003 and 2004, which are under the scope of IFRS 2, the grant date is December 31, 2002.

IFRS 3 Business combinations

The Group started using IFRS 3 Business combinations from March 31, 2004. Its interim regulations in case of acquisitions executed before March 31, 2004 should be adopted in the first business year following March 31, 2005 (in case of the Group that means January 1, 2005). According to that the following steps should be made from January 1, 2005 as opening items:

- Goodwill amortization should be stopped and the accumulated goodwill amortization should be checked out again the amortization value.
- In connection with goodwill a depreciation test should be implemented according to IAS 36 standard (Depreciation of assets)
- The negative goodwill should be checked out against retained earnings and other reserves (shareholders' equity).

According to the regulations OTP Bank executed the goodwill depreciation test in 2005 and as a result, it did not have to make additional provisions.

OTP BANK CONSOLIDATED

IFRS CONSOLIDATED BALANCE SHEET

On December 31, 2005 the consolidated IFRS total assets of the Bank were HUF 5,215.9 billion, representing a HUF 1,053.5 billion or 25.3% growth over the same period a year earlier and consolidated IFRS total assets were 45.2% higher on December 31, 2005 than non-consolidated figure.

The Bank's consolidated shareholders' equity on December 31, 2005 was HUF 547.5 billion, HUF 113.8 billion or 26.2% higher than the consolidated shareholders' equity as of December 31, 2004, and 15.7% higher than the unconsolidated shareholders' equity. Book value per share (BVPS) amounted to HUF 1,955 on December 31, 2005.

Main consolidated balance sheet data of OTP Bank according to IFRS:

HUF mn	31/12/2004	31/12/2005	Y-o-Y
Cash and bank	465,887	483,191	3.7%
Placements with other banks	286,200	439,768	53.7%
Financial assets at fair value through statements of operations	70,580	48,054	-31.9%
Trading securities	295,835	409,945	38.6%
Gross loans	**2,586,110**	**3,297,218**	**27.5%**
Provisions on loans	79,315	105,920	33.5%
Net loans	2,506,795	3,191,298	27.3%
Equity investments	9,389	12,357	31.6%
Securities held-to-maturity	247,259	289,803	17.2%
Intangible assets	174,775	233,245	33.5%
Other assets	105,639	109,241	3.4%
ASSETS	4,162,359	5,215,902	25.3%
Liabilities to credit institutions	254,125	364,124	43.3%
Liabilities to customers	**2,902,190**	**3,428,193**	**18.1%**
Issued securities	317,222	543,460	71.3%
Other liabilities	240,813	285,630	18.6%
Subordinated loans	14,324	47,023	228.3%
LIABILITIES	3,728,674	4,668,430	25.2%
TOTAL SHAREHOLDERS' EQUITY	433,685	547,472	26.2%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,162,359	5,215,902	25.3%
			%-point
Gross loans/deposits	89.1%	96.2%	7.1%

On the asset side, cash, deposits and balances with the NBH increased by 3.7% compared to December 31, 2004. On December 31, 2005 the volume of interbank placements was 53.5% higher. Financial assets at fair value through profit and loss decreased by 31.9% to HUF 48.1 billion. Trading securities declined by 43.5% compared to the end of 2004. Available for sale securities were HUF 114.1 billion higher than a year earlier. Volume of securities held-to-maturity increased by 17.2% to HUF 289.8 billion y-o-y.

Volume of consolidated loans, net of allowance for possible loan losses grew by 27.3% from HUF 2,506.8 billion on December 31, 2004 to HUF 3,191.3 billion as of December 31, 2005. Within consolidated gross business loan volume of HUF 3,297.2 billion, corporate loans grew by 29.8%, retail loans by 27.0% and municipality loans by 15.2%. 23.2% or HUF 786.0 billion of aggregated total loans were granted by the foreign subsidiaries.

IFRS consolidated gross loan volume by business lines:

HUF million	31/12/2004	31/12/2005	Y-o-Y
Corporate loans	920,606	1,195,374	29.8%
Municipality loans	118,115	136,039	15.2%
Retail loans	1,547,390	1,965,805	27.0%
Housing & Mortgage loans	1,015,491	1,222,397	20.4%
Consumer loans	531,899	743,408	39.8%
Total	2,586,111	3,297,218	27.5%

Quality of the loan book under IFRS was good. At the end of December 2005; performing portion represented 87.2% of total, 9.1% was to be monitored and non-performing loans (NPLs) were 3.6% of total, it worsened only by 0.1% compared to December 31, 2004. 18.2% of qualified aggregated loans and 23.5% of NPLs were in the books of foreign subsidiaries.

The consolidated loan loss provisions were HUF 105.9 billion of which HUF 101.4 billion related to qualified portfolio, representing 24.1% coverage over the qualified loans. HUF 89.6 billion provisioning covering HUF 119.1 billion problem loans represented 75.2% coverage ratio.

IFRS consolidated gross loan volume by qualified categories:

HUF million	31/12/2004	31/12/2005	Y-o-Y
Performing loans	2,284,688	2,876,541	25.9%
To-be-monitored loans	210,752	301,581	43.1%
Below average	25,381	27,627	8.8%
Doubtful	19,493	27,802	42.6%
Bad	45,797	63,668	39.0%
Total receivables	2,586,111	3,297,218	27.5%
QUALIFYING			
Total qualified	301,423	420,677	39.6%
NPL	90,671	119,097	31.4%
qualified rate	11.7%	12.8%	1.1%
NPL rate	3.5%	3.6%	0.1%
COVERAGE			
Provision on NPL	0	89,613	0.0%
Coverage on NPL	0	75.2%	0.0%
Provision on qualified	79,315	101,354	27.8%
Coverage on qualified	26.3%	24.1%	-2.2%
Net loans	2,506,795	3,191,298	27.3%

On the liability side, customer liabilities were HUF 3,428.2 billion, 18.1% higher than a year earlier. Within customer deposits corporate deposits represent 19.3%, retail deposits 74.8% and municipal deposits 5.9%. Foreign subsidiaries collected 24.6% of aggregated deposits as at December 31, 2005 up from 17.2% a year earlier.

Consolidated deposits by business lines:

HUF million	31/12/2004	31/12/2005	Y-o-Y
Corporate deposits	549,830	662,215	20.4%
Municipality deposits	196,515	203,110	3.4%
Retail deposits	2,155,845	2,562,868	18.9%
Total	2,902,190	3,428,193	18.1%

Volume of issued securities was 71.3% higher than a year earlier and reached HUF 543.6 billion. The increase was mainly due to the issuance of EUR 800 million nominal value foreign currency denominated bonds by OTP Bank in the third and fourth quarter of 2005.

CONSOLIDATED IFRS STATEMENT OF OPERATIONS (PROFIT AND LOSS ACCOUNT)

HUF mn	2004	2005A	Y-o-Y
Interest income	433,678	459,024	5.8%
Interest expense	172,789	161,799	-6.4%
Net interest income	260,889	297,225	13.9%
Provision for possible loan losses	16,048	28,042	74.7%
Net interest income after provision	244,841	269,183	9.9%
Fees and commissions income	91,625	118,884	29.8%
Foreign exchange gains, net	1,250	3,879	210.3%
Gain on securities, net	6,466	9,708	50.1%
Gain on real estate transactions	1,818	96	-94.7%
Dividend income	593	672	13.3%
Insurance premiums	49,337	69,793	41.5%
Other non-interest income	10,680	13,465	26.1%
Total non-interest income	161,769	216,497	33.8%
Fees and commissions expense	20,588	19,930	-3.2%
Personnel expenses	79,538	95,235	19.7%
Depreciation	29,150	21,897	-24.9%
Insurance expenses	40,264	58,468	45.2%
Other non-interest expenses	81,046	98,073	21.0%
from this: special banking tax	0	10,151	-
Total non-interest expense	250,586	293,603	17.2%
Income before income taxes	156,024	192,077	23.1%
Income taxes	24,506	33,803	37.9%
from this: special banking tax	0	1,292	-
After tax profit	131,518	158,274	20.3%
			%-point
Total income (with net fees)	402,070	493,792	22.8%
Operating cost	229,998	273,673	19.0%
Cost/income ratio	57.2%	55.4%	-1.8%

HUF mn	2004	2005A	Y-o-Y
Net interest margin before provision	6.84%	6.34%	-0.50%
ROA	3.45%	3.38%	-0.07%
ROE	35.3%	32.3%	-3.0%

The year 2005 consolidated audited IFRS profit before tax of OTP Bank was HUF 192.1 billion, income taxes amounted to HUF33.8 billion within that the special banking tax meant HUF 1.3 billion. The IFRS consolidated after tax profit of OTP Bank was HUF 158.3 billion, HUF 26.8 billion or 20.3% higher than for year 2004 rebased. The consolidated net interest income reached HUF 297.2 billion representing a 13.9% increase from year 2004. Provisions for possible loan and placement losses were 74.7% higher than in year 2004 reaching HUF 28.0 billion.

Consolidated interest margin over mathematical average total assets (HUF 4,689.1 billion) was 6.34% during 2005, 51 bps below year 2004 figure. Net interest margin (after provisioning) also declined and was 5.74% compared to 6.42% for year 2004.

Non-interest income was 33.8% higher than a year earlier and was HUF 216.5 billion. Within non-interest income the increase in fee and commission income was 29.8% to HUF 118.9 billion. Fee and commission expenses were 3.2% below year 2004. Net fees and commissions were HUF 99.0 billion, which is 39.3% higher than in year 2004.

Net gains on securities trading were HUF 9.7 billion compared to the profit of HUF 6.5 billion in year 2004. Net gains on foreign exchange transactions were HUF 3.9 billion while it was HUF 1.3 billion profits in year 2004. Real estate transactions results were HUF 96 million. The insurance premium amounted to HUF 69.8 billion at OTP Garancia Insurance subsidiary which were 41.5% higher than in year 2004. Insurance expenses grew by 45.2% from year 2004; while net insurance income at HUF 11.3 billion was 24.8% higher than a year earlier. Other incomes increased by 26.1% to HUF 13.5 billion.

Consolidated non-interest expenses reached HUF 293.6 billion and were 17.2% higher than during year 2004. Consolidated personnel expenses were 19.7% higher than a year earlier. Depreciation declined by HUF 7.3 billion in IFRS consolidated account year-on-year. Other non-interest expenses were 21.0% higher than in year 2004 and reached HUF 98.1 billion. In year 2005 net interest income tax (special banking tax) of HUF 10.2 billion was also booked within this.

Consolidated cost-income ratio (similar to HAR calculation) was 55.4%, 1.8%-points down from year 2004. Cost-income ratio calculated with income before provisions and with gross fees was 57.2% by 2.1%-points lower than a year earlier.

Consolidated return on average total assets was 3.38% (3.45% in year 2004), while consolidated ROAE reached 32.3% nominal, 3.0%-points lower than a year earlier. Basic earnings per share (EPS) reached HUF 603, HUF 102 above year 2004 data, diluted EPS reached HUF 599 in year 2005 (HUF 499 in year 2004).

OTP BANK NON CONSOLIDATED

IFRS NON CONSOLIDATED BALANCE SHEET

Total assets of the Bank were HUF 3,592.9 billion on December 31, 2005, which was 17.6% higher than a year earlier. Non consolidated shareholders' equity amounted to HUF 473.3 billion and was HUF 84.2 billion or 21.7% higher than on December 31, 2004.

Main non consolidated balance sheet data of OTP Bank according to IFRS:

HUF mn	31/12/2004	31/12/2005	Y-o-Y
Cash and bank	399,401	379,249	-5.0%
Placements with other banks	200,100	393,659	96.7%
Financial assets at fair value through statements of operations	22,059	34,054	54.4%
Trading securities	324,130	371,433	14.6%
Gross loans	**1,296,051**	**1,497,670**	**15.6%**
Provisions on loans	19,810	22,162	11.9%
Net loans	1,276,241	1,475,508	15.6%
Investments in subsidiaries	154,298	223,881	45.1%
Securities held-to-maturity	507,503	521,797	2.8%
Intangible assets	96,538	105,569	9.4%
Other assets	74,205	87,723	18.2%
ASSETS	3,054,475	3,592,873	17.6%
Liabilities to credit institutions	203,777	255,211	25.2%
Liabilities to customers	**2,340,924**	**2,506,457**	**7.1%**
Issued securities	1,997	202,267	10028.5%
Other liabilities	104,401	108,616	4.0%
Subordinated loans	14,324	47,023	228.3%
LIABILITIES	2,665,423	3,119,574	17.0%
TOTAL SHAREHOLDERS' EQUITY	389,052	473,299	21.7%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,054,475	3,592,873	17.6%
			%-point
Gross loans/deposits	55.4%	59.8%	4.4%

On the asset side, the volume of cash, due from banks and balances with the National Bank of Hungary decreased by 5.0%, placements with other banks grew by 96.7% or by HUF 193.6 billion compared to December 31, 2004. The volume of trading securities grew by 27.6%. Securities available-for-sale grew by 14.6% to HUF 371.4 billion. The volume of securities held-to-maturity increased by 2.8% to HUF 521.8 billion year-on-year.

The net volume of loans was HUF 1,475.5 billion, 15.6% growth year on year. The volume of gross loans grew by 15.6% y-o-y to HUF 1,497.7 billion. The volume of provisions was 11.9% higher than a year earlier, grew to HUF 22.2 billion. Within gross loans, loans to enterprises increased by 12.0%, loans to municipalities by 12.9%, consumer loans reached by 24.0% and housing loans also by 24.0% compared to the end of December 2004. The loan quality of the loan portfolio was good, the portion of performing loans was 94.7% of total loans, to-be-monitored loans were 3.0% and NPL represented 2.3%. The coverage of total qualified loans was 28.1% and of NPLs was 53.4%.

IFRS non consolidated gross loan volume by business lines:

HUF million	31/12/2004	31/12/2005	Y-o-Y
Corporate loans	805,804	902,696	12.0%
Municipality loans	116,175	131,107	12.9%
Retail loans	374,072	463,867	24.0%
Housing loans	169,415	210,150	24.0%
Consumer loans	204,657	253,717	24.0%
Total	1,296,051	1,497,670	15.6%

IFRS non consolidated gross loan volume by qualifying categories:

HUF million	31/12/2004	31/12/2005	Y-o-Y
Performing loans	1,227,903	1,418,879	15.6%
To-be-monitored loans	35,822	44,250	23.5%
Below average	14,401	13,160	-8.6%
Doubtful	12,107	14,119	16.6%
Bad	5,818	7,262	24.8%
Total receivables	1,296,051	1,497,670	15.6%
QUALIFYING			
Total qualified	68,148	78,791	15.6%

HUF million	31/12/2004	31/12/2005	Y-o-Y
NPL	32,326	34,541	6.9%
qualified rate	5.3%	5.3%	0.0%
NPL rate	2.5%	2.3%	-0.2%
COVERAGE			
Provision on NPL	0	18,449	0.0%
Coverage on NPL	0	53.4%	0.0%
Provision on qualified	19,810	22,162	11.9%
Coverage on qualified	29.1%	28.1%	-0.9%
Net loans	1,276,241	1,475,508	15.6%

On the liability side, the 7.1% year on year increase of customer deposits was significant. Share of customer deposits in total assets dropped to 69.8% (76.6% a year earlier). Within total deposits 74.6% was from retail clients, 18.9% from corporate sector and 6.5% was municipal deposit.

IFRS non-consolidated deposits by business lines:

HUF million	31/12/2004	31/12/2005	Y-o-Y
Corporate deposits	431,921	474,052	9.8%
Municipality deposits	170,431	161,993	-5.0%
Retail deposits	1,738,572	1,870,412	7.6%
Total	2,340,924	2,506,457	7.1%

The liabilities from issued securities grew substantially from HUF 2.0 billion a year ago to HUF 202.3 billion, due to the EUR 500 million bond issuance in the third quarter and the EUR 300 million bond issuance in the fourth quarter by the Bank under its EMTN Programme.

Gross loan to deposit ratio stood at 59.8% at the end of December 2005 compared to 55.4% a year earlier.

NON-CONSOLIDATED IFRS STATEMENT OF OPERATIONS (PROFIT AND LOSS ACCOUNT)

HUF mn	2004	2005A	Y-o-Y
Interest income	290,935	281,402	-3.3%
Interest expense	139,852	112,763	-19.4%
Net interest income	151,083	168,639	11.6%
Provision for possible loan losses	8,628	16,435	90.5%
Net interest income after provision	142,455	152,204	6.8%
Fees and commissions income	113,299	136,264	20.3%
Foreign exchange gains, net	914	1,603	75.4%
Gain on securities, net	1,081	3,103	187.0%
Gain on real estate transactions	-103	-28	-72.8%
Dividend income	8,500	13,937	64.0%
Other non-interest income	2,654	3,541	33.4%
Total non-interest income	126,345	158,420	25.4%
Fees and commissions expense	9,692	13,840	42.8%
Personnel expenses	54,342	62,437	14.9%
Depreciation	13,401	15,244	13.8%
Other non-interest expenses	59,006	63,301	7.3%
from this: special banking tax	0	10,151	-
Total non-interest expense	136,441	154,822	13.5%
Income before income taxes	132,359	155,802	17.7%
Income taxes	18,882	22,954	21.6%
After tax profit	113,477	132,848	17.1%
			%-point
Total income (with net fees)	267,736	313,219	17.0%
Operating cost	126,749	140,982	11.2%
Cost/income ratio	47.3%	45.0%	-2.3%
Net interest margin before provision	5.22%	5.07%	-0.15%
ROA	3.92%	4.00%	0.08%
ROE	34.1%	30.8%	-3.3%

The net interest income of the Bank in year 2005 according to IFRS was HUF 168.6 billion, which was 11.6% higher than in year 2004. This was a result of 3.3% decrease in interest income and 19.4% decrease in interest expenses.

Provisioning for possible loan and placement losses increased by 90.5% y-o-y and reached HUF 16.4 billion. Provisioning on average volume of loans was 1.18% compared to 0.72% in year 2004.

Non-interest income grew by HUF 32.1 billion or 25.4% to HUF 158.4 billion. Within this, fees and commissions received represented 86.0% and amounted to HUF 136.3 billion. Fees and commissions paid increased to HUF 13.8 billion. Net fees and commissions were 18.2% higher than in year 2004 and reached HUF 122.4 billion. Net gains on securities trading was HUF 3.1 billion compared to HUF 1.1 billion a year earlier. In year 2005 the Bank collected HUF 13.9 billion dividend from subsidiaries versus HUF 8.5 billion in the previous year. Other non-interest income grew by 33.3% y-o-y to HUF 3.5 billion.

Non-interest expenses altogether were HUF 154.8 billion; 13.5% higher than a year earlier. Within these the personnel expenses grew by 14.9% to HUF 62.4 billion (of which HUF 7.5 billion is due to application of IFRS 2 standards), depreciation grew by 13.8% to HUF 15.2 billion. Other non-interest expenses increased by 7.3% y-o-y to HUF 63.3 billion in 2005. Within this line special tax applied to financial institutions comprised HUF 10.2 billion.

IFRS pre-tax profit of the Bank was HUF 155.8 billion which represented a 17.7% growth y-o-y. Out of HUF 23.5 billion increase, HUF 5.4 billion is steaming from the increase of higher dividend income. After-tax profit grew by 17.1% to HUF 132.8 billion. Basic and diluted earnings per share reached HUF 492 and HUF 488 (HUF 420 and 418 in year 2004).

Consolidated cost-income ratio (similar to HAR calculation) was 45.0%, 47.3% in year 2004. Cost-income ratio calculated with income before provisioning and with gross fees was 47.3%, 1.8%-points lower than in year 2004

The interest margin of the Bank according to IFRS calculated on the mathematical average of total assets was 5.07% in year 2005, its net interest margin (after provisioning) 4.58%, partially due to the swap result being by 15 and 34 bps lower than in year 2004.

ROA calculated on the average total assets was 4.00% (in year 2004: 3.92%), while ROE calculated on average shareholders' equity was 30.8% (in year 2004: 34.1%). Net asset value per share of the Bank (diluted) grew by 21.7% to HUF 1,690.

DIVIDEND

The Bank – according to its already announced dividend policy – is going to pay out 40% of its non-consolidated HAR-based earnings as dividends. After its HUF 138,346 million after tax profit dividend per ordinary share is HUF 197, which amount was approved by the AGM held on April 28, 2006.

CAPITAL ADEQUACY (BASED ON HAR)

The HAR shareholder's equity of OTP Bank was HUF 407.6 billion on December 31, 2005, by HUF 82.6 billion higher than a year earlier. The growth was a result of an additional HUF 13.8 billion in general reserves, as well as a HUF 25.1 billion retained earnings, a HUF 27.4 billion in fixed reserves and a HUF 69.4 billion net profit for year 2005. Non-consolidated book value of one share with face value of HUF 100 was HUF 1,456 on December 31, 2005. The guarantee capital of the Bank stood at HUF 216.6 billion, and risk weighted assets amounted to HUF 2,050.9 billion. The capital adequacy ratio – calculated according to the Hungarian regulations – reached 10.56%, higher than 8% required by the Banking Act.

AGGREGATED MARKET SHARES OF THE DOMESTIC GROUP MEMBERS IN THE CREDIT INSTITUTIONS SYSTEM IN HUNGARY BASED ON HAR DATA

	31/12/2004	31/12/2005	Y-o-Y
Total assets	24.2%	24.1%	0.0%
Loans	21.9%	21.4%	-0.5%
Retail	40.1%	37.7%	-2.4%
Housing	49.7%	46.4%	-3.3%
HUF	53.3%	52.6%	-0.6%
FX	6.9%	22.5%	15.7%
Consumer	23.2%	24.4%	1.3%
Corporate	12.3%	11.7%	-0.6%
Municipal	52.0%	52.7%	0.7%
Deposits	28.5%	26.9%	-1.6%
Retail	35.4%	34.7%	-0.7%
HUF	35.4%	34.5%	-0.8%
FX	36.0%	36.0%	0.0%
sight	46.2%	38.8%	-7.4%
term	32.9%	33.4%	0.6%
Corporate	13.3%	11.4%	-1.9%
Municipal	66.2%	63.4%	-2.9%

MARKET SHARES OF THE BANK IN THE CREDIT INSTITUTIONS SYSTEM IN HUNGARY BASED ON HAR DATA

	31/12/2004	31/12/2005	Y-o-Y
Total assets	18.1%	18.2%	0.1%
Loans	13.1%	12.7%	-0.4%
Retail	13.0%	12.7%	-0.3%
Housing	9.0%	9.3%	0.3%
HUF	9.2%	8.6%	-0.6%
FX	6.9%	12.0%	5.1%
Consumer	20.0%	17.9%	-2.2%
Corporate	12.1%	11.3%	-0.8%
Municipal	52.0%	52.7%	0.7%
Deposits	27.3%	25.6%	-1.7%
Retail	33.6%	32.7%	-0.9%
HUF	33.3%	32.3%	-1.0%
FX	36.0%	36.0%	0.0%
sight	46.1%	38.8%	-7.4%
term	30.6%	30.7%	0.2%
Corporate	13.2%	11.3%	-1.9%
Municipal	66.2%	63.4%	-2.9%

STAFF LEVEL AT OTP GROUP

The closing number of OTP Bank staff was 7,899 people on December 31, 2005, 122 more than at the end of December 2004. The closing staff number of the whole group was 17,977 persons at December 31, 2005, year-on-year growth was 1,004 persons due to the new Romanian and Croatian subsidiaries. At the acquired banks consolidation and rationalization projects are in process resulting in staff cuts; however in Romania new business lines were introduced while at other foreign subsidiaries financial groups were established which increased the number of employees.

	31/12/2004	31/12/2005	Y-o-Y
OTP BANK			
Closing staff (persons)	7,777	7,899	1.6%
Average staff (persons)	7,974	7,842	-1.7%
Per capita total assets (HUF mn)	392.8	454.9	15.8%
Per capita profit after tax quarterly (HUF mn)	2.3	3.6	56.2%
GROUP			
Closing staff (persons)	16,973	17,977	5.9%
Average staff (persons)	17,184	17,669	2.8%
Per capita consolidated total assets (HUF mn)	245.2	290.1	18.3%
Per capita consolidated profit after tax quarterly (HUF mn)	1.6	2.3	47.7%

PERSONNEL AND ORGANIZATIONAL CHANGES DURING THE YEAR OF 2005 AT OTP BANK LTD.

During the year of 2005, the Top Management, the Supervisory Board, the Board of Directors and the auditor of the Bank did not change.

On the AGM held on April 29, 2005 Dr. Gábor Horváth, Antal Kovács, Dr. Gábor Nagy, Dr. Sándor Pintér, Tibor Tolnay and Ms. Klára Vécsei were elected to the bank's supervisory board until the closing AGM of the fiscal year 2007 at the latest until April 30, 2008.

April 28, 2006

**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

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

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

Budapest, April, 2006

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

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INDEPENDENT AUDITORS' OPINION

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

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

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

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

Budapest, March 24, 2006

Jack Bell	Nagy Zoltán
Deloitte Auditing and Consulting Ltd.	registered auditor
000083	005027

Audit.Tax.Consulting.Financial Advisory.

A member of
Deloitte Touche Tohmatsu

Registered by the Budapest Court of Registration
Company Reg. No.: 01-09-071057

Bejegyezve: Fővárosi Bíróság mint Cégbíróság
Cg.: 01-09-071057

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

	Note	*2005*	*Restated 2004*
Cash, due from banks and balances with the National Bank of Hungary	4	483,191	465,887
Placements with other banks, net of allowance for placement losses	5	438,768	286,200
Financial assets at fair value through statements of operations	6	48,054	70,580
Securities available-for-sale	7	409,945	295,835
Loans, net of allowance for loan losses	8	3,191,298	2,506,795
Accrued interest receivable		37,870	31,400
Equity investments	9	12,357	9,389
Securities held-to-maturity	10	289,803	247,259
Premises, equipment and intangible assets, net	11	233,245	174,775
Other assets	12	71,371	74,239
TOTAL ASSETS		**5,215,902**	**4,162,359**
Due to banks and deposits from the National Bank of Hungary and other banks	13	364,124	254,125
Deposits from customers	14	3,428,193	2,902,190
Liabilities from issued securities	15	543,460	317,222
Accrued interest payable		24,902	27,015
Other liabilities	16	260,728	213,798
Subordinated bonds and loans	17	47,023	14,324
TOTAL LIABILITIES		**4,668,430**	**3,728,674**
Share capital	18	28,000	28,000
Retained earnings and reserves	19	572,567	431,127
Treasury shares	20	(53,586)	(25,867)
Minority interest	21	491	425
TOTAL SHAREHOLDERS' EQUITY		**547,472**	**433,685**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,215,902**	**4,162,359**

Budapest, March 24, 2006

ORSZÁGOS TAKARÉKPÉNZTÁR ÉS KERESKEDELMI BANK Rt. elnök - vezérigazgató 1.

dr. Sándor Csányi
Chairman and Chief Executive Officer

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

	Note	*2005*	*Restated 2004*
Interest Income:			
Loans		340,793	241,233
Placements with other banks		43,734	42,431
Due from banks and balances with the National Bank of Hungary		29,174	33,818
Securities held for trading		2,708	6,648
Securities available-for-sale		25,235	82,553
Securities held-to-maturity		17,380	26,995
Total Interest Income		*459,024*	*433,678*
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks		34,501	20,640
Deposits from customers		99,703	131,824
Liabilities from issued securities		25,959	19,382
Subordinated bonds and loans		1,636	943
Total Interest Expense		*161,799*	*172,789*
NET INTEREST INCOME		**297,225**	**260,889**
Provision for loan and placement losses	5, 8	28,042	16,048
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**269,183**	**244,841**
Non-Interest Income:			
Fees and commissions		118,884	91,625
Foreign exchange gains, net		3,879	1,250
Gains and losses on securities, net		9,708	6,466
Gains on real estate transactions, net		96	1,818
Dividend income and gains and losses of associated companies		672	593
Insurance premiums		69,793	49,337
Other		13,465	10,680
Total Non-Interest Income		*216,497*	*161,769*
Non-Interest Expenses:			
Fees and commissions		19,930	20,588
Personnel expenses		95,235	79,538
Depreciation and amortization	11	21,897	29,150
Insurance expenses		58,468	40,264
Other	22	98,073	81,046
Total Non-Interest Expense		*293,603*	*250,586*
INCOME BEFORE INCOME TAXES		**192,077**	**156,024**
Income taxes	23	(33,803)	(24,506)
INCOME AFTER INCOME TAXES		**158,274**	**131,518**
Minority interest		(39)	(12)
NET INCOME		**158,235**	**131,506**
Consolidated earnings per share (in HUF)			
Basic	36	**603**	**501**
Diluted	36	**599**	**499**

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

	Note	*2005*	*Restated 2004*
OPERATING ACTIVITIES			
Income before income taxes		**192,077**	**156,024**
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Income tax paid		(29,208)	(26,871)
Depreciation and amortization	11	21,897	29,150
Provision for loan and placement losses	5,8	28,042	16,048
Provision for permanent diminution in value of equity investments	9	166	426
Provision/(Release of allowance) for losses on other assets	12	88	(569)
Release of allowance for losses on off-balance sheet commitments and contingent liabilities, net	16	(1,544)	(924)
Net increase in insurance reserves		31,763	14,390
Share-based compensation		7,497	2,348
Unrealised losses on fair value adjustment of securities held for trading		41	547
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments		797	(631)
Changes in operating assets and liabilities			
Net (increase)/decrease in accrued interest receivables		(4,827)	1,257
Net decrease/(increase) in other assets, excluding advances for investments and before allowance for losses		5,843	(3,593)
Net (increase)/decrease in accrued interest payable		(3,679)	10,244
Net increase in other liabilities		1,207	24,082
Net Cash Provided by Operating Activities		**250,160**	**221,928**
INVESTING ACTIVITIES			
Net (increase) in placement with other bank before provision for placement losses		(79,136)	(19,638)
Net (increase)/decrease in securities available-for-sale		(42,774)	17,234
Net (increase) in equity investments, before provision for permanent diminution in value		(2,465)	(3,902)
Net cash outflow from acquisition of subsidiaries		(57,667)	(9,441)
Net decrease in debt securities held-to-maturity		(41,376)	52,888
Net (increase)/decrease in advances for investments, included in other assets		(14)	56
Net (increase) in loans, before provision for loan losses		(590,490)	(522,581)
Net additions to premises, equipment and intangible assets		(33,580)	(29,957)
Net Cash Used in Investing Activities		**(847,502)**	**(515,341)**

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

	Note	*2005*	*Restated 2004*
FINANCING ACTIVITIES			
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		100,798	122,254
Net increase in deposits from customers		313,162	187,356
Net increase in liabilities from issued securities		226,238	192,335
Increase/(decrease) in subordinated bonds and loans		31,466	(1,089)
Increase/(decrease) of minority interest		66	(7)
Foreign currency translation gains/(losses)		4,449	(2,740)
Net change in treasury shares		(20,293)	1,513
Net (decrease)/increase in compulsory reserves at National Bank of Hungary	4	(10,981)	1,627
Dividends paid		(41,240)	(16,823)
Net Cash Provided by Financing Activities		**603,665**	**484,426**
Net Increase in Cash and Cash Equivalents		**6,323**	**191,013**
Cash and cash equivalents as at January 1		355,673	164,660
Cash and Cash Equivalents as at end of period		**361,996**	**355,673**

Analysis of cash and cash equivalents opening and closing balance

Cash, due from banks and balances with the National Bank of Hungary	4	465,887	276,501
Compulsory reserve established by the National Bank of Hungary	4	(110,214)	(111,841)
Cash and cash equivalents as at January 1		**355,673**	**164,660**
Cash, due from banks and balances with the National Bank of Hungary	4	483,191	465,887
Compulsory reserve established by the National Bank of Hungary	4	(121,195)	(110,214)
Cash and cash equivalents as at end of period		**361,996**	**355,673**

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

	Note	Share Capital	Retained Earnings and Reserves	Treasury Shares	Minority interest	Total
Balance as at January 1, 2004 (Restated)		**28,000**	**309,220**	**(25,420)**	**432**	**312,232**
Net income		--	131,506	--	--	131,506
Fair value adjustment of securities available-for-sale recognised directly through equity		--	4,881	--	--	4,881
Share-based compensation	26	--	4,433	--	--	4,433
Dividend for the year 2003		--	(16,800)	--	--	(16,800)
Profit on sale of treasury shares		--	1,960	--	--	1,960
Sale and purchase of treasury shares		--	--	(447)	--	(447)
Derivative financial instruments designated as cash-flow hedge		--	(1,333)	--	--	(1,333)
Minority interest		--	--	--	(7)	(7)
Foreign currency translation loss		--	(2,740)	--	--	(2,740)
Balance as at December 31, 2004 (Restated)		**28,000**	**431,127**	**(25,867)**	**425**	**433,685**
Net income		--	158,235	--	--	158,235
Fair value adjustment of securities available-for-sale recognised directly through equity		--	2,051	--	--	2,051
Share-based compensation	26	--	7,497	--	--	7,497
Derecognition of opening balance of negative goodwill		--	3,034	--	--	3,034
Dividend for the year 2004		--	(41,206)	--	--	(41,206)
Profit on sale of treasury shares		--	7,426	--	--	7,426
Sale and purchase of treasury shares		--	--	(27,719)	--	(27,719)
Derivative financial instruments designated as cash-flow hedge		--	(46)	--	--	(46)
Foreign currency translation gain		--	4,449	--	--	4,449
Minority interest		--	--	--	66	66
Balance as at December 31, 2005		**28,000**	**572,567**	**(53,586)**	**491**	**547,472**

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General

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

The Bank’s registered office address is 16 Nador street, Budapest 1051.

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

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

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

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

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

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

The Bank provides a full range of commercial banking services through a wide network of 927 branches. 377 branches are in Hungary, 357 branches are in Bulgaria, 78 branches are in Slovakia, 26 branches are in Romania and 89 branches are in Croatia.

As at December 31, 2005 the number of employees at the Bank and its subsidiary companies (together the “Group”) was 17,977. The average number of employees for the year ended December 31, 2005 was 17,669.

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

1.2. Accounting

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

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

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

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

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

Effective from January 1, 2005 the Group adopted revised IAS 39 ("Financial Instruments: Recognition and Measurement"), IFRS 2 ("Share-based payment") and IFRS 3 ("Business combinations"). Revisions to a number of other IAS also took effect in the consolidated condensed financial statements of the Group, but those revisions concerned matters of detailed application which have no significant effect on amounts reported.

IAS 39 Financial Instruments: Recognition and Measurement (in HUF mn)

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

Due to the retrospective application of IAS 39 Revised, an opening adjustment of HUF 1,313 million loss has been presented in retained earnings and reserves as of January 1, 2004. Due to restatement of prior periods, income after income tax decreased by HUF 6,978 million for the year ended December 31, 2004 from what was previously reported.

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

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

IFRS 2 Share based payments (in HUF mn)

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

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

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

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

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

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

	As original reported for the year ended December 31, 2004	Restated for the year ended December 31, 2004
Fair value adjustment of available-for-sale securities recognized in profit and loss	8,303	--
Deferred tax effect	(1,325)	--
Contribution to net income	6,978	--
Share based compensation	--	(2,348)
Net income after income taxes	**140,832**	**131,506**
Fair value adjustment of available-for-sale securities recognized directly through equity	--	8,303
Deferred tax effect	--	(1,325)
Effect to equity	--	6,978
Share based compensation directly through equity	--	2,348
Shareholders' equity without minority interest	433,260	433,260
Minority interest	--	425
Total shareholders' equity	**433,260**	**433,685**

IFRS 3 Business Combinations (in HUF mn)

The Group applied IFRS 3 Business Combinations from March 31, 2004 for new acquisitions. Effective from January 1, 2005 the Group for all subsidiaries:

- discontinued amortising goodwill and the amount of goodwill net of accumulated amortization became the carrying amount;
- tests the goodwill for impairment in accordance with IAS 36 Impairment of Assets;
- negative goodwill was derecognised with a corresponding adjustment to the opening balance of retained earnings.

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

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

The most significant item is the goodwill acquired through the acquisition of DSK Bank EAD, the related balances as at December 31, 2004 are the following:

Cost	38,076
Accumulated amortization	(9,535)
Net book value	28,541
Amortization for the year 2004	7,615

Negative goodwill was acquired through the acquisition of OTP Banka Slovensko, a.s. the related balances as at December 31, 2004 are the following:

Cost	4,204
Accumulated amortization	(1,170)
Net book value	3,034
Amortization for the year 2004	130

As of January 1, 2005 derecognition of negative goodwill will increase the opening balance of retained earnings and reserves by HUF 3,034 million.

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

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

2.2. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary (“NBH”), or if there is no official rate, at exchange rate quoted by OTP Bank as of the date of the consolidated financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the Consolidated Statement of Operations.

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

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

2.3. Principles of consolidation

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for acquisitions

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

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

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

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

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

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

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

Negative goodwill, when the acquirer’s interest in the net fair value of the acquired identifiable net assets exceeds the cost of the business combination, is recognized immediately in the Consolidated Statement of Operations as a gain.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities held-to-maturity

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

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

2.6. Financial assets at fair value through statements of operations

2.6.1. Securities held for trading

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

2.6.2. Derivative financial instruments

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

2.7. Securities available-for-sale

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

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

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

2.9. Sale and repurchase agreements

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

2.10. Equity investments

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Premises, equipment and intangible assets

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

Buildings	1 – 10%
Machinery and equipment	2.5 – 50%
Vehicles	10 – 50%
Leased assets	14.5 – 33.3%
Software	12.5 – 50%
Property rights	14.5 – 50%

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

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

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

2.12. Leases

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

The Group as lessor

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Leases [continued]

The Group as lessee

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

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

2.13. Properties held for resale

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

2.14. Insurance reserves

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

2.15. Treasury shares

Treasury shares are purchased on the stock exchange and the over-the-counter market by the Bank and its subsidiaries and are presented in the Consolidated Balance Sheet at acquisiton cost as a deduction from consolidated shareholders’ equity.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.16. Interest Income and Interest Expense

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

2.17. Fees and Commissions

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

2.18. Income taxes

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

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

2.19. Off-balance sheet commitments and contingent liabilities

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

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

2.20. Share-based compensation

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

2.21. Consolidated Statement of Cash Flows

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

2.22. Segment reporting

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

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

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

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

2.23. Comparative figures

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

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

The presentation of financial statements in conformity with IFRS requires the management of the Group to make judgement about estimates and assumptions that effect 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:

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

3.1. Impairment of Loans and Advances

The Group regularly assesses its loan portfolio for possible impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. Provisioning involves many uncertainties about the outcome of those risks and requires the management of the Group to make many subjective judgements in estimating the loss amounts

3.2. Valuation of Instruments without Direct Quotations

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

3.3. Provisions

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

3.4. Insurance liabilities

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

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

	2005	*2004*
Cash on hand:		
In HUF	47,676	53,364
In foreign currency	25,609	19,298
	73,285	72,662

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

Due from banks and balances with the National Bank of Hungary:

Within one year:		
In HUF	404,753	390,267
In foreign currency	5,153	2,958
	409,906	393,225
Total	483,191	465,887

Based on the requirements for compulsory reserve set by the National Bank of Hungary, the balance of compulsory reserves maintained by the Group amounted to HUF 121,195 million and HUF 110,214 million for the years ended December 31, 2005 and 2004, respectively.

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

	2005	*2004*
Within one year:		
In HUF	94,110	126,866
In foreign currency	317,654	149,206
	411,764	276,072
Over one year:		
In HUF	3,000	--
In foreign currency	24,004	10,129
	27,004	10,129
	438,768	286,201
Allowance for placement losses	--	(1)
Total	438,768	286,200

Placements of foreign subsidiaries with their respective National Banks amounted to HUF 77,879 million and HUF 71,420 million for the years ended December 31, 2005 and 2004, respectively.

Placements with other banks in foreign currency as at December 31, 2005 and 2004 bear interest rates in the range from 0.0% to 12.0% and from 0.4% to 7.0%, respectively.

Placements with other banks in HUF as at December 31, 2005 and 2004 bear interest rates in the range from 0.5% to 7.6% and from 8.5% to 12.5%, respectively.

NOTE 5: PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE

FOR PLACEMENT LOSSES (in HUF mn) [continued]

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

	2005	*2004*
Balance as at January 1	1	182
Release of allowance for placement losses	(1)	(181)
Closing balance	--	1

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

	2005	*Restated 2004*
Securities held for trading:		
Discounted Treasury bills	160	40,225
Hungarian Government interest bearing Treasury bills	1,485	2,756
Government bonds	34,151	22,478
Mortgage bonds	895	680
Other securities	1,282	1,119
	37,973	67,258
Derivative financial instruments designated as held for trading	10,081	3,322
Total	48,054	70,580

Approximately 42.69% and 46% of the government bonds were denominated in foreign currency as at December 31, 2005 and 2004, respectively. Approximately 16.62%, 30.81%, 23.96%, and 28.61% of this portfolio was denominated in USD, EUR, SKK and BGN as at December 31, 2005, and 22.1%, 33.7%, and 44.2% of this portfolio was denominated in USD, EUR and BGN as at December 31, 2005 and 2004, respectively.

Interest rates on securities held for trading are ranged from 2.16% to 9.5% and from 1.4% to 13.4% as at December 31, 2005 and 2004, respectively.

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

	2005	*Restated 2004*
Within five years		
with variable interest	1,492	1,358
with fixed interest	27,160	55,795
	28,652	57,153

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

	2005	*Restated 2004*
Over five years		
with variable interest	3,764	3,594
with fixed interest	5,100	6,356
	8,864	9,950
Non-interest bearing securities	457	155
Total	37,973	67,258

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

	2005	*Restated 2004*
Available-for-sale securities:		
Government bonds	283,342	204,436
Discounted Treasury bills	51,621	49,949
Mortgage bonds	541	1,493
Other securities	74,442	39,957
	409,946	295,835

Approximately 74.52% and 77.3% of the available-for-sale securities portfolio was denominated in HUF as at December 31, 2005 and 2004, respectively.

Approximately 22.51% and 22.9% of the government bonds were denominated in foreign currency as at December 31, 2005 and 2004, respectively. Approximately 3.82%, 54.25%, 21.36%, and 20.57% of this portfolio was denominated in USD, EUR, HRK and BGN as at December 31, 2005, and 5%, 28.7%, 37.8%, and 28.5% of this portfolio was denominated in USD, EUR, SKK and BGN as at December 31, 2004, respectively.

Interest rates on securities available-for-sale are ranged from 1.6% to 8.08% and from 1.6% to 12.5% as at December 31, 2005 and 2004, respectively.

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

	2005	*Restated 2004*
Within five years		
with variable interest	116,784	60,677
with fixed interest	182,887	179,957
	299,671	240,634

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

	2005	*Restated 2004*
Over five years		
with variable interest	4,261	3,866
with fixed interest	81,364	32,175
	85,625	36,041
Non-interest bearing securities	24,650	19,160
Total	409,946	295,835

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

	2005	*Restated 2004*
Loans and trade bills within one year	925,331	689,286
Loans and trade bills over one year	2,371,887	1,896,824
	3,297,218	2,586,110
Allowance for loan losses	(105,920)	(79,315)
Total	3,191,298	2,506,795

Foreign currency loans represent approximately 45.76% and 33.8% of the total loan portfolio, before allowance for losses, as at December 31, 2005 and 2004, respectively.

Loans denominated in HUF, with maturity within one year as at December 31, 2005 and 2004, bear interest rates in the range from 6% to 30% and from 6% to 32%, respectively.

Loans denominated in HUF, with maturity over one year as at December 31, 2005 and 2004, bear interest rates in the range from 4% to 22.3% and from 4% to 22.8%, respectively.

Foreign currency loans as at December 31, 2005 and 2004, bear interest rates in the range from 0.04% to 24% and from 1% to 31%, respectively.

Approximately 4% and 3.9% of the gross loan portfolio represented loans on which interest is not being accrued as at December 31, 2005 and 2004, respectively.

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

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

	2005		*2004*	
Commercial loans	1,195,374	36%	920,606	36%
Municipality loans	136,039	4%	118,115	5%
Housing loans	1,222,397	37%	1,015,491	39%
Consumer loans	743,408	23%	531,898	20%
Total	3,297,218	100%	2,586,110	100%

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

	2005	*2004*
Balance as at January 1	79,315	64,156
Provision for loan losses	28,043	16,229
Write-offs	(1,808)	(835)
Foreign currency translation gain/(loss)	370	(235)
Closing balance	105,920	79,315

NOTE 9: EQUITY INVESTMENTS (in HUF mn)

	2005	*2004*
Equity investments:		
Unconsolidated subsidiaries	11,356	8,389
Associated companies	679	141
Other	2,466	2,837
	14,501	11,367
Allowance for permanent diminution in value	(2,144)	(1,978)
Total	12,357	9,389
Total assets of unconsolidated subsidiaries	63,102	34,145

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

	2005	*2004*
Balance as at January 1	1,978	1,552
Provision for permanent diminution in value	166	426
Closing balance	2,144	1,978

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

	2005	*2004*
Government securities	242,094	226,355
Hungarian Government discounted Treasury Bills	29,962	6,125
Mortgage bonds	11,264	9,526
Other debt securities	6,483	5,283
	289,803	247,289
Allowance for permanent diminution in value	--	(30)
Total	289,803	247,259

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

	2005	*2004*
Within five years		
with variable interest	60,836	68,536
with fixed interest	155,524	106,492
	216,360	175,028
Over five years		
with variable interest	43,051	42,870
with fixed interest	30,392	29,391
	73,443	72,261
Total	289,803	247,289

Approximately 80.33% and 88.4% of the debt securities portfolio was denominated in HUF as at December 31, 2005 and 2004, respectively. In most cases, interests on variable rate bonds are based on the interest rates of 90-day Hungarian Government Treasury bills and are adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF are ranged from 3.25% to 10% and from 6.3% to 10% as at December 31, 2005 and 2004, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

The fair value of held-to-maturity investments was HUF 291,894 million and HUF 247,477 million as at December 31, 2005 and 2004, respectively.

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

	2005	*2004*
Balance as at January 1	30	30
Release of allowance	(30)	--
Closing balance	--	30

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

For the year ended December 31, 2005:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2005	82,328	94,626	83,970	12,227	273,151
Acquisition of subsidiary	141	6,783	891	258	8,073
Net additions	49,723	10,065	15,878	--	75,666
Foreign currency translation differences	1,562	1,554	672	70	3,858
Net disposals	(3,150)	(15,504)	(9,985)	(125)	(28,764)
Balance as at December 31, 2005	130,604	97,524	91,426	12,430	331,984
Depreciation and Amortization					
Balance as at January 1, 2005	30,381	15,673	52,322	--	98,376
Net charge	7,766	2,801	11,347	--	21,914
Foreign currency translation differences	91	337	462	--	890
Net disposals	(9,501)	(5,444)	(7,496)	--	(22,441)
Balance as at December 31, 2005	28,737	13,367	56,635	--	98,739
Net book value					
Balance as at January 1, 2005	51,947	78,953	31,648	12,227	174,775
Balance as at December 31, 2005	101,867	84,157	34,791	12,430	233,245

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

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

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

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

For the year ended December 31, 2004:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2004	68,374	89,997	90,695	6,516	255,582
Acquisition of subsidiary	430	903	339	33	1,705
Net additions	17,421	5,508	22,637	5,724	51,290
Foreign currency translation differences	(93)	(882)	(198)	(46)	(1,219)
Net disposals	(3,804)	(900)	(29,503)	--	(34,207)
Balance as at December 31, 2004	82,328	94,626	83,970	12,227	273,151
Depreciation and Amortization					
Balance as at January 1, 2004	18,524	13,392	56,329	--	88,245
Net charge	13,602	2,482	13,066	--	29,150
Foreign currency translation differences	(36)	(31)	(91)	--	(158)
Net disposals	(1,709)	(170)	(16,982)	--	(18,861)
Balance as at December 31, 2004	30,381	15,673	52,322	--	98,376
Net book value					
Balance as at January 1, 2004	49,850	76,605	34,366	6,516	167,337
Balance as at December 31, 2004	51,947	78,953	31,648	12,227	174,775

An analysis of the changes in the goodwill and negative goodwill for the year ended December 31, 2004 is as follows:

Cost	Goodwill	Negative goodwill
Balance as at January 1, 2004	39,288	4,216
Additions	4,928	--
Foreign currency translation differences	(39)	--
Disposals	--	(12)
Balance as at December 31, 2004	44,177	4,204
Amortization		
Balance as at January 1, 2004	2,964	1,040
Charge	7,668	130
Balance as at December 31, 2004	10,632	1,170
Net book value		
Balance as at January 1, 2004	36,324	3,176
Balance as at December 31, 2004	33,545	3,034

NOTE 12: OTHER ASSETS (in HUF mn)

	2005	*Restated 2004*
Property held for sale	13,408	13,289
Due from Hungarian Government for interest subsidies	3,895	19,964
Trade receivables	5,456	3,734
Advances for securities and investments	511	497
Taxes recoverable	1,654	1,438
Inventories	1,926	1,899
Other advances	7,758	3,250
Receivables from leasing activities	13,840	13,391
Receivables due from insurance bond holders	1,883	1,667
Receivables due from pension funds and fund management	2,243	1,283
Prepayments and accrued income	7,792	6,793
Receivables from investment services	1,231	203
Fair value of derivative financial instruments	452	812
Other	12,749	9,391
	74,798	77,611
Allowance for losses on other assets	(3,427)	(3,372)
Total	71,371	74,239

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

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

	2005	*Restated, 2004*
Balance as at January 1	3,372	3,939
Release of allowance for losses on other assets	(54)	(569)
(Credit)	128	--
Foreign currency translation loss	(19)	2
Closing balance	3,427	3,372

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

	2005	*2004*
Within one year:		
In HUF	8,018	18,366
In foreign currency	126,766	119,574
	134,784	137,940
Over one year:		
In HUF	20,510	8,609
In foreign currency	208,830	107,576
	229,340	116,185
Total	364,124	254,125

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

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

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at December 31, 2005 and 2004, bear interest rates in the range from 0.05% to 6.5% and from 0.5% to 17.4%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at December 31, 2005 and 2004, bear interest rates in the range from 0.7% to 6.5% and from 0.5% to 6%, respectively.

NOTE 14: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2005	*2004*
Within one year:		
In HUF	2,214,998	2,071,188
In foreign currency	1,137,175	769,103
	3,352,173	2,840,291
Over one year:		
In HUF	72,480	60,654
In foreign currency	3,540	1,245
	76,020	61,899
Total	3,428,193	2,902,190

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

Deposits from customers payable in HUF within one year as at December 31, 2005 and 2004, bear interest rates in the range from 0.2% to 6.5% and from 0.5% to 9.9%, respectively.

Deposits from customers payable in HUF over one year as December 31, 2005 and 2004, bear interest rates in the range from 1% to 4.5% and from 3% to 6.5%, respectively.

Deposits from customers payable in foreign currency within one year as at December 31, 2005 and 2004, bear interest rates in the range from 0.1% to 18.5% and from 0.1% to 21%, respectively.

Deposits from customers payable in foreign currency over one year as at December 31, 2005 and 2004, bear interest rates in the range from 2% to 18% and from 2% to 19%, respectively.

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

	2005		*2004*	
Commercial deposits	662,215	19%	549,830	19%
Municipality deposits	203,110	6%	196,515	7%
Consumer deposits	2,562,868	75%	2,155,845	74%
Total	3,428,193	100%	2,902,190	100%

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

	2005	*2004*
With original maturity:		
Within one year	65,520	66,949
Over one year	477,940	250,273
Total	543,460	317,222

46.42% and 78.1% of issued securities are denominated in HUF as at December 31, 2005 and 2004, and bear interest rates in the range from 0.3% to 12.5% and from 1.2% to 12%, respectively.

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

An analysis of significant issued securities as at 31 December, 2005 is as follows:

Variable-rate Euro Bonds	202,267
Mortgage bonds	267,432
Other securities	73,761
Total	543,460

NOTE 16: OTHER LIABILITIES (in HUF mn)

	2005	*Restated 2004*
Deferred tax liabilities	2,761	2,175
Taxes payable	8,363	7,224
Giro clearing accounts	22,744	10,250
Accounts payable	12,253	14,199
Insurance liabilities	130,354	98,591
Salaries and social security payable	10,839	12,140
Liability from security trading	9,307	17,041
Provision for losses on off-balance sheet commitments and contingent liabilities	7,376	7,378
Dividends payable	617	566
Advances received from customers	689	2,400
Accrued expenses	10,214	14,565
Loan for collection	1,860	2,005
Suspense accounts	2,150	829
Advancement of Government grants for housing purposes	5,427	--
Fair value of derivative financial instruments designated as hedge accounting relationship	2,230	1,987
Fair value of derivative financial instruments designated as held for trading	8,199	1,200
Liabilities from trading activities (repurchase agreement)	5,785	12,523
Other	19,560	8,725
Total	260,728	213,798

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

	2005	*2004*
Provision for litigation	2,138	1,430
Provision for losses on off-balance sheet commitments and contingent liabilities	3,674	4,460
Other provision for expected liabilities	1,234	1,126
Provision for housing warranties	330	362
Total	7,376	7,378

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

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

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

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

	2005	*2004*
Balance as at January 1	7,378	8,357
Release of allowance for possible off-balance sheet commitments and contingent liabilities	(1,544)	(924)
Release of allowance for housing warranties	--	(76)
Additions through business combinations	1,545	21
Foreign currency translation differences	(3)	--
Closing balance	7,376	7,378

Movements in insurance liabilities can be summarized as follows:

	2005	*2004*
Balance as at January 1	98,591	84,201
Net increase in insurance liabilities	31,763	14,390
Closing balance	130,354	98,591

NOTE 17: SUBORDINATED BONDS AND LOANS

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

NOTE 17: SUBORDINATED BONDS AND LOANS [continued]

In December 1996, the Bank obtained a USD 30 million and DEM 31.14 million (15.92 million in EUR) subordinated loan from the European Bank for Reconstruction and Development with the original maturity of December 27, 2006. The maturity date was modified to August 27, 2008 on August 22, 2003. The loan is unsecured, subordinate to the other liabilities and has a twelve-year maturity, with interest payable at six-month LIBOR + 1.4% from December 27, 1996 until December 29, 1997, at six-month LIBOR + 1.0% from December 29, 1997 until June 28, 1999, at six-month LIBOR + 1.7% from June 28, 1999 until December 27, 2003 and at six-month LIBOR + 1.35% from December 28, 2003 until August 27, 2008.

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

NOTE 18: SHARE CAPITAL (in HUF mn)

	2005	*2004*
Authorized, issued and fully paid:		
Common shares	28,000	28,000
	28,000	28,000

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

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

	2005	*Restated 2004*
Balance as at January 1	431,127	309,220
Fair value adjustment of available-for-sale securities recognised through equity	2,051	4,881
Share-based compensation	7,497	4,433
Net income after income taxes	158,235	131,506
Gain on sale of treasury shares	7,426	1,960
Foreign currency translation gain/(loss)	4,449	(2,740)
Derivative financial instruments designated as cash-flow hedge	(46)	(1,333)
Derecognition of opening balance of negative goodwill	3,034	--
Dividends	(41,206)	(16,800)
Closing balance	572,567	431,127

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

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 310,215 million and HUF 243,848 million as at December 31, 2005 and 2004, respectively.

Of these amounts, legal reserves represent HUF 107,619 million and HUF 66,395 million as at December 31, 2005 and 2004, respectively. The legal reserves are not available for distribution.

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

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

NOTE 20: TREASURY SHARES (in HUF mn)

	2005	*2004*
Nominal value (Common Shares)	1,796	1,801
Carrying value at acquisition cost	53,586	25,867

NOTE 21: MINORITY INTEREST (in HUF mn)

	2005	*2004*
Balance as at January 1	425	432
Minority interest purchased	398	(18)
Foreign currency translation gain/(loss)	23	(1)
Purchase of minority interest	(394)	--
Minority interest included in net income	39	12
Closing balance	491	425

NOTE 22: OTHER EXPENSES (in HUF mn)

	2005	*2004*
Release of allowance for securities held-to-maturity	(30)	--
Provision for permanent diminution in value of equity investments	166	426
Provision/(release of allowance) for other assets	118	(569)
Release of allowance for off-balance sheet commitments and contingent liabilities	(1,544)	(924)
Administration expenses, including rent	29,831	25,996
Advertising	6,308	5,975
Taxes, other than income taxes	17,591	15,667
Special tax for banks	10,151	--
Services	22,993	22,029
Professional fees	5,169	4,003
Other	7,320	8,443
Total	98,073	81,046

NOTE 23: INCOME TAXES (in HUF mn)

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

Deferred tax is calculated at the income tax rate of 16% in Hungary and Romania and 15% in Bulgaria, as these are the income tax rates effective from January 1, 2005.

A reconciliation of the income tax charges is as follows:

	2005	*Restated, 2004*
Current tax	32,803	25,774
Deferred tax	1,000	(1,268)
Total	33,803	24,506

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

A reconciliation of the deferred tax liability is as follows:

	2005	*Restated 2004*
Balance as at January 1	(2,175)	(2,579)
Acquisition of subsidiaries	1,795	97
Foreign currency translation (loss)/gain	(180)	122
Deferred tax (charge)/credit	(1,000)	1,268
Recognised in retained earnings and reserves	(1,201)	(1,083)
Closing balance	(2,761)	(2,175)

	2005	*Restated 2004*
Net income before income taxes	192,077	156,024
Income tax with statutory tax rate	30,732	24,868
Income tax adjustments are as follows:		
Reversal of statutory general provision	(1,191)	(699)
Reversal of statutory goodwill and negative goodwill	(1,318)	288
Revaluation of investments denominated in foreign currency to historical cost	305	(346)
Profit on sale of Treasury Shares	1,188	314
Fair value of share-based compensations	1,200	376
Other	2,887	(295)
Income tax	33,803	24,506
Effective tax rate	17.6%	15.7%

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

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

	2005	*Restated 2004*
Premium and discount amortization on investment securities	--	115
Allowance for losses on off-balance sheet commitments and contingent liabilities on derivative financial instruments	--	5
Difference in accounting for finance leases	233	20
Fair value adjustment of derivative financial instruments	464	217
Repurchase agreements	--	4
Losses available for carry forward	1,023	--
Other	--	142
Deferred tax asset	1,720	503
Fair value adjustment of held for trading and available-for-sale financial assets	(88)	--
Allowance for losses on off-balance sheet commitments and contingent liabilities on derivative financial instruments	(99)	--
Fair value adjustment of derivative financial instruments	(1,304)	(558)
Repurchase agreements	(4)	--
Fixed assets	(2,606)	(1,842)
Temporary differences arising on consolidation	(337)	(278)
Other	(43)	--
Deferred tax liabilities	(4,481)	(2,678)
Net deferred tax liabilities	(2,761)	(2,175)

NOTE 24: FINANCIAL INSTRUMENTS

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

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

NOTE 24: **FINANCIAL INSTRUMENTS [continued]**

Credit risk

The Group takes on exposure to credit risk which is the risk that a counter-party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Market risk

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

Foreign currency risk

See Note 33.

Liquidity risk

See Note 34.

Interest rate risk

See Note 35.

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

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

(a) Contingent liabilities

	2005	*2004*
Commitments to extend credit	620,231	464,843
Guarantees arising from banking activities	118,203	98,514
Confirmed letters of credit	12,850	3,094
Legal disputes	4,180	2,567
Others	164	113
Total	755,628	569,131

Commitments to extend credit, from guarantees and letters of credit

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

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

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

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

(a) Contingent liabilities [continued]

Legal disputes

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

The Group believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes were HUF 2,138 million and HUF 1,430 million as at December 31, 2005 and 2004, respectively.

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

	2005	*Restated 2004*
Foreign currency contracts		
Assets	50,242	35,946
Liabilities	51,571	(38,672)
Net	(1,329)	(2,726)
Net fair value	(856)	(911)
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	613,217	278,077
Liabilities	597,038	(288,168)
Net	16,179	(10,091)
Net fair value	1,228	3,035
Foreign exchange swaps and interest rate swaps designated as hedge accounting relationships		
Assets	12,031	27,873
Liabilities	14,023	(21,672)
Net	(1,992)	6,201
Net fair value	(687)	411
Option contracts		
Assets	--	2,205
Liabilities	--	--
Net	--	2,205
Net fair value	--	--
Other options		
Assets	--	6,834
Liabilities	341	(704)
Net	(341)	6,130
Net fair value	--	--

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

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

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

As December 31, 2005, the Group has derivative instruments with positive fair values of HUF 10,533 million and negative fair values of HUF 10,429 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2004 are HUF 4,134 million and HUF 3,187 million.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

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

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

Forward rate agreements

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

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

For an analysis of the allowance for losses on off balance sheet commitments and contingent liabilities, see Note 16.

NOTE 26: SHARE-BASED COMPENSATION

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

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

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

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

NOTE 26: SHARE-BASED COMPENSATION [continued]

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

	For the year ended December 31, 2004		*For the year ended December 31, 2005*	
	Options (piece of shares)	Weighted average exercise price (in HUF)	Options (piece of shares)	Weighted average exercise price (in HUF)
Outstanding at beginning of period	3,599,930	2,548	3,575,930	2,552
Granted during the period	--	--	4,251,500	5,446
Forfeited during the period	--	--	30,000	3,107
Exercised during the period	24,000	1,980	4,451,230	2,661
Outstanding at the end of the period	3,575,930	2,552	3,346,200	6,079
Exercisable at the end of the period	1,761,930	1,980	446,200	3,107

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

The inputs into the Binominal model are as follows:

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

Expected volatility was determined by calculating the historical volatility of the Bank's share price over 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 payment programs approved by the Bank and applying IFRS 2, HUF 7,497 million and HUF 2,348 million has been recognised as an expense for the years ended December 31, 2005 and 2004, respectively.

NOTE 27: RELATED PARTY TRANSACTIONS

The members of the Board of Directors and the Supervisory Board had credit lines of HUF 188 million and HUF 194 million as at December 31, 2005 and 2004. Such credit is made available at normal market conditions.

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

The amount of loans extended to unconsolidated subsidiaries was HUF 45,603 million and HUF 16,991 million as at December 31, 2005 and 2004, respectively.

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

	2005	*2004*
Short-term employee benefits	9,964	9,156
Termination benefits	15	116
Share-based compensation	4,517	1,113
Total	14,496	10,385

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

	2005	*2004*
Cash, due from banks and balances with the National Bank of Hungary	483,191	465,887
Compulsory reserve established by the National Bank of Hungary	(121,195)	(110,214)
	361,996	355,673

NOTE 29: ACQUISITIONS (in HUF mn)

a. Purchase and consolidation of subsidiary undertakings

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

On July 30, 2004 the Group completed the acquisition of 100% of the shares of RoBank S.A., a Romanian bank (renamed OTP Bank Romania S.A.). The purchase price of RoBank S.A. of USD 47.5 million was provided in cash.

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

	At acquisition date OTP banka Hrvatska d.d.	*At acquisition date OTP Bank Romania S.A.*
Cash, due from banks, and balances with the National Bank	(2,274)	(326)
Placements with other banks, net of allowance for placement losses	(73,431)	(14,046)
Securities available-for-sale	(40,929)	(214)
Loans, net of allowance for loan losses	(122,056)	(17,856)
Accrued interest receivable	(1,643)	(225)
Equity investment	(669)	(35)
Debt securities held-to-maturity	(1,168)	(375)
Premises, equipment and intangible assets	(7,944)	(1,705)
Other assets	(3,439)	(1,011)
Due to banks and deposits from the National Bank and other banks	9,201	5,469
Deposits from customers	212,841	25,001
Accrued interest payable	1,566	376
Other liabilities	4,580	106
Subordinated loans	1,233	--
	(24,132)	(4,841)
Goodwill	(35,809)	(4,926)
Cash consideration	(59,941)	(9,767)

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

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

	2005	*2004*
Cash consideration	(59,941)	(9,767)
Cash acquired	2,274	326
Net cash outflow	(57,667)	(9,441)

NOTE 30: MAJOR SUBSIDIARIES

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

Name	Ownership (Direct and Indirect)		Activity
	December 31, 2005	*December 31, 2004*	
OTP Garancia Insurance Ltd.	100.00%	100.00%	insurance
OTP Real Estate Ltd.	100.00%	100.00%	real estate management and development
OTP Real Estate Management Ltd.	--	100.00%	real estate management
HIF Ltd. (United Kingdom)	100.00%	100.00%	forfeiting
Merkantil Bank Ltd.	100.00%	100.00%	financing car purchases
Merkantil Car Ltd.	100.00%	100.00%	financing car purchases, leasing
OTP Building Society Ltd.	100.00%	100.00%	financing flat purchase and reconstruction
Bank Center No. 1. Ltd.	100.00%	100.00%	letting real estates
OTP Factoring Ltd.	100.00%	100.00%	work-out
Inga Companies	100.00%	100.00%	property management
OTP Fund Management Ltd.	100.00%	100.00%	fund management
OTP Mortgage Bank Close Company Ltd.	100.00%	100.00%	mortgage lending
OTP Funds Servicing and Consulting Close Company Ltd.	100.00%	100.00%	fund services
OTP Banka Slovensko, a. s. (Slovakia)	97.23%	97.23%	commercial banking services
DSK Bank EAD (Bulgaria)	100.00%	100.00%	commercial banking services
OTP Bank Romania S.A. (Romania)	100.00%	100.00%	commercial banking services
OTP banka Hrvatska d.d. (Croatia)	100.00%	--	commercial banking services

NOTE 31: TRUST ACTIVITIES

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

NOTE 32: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 18.5% and 22.5% of the Group's total assets consist of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at December 31, 2005 and 2004, respectively.

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

As at December 31, 2005

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

As at December 31, 2004

	USD	EUR	Others	Total
Assets	121,154	421,323	623,386	1,165,863
Liabilities	(115,360)	(417,814)	(567,746)	(1,100,920)
Off-balance sheet assets and liabilities, net	(16,449)	286	(30,990)	(47,153)
Net position	**(10,655)**	**3,795**	**24,650**	**17,790**

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

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

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

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

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

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

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

As at December 31, 2004 (Restated)	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	465,887	--	--	--	465,887
Placements with other banks, net of allowance for placement losses	258,986	17,147	9,755	312	286,200
Financial assets at fair value through statements of operations	27,930	25,458	7,103	10,089	70,580
Securities available-for-sale	33,535	46,717	161,313	54,270	295,835
Loans, net of allowance for loan losses	221,991	406,757	1,022,698	855,349	2,506,795
Accrued interest receivable	27,677	2,738	622	363	31,400
Equity investments	--	--	--	9,389	9,389
Debt securities held-to-maturity	1,577	63,378	113,186	69,118	247,259
Premises, equipment and intangible assets, net	(2,719)	1,056	45,670	130,768	174,775
Other assets	41,503	17,706	14,311	719	74,239
TOTAL ASSETS	**1,076,367**	**580,957**	**1,374,658**	**1,130,377**	**4,162,359**
Due to banks and deposits from the National Bank of Hungary and other banks	76,319	61,340	98,175	18,291	254,125
Deposits from customers	2,619,350	220,945	55,693	6,202	2,902,190
Liabilities from issued securities	24,780	42,159	42,222	208,061	317,222
Accrued interest payable	15,451	8,574	2,891	99	27,015
Other liabilities	104,237	10,131	30,624	68,806	213,798
Subordinated bonds and loans	--	--	9,324	5,000	14,324
TOTAL LIABILITIES	**2,840,137**	**343,149**	**238,929**	**306,459**	**3,728,674**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	431,127	431,127
Treasury shares	(327)	(14,659)	(1,300)	(9,581)	(25,867)
Minority interests	--	--	--	425	425
TOTAL SHAREHOLDERS' EQUITY	**(327)**	**(14,659)**	**(1,300)**	**449,971**	**433,685**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,839,810**	**328,490**	**237,629**	**756,430**	**4,162,359**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,763,443)**	**252,467**	**1,137,029**	**373,947**	**--**

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

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

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

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

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

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

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

As at December 31, 2005

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

As at December 31, 2005

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

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

As at December 31, 2005

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

As at December 31, 2005

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

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

As at December 31, 2004

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

As at December 31, 2004

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
ASSETS															
Cash, due from banks and balances with the National Bank of Hungary	**390,087**	**1,021**	**353**	--	--	--	--	--	--	--	**53,191**	**21,235**	**443,631**	**22,256**	**465,887**
fixed rate	*383,007*	*944*	--	--	--	--	--	--	--	--	--	--	*383,007*	*944*	*383,951*
variable rate	*7,080*	*77*	*353*	--	--	--	--	--	--	--	--	--	*7,433*	*77*	*7,510*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*53,191*	*21,235*	*53,191*	*21,235*	*74,426*
Placements with other banks, net of allowance for possible placement losses	**121,879**	**101,553**	**800**	**16,873**	**200**	**10,035**	--	**7**	**24**	--	**3,962**	**30,867**	**126,865**	**159,335**	**286,200**
fixed rate	*119,108*	*97,140*	*500*	*5,066*	*200*	*4,802*	--	*7*	*24*	--	--	--	*119,832*	*107,015*	*226,847*
variable rate	*2,771*	*4,413*	*300*	*11,807*	--	*5,233*	--	--	--	--	--	--	*3,071*	*21,453*	*24,524*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*3,962*	*30,867*	*3,962*	*30,867*	*34,829*
Securities held for trading	**5,710**	**2,677**	**19,572**	**4,027**	**17,114**	**2,311**	**73**	**313**	**5,490**	**9,815**	**155**	**1**	**48,114**	**19,144**	**67,258**
fixed rate	*5,624*	--	*18,734*	*202*	*17,040*	*635*	*73*	*313*	*5,490*	*9,815*	--	--	*46,961*	*10,965*	*57,926*
variable rate	*86*	*2,677*	*838*	*3,825*	*74*	*1,676*	--	--	--	--	--	--	*998*	*8,178*	*9,176*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*155*	*1*	*155*	*1*	*156*
Securities available-for-sale	**24,680**	**14,688**	**44,570**	**7,446**	**51,082**	**2,851**	**27,964**	**3,557**	**70,636**	**29,202**	**17,921**	**1,238**	**236,853**	**58,982**	**295,835**
fixed rate	*1,847*	--	*29,008*	*1,570*	*50,752*	*1,823*	*27,964*	*3,557*	*70,636*	*29,202*	--	--	*180,207*	*36,152*	*216,359*
variable rate	*22,833*	*14,688*	*15,562*	*5,876*	*330*	*1,028*	--	--	--	--	--	--	*38,725*	*21,592*	*60,317*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*17,921*	*1,238*	*17,921*	*1,238*	*19,159*
Loans	**552,944**	**495,624**	**394,328**	**305,704**	**32,782**	**37,767**	**33,079**	**7,686**	**628,101**	**12,382**	**1,640**	**4,758**	**1,642,874**	**863,921**	**2,506,795**
fixed rate	*7,653*	*8,972*	*17,508*	*6,356*	*4,713*	*13,455*	*4,962*	*4,069*	*12,165*	*10,286*	--	--	*47,001*	*43,138*	*90,139*
variable rate	*545,291*	*486,652*	*376,820*	*299,348*	*28,069*	*24,312*	*28,117*	*3,617*	*615,936*	*2,096*	--	--	*1,594,233*	*816,025*	*2,410,258*
non-interest-bearing	--	--	--	--	--	--	--	--	--	--	*1,640*	*4,758*	*1,640*	*4,758*	*6,398*
Debt securities held-to-maturity	**24,187**	**811**	**75,795**	**190**	**53,130**	**1,832**	**26,167**	**3,718**	**39,490**	**21,939**	--	--	**218,769**	**28,490**	**247,259**
fixed rate	*499*	*53*	--	*190*	*42,340*	*1,519*	*26,167*	*3,718*	*39,490*	*21,907*	--	--	*108,496*	*27,387*	*135,883*
variable rate	*23,688*	*758*	*75,795*	--	*10,790*	*313*	--	--	--	*32*	--	--	*110,273*	*1,103*	*111,376*
Fair value of derivative financial instruments	**74,029**	**26,963**	**70,431**	**17,475**	**53,073**	**19,693**	**24,000**	**3,935**	**29,261**	**6,099**	--	--	**250,794**	**74,165**	**324,959**
fixed rate	*53,729*	*26,963*	*255*	*17,475*	*14,312*	*18,709*	*24,000*	*3,935*	*29,261*	*6,099*	--	--	*121,557*	*73,181*	*194,738*
variable rate	*20,300*	--	*70,176*	--	*38,761*	*984*	--	--	--	--	--	--	*129,237*	*984*	*130,221*

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

As at December 31, 2004

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

As at December 31, 2004

	Within 1 month		Over 1 month and Within 3 months		Over 3 months and Within 12 months		Over 1 year and Within 2 years		Over 2 years		Non-interest-bearing		Total		Total
	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	HUF	Currency	
LIABILITIES															
Due to banks and deposits from the National Bank of Hungary and other banks	**16,356**	**151,394**	**3,460**	**62,873**	**6,679**	**6,944**	**--**	**3,351**	**--**	**2,024**	**480**	**564**	**26,975**	**227,150**	**254,125**
fixed rate	*14,486*	*51,530*	*--*	*9,198*	*72*	*3,339*	*--*	*337*	*--*	*2,024*	*--*	*--*	*14,558*	*66,428*	*80,986*
variable rate	*1,870*	*99,864*	*3,460*	*53,675*	*6,607*	*3,605*	*--*	*3,014*	*--*	*--*	*--*	*--*	*11,937*	*160,158*	*172,095*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*480*	*564*	*480*	*564*	*1,044*
Deposits from customers	**1,735,862**	**680,874**	**345,501**	**41,204**	**12,552**	**42,108**	**11,533**	**518**	**26,098**	**126**	**296**	**5,518**	**2,131,842**	**770,348**	**2,902,190**
fixed rate	*538,670*	*213,563*	*345,501*	*41,204*	*12,552*	*42,108*	*11,533*	*518*	*26,098*	*126*	*--*	*--*	*934,354*	*297,519*	*1,231,873*
variable rate	*1,197,192*	*467,311*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*1,197,192*	*467,311*	*1,664,503*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*296*	*5,518*	*296*	*5,518*	*5,814*
Liabilities from issued securities	**13,030**	**1,205**	**42,435**	**127**	**38,295**	**210**	**--**	**52**	**153,987**	**67,708**	**95**	**78**	**247,842**	**69,380**	**317,222**
fixed rate	*263*	*1,205*	*20,627*	*127*	*38,193*	*210*	*--*	*52*	*153,987*	*67,708*	*--*	*--*	*213,070*	*69,302*	*282,372*
variable rate	*12,767*	*--*	*21,808*	*--*	*102*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*34,677*	*--*	*34,677*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*95*	*78*	*95*	*78*	*173*
Fair value of derivative financial instruments in other liabilities	**13,087**	**87,629**	**29,353**	**67,794**	**58,173**	**18,559**	**5,000**	**3,935**	**31,761**	**7,133**	**--**	**1**	**137,374**	**185,051**	**322,425**
fixed rate	*1,587*	*79,662*	*3,353*	*17,430*	*28,412*	*18,559*	*5,000*	*3,935*	*31,761*	*7,133*	*--*	*--*	*70,113*	*126,719*	*196,832*
variable rate	*11,500*	*7,967*	*26,000*	*50,364*	*29,761*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*67,261*	*58,331*	*125,592*
non-interest-bearing	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*1*	*--*	*1*	*1*
Subordinated bonds and loans	**--**	**--**	**--**	**--**	**5,000**	**9,324**	**--**	**--**	**--**	**--**	**--**	**--**	**5,000**	**9,324**	**14,324**
variable rate	*--*	*--*	*--*	*--*	*5,000*	*9,324*	*--*	*--*	*--*	*--*	*--*	*--*	*5,000*	*9,324*	*14,324*
Net position	**(584,819)**	**(277,765)**	**185,100**	**179,717**	**86,682**	**(2,656)**	**94,750**	**11,360**	**561,156**	**2,446**	**75,998**	**51,938**	**418,867**	**(34,960)**	**383,907**

NOTE 36: EARNINGS PER SHARE

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

	2005	*Restated 2004*
Consolidated net income (in HUF mn)	158,235	131,506
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	262,195,663	262,425,151
Consolidated Basic Earnings per share (in HUF)	603	501
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	264,320,310	263,565,631
Consolidated Diluted Earnings per share (in HUF)	599	499

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

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

NOTE 37: SEGMENT REPORTING (in HUF mn)

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

37.1. Primary reporting format by geographical segments

	Hungary	United Kingdom	Slovakia	Bulgaria	Romania	Croatia	Elimination	Consolidated
Interest income								
External	387,773	854	11,714	43,442	3,706	11,535	--	459,024
Inter-segment	797	--	--	284	--	--	(1,081)	--
Total	388,570	854	11,714	43,726	3,706	11,535	(1,081)	459,024
Non-interest income								
External	192,097	65	7,400	11,167	1,851	3,917	--	216,497
Inter-segment	70	--	--	382	--	--	(452)	--
Total	192,167	65	7,400	11,549	1,851	3,917	(452)	216,497
Segment income before income taxes	172,430	194	809	19,601	(2,182)	3,117	(1,892)	192,077
Income taxes	--	--	--	--	--	--	--	(33,803)
Net income after income taxes	--	--	--	--	--	--	--	158,274
Segment assets	4,003,566	14,369	287,763	610,114	60,094	332,083	(92,087)	5,215,902
Segment liabilities	3,657,452	12,249	270,635	509,237	41,450	267,603	(90,196)	4,668,430
Capital expenditure	1,964	--	482	5,567	1,972	--	--	9,985
Depreciation	17,640	1	897	2,481	462	416	--	21,897
Allowance for loan and placement losses	20,196	8	1,647	5,151	777	253	10	28,042

NOTE 37: SEGMENT REPORTING (in HUF mn) [continued]

37.2. Secondary segment information by business segments

	Banking segment	Insurance segment
Total segment income	588,998	82,860
Segment net income before income taxes	187,109	7,580
Segment assets	5,094,822	157,225
Capital expenditure	8,517	310

NOTE 38: POST BALANCE SHEET EVENTS

On October 24, 2005 the Bank made a binding bid for purchasing 89.39% of the shares of Niska Banka a.d. registered in Serbia. The purchase agreement was signed on December 23, 2005 at price of EUR 14.21 million. The transaction was closed on March 7, 2006. The total assets of Niska Banka were approximately 38 million EUR as at December 31, 2005.

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