OTP BANK PLC.

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

FOR THE YEAR ENDED 31 DECEMBER 2007

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of OTP Bank Plc.

We have audited the accompanying unconsolidated financial statements of OTP Bank Plc., which comprise the unconsolidated balance sheet as at December 31, 2007, and the related unconsolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of OTP Bank Plc. as of December 31, 2007, and of its unconsolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw attention to Note 2.3 to the unconsolidated financial statements which states that the consolidated financial statements of OTP Group prepared in accordance with International Financial Reporting Standards have been issued separately. The consolidated financial statements of OTP Group as of and for the year ended December 31, 2007 were audited by us and our report dated March 17, 2008 expressed an unqualified opinion.

Budapest, March 17, 2008

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Deloitte Auditing and Consulting Ltd.

OTP BANK PLC.
UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007
(in HUF mn)

	Note	2007	2006
Cash, due from banks and balances with the National Bank of Hungary	*3*	229,644	429,325
Placements with other banks, net of allowance for placement losses	*4*	725,458	657,939
Financial assets at fair value through statement of operations	*5*	123,371	61,085
Securities available-for-sale	*6*	320,615	348,859
Loans, net of allowance for loan losses	*7*	2,188,632	1,751,678
Accrued interest receivable		46,421	44,398
Investments in subsidiaries	*8*	630,703	583,298
Securities held-to-maturity	*9*	558,510	504,111
Premises, equipments and intangible assets, net	*10*	110,273	100,721
Other assets	*11*	177,047	25,283
TOTAL ASSETS		**5,110,674**	**4,506,697**
Due to banks and deposits from the National Bank of Hungary and other banks	*12*	590,748	557,857
Deposits from customers	*13*	2,955,035	2,690,098
Liabilities from issued securities	*14*	394,196	202,050
Accrued interest payable		18,411	16,175
Other liabilities	*15*	138,111	122,398
Subordinated bonds and loans	*16*	298,914	247,865
TOTAL LIABILITIES		**4,395,415**	**3,836,443**
Share capital	*17*	28,000	28,000
Retained earnings and reserves	*18*	741,467	644,000
Treasury shares	*19*	(54,208)	(1,746)
TOTAL SHAREHOLDERS' EQUITY		**715,259**	**670,254**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,110,674**	**4,506,697**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2007
(in HUF mn)

	Note	2007	2006
Interest Income:			
Loans		199,770	167,058
Placements with other banks		104,968	73,004
Due from banks and balances with the National Bank of Hungary		11,754	24,053
Securities held for trading		2,808	2,189
Securities available-for sale		24,952	25,485
Securities held-to-maturity		51,298	40,128
Total Interest Income		*395,550*	*331,917*
Interest Expense:			
Due to banks and deposits from the National Bank of Hungary and other banks		65,939	36,492
Deposits from customers		110,504	81,167
Liabilities from issued securities		16,151	6,722
Subordinated bonds and loans		16,086	4,372
Total Interest Expense		*208,680*	*128,753*
NET INTEREST INCOME		**186,870**	**203,164**
Provision for loan and placement losses	*4, 7*	21,453	25,443
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND PLACEMENT LOSSES		**165,417**	**177,721**
Non-Interest Income:			
Fees and commissions		153,449	147,668
Foreign exchange gains/(losses), net		633	(14,465)
Gains on securities, net		2,232	870
(Losses)/gains on real estate transactions, net		(54)	77
Dividend income		18,920	16,252
Other		4,717	44,849
Total Non-Interest Income		*179,897*	*195,251*
Non-Interest Expenses:			
Fees and commissions		20,611	21,163
Personnel expenses		71,018	65,405
Depreciation and amortization		20,035	17,391
Other	*20*	71,868	81,527
Total Non-Interest Expenses		*183,532*	*185,486*
INCOME BEFORE INCOME TAXES		**161,782**	**187,486**
Income taxes	*21*	20,101	17,298
NET INCOME		**141,681**	**170,188**
Earnings per share (in HUF)			
Basic	*32*	508	635
Diluted	*32*	507	629

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007
(in HUF mn)

	Note	2007	2006
OPERATING ACTIVITIES			
Income before income taxes		161,782	187,486
Income tax paid		(24,101)	(25,913)
Depreciation and amortization		20,035	17,391
Provision for loan and placement losses		21,453	25,443
Provision for permanent diminution in value of investments in subsidiaries	*8*	56	10
Allowance for losses of other assets	*11*	351	151
Allowance for losses on off-balance sheet commitments and contingent liabilities, net	*15*	512	5,827
Share-based compensation	*2, 24,33*	5,123	5,927
Unrealised losses on fair value adjustment of securities held for trading		688	1,435
Unrealised gains on fair value adjustment of derivative financial instruments		(1,620)	(13,676)
Net increase in financial assets through statements of operations		(24,698)	(11,700)
Net increase in accrued interest receivables		(2,023)	(3,122)
Net (increase)/decrease in other assets, excluding advances for investments and before provisions for losses		(45,697)	22,400
Net increase in accrued interest payable		2,236	10,440
Net increase in other liabilities		8,070	20,392
Net cash provided by operating activities		**122,167**	**242,491**
INVESTING ACTIVITIES			
Net decrease in placements with other banks, before provision for placement losses		(199,711)	(264,280)
Net decrease in securities available-for-sale		25,422	14,466
Net increase in investments in subsidiaries, before provision for permanent diminution in value		(47,461)	(359,427)
Net (increase)/decrease in securities held-to-maturity		(54,399)	17,686
Net (increase)/decrease in advances for investments included in other assets		(2)	1
Net increase in loans, before provision for loan losses		(458,407)	(301,613)
Net additions to premises, equipment and intangible assets		(29,088)	(12,543)
Net cash used in investing activities		**(763,646)**	**(905,710)**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007
(in HUF mn) [continued]

	Note	2007	2006
FINANCING ACTIVITIES			
Net increase in due to banks and deposits from the National Bank of Hungary and other banks		32,891	302,646
Net increase in deposits from customers		264,937	183,641
Net increase/(decrease) in liabilities from issued securities		192,146	(217)
Increase in subordinated bonds and loans		51,049	200,842
(Issuance of)/ dividend on equity instrument (ICES)		(2,715)	39,364
Net change in treasury shares		(56,359)	42,138
Net increase in the compulsory reserve established by the National Bank of Hungary		(21,459)	(16,539)
Dividends paid		(40,151)	(55,119)
Net cash provided by financing activities		**420,339**	**696,756**
Net (decrease)/increase in cash and cash equivalents		**(221,140)**	**33,537**
Cash and cash equivalents at the beginning of the year		294,581	261,044
Cash and cash equivalents at the end of the year		**73,441**	**294,581**

Analysis of cash and cash equivalents

	Note	2007	2006
Cash, due from banks and balances with the National Bank of Hungary		429,325	379,249
Compulsory reserve established by the National Bank of Hungary		(134,744)	(118,205)
Cash and cash equivalents at the beginning of the year		**294,581**	**261,044**
Cash, due from banks and balances with the National Bank of Hungary	*3,26*	229,644	429,325
Compulsory reserve established by the National Bank of Hungary	*3,26*	(156,203)	(134,744)
Cash and cash equivalents at the end of the year		**73,441**	**294,581**

OTP BANK PLC.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at 1 January 2006	**28,000**	**486,051**	**(40,752)**	**473,299**
Net income	-	170,188	-	170,188
Fair value adjustment of securities available-for-sale recognised directly through equity, net	-	(5,502)	-	(5,502)
Share-based compensation	-	5,927	-	5,927
Profit on ICES - exchangeable bond transaction recognised through equity	-	39,364	-	39,364
Dividend for the year 2005	-	(55,160)	-	(55,160)
Profit on sale of treasury shares	-	3,132	-	3,132
Sale of treasury shares	-	-	39,006	39,006
Balance as at 31 December 2006	**28,000**	**644,000**	**(1,746)**	**670,254**
Net income	-	141,681	-	141,681
Fair value adjustment of securities available-for-sale recognised directly through equity, net	-	(2,018)	-	(2,018)
Fair value adjustment of derivative financial instruments recognised directly through equity, net	-	(387)	-	(387)
Share-based compensation	-	5,123	-	5,123
Profit on ICES - exchangeable bond transaction recognised through equity	-	(2,715)	-	(2,715)
Dividend for the year 2006	-	(40,320)	-	(40,320)
Loss on sale of treasury shares	-	(3,897)	-	(3,897)
Purchase of treasury shares	-	-	(52,462)	(52,462)
Balance as at 31 December 2007	**28,000**	**741,467**	**(54,208)**	**715,259**

<u>NOTE 1:</u> ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General information

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

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

As at 31 December 2007 approximately 95% of the Bank’s shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (2%) and the Bank (3%).

The Bank provides a full range of commercial banking services through a nationwide network of 388 branches in Hungary.

As at 31 December 2007 the number of employees at the Bank was 8,494. The average number of employees in the year ended 31 December 2007 was 8,281.

1.2. Accounting

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

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

Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Due to the fact that the Bank is listed on international and national stock exchanges, the Bank is obliged to present its financial position according to the International Financial Reporting Standards. Certain adjustments have been made to the Bank’s Hungarian unconsolidated statutory accounts (see Note 34), in order to present the unconsolidated financial position and results of operations of the Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards (IFRS). These standards and interpretations were previously called International Accounting Standards (IAS).

The unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the “EU”) except for the matters discussed in 2.3. IFRS as adopted by the EU do not currently differ from IFRS as issued by the IASB, except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. As the Bank does not apply portfolio hedge accounting under IAS 39, there is no impact on these unconsolidated financial statements, had it been approved by the EU at the balance sheet date.

The Financial Statements were authorised for issue on 17 March 2008.

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

1.2.1. The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2007

In the current year, the Bank has adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 *Presentation of Financial Statements*.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Bank’s financial instruments and management of capital.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*;
- IFRIC 8 *Scope of IFRS* 2;
- IFRIC 9 *Reassessment of Embedded Derivatives*;
- IFRIC 10 *Interim Financial Reporting and Impairment*.

The adoption of these Interpretations has not led to any changes in accounting policies of the Bank and had no significant impact on the 2007 unconsolidated financial statements.

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

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Bank, the following Interpretations were in issue but not yet effective:

- IAS 23 (Revised) *Borrowing Costs* (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 13 *Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 11 *IFRS 2: Bank and Treasury Share Transactions* (effective 1 March 2007);
- IFRIC 12 *Service Concession Arrangements* (effective 1 January 2008)*;*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective 1 January 2008).

The directors anticipate that all of the above Interpretations will be adopted in financial statements of the Bank for the period commencing 1 January 2008 and that the adoption of those Interpretations will have no material impact on the financial statements of the Bank in the period of initial application.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

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

2.2. Foreign currency translation

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

2.3. Consolidated financial statements

These financial statements present the unconsolidated financial position and results of operations of the Bank. Consolidated financial statements are currently being prepared by the Bank and consolidated net income and shareholders' equity differs significantly from that presented in these unconsolidated financial statements. See Note 2.8 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements. The consolidated financial statements and the unconsolitated financial statements will be published on the same date.

2.4. Securities held-to-maturity

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Financial assets at fair value through statement of operations

2.5.1 Securities held for trading

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

2.5.2. Derivative financial instruments

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

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Securities available-for-sale

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

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

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

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

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

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

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

2.8. Investments in subsidiaries

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.9. Sale and repurchase agreements

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

2.10. Premises, equipments and intangible assets

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

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

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

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

2.11. Leases

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Treasury shares

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

2.13. Interest Income and Interest Expense

Interest income and expense are recognised in the Unconsolidated Statement of Operations on an accrual basis based on the IAS 18.

2.14. Income taxes

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

2.15. Off-balance sheet commitments and contingent liabilities

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

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

2.16. Share-based payments

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

The Bank issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the year, based on the Bank's estimate of shares that will eventually vest.
Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.17. Unconsolidated statement of cash flows

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

2.18. Comparative figures

Certain amounts in the 2006 unconsolidated financial statements have been reclassified to conform with the current year presentation.

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

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

(a) Impairment of Loans and Advances

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

(b) Valuation of Instruments without Direct Quotations

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

(c) Provisions

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

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

	2007	2006
Cash on hand:		
In HUF	50,601	45,909
In foreign currency	3,486	3,066
	54,087	48,975
Due from banks and balances with NBH:		
Within one year:		
In HUF	162,268	369,617
In foreign currency	13,289	10,733
	175,557	380,350
Total	229,644	429,325

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of the compulsory reserves amounted to approximately HUF 156,203 million and HUF 134,744 million as at 31 December 2007 and 2006 respectively.

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

	2007	2006
Within one year:		
In HUF	35,330	37,741
In foreign currency	289,789	242,892
	325,119	280,633
Over one year:		
In HUF	3,000	3,300
In foreign currency	397,339	374,006
	400,339	377,306
Total	725,458	657,939

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

Placements with other banks in foreign currency as at 31 December 2007 and 2006 bear interest rates in the range from 1% to 11.99% and from 0.43% to 11.76% respectively.

Placements with other banks in HUF as at 31 December 2007 and 2006 bear interest rates in the range from 6.7% to 8.94% and from 7% to 9.55% respectively.

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

	2007	2006
Securities held for trading		
Hungarian Government discounted Treasury bills	2,147	1,562
Hungarian Government interest bearing Treasury bills	2,406	5,710
Government bonds	47,964	25,744
Mortgage bonds	3,549	2,741
Other securities	4,318	318
	60,384	36,075
Derivative financial instruments designated as held for trading	62,987	25,010
Total	123,371	61,085

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

Approximately 100% of the held for trading securities portfolio was denominated in HUF as at 31 December 2007 and 2006 respectively.

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

The 100% of the government bond portfolio was denominated in HUF as at 31 December 2007 and 2006 respectively.

Interest rates on securities held for trading ranged from 5.5% to 11.1% and from 5.5% to 12% as at 31 December 2007 and 2006 respectively.

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

	2007	2006
Within five years:		
variable interest	369	391
fixed interest	33,918	27,648
	34,287	28,039
Over five years:		
variable interest	-	18
fixed interest	21,779	7,700
	21,779	7,718
Non interest-bearing securities	4,318	318
Total	60,384	36,075

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

	2007	2006
Government bonds	41,773	17,317
Mortgage bonds	161,545	212,419
Other securities	117,297	119,123
	320,615	348,859

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

Approximately 67% and 68% of the available-for-sale securities portfolio was denominated in HUF as at 31 December 2007 and 2006 respectively.

The 88% and 71.2% of the government bonds were denominated in HUF as at 31 December 2007 and 2006 respectively. The whole government bond portfolio denominated in foreign currency was denominated in EUR as at 31 December 2007 and 2006 respectively.

Interest rates on avaible-for-sale securities ranged from 3% to 10% and from 2.5% to 12% as at 31 December 2007 and 2006 respectively.

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

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

	2007	2006
Within five years:		
variable interest	63,187	96,378
fixed interest	171,723	109,520
	234,910	205,898
Over five years:		
variable interest	56,519	27,573
fixed interest	17,240	104,740
	73,759	132,313
Non interest-bearing securities	11,946	10,648
Total	320,615	348,859

Certain fixed-rate mortgage bonds and other securities mainly denominated in foreign currency are hedged by derivative financial instruments to reduce the exposure to interest rate risk or the changes in fair value of these assets. In the case of these transactions the hedging relationships is designated and HUF 298 million and HUF 1,867 million net loss that had been recognised directly in equity was removed from equity and recognised in the net profit and loss as at 31 December 2007 and 2006 respectively in line with IAS 39.

The fair value of the hedged mortgage bonds was HUF 16,557 million and HUF 20,805 million as at 31 December 2007 and 2006 respectively. The fair value of the other bonds hedged was HUF 30,491 million and HUF 21,615 million as at 31 December 2007 and 2006 respectively.

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

	2007	2006
Short-term loans and trade bills (within one year)	563,007	585,537
Long-term loans and trade bills (over one year)	1,654,445	1,197,162
	2,217,452	1,782,699
Allowance for loan losses	(28,820)	(31,021)
	2,188,632	1,751,678

Loans denominated in foreign currency represent approximately 58% and 45% of the loan portfolio, before allowance for losses as at 31 December 2007 and 2006 respectively.

Loans denominated in HUF, with a maturity within one year as at 31 December 2007 and 2006 bear interest rates in the range from 10% to 30% respectively.

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

Loans denominated in HUF with the maturity over one year as at 31 December 2007 and 2006 bear interest rates in the range from 4% to 22.8% respectively.

Foreign currency loans as at 31 December 2007 and 2006 bear interest rates in the range from 2% to 18% and from 1.6% to 17% respectively.

Approximately 2% and 3% of the gross loan portfolio represented loans on which interest is not being accrued as at 31 December 2007 and 2006 respectively.

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

	2007		2006	
Commercial loans	1,446,354	64%	1,004,605	56%
Municipality loans	214,428	10%	210,159	12%
Housing loans	211,504	10%	259,583	14%
Consumer loans	280,925	13%	241,479	14%
Mortgage backed loans	64,241	3%	66,873	4%
	2,217,452	100%	1,782,699	100%

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

	2007	2006
Balance as at 1 January	31,021	22,162
Provision for loan losses	21,453	25,443
Write-offs	(23,654)	(16,584)
Balance as at 31 December	28,820	31,021

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

NOTE 8: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	2007	2006
Investments in subsidiaries:		
Controlling interest	630,805	583,496
Significant interest	75	75
Other	938	786
	631,818	584,357
Allowance for permanent diminution in value	(1,115)	(1,059)
	630,703	583,298

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

	2007	2006
Balance as at 1 January	1,059	3,508
Provision for permanent diminution in value	56	10
Write-offs	-	(2,459)
Balance as at 31 December	1,115	1,059

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

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

	2007		2006	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
CJSC OTP Bank (Ukraine)	100.00%	182,537	100.00%	168,654
DSK Bank EAD (Bulgaria)	100.00%	86,831	100.00%	79,163
OTP Banka Hrvatska d.d. (Croatia)	100.00%	65,065	100.00%	59,941
OTP banka Srbija a.d. Novi Sad*	91.43%	55,997	-	-
Investsberbank OAO (Russia)	97.22%	50,078	96.41%	49,337
OTP Bank Romania S.A. (Romania)	100.00%	38,117	100.00%	33,034
Crnogorska komercijalna banka A.D. (Montenegro)	100.00%	29,130	100.00%	26,580
OTP Mortgage Bank Company Ltd.	100.00%	27,000	100.00%	20,000
Invest Oil OOO (Russia)	100.00%	21,224	100.00%	21,220
Megaform Inter OOO (Russia)	100.00%	17,704	100.00%	17,700
AlyansReserv OOO (Russia)	100.00%	11,147	100.00%	11,143
OTP Banka Slovensko a.s. (Slovakia)	97.23%	10,038	97.23%	10,038
OTP Garancia Insurance Ltd.	100.00%	7,472	100.00%	7,472
Bank Center No. 1. Ltd.	100.00%	7,330	100.00%	7,330
INGA Two Ltd.	100.00%	5,892	100.00%	5,892
Air-Invest Ltd.	100.00%	3,854	100.00%	3,674
OTP Fund Servicing and Consulting Ltd.	100.00%	2,392	100.00%	1,372
OTP Building Society Ltd.	100.00%	1,950	100.00%	1,950
OTP Fund Management Ltd.	100.00%	1,653	100.00%	1,653
Merkantil Bank Ltd.	100.00%	1,600	100.00%	1,600
OTP Life Annuity Ltd.	100.00%	1,250	100.00%	500
OTP Real Estate Ltd.	100.00%	1,228	100.00%	1,228
OTP Card Factory Ltd.	100.00%	450	100.00%	450
OTP Flat Lease Ltd.	100.00%	410	100.00%	410
OTP Factoring Ltd.	100.00%	150	100.00%	150
Kulska banka a.d. Novi Sad (Serbia)*	-	-	83.19%	38,637
Zepter banka a.d. Beograd (Serbia)*	-	-	75.10%	8,911
Niška banka a.d. (Serbia)*	-	-	99.95%	4,107
Other	-	306	-	1,350
Total		630,805		583,496

*OTP Bank Plc.'s Serbian subsidiaries, Niška banka a.d. Niš, Zepter banka a.d. Beograd and Kulska banka a.d. Novi Sad made a decision on the merger of the three banks on 23 March 2007. The merged credit institution operates under the name of OTP banka Srbija a.d. Novi Sad from 21 May 2007 in the territory of the Republic of Serbia, with its headquarters located in Novi Sad.

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

	2007	2006
Government securities	172,125	185,088
Hungarian Government discounted Treasury bills	341	28,095
Bonds issued by NBH	97,085	-
Mortgage bonds	288,959	289,328
Other debt securities	-	1,600
	558,510	504,111

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

	2007	2006
Within five years:		
variable interest	16,765	16,792
fixed interest	485,475	369,875
	502,240	386,667
Over five years:		
variable interest	30,657	34,898
fixed interest	25,613	82,546
	56,270	117,444
Total	558,510	504,111

The 100% of the securities portfolio was denominated in HUF as at 31 December 2007 and 2006 respectively. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 5.5% to 10% and from 6% to 10% as at 31 December 2007 and 2006 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 562,404 million and HUF 508,147 million as at 31 December 2007 and 2006 respectively.

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

For the year ended 31 December 2007:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at 1 January 2007	64,186	49,624	67,653	5,998	187,461
Net additions	16,108	7,107	7,390	175	30,780
Net disposals	(22)	(1,430)	(5,928)	-	(7,380)
Balance as at 31 December 2007	80,272	55,301	69,115	6,173	210,861
Depreciation and Amortization					
Balance as at 1 January 2007	33,342	8,443	44,955	-	86,740
Net additions	10,669	1,288	8,078	-	20,035
Net disposals	(5)	(320)	(5,862)	-	(6,187)
Balance as at 31 December 2007	44,006	9,411	47,171	-	100,558
Net book value					
Balance as at 1 January 2007	30,844	41,181	22,698	5,998	100,721
Balance as at 31 December 2007	36,266	45,890	21,944	6,173	110,273

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

For the year ended 31 December 2006:

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at 1 January 2006	53,565	57,675	60,471	6,414	178,125
Net additions	10,664	4,368	9,013	-	24,045
Net disposals	(43)	(12,419)	(1,831)	(416)	(14,709)
Balance as at 31 December 2006	64,186	49,624	67,653	5,998	187,461
Depreciation and Amortization					
Balance as at 1 January 2006	25,168	8,556	38,832	-	72,556
Net additions	8,182	1,301	7,908	-	17,391
Net disposals	(8)	(1,414)	(1,785)	-	(3,207)
Balance as at 31 December 2006	33,342	8,443	44,955	-	86,740
Net book value					
Balance as at 1 January 2006	28,397	49,119	21,639	6,414	105,569
Balance as at 31 December 2006	30,844	41,181	22,698	5,998	100,721

NOTE 11: OTHER ASSETS (in HUF mn)

	2007	2006
Property held for sale	14	4
Due from Government for interest subsidies	2,860	4,009
Trade receivables	5,649	6,505
Advances for securities and investments	510	508
Taxes recoverable	7,279	114
Inventories	473	406
Other advances	1,767	1,313
Credits sold under deferred payment scheme	119	76
Receivables from OTP Mortgage Bank Company Ltd.*	144,927	1,618
Receivables from investing services	1,425	889
Prepayments and accrued income	6,441	5,062
Fair value of derivative financial instruments designated as hedge accounting relationships	2,309	1,967
Other	4,649	3,858
	178,422	26,329
Allowance for losses on other assets	(1,375)	(1,046)
	177,047	25,283

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

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

	2007	2006
Balance as at 1 January	1,046	902
Provision for losses	351	151
Write-offs	(22)	(7)
Balance as at 31 December	1,375	1,046

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

	2007	2006
Within one year:		
In HUF	124,641	26,905
In foreign currency	173,276	247,234
	297,917	274,139
Over one year:		
In HUF	70,065	50,447
In foreign currency	222,766	233,271
	292,831	283,718
Total	590,748	557,857

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at 31 December 2007 and 2006 bear interest rates in the range from 6.5% to 7.52% and from 7% to 8% respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at 31 December 2007 and 2006 bear interest rates in the range from 3% to 6.28% and from 3% to 6% respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at 31 December 2007 and 2006 bear interest rates in the range from 1% to 10.5% and from 0.48% to 5.4% respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at 31 December 2007 and 2006 bear interest rates in the range form 2.69% to 6.15% and from 1.78% to 6.72% respectively.

NOTE 13: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2007	2006
Within one year:		
In HUF	2,462,047	2,280,834
In foreign currency	483,208	397,523
	2,945,255	2,678,357
Over one year:		
In HUF	9,780	11,741
	9,780	11,741
Total	2,955,035	2,690,098

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

Deposits from customers payable in HUF within one year as at 31 December 2007 and 2006 bear interest rates in the range from 0.2% to 12% and from 0.2% to 9% respectively.

Deposits from customers payable in HUF over one year as at 31 December 2007 and 2006 bear interest rates in the range from 1.3% to 7% and from 0.2% to 8.3% respectively.

Deposits from customers payable in foreign currency as at 31 December 2007 and 2006 bear interest rates in the range from 0.1% to 6% and from 0.1% to 5.6% respectively.

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

	2007		2006	
Commercial deposits	906,160	31%	708,981	26%
Municipality deposits	204,545	7%	168,379	6%
Consumer deposits	1,844,330	62%	1,812,738	68%
	2,955,035	100%	2,690,098	100%

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

	2007	2006
With original maturity:		
Within one year	245	337
Over one year	393,951	201,713
	394,196	202,050

Liabilities from issued securities denominated in HUF bear interest rates in the range from 0.3% to 9% as at 31 December 2007 and 2006 respectively.

Liabilities from issued securities denominated in foreign currency bear interest rates in the range from 4.8% to 5% and from 3.5% to 3.8% as at 31 December 2007 and 2006 respectively.

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

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

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

NOTE 15: OTHER LIABILITIES (in HUF mn)

	2007	2006
Taxes payable	4,269	4,696
Deferred tax liabilities	2,969	5,831
Giro clearing accounts	19,017	26,142
Accounts payable	10,902	7,197
Salaries and social security payable	8,372	9,343
Liabilities from security trading	20,697	9,459
Allowances for losses on off-balance sheet commitments, contingent liabilities	14,221	13,709
Dividends payable	792	623
Accrued expenses	11,245	8,904
Advancement of Government grants for housing purposes	3,666	5,245
Loans for collection	1,523	1,674
Fair value of derivative financial instruments designated as hedge accounting relationships	612	472
Fair value of derivative financial instruments designated as held for trading	22,543	11,618
Liabilities from trading activities (repurchase agreement)	87	1,267
Other	17,196	16,218
	138,111	122,398

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

	2007	2006
Allowance for litigation	2,845	2,481
Allowance for other off-balance sheet commitments, contingent liabilities	6,524	8,210
Other allowance (for expected liabilities)	4,852	3,018
	14,221	13,709

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

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

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

	2007	2006
Balance as at 1 January	13,709	7,882
Allowance for off-balance sheet commitments and contingent liabilities, net	512	5,827
Balance as at 31 December	14,221	13,709

NOTE 16: SUBORDINATED BONDS AND LOANS

In 1993 the Bank issued HUF 5 billion in bonds, which are subordinated to the other liabilities of the Bank and subscribed by the Hungarian Ministry of Finance. Interest on subordinated bonds and the frequency of payment of interests are based on condition of interest of 2013/C credit consolidated government bonds, which is a variable-rate bond, the interest payable and the rate of interest are fixed twice a year. The semi-annual interest payable was 4.36% as at 20 December 2002, 3.25% as at 20 June 2003, 4.8% as at 20 December 2003, 4.88% as at 20 June 2004, 6.05% as at 20 December 2004, 5.46% as at 20 June 2005, and 3.08% as at 20 December 2005, 3.1% as at 20 June 2006 and 3.79% as at 31 December 2006, 4.02% as at 20 June 2007 and 3.76% as at 20 December 2007. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

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

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

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

NOTE 16: SUBORDINATED BONDS AND LOANS [continued]

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

NOTE 17: SHARE CAPITAL (in HUF mn)

	2007	2006
Authorized, issued and fully paid:		
Common shares	28,000	28,000
	28,000	28,000

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

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

The reserves of the Bank under Hungarian Accounting Standards were HUF 537,211 million and HUF 397,904 million as at 31 December 2007 and 2006 respectively. Of these amounts, legal reserves represent HUF 152,569 million and HUF 87,675 million as at 31 December 2007 and 2006 respectively. The legal reserves are not available for distribution.

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

The dividend has been determined on the basis of the profit after tax determined in the unconsolidated financial statements according to the Hungarian Accounting Standards.

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

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

NOTE 19: TREASURY SHARES (in HUF mn)

	2007	2006
Nominal Value	610	21
Carrying Value at aquisition cost	54,208	1,746

NOTE 20: OTHER EXPENSES (in HUF mn)

	2007	2006
Provision for permanent diminution in value of investments in subsidiaries	56	10
Provision for other assets	351	151
Provision for losses on off-balance sheet commitments and contingent liabilities	512	5,827
Administration expenses, including rent	23,996	21,749
Advertising	5,129	5,053
Taxes, other than income tax	16,903	26,844
Services	17,803	16,952
Professional fees	2,762	2,497
Other	4,356	2,444
	71,868	81,527

NOTE 21: INCOME TAXES (in HUF mn)

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

A breakdown of the income tax expense is:

	2007	2006
Current tax	22,169	16,474
Deferred tax	(2,068)	824
	20,101	17,298

A reconciliation of the deferred tax liability is as follows:

	2007	2006
Balance as at 1 January	(5,831)	(2,793)
Deferred tax charge	2,068	(824)
Tax effect of fair value adjustment of available-for-sale securities recognised through equity	794	(2,214)
Balance as at 31 December	(2,969)	(5,831)

A breakdown of the deferred tax liability is as follows:

	2007	2006
Difference in accounting for finance leases	510	287
Repurchase agreement	1,818	94
Fair value adjustment of derivative financial instruments	378	-
Deferred tax asset	2,706	381
Fair value adjustment of held for trading and available-for-sale financial assets	(1,021)	(1,663)
Premium and discount amortization on investment securities	(339)	(24)
Fair value adjustment of derivative financial instruments	-	(244)
Valuation of equity instrument (ICES)	(2,760)	(2,952)
Difference in depreciation and amortization	(1,555)	(1,329)
Deferred tax liabilities	(5,675)	(6,212)
Net deferred tax liabilities	(2,969)	(5,831)

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

A reconciliation of the income tax charge is as follows:

	2007	2006
Income before income taxes	161,782	187,486
Income tax with statutory tax rate (16%)	25,885	29,998
Special tax (4%)	5,763	2,139
Income tax adjustments are as follows:		
Reversal of statutory general provision	(1,819)	(1,366)
Reversal of statutory goodwill and negative goodwill	(1,762)	(1,318)
Revaluation of investments denominated in foreign currency to historical cost	(2,514)	(842)
Profit on sale of treasury shares	(779)	-
Fair value of share-based compensations	1,025	948
Dividend income	(3,027)	(2,600)
Permanent differences related to issued equity instruments	(389)	(2,832)
Assets granted without obligation of repayment from subsidiaries	-	(6,022)
Effect of an expected increase in the rate of income tax (+4%)	-	165
Other	(2,282)	(972)
Income tax	20,101	17,298
Effective tax rate	12.4%	9.2%

NOTE 22: FINANCIAL INSTRUMENTS

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

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

Credit risk

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

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

Market risk

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

Liquidity risk

See Note 29.

Foreign currency risk

See Note 30.

Interest rate risk

See Note 31.

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

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

(a) Contingent liabilities and commitments

	2007	2006
Commitments to extend credit	749,015	689,963
Guarantees arising from banking activities	255,406	194,189
Confirmed letters of credit	5,892	16,560
Legal disputes	5,708	5,698
Contingent liabilities related to OTP Mortgage Bank Ltd.	38,702	30,363
Other	5,178	3,242
	1,059,901	940,015

Commitments to extend credit, from guarantees and letters of credit

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

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

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

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

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

Legal disputes

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

The Bank believes that the various asserted claims and litigations in which it is involved will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation. Provision due to legal disputes were HUF 2,845 million and HUF 2,481 million as at 31 December 2007 and 2006 respectively. (See Note 15)

Contingent liabilities related to OTP Mortgage Bank Ltd.

Under a syndication agreement with its fully owned subsidiary, OTP Mortgage Bank Ltd., the Bank guarantees, in return for an annual fee, to purchase all mortgage loans held by OTP Mortgage Bank Ltd. that become non-performing. OTP Mortgage Bank Ltd. utilises credit risk monitoring and credit policies for the granting of loans similar to those used by the Bank. Provision due to recourse agreements were HUF 3,870 million and HUF 3,036 million as at 31 December 2007 and 2006 respectively.

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

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

	2007	2006
Foreign currency contracts designated as held for trading		
Assets	97,699	37,825
Liabilities	99,161	38,653
Net	(1,462)	(828)
Net fair value	(649)	(482)
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	2,063,109	951,605
Liabilities	1,980,414	921,045
Net	82,695	30,560
Net fair value	15,413	13,871
Interest rate swaps designated in hedge accounting relationships		
Assets	20,041	19,611
Liabilities	17,320	18,286
Net	2,721	1,325
Net fair value	1,478	1,072
Option contracts		
Assets	123,467	9,436
Liabilities	123,520	10,477
Net	(53)	(1,041)
Net fair value	25,900	423
Forward security agreements designated as held for trading		
Assets	175	149
Liabilities	175	149
Net	-	-
Net fair value	(1)	3

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

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

As at 31 December 2007 the Bank has derivative instruments with positive fair values of HUF 65,296 million and negative fair values of HUF 23,155 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at 31 December 2006 are HUF 26,977 million and HUF 12,090 million.

Foreign currency contracts

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

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

Foreign exchange swaps and interest rate swaps

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

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

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

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

Forward rate agreements

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

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

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

NOTE 24: SHARE-BASED COMPENSATION

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

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

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

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

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

NOTE 24: SHARE-BASED COMPENSATION [continued]

	For the year ended 31 December 2007		For the year ended 31 December 2006	
	Options (piece of shares)	Weighted average exercise price (in HUF)	Options (piece of shares)	Weighted average exercise price (in HUF)
Outstanding at beginning of period	4,799,825	7,231	3,346,200	6,079
Granted during the period	3,510,000	8,419	3,832,000	7,038
Forfeited during the period	187,250	7,648	218,430	6,536
Exercised during the period	1,444,445	6,706	2,159,945	5,174
Outstanding at the end of the period	6,678,130	7,957	4,799,825	7,231
Exercisable at the end of the period	2,334,304	7,369	1,799,825	6,536

The weighted average share price for share options of 2005 and 2006 exercised during the year ended 31 December 2007 was HUF 9,409 at the date of exercise. The options outstanding at 31 December 2007 and as at 31 December 2006 had a weighted average exercise price of HUF 7,957 and HUF 7,231 with a weighted average remaining contractual life of 18 and 22 months, respectively.

The inputs into the Binominal model are as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Weighted average share price (HUF)	7,663	5,969
Weighted average exercise price (HUF)	7,594	4,882
Expected volatility (%)	29	36
Expected life (average year)	3.18	0.52
Risk free rate (%)	7.01	6.71
Expected dividends (%)	2.45	3.35

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

In connection with the share-based compensation programs approved by the Bank and applying IFRS 2, HUF 5,123 million and HUF 5,927 million has been recognised as an expense for the years ended 31 December 2007 and 2006 respectively.

NOTE 25: RELATED PARTY TRANSACTIONS

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

During the years ended 31 December 2007 and 2006 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring Ltd. for HUF 8,479 million and HUF 8,190 million respectively. The gross book value of such credits were HUF 29,873 million and HUF 20,309 million respectively, with a corresponding allowance for loan losses of HUF 19,547 million and HUF 7,762 million respectively. The underlying mortgage rights were also transferred to OTP Factoring Ltd. Losses related to such transactions are recorded in the unconsolidated financial statements, among for loans and placement losses, which were HUF 1,847 million and HUF 4,357 million as at 31 December 2007 and 2006 respectively.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 1,949 million and HUF 1,743 million for the years ended 31 December 2007 and 2006 respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 3,149 million and HUF 1,732 million for the years ended 31 December 2007 and 2006 respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 437 million and HUF 578 million, in relation to trading activity were HUF 5,066 million and HUF 4,842 million for the years ended 31 December 2007 and 2006 respectively.

Commissions paid by the Bank to OTP Real Estate in relation to its activity were HUF 1,413 million and HUF 1,696 million for the years ended 31 December 2007 and 2006 respectively.

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Ltd. of HUF 269,300 million and 157,617 million during the years ended 31 December 2007 and 2006 (including interest). The book value of these receivables were HUF 269,205 million and HUF 157,504 million respectively.

During the year ended 31 December 2007, the Bank received HUF 50,111 million in fees and commissions from OTP Mortgage Bank Ltd. For the year ended 31 December 2006 such fees and commissions were HUF 50,493 million. Such fees and commissions are related to services provided to OTP Mortgage Bank Ltd. under the syndication agreement.

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

Loans provided to Merkantil Car Ltd. were HUF 41,896 million and HUF 65,389 million as at 31 December 2007 and 2006 respectively.

Loans provided to OTP Trade Ltd. were HUF 29,584 million and HUF 49,216 million as at 31 December 2007 and 2006 respectively.

Loans provided to OTP Flat Lease Ltd. were HUF 15,458 million and HUF 5,245 million as at 31 December 2007 and 2006 respectively.

NOTE 25: RELATED PARTY TRANSACTIONS [continued]

Loans provided to OTP Financing Cyprus Co. Ltd. were HUF 258,621 million as at 31 December 2007.

Loans provided to OTP Financing Netherlands B. V. were HUF 50,670 million as at 31 December 2007.

Deposits from OTP Garancia Insurance Ltd. were HUF 7,328 million and HUF 170 million as at 31 December 2007 and 2006 respectively.

Deposits from OTP Building Society Ltd. were HUF 17,622 million and HUF 5 million as at 31 December 2007 and 2006 respectively.

Loans provided to Investsberbank OAO were HUF 63,675 million and HUF 4,136 million as at 31 December 2007 and 2006 respectively.

Loans provided DSK Bank EAD were HUF 139,671 million and HUF 84,462 million as at 31 December 2007 and 2006 respectively, deposits from DSK Bank EAD were HUF 58,741 and HUF 96,396 million as at 31 December 2007 and 2006 respectively.

Loans provided to OTP Banka Hrvatska Group were HUF 30,478 million and HUF 24,660 million as at 31 December 2007 and 2006 respectively.

Loans provided to OTP banka Srbija were HUF 22,889 million and HUF 15,390 million as at 31 December 2007 and 2006 respectively.

Loans provided to Merkantil Bank Ltd. were HUF 175,567 million and HUF 136,469 million as at 31 December 2007 and 2006 respectively.

Loans provided to OTP Bank Romania S.A. were HUF 98,525 million and HUF 98,398 million as at 31 December 2007 and 2006 respectively.

Loans provided to CJSC OTP Bank were HUF 61,692 million and HUF 185,720 million as at 31 December 2007 and 2006 respectively.

The members of the Board of Directors and the Supervisory Board have credit lines of HUF 169,3 million and HUF 190 million as at 31 December 2007 and 2006 respectively. Such credit is made available at normal market conditions.

In the normal course of business, the Bank gives loans and provides services to other related parties at normal market conditions. The amount of these loans was HUF 3,862 million and HUF 438 million, with commitments to extend credit and guarantees of HUF 5,456 million and HUF 108 million as at 31 December 2007 and 2006 respectively.

NOTE 25: RELATED PARTY TRANSACTIONS [continued]

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

Compensations	**2007**	**2006**
Short-term employee benefits	2,700	3,189
Redundancy payments	1,500	-
Share-based compensations	2,459	2,744
	6,659	5,933

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

	2007	**2006**
Cash, due from banks and balances with the NBH	229,644	429,325
Compulsory reserve established by the NBH	(156,203)	(134,744)
	73,441	294,581

NOTE 27: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 45,081 million and HUF 46,212 million as at 31 December 2007 and 2006 respectively.

NOTE 28: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 10% and 14% of the total assets of the Bank consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at 31 December 2007 and 2006 respectively. Approximately 9% and 11% of the Bank's total assets consisted of securities issued by the OTP Mortgage Bank Ltd. as at 31 December 2007 and 2006 respectively. There were no other significant concentrations of the assets or liabilities of the Bank as at 31 December 2007 and 2006 respectively.

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

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

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

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

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

As at 31 December 2006	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	429,325	-	-	-	429,325
Placements with other banks, net of allowance for placement losses	184,107	96,526	297,510	79,796	657,939
Financial assets at fair value through statement of operations	14,464	15,848	21,031	9,742	61,085
Securities available-for-sale	-	60,507	145,392	142,960	348,859
Loans, net of allowance for loan losses	132,812	436,207	588,502	594,157	1,751,678
Accrued interest receivable	44,362	36	-	-	44,398
Investments in subsidiaries	-	-	-	583,298	583,298
Securities held-to-maturity	22,523	19,009	345,135	117,444	504,111
Premises, equipments and intangible assets, net	-	-	83,143	17,578	100,721
Other assets	17,720	5,823	245	1,495	25,283
TOTAL ASSETS	**845,313**	**633,956**	**1,480,958**	**1,546,470**	**4,506,697**
Due to banks and deposits from the National Bank of Hungary and other banks	269,291	4,848	220,567	63,151	557,857
Deposits from customers	2,380,141	298,216	11,499	242	2,690,098
Liabilities from issued securities	337	-	201,713	-	202,050
Accrued interest payable	16,175	-	-	-	16,175
Other liabilities	92,258	15,128	13,025	1,987	122,398
Subordinated bonds and loans	-	-	9,766	238,099	247,865
TOTAL LIABILITIES	**2,758,202**	**318,192**	**456,570**	**303,479**	**3,836,443**
Share capital	-	-	-	28,000	28,000
Retained earnings and reserves	-	-	-	644,000	644,000
Treasury shares	(1,746)	-	-	-	(1,746)
TOTAL SHAREHOLDERS' EQUITY	**(1,746)**	**-**	**-**	**672,000**	**670,254**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,756,456**	**318,192**	**456,570**	**975,479**	**4,506,697**
LIQUIDITY (DEFICIENCY)/EXCESS	**(1,911,143)**	**315,764**	**1,024,388**	**570,991**	**-**

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

As at 31 December 2007

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

As at 31 December 2006

	USD	EUR	CHF	Others	Total
Assets	322,329	767,170	384,907	597,840	2,072,246
Investments in subsidiaries	-	(26,580)	-	(503,017)	(529,597)
Liabilities	(139,415)	(937,742)	(163,607)	(95,804)	(1,336,568)
Off-balance sheet assets and liabilities, net	(174,865)	(5,664)	(203,790)	5,100	(379,219)
Net position	**8,049**	**(202,816)**	**17,510**	**4,119**	**(173,138)**

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

NOTE 31: INTEREST RATE RISK MANAGEMENT

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

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

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

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

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

As at 31 December 2007

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

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

As at 31 December 2007

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

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

As at 31 December 2006

ASSETS	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Cash due from banks and balances with the National Bank of Hungary	**369,617**	**10,733**	-	-	-	-	-	-	-	-	**45,909**	**3,066**	**415,526**	**13,799**	**429,325**
fixed interest	369,617	10,733	-	-	-	-	-	-	-	-	-	-	369,617	10,733	**380,350**
variable interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	45,909	3,066	45,909	3,066	**48,975**
Placements with other banks	**31,522**	**212,551**	**9,519**	**254,308**	-	**150,039**	-	-	-	-	-	-	**41,041**	**616,898**	**657,939**
fixed interest	27,968	62,674	-	71,148	-	84,878	-	-	-	-	-	-	27,968	218,700	**246,668**
variable interest	3,554	149,877	9,519	183,160	-	65,161	-	-	-	-	-	-	13,073	398,198	**411,271**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities held for trading	**1,226**	-	**2,931**	-	**14,159**	-	**2,485**	-	**14,956**	-	**316**	**2**	**36,073**	**2**	**36,075**
fixed interest	1,226	-	2,593	-	14,088	-	2,485	-	14,956	-	-	-	35,348	-	**35,348**
variable interest	-	-	338	-	71	-	-	-	-	-	-	-	409	-	**409**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	316	2	316	2	**318**
Securities available-for-sale	**20,998**	**21,728**	-	**44,317**	**46,519**	-	**12,334**	-	**147,383**	**44,932**	**10,400**	**248**	**237,634**	**111,225**	**348,859**
fixed interest	-	-	-	-	9,611	-	12,334	-	147,383	44,932	-	-	169,328	44,932	**214,260**
variable interest	20,998	21,728	-	44,317	36,908	-	-	-	-	-	-	-	57,906	66,045	**123,951**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	10,400	248	10,400	248	**10,648**
Loans, net of allowance for loan losses	**731,689**	**517,029**	**186,664**	**262,447**	**4,717**	**8,390**	**490**	-	**27,021**	-	**13,231**	-	**963,812**	**787,866**	**1,751,678**
fixed interest	2,878	-	126	-	815	-	490	-	27,021	-	-	-	31,330	-	**31,330**
variable interest	728,811	517,029	186,538	262,447	3,902	8,390	-	-	-	-	-	-	919,251	787,866	**1,707,117**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	13,231	-	13,231	-	**13,231**
Securities held-to-maturity	**6,977**	-	**55,367**	-	**27,511**	-	**139,531**	-	**274,725**	-	-	-	**504,111**	-	**504,111**
fixed interest	6,977	-	14,712	-	16,476	-	139,531	-	274,725	-	-	-	452,421	-	**452,421**
variable interest	-	-	40,655	-	11,035	-	-	-	-	-	-	-	51,690	-	**51,690**
Fair value of derivative financial instruments	**115,879**	**185,814**	**172,407**	**280,194**	**37,099**	**23,355**	**27,339**	**119**	**91,273**	**8,756**	-	-	**443,997**	**498,238**	**942,235**
fixed interest	109,838	84,101	144,143	108,473	16,748	19,490	27,339	119	91,273	8,756	-	-	389,341	220,939	**610,280**
variable interest	6,041	101,713	28,264	171,721	20,351	3,865	-	-	-	-	-	-	54,656	277,299	**331,955**

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

As at 31 December 2006

LIABILITIES	within 1 month		within 3 months over 1 month		within 1 year over 3 months		within 2 years over 1 year		over 2 years		Non-interest bearing		Total		Total
	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	HUF	In foreign currency	
Due to banks and deposits with the National Bank of Hungary	**13,736**	**228,510**	**-**	**219,018**	**60,531**	**2,768**	**271**	**-**	**1,093**	**21,360**	**1,721**	**8,849**	**77,352**	**480,505**	**557,857**
fixed interest	13,676	118,362	-	60,832	111	2,649	271	-	1,093	21,360	-	-	15,151	203,203	**218,354**
variable interest	60	110,148	-	158,186	60,420	119	-	-	-	-	-	-	60,480	268,453	**328,933**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	1,721	8,849	1,721	8,849	**10,570**
Deposits from customers	**1,941,489**	**266,216**	**207,523**	**62,907**	**143,289**	**67,769**	**8**	**188**	**-**	**-**	**266**	**443**	**2,292,575**	**397,523**	**2,690,098**
fixed interest	1,267,104	96,231	6,082	15,441	-	-	-	-	-	-	-	-	1,273,186	111,672	**1,384,858**
variable interest	674,385	169,985	201,441	47,466	143,289	67,769	8	188	-	-	-	-	1,019,123	285,408	**1,304,531**
non-interest-bearing	-	-	-	-	-	-	-	-	-	-	266	443	266	443	**709**
Liabilities from issued securities	**337**	**125,944**	**-**	**75,769**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**337**	**201,713**	**202,050**
fixed interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
variable interest	337	125,944	-	75,769	-	-	-	-	-	-	-	-	337	201,713	**202,050**
Fair value of derivative financial instruments in other liabilities	**6,815**	**289,026**	**24,974**	**409,861**	**23,425**	**26,819**	**847**	**24,076**	**52,363**	**69,142**	**-**	**-**	**108,424**	**818,924**	**927,348**
fixed interest	4,705	187,080	3,982	241,936	9,007	26,819	847	24,076	52,363	69,142	-	-	70,904	549,053	**619,957**
variable interest	2,110	101,946	20,992	167,925	14,418	-	-	-	-	-	-	-	37,520	269,871	**307,391**
Subordinated bonds and loans	**-**	**-**	**-**	**31,570**	**5,000**	**211,295**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**242,865**	**247,865**
variable interest	-	-	-	31,570	5,000	211,295	-	-	-	-	-	-	5,000	242,865	**247,865**
NET POSITION	**(684,469)**	**38,159**	**194,391**	**42,141**	**(102,240)**	**(126,867)**	**181,053**	**(24,145)**	**501,902**	**(36,814)**	**67,869**	**(5,976)**	**158,506**	**(113,502)**	**45,004**

NOTE 32: EARNINGS PER SHARE

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

	2007	2006
Net income (in HUF mn)	141,681	170,188
Weighted average number of common shares outstanding during the year for calculating basic EPS (piece)	278,742,688	267,934,682
Basic Earnings per share (in HUF)	508	635
Weighted average number of common shares outstanding during the year for calculating diluted EPS (piece)	279,368,972	270,711,487
Diluted Earnings per share (in HUF)	507	629

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

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

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

As at 31 December 2007

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

NOTE 34: SENSITIVITY ANALYSIS

34.1. Market Risk sensitivity analysis

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

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

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

Historical VaR (99%, one-day) by risk type	Average 2007	2006
Foreign exchange	158	126
Interest rate	130	136
Equity instruments	96	-
Diversification	(141)	(62)
Total VaR exposure	**243**	**200**

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

NOTE 34: SENSITIVITY ANALYSIS [continued]

34.2. Foreign currency sensitivity analysis

The following table details the OTP's sensitivity to a increase and decrease in the HUF exchange rate against the EUR, over a 3 months period. Monte Carlo simulation is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as strategic open positions related to foreign activities. The strategic open position related to the foreign operations were EUR 570 million and EUR 570 million as of 31 December 2007 and 2006 respectively. A positive number below indicates an increase in profit where the HUF strengthens against the EUR. For a weakening of the HUF against the EUR, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Effects to the P&L in 3 months period	
Probability	**2007**	**2006**
	In HUF billion	**In HUF billion**
1%	(16.7)	(20.3)
5%	(11.3)	(11.3)
25%	(4.3)	(3.1)
50%	0.3	0.7
25%	3.8	4.4
5%	6.5	7.1
1%	7.0	7.7

Notes:
(1) The short term loss on the strategic open position is compensated by the long-term exchange rate gain on the foreign operations.
(2) The currency rates were closed to the strenght limit of the fluctuation band as of 31 December 2007 and 2006, therefore the probability of the short-term loss is higher.

NOTE 34: SENSITIVITY ANALYSIS [continued]

34.3. Interest rate sensitivity analysis

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

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

The simulations were prepared by assuming two scenarios:

1. 0.50% - 0.75% decrease in average HUF yields (probable scenario)
2. 1 % - 1.50% decrease in average HUF yields (alternative scenario)

The net interest income in a one year period after 31 December 2007 would be decreased by HUF 350 million (probable scenario) and HUF 2,720 million (alternative scenario) as a result of these simulations.

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

Description	Effects to the net interest income in one year period	
	2007 In HUF million	2006 In HUF million
HUF (0.1%) parallel shift	(195)	(98)
EUR (0.1%) parallel shift	(36)	(78)
USD 0.1% parallel shift	18	(32)
Total	(213)	(208)

34.4. Equity price sensitivity analysis

The Bank has not significant equity instruments held in 2007 and 2006 therefore is not exposed to significant equity price risk.

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

	Retained Earnings and Reserves 1 January 2007	Net income for the year ended 31 December 2007	Dividend	Direct Movements on Reserves	Retained Earnings and Reserves as at 31 December 2007
Hungarian financial statements	**525,152**	**119,883**	**-**	**2**	**645,037**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	34,175	9,094	-	-	43,269
Premium and discount amortization of financial instruments measured at amortised cost	120	1,574	-	-	1,694
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Differences in carrying value of subsidiaries	799	-	-	-	799
Difference in accounting for finance leases	(1,437)	(1,114)	-	-	(2,551)
Fair value adjustment of held for trading and available-for-sale financial assets	8,315	(688)	-	(2,523)	5,104
Fair value adjustment of derivative financial instruments	1,218	(2,622)	-	(484)	(1,888)
Profit on sale of Treasury Shares	-	3,897	-	(3,897)	-
Reversal of statutory goodwill and negative goodwill	24,822	8,810	-	-	33,632
Revaluation of investments denominated in foreign currency to historical cost	3,396	12,571	-	-	15,967
Difference in accounting of repo transactions	(471)	(8,618)	-	-	(9,089)
Reclassification of direct charges	-	2	-	(2)	-
Share-based compensation	-	(5,123)	-	5,123	-
Profit on ICES - exchangeabled bond transaction recognised through equity	14,762	1,947	-	(2,907)	13,802
Deferred taxation	(5,831)	2,068	-	794	(2,969)
Dividend payable for 2006	40,320	-	(40,320)	-	-
International financial statements	**644,000**	**141,681**	**(40,320)**	**(3,894)**	**741,467**

NOTE 36: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2007

On 26 February 2007 under the EMTN Program the Bank issued floating rate bonds due 2009 with the face value of EUR 750 million for the purpose of general bank financing.
On 26 February 2007 under the same program to support the capital position the Bank reissued EUR 200 million subordinated bonds to the EUR 300 million subordinated bonds that had been issued at 19 September 2006 (as the value date). The maturity of the bonds is 19 September 2016.

Serbian subsidiaries of OTP Bank Plc., Niška banka a.d. Niš, Zepter banka a.d. Beograd and Kulska banka a.d. Novi Sad held an extraordinary general meeting on 23 March 2007. The resolution for the merger of the three banks was approved at the forum of shareholders. In possession of the requisite Hungarian and Serbian licenses, as at 21 May 2007 (also the first day of business) the merged credit institution operates under the name of OTP banka Srbija a.d. Novi Sad in the territory of the Republic of Serbia, with its headquarters located in Novi Sad.

OTP Bank Plc. has launched a bond issue program of HUF 100,000 million (one hundred thousand million) as at 2 August 2007.
The Committee for Product Development, Marketing and Pricing of OTP Bank Plc. adopted the resolution no. 71/2007 about the bond issue program on 13 March 2007. The Information Memorandum related to the program and this announcement were approved by the Hungarian Financial Supervisory Authority with resolution no. E-III/10.350/2007 dd. 1 August 2007. The Information Memorandum is valid for 12 months from the date of the announcement.

The subscription period of the index linked OTPX2010A Bond between 3 December 2007 and 21 December 2007 ended successfully. The Bonds could be subscribed in the domestic branches of OTP Bank Plc. The investors subscribed the total of HUF 1,393,200,000. OTP Bank Plc. accepted all of the subscriptions, HUF 1,393,200,000 amount of OTPX2010A bonds was issued. The maturity date of the bonds is 21 December 2010. The interest rate of the bonds is 9% in the first period.

According to the 8/2004 and 9/2006 resolutions of the Annual General Meetings of OTP Bank Plc., relevant paragraphs have been changed according to the law on abolishing the voting preference share of the State (“golden share”). The XXVI. Law of 2007 came into effect on 21 April 2007. On that day according to the relevant paragraphs of AGMs the voting preference shares stipulations ceased existing, thus 1 preference voting share with HUF 1000 face value has been transformed into 10 ordinary shares with HUF 100 face value. The transaction was registrated at the Registry Court on 18 June 2007, and the shares were introduced to the Budapest Stock Exchange on 18 September 2007.

On 28 August 2007 the Bank, the 100% owner of CJSC OTP Bank Ukraine, has increased the registered capital of its subsidiary by UAH 134,786,915, thus the share capital of CJSC OTP Bank is UAH 654,585,309.

NOTE 36: SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 DECEMBER 2007 [continued]

On 31 August 2007 OTP Bank Plc., the 96.81% owner of OTP Fund Servicing and Consulting Ltd., has increased the registered capital of its subsidiary by HUF 1,020 million, thus the share capital of Fund Servicing and Consulting Ltd. is HUF 2,350 million.

On 4 September 2007 OTP Bank Plc., the 100% owner of OTP Mortgage Bank Ltd., has increased the registered capital of its subsidiary by HUF 7,000 million, thus the share capital of OTP Mortgage Bank Ltd. is HUF 27,000 million.

On 12 September 2007 OTP Bank Plc., the 100% owner of OTP Bank Romania S.A., has increased the registered capital of its subsidiary by EUR 20 million (RON 65,437,920), thus the share capital of OTP Bank Romania S.A is RON 432,909,120.

On 10 October 2007 OTP Bank Plc., the 91.43% owner of OTP banka Srbija a.d. has increased the registered capital of its subsidiary by EUR 64.5 million, thus the share capital of OTP banka Srbija a.d. is EUR 81.3 million.

On the initiative of OTP Bank Plc. the OTP Financing Cyprus Company Limited was incorporated on 31 October 2007. The company has a capital of EUR 1,000 and is under 100 % ownership of OTP Bank Plc.

OTP Bank Plc. purchased the 100% of the participation interests of Donskoy Narodny Bank (DNB) on 12 November 2007. The Bank will pay a purchase price close to USD 40.95 million after all the required Russian and Hungarian official licences and permits have been obtained. The purchase price shall be transferred to the seller at the expected closing time of the deal, at the beginning of 2008.

OTP Financing Netherlands B.V. was incorporated on 28 November 2007 as the fully-owned subsidiary of OTP Bank Plc. The company has a capital of EUR 90,000.

On 22 November 2007 OTP Bank Plc., the 100% owner of DSK Bank EAD has increased the registered capital of its subsidiary by BGN 60,000,000 thus the share capital of DSK Bank EAD is BGN 153,984,000.

The direct and indirect interest of the Bank in Investsberbank OAO has increased to 97.22% during 2007 due to continuous share purchasing.

NOTE 37: POST BALANCE SHEET EVENTS

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

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

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