

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.



**NATIONAL SAVINGS AND
COMMERCIAL BANK PLC.**

**UNCONSOLIDATED CONDENSED
FINANCIAL STATEMENTS IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED
BY THE EUROPEAN UNION
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006**

Budapest, August, 2006

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NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2006 (UNAUDITED) AND
AS AT DECEMBER 31, 2005 (AUDITED) AND AS AT JUNE 30, 2005 (UNAUDITED)
(in HUF mn)

	Note	June 30, 2006	December 31, 2005	June 30, 2005
Cash, due from banks and balances with the National Bank of Hungary		430,981	379,249	414,492
Placements with other banks, net of allowance for possible placement losses		519,884	393,659	140,072
Financial assets at fair value through profit and loss	4	52,075	34,054	44,283
Securities available-for-sale	5	349,041	371,433	363,385
Loans, net of allowance for possible loan losses	6	1,634,571	1,475,508	1,368,110
Accrued interest receivable		36,761	41,276	35,305
Investments in subsidiaries	7	232,389	223,881	214,457
Securities held-to-maturity	8	528,360	521,797	481,033
Premises, equipment and intangible assets, net		106,576	105,569	98,728
Other assets		<u>65,114</u>	<u>46,447</u>	<u>43,254</u>
TOTAL ASSETS		<u>3,955,752</u>	<u>3,592,873</u>	<u>3,203,119</u>
Due to banks and deposits from the National Bank of Hungary and other banks		453,455	255,211	307,530
Deposits from customers	9	2,610,123	2,506,457	2,296,156
Liabilities from issued securities		225,638	202,267	1,988
Accrued interest payable		10,228	5,735	12,690
Other liabilities		125,595	102,881	112,600
Subordinated bonds and loans		<u>51,383</u>	<u>47,023</u>	<u>46,002</u>
TOTAL LIABILITIES		<u>3,476,422</u>	<u>3,119,574</u>	<u>2,776,966</u>
Share capital		28,000	28,000	28,000
Retained earnings and reserves		501,557	486,051	417,535
Treasury shares		<u>(50,227)</u>	<u>(40,752)</u>	<u>(19,382)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>479,330</u>	<u>473,299</u>	<u>426,153</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>3,955,752</u>	<u>3,592,873</u>	<u>3,203,119</u>

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS FOR THE SIX MONTH
PERIODS ENDED JUNE 30, 2006 AND 2005 (UNAUDITED) AND FOR THE YEAR ENDED
DECEMBER 31, 2005 (AUDITED)
(in HUF mn)

	Note	Six month period ended June 30, 2006	Six month period ended June 30, 2005	Year ended December 31, 2005
<i>Interest Income</i>	11	<u>152,976</u>	<u>142,416</u>	<u>281,402</u>
<i>Interest Expense</i>	11	<u>77,773</u>	<u>63,572</u>	<u>112,763</u>
NET INTEREST INCOME	11	75,203	78,844	168,639
Provision for possible loan and placement losses	6, 7	<u>11,552</u>	<u>6,416</u>	<u>16,435</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES		63,651	72,428	152,204
<i>Non-Interest Income</i>		<u>107,606</u>	<u>76,332</u>	<u>158,420</u>
<i>Non-Interest Expenses</i>		<u>85,807</u>	<u>68,163</u>	<u>154,822</u>
INCOME BEFORE INCOME TAXES		87,450	80,597	155,802
Income taxes		<u>11,916</u>	<u>10,681</u>	<u>22,954</u>
NET INCOME AFTER INCOME TAXES		<u>75,534</u>	<u>69,916</u>	<u>132,848</u>
Earnings per share (in HUF)				
Basic		<u>284</u>	<u>259</u>	<u>492</u>
Diluted		<u>281</u>	<u>258</u>	<u>488</u>

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS FOR THE
SIX MONTH PERIODS ENDED JUNE 30, 2006, AND 2005 (UNAUDITED) AND FOR
THE YEAR ENDED DECEMBER 31, 2005 (AUDITED)
(in HUF mn)

	Note	Six month period ended June 30, 2006	Year ended December 31, 2005	Six month period ended June 30, 2005
OPERATING ACTIVITIES				
Income before income taxes		87,450	80,597	155,802
<i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i>				
Income tax paid		(11,675)	(8,177)	(21,071)
Depreciation and amortization		8,785	6,984	15,244
Provision	6, 7	12,175	1,684	12,588
Share-based payment		2,765	2,853	7,497
Unrealised gains on fair value adjustment of securities held-for-trading and available for sale		3,206	(477)	7
Unrealised losses/(gains) on fair value adjustment of derivative financial instruments		15,294	1,284	1,868
Other changes in operating assets and liabilities		<u>(20,426)</u>	<u>(8,042)</u>	<u>(23,952)</u>
Net cash provided by operating activities		<u>97,574</u>	<u>76,706</u>	<u>147,983</u>
Net cash used in investing activities		<u>(311,884)</u>	<u>(107,351)</u>	<u>(557,313)</u>
Net cash provided by financing activities		<u>253,052</u>	<u>36,521</u>	<u>376,689</u>
Net (increase)/decrease in cash and cash equivalents		<u>38,742</u>	<u>5,876</u>	<u>(32,641)</u>
Cash and cash equivalents at the beginning of the period		<u>261,044</u>	<u>293,685</u>	<u>293,685</u>
Cash and cash equivalents at the end of the period		<u>299,786</u>	<u>299,561</u>	<u>261,044</u>
<i>Analysis of cash and cash equivalents opening and closing balance</i>				
Cash, due from banks and balances with the National Bank of Hungary		379,249	399,401	399,401
Compulsory reverse established by National Bank of Hungary		<u>(118,205)</u>	<u>(105,716)</u>	<u>(105,716)</u>
Cash and Cash equivalents opening balance		<u>261,044</u>	<u>293,685</u>	<u>293,685</u>
Cash, due from banks and balances with the National Bank of Hungary		430,981	414,492	379,249
Compulsory reverse established by National Bank of Hungary		<u>(131,195)</u>	<u>(114,931)</u>	<u>(118,205)</u>
Cash and Cash equivalents closing balance		<u>299,786</u>	<u>299,561</u>	<u>261,044</u>

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE SIX MONTH PERIODS ENDED
JUNE 30, 2006 AND 2005 (UNAUDITED)
(in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2005 (Restated)	28,000	374,860	(13,808)	389,052
Net income after income taxes	-	69,916	-	69,916
Fair value adjustment of securities available- for-sale recognised directly through equity	-	9,339	-	9,339
Share-based compensation	-	2,853	-	2,853
Dividend for the year 2004	-	(41,206)	-	(41,206)
Profit on sale of treasury shares	-	1,773	-	1,773
Change in carrying value of treasury shares	<u>-</u>	<u>-</u>	<u>(5,574)</u>	<u>(5,574)</u>
Balance as at June 30, 2005	<u>28,000</u>	<u>417,535</u>	<u>(19,382)</u>	<u>426,153</u>
Balance as at January 1, 2006	28,000	486,051	(40,752)	473,299
Net income after income taxes	-	75,534	-	75,534
Fair value adjustment of securities available- for-sale recognised directly through equity	-	(8,588)	-	(8,588)
Share-based compensation	-	2,765	-	2,765
Dividend for the year 2005	-	(55,160)	-	(55,160)
Profit on sale of treasury shares	-	955	-	955
Change in carrying value of treasury shares	<u>-</u>	<u>-</u>	<u>(9,475)</u>	<u>(9,475)</u>
Balance as at June 30, 2006	<u>28,000</u>	<u>501,557</u>	<u>(50,227)</u>	<u>479,330</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2006**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

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

1.2. Accounting

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

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2006**

**NOTE 2: SIGNIFICANT EVENTS IN THE FIRST HALF OF 2006,
AND POST BALANCE SHEET EVENTS**

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

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

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

On July 1, the Bank signed the sale and purchase agreement for the acquisition of a 100% stake in Raiffeisenbank Ukraine (RBUA), the 100% subsidiary of raiffeisen International Bank-Holding AG.. OTP will pay a purchase price of EUR 650 million for the bank. The closing of the transaction and the transfer of the purchase price will happen in possession of the necessary governmental approvals, expectedly In September 2006.

On July 3, the Bank signed the sale and purchase agreement for the acquisition of a 96.4 percent share package of the Investerbank Group in Moscow, the capital of the Russian Federation. OTP Bank is expected to transfer the 90 percent of the USD 477 million (EUR 373 million) purchase price in possession of the required Russian and Hungarian regulatory approvals at the closing of the transaction, in autumn of 2006, while 10 percent will be deposited for a term of one year to cover any guarantee claims.

On July 7, the Bank signed the sale and purchase agreement on acquiring a majority interest in Kulska banka a.d. Novi sad (Kulska banka). The Banjk pays a purchase price of EUR 118.6 million for the 67% share package, and it is scheduled to be paid at the time of closing the transaction in October 2006, in possession of the necessary approvals.

On July 17, OTP Bank submitted a binding bid for the purchase of a majority 69,9% share stake in Romanian Casa de Ecomii si Consemnatiuni C.E.C.-S.A (CEC).

NOTE 3: DIVIDENDS PAID

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

	Six month period ended June 30, 2006	Six month period ended June 30, 2005
Dividends paid on common shares	<u>55,079</u>	<u>41,117</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2006**

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

	June 30, 2006	December 31, 2005
Securities held for trading		
Hungarian Government discounted Treasury bills	2,647	160
Hungarian Government interest bearing Treasury bills	1,199	1,485
Government bonds	35,281	19,743
Mortgage bonds	1,776	2,356
Other securities	<u>443</u>	<u>199</u>
	<u>41,346</u>	<u>23,943</u>
Derivative financial instruments designated as held for trading	<u>10,729</u>	<u>10,111</u>
Total	<u>52,075</u>	<u>34,054</u>

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

	June 30, 2006	December 31, 2005
Government bonds	32,897	67,567
Hungarian Government discounted Treasury bills	-	7,858
Mortgage bonds	242,046	253,365
Other securities	<u>74,098</u>	<u>42,643</u>
	<u>349,041</u>	<u>371,433</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2006**

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

	June 30, 2006	December 31, 2005
Short-term loans and trade bills (within one year)	619,312	605,390
Long-term loans and trade bills (over one year)	<u>1,041,484</u>	<u>892,280</u>
	<u>1,660,796</u>	<u>1,497,670</u>
Allowance for possible loan losses	<u>(26,225)</u>	<u>(22,162)</u>
	<u>1,634,571</u>	<u>1,475,508</u>

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

	June 30, 2006		December 31, 2005	
Commercial loans	977,358	59%	902,696	60%
Municipality loans	162,007	10%	131,107	9%
Housing loans	239,703	14%	210,150	14%
Consumer loans	249,364	15%	226,153	15%
Mortgage loans	<u>32,364</u>	<u>2%</u>	<u>27,564</u>	<u>2%</u>
	<u>1,660,796</u>	<u>100%</u>	<u>1,497,670</u>	<u>100%</u>

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

	June 30, 2006	December 31, 2005
Balance as at January 1	22,162	19,810
Provision for possible loan losses	11,552	16,436
Write-offs	<u>(7,489)</u>	<u>(14,084)</u>
Closing balance	<u>26,225</u>	<u>22,162</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2006**

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

	June 30, 2006	December 31, 2005
Equity investments:		
Controlling interest	234,976	226,453
Significant interest	75	75
Other	<u>786</u>	<u>861</u>
	<u>235,837</u>	<u>227,389</u>
Allowance for permanent diminution in value	<u>(3,448)</u>	<u>(3,508)</u>
	<u>232,389</u>	<u>223,881</u>

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

	June 30, 2006	December 31, 2005
Balance as at January 1	3,508	5,417
Credit for permanent diminution in value	<u>(60)</u>	<u>(1,909)</u>
Closing balance	<u>3,448</u>	<u>3,508</u>

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

	June 30, 2006	December 31, 2005
Government securities	189,697	201,380
Hungarian Government discounted Treasury bills	47,520	29,962
Mortgage bonds	289,543	289,755
Other debt securities	<u>1,600</u>	<u>700</u>
	<u>528,360</u>	<u>521,797</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2006**

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2006	December 31, 2005
Within one year:		
In HUF	2,224,103	2,190,095
In foreign currency	<u>370,849</u>	<u>298,767</u>
	<u>2,594,952</u>	<u>2,488,862</u>
Over one year:		
In HUF	<u>15,171</u>	<u>17,595</u>
	<u>15,171</u>	<u>17,595</u>
Total	<u>2,610,123</u>	<u>2,506,457</u>

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

	June 30, 2006		December 31, 2005	
Commercial deposits	585,094	22%	474,052	19%
Municipality deposits	133,597	5%	161,993	6%
Consumer deposits	<u>1,891,432</u>	<u>73%</u>	<u>1,870,412</u>	<u>75%</u>
	<u>2,610,123</u>	<u>100%</u>	<u>2,506,457</u>	<u>100%</u>

NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Contingent liabilities and commitments

	June 30, 2006	December 31, 2005
Commitments to extend credit	711,637	566,647
Guarantees arising from banking activities	146,355	132,369
Confirmed letters of credit	19,570	10,540
Legal disputes	3,640	3,410
Contingent liabilities related to OTP Mortgage Bank Company Plc.	37,036	49,452
Other	<u>200</u>	<u>164</u>
	<u>918,438</u>	<u>762,582</u>

NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2006

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

(b) Derivatives

	June 30, 2006	December 31, 2005
Foreign currency contracts designated as held for trading		
Assets	43,190	39,329
Liabilities	<u>43,373</u>	<u>40,570</u>
Net	<u>(183)</u>	<u>(1,241)</u>
Net fair value	<u>856</u>	<u>(856)</u>
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	812,997	612,543
Liabilities	<u>821,362</u>	<u>601,539</u>
Net	<u>(8,365)</u>	<u>11,004</u>
Net fair value	<u>(17,577)</u>	<u>2,210</u>
Interest rate swaps designated in hedge accounting relationships		
Assets	15,466	12,031
Liabilities	<u>17,477</u>	<u>14,023</u>
Net	<u>(2,011)</u>	<u>(1,992)</u>
Net fair value	<u>1,587</u>	<u>(687)</u>
Option contracts		
Assets	6,982	-
Liabilities	6,655	-
Net	<u>327</u>	-
Net fair value	<u>495</u>	-
Forward security agreements designated as held for trading		
Assets	1,167	-
Liabilities	1,101	-
Net	<u>66</u>	-
Net fair value	<u>12</u>	-

As at June 30, 2006, the Bank has derivative instruments with positive fair values of HUF 13,077 million and negative fair values of HUF 27,704 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2005 are HUF 10,146 million and HUF 9,479 million.

**NATIONAL SAVINGS AND COMMERCIAL BANK PLC.
NOTES TO UNAUDITED, UNCONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH
PERIOD ENDED JUNE 30, 2006**

NOTE 11: NET INTEREST INCOME (in HUF mn)

	Six month period ended June 30, 2006	Six month period ended June 30, 2005
Interest income		
Loans	76,508	71,410
Placements with other banks	29,611	18,507
Due from banks and balances with National Bank of Hungary	12,946	16,175
Securities held-for-trading	821	1,226
Securities available-for-sale	13,033	13,700
Debt securities held-to-maturity	<u>20,057</u>	<u>21,398</u>
<i>Total Interest Income</i>	<u>152,976</u>	<u>142,416</u>
Interest expense		
Due to banks and deposits from the National Bank of Hungary and other banks	38,658	14,092
Deposits from customers	35,229	48,673
Liabilities from issued securities	2,935	79
Subordinated bonds and loans	<u>951</u>	<u>728</u>
<i>Total Interest Expense</i>	<u>77,773</u>	<u>63,572</u>
NET INTEREST INCOME	75,203	78,844

NOTE 12: RELATED PARTY TRANSACTIONS

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

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

The Bank under a syndication agreement administrated mortgage loans with recourse to OTP Mortgage Bank Company Ltd. of HUF 81,616 million and HUF 52,114 million the six month periods ended June 30, 2006 and 2005 (including interest). The book value of these receivables were HUF 81,568 million and HUF 52,026 million.

During the six month period ended June 30, 2006 the Bank received HUF 24,407 million fees and commission from OTP Mortgage Bank Company Ltd. For the three month period ended June 30, 2005 such fees and commissions were HUF 20,270 million. Such fees and commissions are related to loans originated by the Bank and sold to OTP Mortgage Bank Company Ltd.