



**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

**UNCONSOLIDATED CONDENSED FINANCIAL STATEMENTS IN
ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Budapest, February 14, 2006

CONTENTS

Unconsolidated Condensed Financial Statements of the National Savings and Commercial Bank Ltd. prepared in accordance with International Financial Reporting Standards

Unconsolidated Condensed Financial Statements

Unconsolidated Balance Sheets as at December 31,
2005 (unaudited) and 2004 (audited) 2

Unconsolidated Condensed Statements of Operations
for the Years Ended December 31, 2005 (unaudited) and 2004 (audited) 3

Unconsolidated Condensed Statements of Cash Flows
for the Years Ended December 31, 2005 (unaudited) and 2004 (audited) 4

Unconsolidated Statements of Changes in Shareholders' Equity
for the Years Ended December 31, 2005 (unaudited) and 2004 (audited) 5

Selected Explanatory Notes 6-16

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2005 (UNAUDITED) AND
AS AT DECEMBER 31, 2004 (AUDITED)
(in HUF mn)

| | Note | 2005 | Restated 2004 |
|--|------|-------------------------|-------------------------|
| Cash, due from banks and balances with the National Bank of Hungary | | 379,249 | 399,401 |
| Placements with other banks, net of allowance for possible placement losses | | 393,659 | 200,100 |
| Financial assets at fair value through profit and loss | 4 | 34,054 | 22,059 |
| Securities available-for-sale | 5 | 371,207 | 324,130 |
| Loans, net of allowance for possible loan losses | 6 | 1,475,508 | 1,276,241 |
| Accrued interest receivable | | 41,275 | 41,180 |
| Investments in subsidiaries | 7 | 223,881 | 154,298 |
| Securities held-to-maturity | 8 | 521,797 | 507,503 |
| Premises, equipment and intangible assets, net | | 105,576 | 96,538 |
| Other assets | | <u>46,448</u> | <u>33,025</u> |
| TOTAL ASSETS | | <u>3,592,654</u> | <u>3,054,475</u> |
| Due to banks and deposits from the National Bank of Hungary and other banks | | 255,211 | 203,777 |
| Deposits from customers | 9 | 2,506,214 | 2,340,924 |
| Liabilities from issued securities | | 202,267 | 1,997 |
| Accrued interest payable | | 5,735 | 9,414 |
| Other liabilities | | 103,170 | 94,987 |
| Subordinated bonds and loans | | <u>47,023</u> | <u>14,324</u> |
| TOTAL LIABILITIES | | <u>3,119,620</u> | <u>2,665,423</u> |
| Share capital | | 28,000 | 28,000 |
| Retained earnings and reserves | | 485,786 | 374,860 |
| Treasury shares | | <u>(40,752)</u> | <u>(13,808)</u> |
| TOTAL SHAREHOLDERS' EQUITY | | <u>473,034</u> | <u>389,052</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>3,592,654</u> | <u>3,054,475</u> |

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED
DECEMBER 31, 2005 (UNAUDITED) AND 2004 (AUDITED)
(in HUF mn)

| | Note | 2005 | Restated 2004 |
|---|------|-----------------------|-----------------------|
| <i>Interest Income</i> | 11 | <u>281,401</u> | <u>290,935</u> |
| <i>Interest Expense</i> | 11 | <u>112,763</u> | <u>139,852</u> |
| NET INTEREST INCOME | 11 | 168,638 | 151,083 |
| Provision for possible loan and placement losses | 6, 7 | <u>16,435</u> | <u>8,628</u> |
| NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES | | 152,203 | 142,455 |
| <i>Non-Interest Income</i> | | <u>158,417</u> | <u>126,345</u> |
| <i>Non-Interest Expenses</i> | | <u>154,777</u> | <u>136,441</u> |
| INCOME BEFORE INCOME TAXES | | 155,843 | 132,359 |
| Income taxes | | <u>22,954</u> | <u>18,882</u> |
| NET INCOME AFTER INCOME TAXES | | <u>132,889</u> | <u>113,477</u> |
| Earnings per share (in HUF) | | | |
| Basic | | <u>492</u> | <u>420</u> |
| Diluted | | <u>488</u> | <u>418</u> |

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2005 (UNAUDITED) AND 2004 (AUDITED)
(in HUF mn)

| | Note | 2005 | Restated 2004 |
|--|--------|-------------------------|-------------------------|
| OPERATING ACTIVITIES | | | |
| Income before income taxes | | 155,843 | 132,359 |
| <i>Adjustments to reconcile income before income taxes to net cash provided by operating activities:</i> | | | |
| Income tax paid | | (21,071) | (19,508) |
| Depreciation and amortization | | 15,244 | 13,401 |
| Provision | 6, 7 | 12,588 | 7,962 |
| Share-based payment | 1.2.2. | 7,497 | 2,348 |
| Unrealised gains on fair value adjustment of securities held-for-trading | | 7 | 23 |
| Unrealised losses/(gains) on fair value adjustment of derivative financial instruments | | 1,868 | (635) |
| Other changes in operating assets and liabilities | | <u>(23,743)</u> | <u>55,281</u> |
| Net cash provided by operating activities | | <u>148,233</u> | <u>191,231</u> |
| Net cash used in investing activities | | <u>(557,320)</u> | <u>(218,423)</u> |
| Net cash provided by financing activities | | <u>376,446</u> | <u>177,434</u> |
| Net (increase)/decrease in cash and cash equivalents | | <u>(32,641)</u> | <u>150,242</u> |
| Cash and cash equivalents at the beginning of the period | | <u>293,685</u> | <u>143,443</u> |
| Cash and cash equivalents at the end of the period | | <u>261,044</u> | <u>293,685</u> |
| <i>Analysis of cash and cash equivalents opening and closing balance</i> | | | |
| Cash, due from banks and balances with the National Bank of Hungary | | 399,401 | 252,975 |
| Compulsory reverse established by National Bank of Hungary | | (105,716) | (109,532) |
| Cash and Cash equivalents opening balance | | <u>293,685</u> | <u>143,443</u> |
| Cash, due from banks and balances with the National Bank of Hungary | | 379,249 | 399,401 |
| Compulsory reverse established by National Bank of Hungary | | (118,205) | (105,716) |
| Cash and Cash equivalents closing balance | | <u>261,044</u> | <u>293,685</u> |

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE YEARS ENDED
DECEMBER 31, 2005 (UNAUDITED) AND 2004 (AUDITED)
(in HUF mn)

| | Share Capital | Retained Earnings and Reserves | Treasury Shares | Total |
|---|--------------------------|---|----------------------------|-----------------------|
| Balance as at January 1, 2004 | 28,000 | 262,504 | (14,328) | 276,176 |
| Net income after income taxes | - | 113,477 | - | 113,477 |
| Fair value adjustment of securities available-for-sale recognised directly through equity | - | 11,371 | - | 11,371 |
| Share-based payment | - | 2,348 | - | 2,348 |
| Dividend for the year 2003 | - | (16,800) | - | (16,800) |
| Profit on sale of treasury shares | - | 1,960 | - | 1,960 |
| Change in carrying value of treasury shares | <u>-</u> | <u>-</u> | <u>520</u> | <u>520</u> |
| Balance as at December 31, 2004 (Restated) | <u>28,000</u> | <u>374,860</u> | <u>(13,808)</u> | <u>389,052</u> |
| Net income after income taxes | - | 132,889 | - | 132,889 |
| Fair value adjustment of securities available-for-sale recognised directly through equity | - | 4,320 | - | 4,320 |
| Share-based payment | - | 7,497 | - | 7,497 |
| Dividend for the year 2004 | - | (41,206) | - | (41,206) |
| Profit on sale of treasury shares | - | 7,426 | - | 7,426 |
| Change in carrying value of treasury shares | <u>-</u> | <u>-</u> | <u>(26,944)</u> | <u>(26,944)</u> |
| Balance as at December 31, 2005 | <u>28,000</u> | <u>485,786</u> | <u>(40,752)</u> | <u>473,034</u> |

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

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).

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

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

IAS 39 Financial Instruments: Recognition and Measurement

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

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

IFRS 2 Share based payments

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

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

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

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

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

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

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

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

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

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

1.2.2. Share-based payment

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

The exercise price of the share options related to the years 2003 and 2004 equals to the half of the average market price of a month before the Annual General Meeting closing the annual year.

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

The exercise prices of the options for each year for the years 2005 to 2009 is equal to the average market price of OTP shares for the 2 month period ending on the last day of the month of the Annual General Meeting held in relevant year.

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

In connection with the share-based payment programs accepted by the Bank and applying IFRS 2, HUF 7,497 million and HUF 2,348 million has been recognised as an expense for the years ended December 31, 2005 and 2004, respectively.

NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR 2005

On November 24, 2004 the Bank made a binding bid for purchasing the shares of Nova Banka d. d. (Nova Banka), registered in Croatia. The purchase agreement was signed on December 7, 2004 with a price of EUR 236 million. After obtaining necessary approvals, the transaction was closed on March 10, 2005.

On June 29, 2005 the Bank entered into a EUR 1 billion Euro Medium Term Note Programme (The "Programme"), under which the Bank may from time to time issue notes denominated in any currency agreed between the Bank and the relevant Dealer. The maximum aggregate nominal amount of all notes from time to time outstanding under the Programme will not exceed EUR 1 billion.

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

NOTE 2: SIGNIFICANT EVENTS DURING THE YEAR 2005 [continued]

Under the Programme the Bank issued EUR 500 million variable-rate bonds at three month EURIBOR + 0,16% quarterly, on July 1, 2005 due 1, July 2010.

Under the Programme the Bank issued EUR 300 million variable-rate bonds at three month EURIBOR + 0,15% quarterly, on December 20, 2005 due 20, December 2010, at a price of 99,81%.

On October 21, 2005 the Bank made an indicative bid for purchasing the 50%+1 and 75%+1 of the shares of CEC, registered in Romania.

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 with a price of EUR 14,21 million. The transaction is expected to be closed in February 2006.

On November 7, 2005 the Bank has declared its intention to purchase 99% of the shares of Vojvodanska Banka.

On December 5, 2005 the Bank has declared its intention to purchase 87,39% of the shares of Panonska Banka, registered in Serbia.

On December 23, 2005 the OTP Life Annuity and Real Estate Investment Private Company Limited by shares was established by 500 million registered capital as the 100% subsidiary of the Bank.

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

NOTE 3: **DIVIDENDS PAID**

Dividends paid on common shares during the years ended December 31, 2005 and 2004, respectively:

| | 2005 | 2004 |
|---------------------------------|---------------|---------------|
| Dividends paid on common shares | <u>41,240</u> | <u>16,823</u> |

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

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

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

| | 2005 | Restated 2004 |
|--|----------------|--------------------------|
| Government bonds | 67,341 | 60,252 |
| Hungarian Government discounted Treasury bills | 7,858 | - |
| Mortgage bonds | 253,365 | 235,405 |
| Other securities | <u>42,643</u> | <u>28,473</u> |
| | <u>371,207</u> | <u>324,130</u> |

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

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

| | 2005 | 2004 |
|--|------------------|------------------|
| Short-term loans and trade bills (within one year) | 534,634 | 491,209 |
| Long-term loans and trade bills (over one year) | <u>963,036</u> | <u>804,842</u> |
| | <u>1,497,670</u> | <u>1,296,051</u> |
| Allowance for possible loan losses | <u>(22,162)</u> | <u>(19,810)</u> |
| | <u>1,475,508</u> | <u>1,276,241</u> |

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

| | 2005 | | 2004 | |
|--------------------|------------------|-------------|------------------|-------------|
| Commercial loans | 902,695 | 60% | 805,804 | 62% |
| Municipality loans | 131,108 | 9% | 116,175 | 9% |
| Housing loans | 210,150 | 14% | 169,415 | 13% |
| Consumer loans | 226,153 | 15% | 180,421 | 14% |
| Mortgage loans | <u>27,564</u> | <u>2%</u> | <u>24,236</u> | <u>2%</u> |
| | <u>1,497,670</u> | <u>100%</u> | <u>1,296,051</u> | <u>100%</u> |

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

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

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

NOTE 7: INVESTMENTS IN SUBSIDIARIES (in HUF mn)

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

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

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

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

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

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

NOTE 9: DEPOSITS FROM CUSTOMERS (in HUF mn)

| | 2005 | 2004 |
|---------------------|------------------|------------------|
| Within one year: | | |
| In HUF | 2,189,883 | 2,050,048 |
| In foreign currency | <u>298,766</u> | <u>269,900</u> |
| | <u>2,488,649</u> | <u>2,319,948</u> |
| Over one year: | | |
| In HUF | <u>17,565</u> | <u>20,976</u> |
| | <u>17,565</u> | <u>20,976</u> |
| Total | <u>2,506,214</u> | <u>2,340,924</u> |

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

| | 2005 | | 2004 | |
|-----------------------|------------------|-------------|------------------|-------------|
| Commercial deposits | 474,052 | 19% | 431,921 | 19% |
| Municipality deposits | 161,750 | 6% | 170,431 | 7% |
| Consumer deposits | <u>1,870,412</u> | <u>75%</u> | <u>1,738,572</u> | <u>74%</u> |
| | <u>2,506,214</u> | <u>100%</u> | <u>2,340,924</u> | <u>100%</u> |

NOTE 10: OFF BALANCE SHEET ITEMS AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) *Contingent liabilities and commitments*

| | 2005 | 2004 |
|---|----------------|----------------|
| Commitments to extend credit | 569,542 | 446,702 |
| Guarantees arising from banking activities | 132,519 | 92,780 |
| Confirmed letters of credit | 10,540 | 2,480 |
| Legal disputes | 3,410 | 2,127 |
| Contingent liabilities related to OTP Mortgage Bank Company Ltd. | 49,452 | 38,783 |
| Other | <u>164</u> | <u>102</u> |
| | <u>765,627</u> | <u>582,974</u> |

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

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

(b) Derivatives

| | 2005 | 2004 |
|---|----------------|----------------|
| Foreign currency contracts designated as held for trading | | |
| Assets | 39,329 | 32,604 |
| Liabilities | <u>40,570</u> | <u>35,320</u> |
| Net | <u>(1,241)</u> | <u>(2,716)</u> |
| Net fair value | <u>(2,097)</u> | <u>(3,627)</u> |
| Foreign exchange swaps and interest rate swaps designated as held for trading | | |
| Assets | 612,543 | 207,207 |
| Liabilities | <u>601,539</u> | <u>196,856</u> |
| Net | <u>11,004</u> | <u>10,351</u> |
| Net fair value | <u>13,214</u> | <u>13,386</u> |
| Interest rate swaps designated in hedge accounting relationships | | |
| Assets | 12,031 | 27,873 |
| Liabilities | <u>14,023</u> | <u>21,672</u> |
| Net | <u>(1,992)</u> | <u>6,201</u> |
| Net fair value | <u>(2,679)</u> | <u>6,612</u> |
| Option contracts | | |
| Assets | - | 2,205 |
| Liabilities | <u>-</u> | <u>-</u> |
| Net | <u>-</u> | <u>2,205</u> |
| Net fair value | <u>-</u> | <u>2,205</u> |
| Other Options | | |
| Assets | - | 6,834 |
| Liabilities | <u>-</u> | <u>-</u> |
| Net | <u>-</u> | <u>6,834</u> |
| Net fair value | <u>-</u> | <u>6,834</u> |

As December 31, 2005, the Bank has derivative instruments with positive fair values of HUF 10,146 million and negative fair values of HUF 9,479 million. Positive fair values of derivative instruments designated as hedge accounting relationships are included in other assets, while positive fair values of derivative instruments designated as held for trading are included in financial assets at fair value through statements of operations. Negative fair values of derivative instruments are included in other liabilities. Corresponding figures as at December 31, 2004 are HUF 4,113 million and HUF 1,578 million.

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

NOTE 11: NET INTEREST INCOME (in HUF mn)

| | 2005 | Restated 2004 |
|---|-----------------------|--------------------------|
| Interest income | | |
| Loans | 147,368 | 136,968 |
| Placements with other banks | 36,960 | 40,634 |
| Due from banks and balances with National Bank of Hungary | 27,957 | 30,872 |
| Securities held-for-trading | 2,108 | 2,581 |
| Securities available-for-sale | 27,742 | 26,677 |
| Debt securities held-to-maturity | <u>39,266</u> | <u>53,203</u> |
| <i>Total Interest Income</i> | <u>281,401</u> | <u>290,935</u> |
| Interest expense | | |
| Due to banks and deposits from the National Bank of Hungary and other banks | 27,989 | 19,699 |
| Deposits from customers | 81,504 | 119,116 |
| Liabilities from issued securities | 1,677 | 167 |
| Subordinated bonds and loans | <u>1,593</u> | <u>870</u> |
| <i>Total Interest Expense</i> | <u>112,763</u> | <u>139,852</u> |
| NET INTEREST INCOME | <u>168,638</u> | <u>151,083</u> |

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 146,323 million and HUF 213,954 million during the years ended December 31, 2005 and 2004 (including interest). The book value of these receivables were HUF 146,118 million and HUF 213,517 million.

During the year ended December 31, 2005 the Bank received HUF 52,140 million fees and commission from OTP Mortgage Bank Company Ltd. For the year ended December 31, 2004 such fees and commissions were HUF 37,386 million. Such fees and commissions are related to loans originated by the Bank and sold to OTP Mortgage Bank Company Ltd.

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

NOTE 13: POST BALANCE SHEET EVENTS

On January 20, 2006 the Bank made a non compulsory bid for purchasing the 99,75% of the shares of HVB Splitska Banka d.d., registered in Croatia.

On February 7, 2006 the Bank made a binding bid for purchasing a majority interest in Ukrspotsbank, registered in Ukraine.

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