OTP BANK LTD.

DOCUMENTATION FOR THE COMPANY'S ANNUAL GENERAL MEETING

(ENGLISH TRANSLATION)

APRIL 28, 2006

THE AGENDA OF THE GENERAL MEETING

1. Report presented by the Board of Directors concerning the Company's 2005 business activities; acceptance of the 2005 Financial Reports (non consolidated and consolidated) prepared according to the Act on Accounting; decision on the distribution of after tax profits.

2. Report of the Supervisory Board concerning its activity in 2005 and the 2005 Financial Reports (non consolidated and consolidated) prepared according to the Act on Accounting and on the proposal regarding the distribution of after tax profits.

3. Report of the Bank's auditor concerning the results of the audit of the 2005 Financial Reports (non consolidated and consolidated).

4. Report of the Board of Directors on the Bank's Business Policy for 2006.

5. Election of the Company's auditor, approval of the appointment of official responsible for auditing, setting the remuneration.

6. Election of members of the Board of Directors.

7. Establishing the remuneration of the members of the Board of Directors and Supervisory Board.

8. The incentive programme of the management for the years from 2006 to 2010.

9. Modification of points 1.1, 5.16, 8.32, 13.7, 13.8 and 16. of the Bylaws. (The amendment of the Bylaws requires ¾th majority of votes.)

10. Authorization of the Board of Directors to the acquisition of own shares.

THE 2005 BUSINESS REPORT OF THE BOARD OF DIRECTORS OF OTP BANK LTD.

BASED ON NON-CONSOLIDATED AND CONSOLIDATED AUDITED FINANCIAL STATEMENTS

THE 2005 BUSINESS REPORT OF THE BOARD OF DIRECTORS OF OTP BANK LTD. [1]

The National Savings and Commercial Bank Ltd. (hereinafter: the Bank) – despite what was in many respects an unfavourable operating environment – closed an outstandingly successful year in 2005. By considerably increasing the intensity of its business activity and improving its profitability, it strengthened its position among the premier banks in the region.

As at December 31, 2005 the Bank's **consolidated balance sheet total was HUF 5,215.9** billion – based on International Financial Reporting Standards (IFRS) – up by 25.3% or HUF 1,053.5 from a year earlier, and exceeding the parent company's balance sheet total of the same period by 45.2%.

The 2005 **consolidated after-tax profit** of the Bank – based on IFRS – was HUF **158.3** billion, 20.3% higher than in the previous year and 19.1% higher than the after-tax profit of the parent company in the year under review. The Bank's consolidated return on average assets (ROAA) and its consolidated return on average equity (ROAE) were 3.38% and 32.3% respectively (in 2004: 3.45% and 35.3%).

In terms of its non-consolidated profits – based on Hungarian accounting standards – the parent company, the largest contributor to the consolidated balance sheet total and profits, can also look back with satisfaction on what was a highly successful year. The Bank's profitability and performance indicators further improved in 2005. This was attributable to a robust, 18.4% increase in income and a significant improvement in the cost/income ratio. The dividend income of HUF 13.9 billion from its investments also contributed to the Bank's results in 2005. The Bank retained its leading position based on the absolute size of its profits, with its after-tax earnings accounting for 43% of the banking sector's estimated aggregate total after-tax profit. In terms of ROA and ROE, it is the clear front-runner not only in Hungary, but in the region as a whole.

The Bank's excellent performance was reflected in the number of Hungarian and international awards it won, as well as in the favourable development of its share price. In 2005 several renowned international business and financial journals, such as *Global Finance*, *Euromoney* and *The Banker*, awarded OTP Bank the title of 'Best and Most Dynamically Growing Bank', with the Bank's outstanding financial performance and successful cross-border expansion among the reasons for their choice. These awards rate the Bank's performance as outstanding both in Hungary and in the region. *Euromoney* selected OTP Bank as the best company in the emerging markets of Europe in 2005. It was the first time that this prominent business journal, reporting on money and capital markets worldwide, ranked central and east European companies based on a survey among the market analysts of the region's leading banks and research institutes. OTP Bank was also ranked first among banks and financial enterprises. According to the "2005 Awards for Excellence," the annual global bank rating survey published in the July issue of *Euromoney*, OTP is "probably the biggest business success story in Eastern Europe."

An indicator of OTP Bank's outstanding performance is that in 2005, the international credit rating agency Moody's raised both OTP Bank's and OTP Mortgage Bank's rating to A1/B with a stable outlook. The rating of OTP Mortgage Bank's forint mortgage bonds – as a result of the introduction of Moody's new mortgage bond rating methodology – is under review for a possible upgrade. According to Moody's explanation, the upgrade is a reflection of the OTP Bank Group's excellent profitability and the results it achieved in the process of turning a local retail bank into a regional universal bank group while maintaining a moderate level of risk.

The increase in the price of OTP shares in the past years has been considerably greater than that of the typical share prices of eastern and western European banks. In 2005 the price of OTP Bank's shares increased by 23% from HUF 5,570 at the end of December 2004 to HUF 6,967 at the end of 2005. Over the past years, the price of OTP Bank's shares has been rising at a significantly higher rate

[1] Based on OTP Bank Ltd.'s 2005 audited statement. The business report contains the consolidated data of the OTP Group and the data of the subsidiaries in accordance with International Financial Reporting Standards (IFRS), and OTP Bank's non-consolidated data according to Hungarian Accounting Standards.

than that of other shares listed on the Budapest Stock Exchange. The price of OTP shares grew by a factor of almost 74 (in forint terms) from the end of 1995 to the end of December 2005 (representing an average annual growth of 53.7%). By comparison, the BUX index rose close to 14-fold (representing an average annual growth of 29.8%) during the same period – due in no small part, it should be added, to the performance of OTP Bank. As at the end of December 2005, the market value of the Bank's shares had risen to HUF 1,950 billion or EUR 7.7 billion.

THE FINANCIAL PERFORMANCE OF OTP BANK LTD. IN 2005

CONSOLIDATED FINANCIAL PERFORMANCE[2]

Consolidated balance sheet

As at December 31, 2005, the Bank's consolidated balance sheet total stood at HUF 5,215.9 billion, up 25.3% or HUF 1,053.5 billion from a year earlier, exceeding the Bank's year-end 2005 non-consolidated balance sheet total by 45.2%.

The Bank's consolidated equity was HUF 547.5 billion, an increase of HUF 113.8 billion or 26.2% from a year earlier, and 15.7% higher than the Bank's equity. The equity per share (BVPS) was HUF 1,955 as of December 31, 2005.

On the ***asset*** side, cash holdings, deposit accounts and settlements with MNB were 3.7% higher than a year earlier. Interbank placements and receivables, partly due to changes in the Bank's placement structure, increased by 53.3% since the end of December 2004 to reach HUF 438.8 billion on December 31, 2005.

The market value of financial assets, carried over in the profit and loss statement, fell by 31.9% to HUF 48.1 billion over the course of the year. Within this category the volume of securities held for trading purposes decreased by 43.5% or HUF 29.3 billion.

In the course of the year the volume of securities available for sale increased by 38.6% or HUF 114.1 billion.

The net **loan** portfolio after depreciation rose by 27.3%, from HUF 2,506.8 billion on December 31, 2004 to HUF 3,191.3 billion.

On December 31, 2005, within the consolidated gross customer loan portfolio (HUF 3,297.2 billion, an annual change of +27.5%) share of corporate loans was 36.3% (HUF 1,195.4 billion, an annual change of +29.8%), loans to retail customers was 59.6% (HUF 1,965.8 billion, +27,0%), and loans to municipalities was 4.1% (HUF 136.0 billion, 15,2%). Within retail loans, housing and mortgage loans comprised HUF 1,222.4 billion (+20.4%) and consumer loans HUF 743.4 billion (+39.8%). The Bank's foreign subsidiaries contributed 23.2% (HUF 786.0 billion) of the aggregate loan portfolio as of December 31, 2005.

The increase in the loan portfolio in the 12 months prior to December 31, 2005, in addition to the consolidation of OTP banka Hrvatska, was largely due to OTP Bank (corporate loans prior to consolidation +HUF 96.9 billion, retail loans +HUF 89.8 billion; a total of +HUF 201.6 billion); DSK (corporate loans +HUF 19.8 billion, consumer loans +HUF 62.3 billion, mortgage loans +HUF 28.9 billion; a total of +HUF 111.0 billion); the loan portfolio of the Mortgage Bank (+HUF 79.0 billion); the car financing loans of Merkantil Bank (+HUF 75.6 billion) and OBS (corporate loans +HUF 34.2 billion, mortgage loans +HUF 15.1 billion; a total of +HUF 55.4 billion).

[2] Based on IFRS

The quality of the IFRS loan portfolio was good at the end of December 2005; the problem-fee portfolio accounted for 87.3% of the volume, the share of the to be watched portfolio was 9.1%, and the share of the NLP portfolio was 3.6% and had grown by 0.1% compared to the previous year. 18.2% of the consolidated qualified portfolio, and 23.5% of the NLP portfolio, was accounted for in the balance sheets of the Bank's foreign subsidiaries.

Consolidated provisioning/impairment according to IFRS was HUF 105.9 billion, of which HUF 101.4 billion related to the qualified portfolio, which resulted in a provisioning coverage ratio of 24.1%. Within this, the HUF 89.6 billion risk reserve that provides coverage for HUF 119.1 billion in NLPs represented a coverage ratio of 75.2%.

The portfolio of securities to be held to maturity increased by 17.2% in the course of 2005, and reached HUF 289.8 billion on December 31.

On the ***liabilities*** side, total liabilities to customers were HUF 3,428.2 billion as at December 31, 2005, 18.1% higher that in the previous year and 36.8% higher than the Bank's portfolio. With respect to **customer deposits**, 74.8% originated from retail, 19.3% from corporate, and 5.9% from municipality customers.

The increase in the deposit portfolio was primarily due to an increase in the deposits of the parent bank, DSK's corporate and retail deposits, the deposits of OTP Building Society, and the consolidation of OTP banka Hrvatska. The share of foreign subsidiaries in the aggregate deposit portfolio grew from 17.2% to 24.6% in 2005.

Compared to the end of December 2004, the deposit portfolio of the parent bank and of DSK grew considerably. OTP Bank's corporate deposits grew by HUF 42.1 billion, retail deposits by HUF 131.8 billion, while municipality deposits decreased by HUF 8.4 billion. DSK realised total deposit growth of HUF 101.1 billion, within which deposits from retail customers grew by HUF 69.1 billion.

The portfolio of **issued securities** rose by 71.3% over the year, to HUF 543.5 billion. This increase was due primarily to OTP Bank's foreign currency bond issues in a total face value of EUR 800 million in the third and fourth quarters of 2005.

Consolidated profit

OTP Bank's consolidated **after-tax profit** for 2005 – based on IFRS – was HUF 158.3 billion, up 20.3% or HUF 26.8 billion from a year earlier, and HUF 25.4 billion or 19.1% more than the Bank's profits.

In 2005 the Group's consolidated **net interest income** was HUF 297.2 billion, up 13.9% and 76.2% higher than the Bank's net interest income.

Provisions grew by 74.7% compared to the same period a year before, to HUF 28.0 billion. The increase was significant at the parent bank, Merkantil Bank, OTP Banka Slovensko and OTP Bank Romania, and was also due to adding OTP Leasing, a.s. to the group of consolidated companies. The increase of risk-related costs is partially due to the expansion of lending and a prudent risk provisioning policy. Provisions allocated to the average loan portfolio were 0.95%, compared to 0.69% in 2004.

The interest margin per average balance sheet total (HUF 4,689.1 billion) calculated on the basis of data at the end of the period was 6.34% in 2005, 50 basis points lower than in 2004. The net interest margin (after risk provisioning) stood at 5.74%, as compared to 6.42% in the previous year. On the basis of calculations that leave the impact of swaps on the interest result out of consideration, in 2005 the gross interest margin was 6.20%, while the net interest margin was 5.60%, which, due to the result of swap transactions (HUF 6,584 million) was respectively 23 and 40 basis points lower than in 2004.

In 2005 **non-interest income** was a total of 33.8% higher than a year before, reaching HUF 216.5 billion. Fees and commissions, up by 29.8%, reached HUF 118.9 billion. This was 12.8% lower than non-consolidated income from fees and commissions, due to the consolidation of banking commissions originating from the Mortgage Bank. Consolidated fee and commission costs decreased by 3.2% over the year. Net fees and revenues reached HUF 99.0 billion, which represents a 39.3% growth from a year before.

The net result of securities trading showed a profit of HUF 9.7 billion, compared to HUF 6.5 billion in 2004, as a result of a price gain on the securities portfolio and OTP Garancia Insurance's securities transactions. The net exchange rate gain from foreign currency trading was HUF 3.9 billion in 2005, against a net gain of HUF 1.3 billion in 2004, primarily due to changes in swap position gains. Real estate transactions brought in a profit of HUF 96 million at the consolidated level. Insurance premium income in 2005 amounted to HUF 69.8 billion, up by 41.5% compared to 2004. Compared to 2004, insurance expenses were up by 45.2%. Net insurance profit was up by 24.8% and reached HUF 11.3 billion from a year earlier. Other income, reaching HUF 13.5 billion, represented an increase of 26.1% compared to the previous year.

At HUF 293.6 billion, **non-interest expenses** grew by 17.2% compared to 2004, and exceeded the Bank's figure by 89.6%.

Consolidated personnel expenses were 19.7% higher than in the previous year. The increase in personnel costs was due, besides the 13.7% branch-network and 7% head-office pay raise, to the impact of the IFRS 2 standard. Depreciation was down considerably, by HUF 7.3 billion, from a year before. Other expenses grew by 21.0% to reach HUF 98.1 billion in 2005. In 2005 non-corporate taxes accounted for an expense of HUF 27.7 billion; up by 77.1% compared to 2004. Within this, the special tax that credit institutions and financial enterprises are subject to (net interest income tax) was accounted for in an amount of HUF 10.2 billion, among other expenses. Excluding the separate credit institutions tax, non-interest expenses were up by 13.1% at the consolidated level.

The Bank's consolidated cost/income ratio (based on calculations similar to those used under Hungarian accounting rules) in 2005 was 55.4%, 178 basis points lower than in the previous year.

Consolidated return on average assets (**ROA**) reached 3.38% (3.45% in 2004), while consolidated return on average equity (**ROE**) was 32.3%, or 3.0% lower than a year earlier. Real return on average equity (**real ROE**) was 28.7% in 2005. The net base profit per ordinary share (**base EPS**) was HUF 603, HUF 102 higher than in 2004, while the **diluted EPS** was HUF 599 in 2005 (2004: HUF 499).

Non-consolidated financial results of OTP Bank Ltd.[3]

Balance sheet

OTP Bank remains the largest bank in the Hungarian banking sector: its **balance sheet total** of HUF 3,597.0 billion represents 19.4% of the total assets of the banking sector. The HUF 552 billion, or 18.1% growth in the Bank's balance sheet during 2005 represents a significant, 14.8%, growth in real terms (Dec./Dec. inflation: 3.3%), and is the same as the growth rate of the Hungarian bank sector. At the end of 2005, the Bank had a 25.6% share of the total deposits of the bank sector, and a 12.6% share of total loans.

In 2005, due to a volume increase of HUF 190.9 billion, or 15.0%, the **proportion of loans to customers within the Bank's total assets** reached 40.7%. Within customer lending, the volume of loan placements to municipalities increased at an above-average rate, by 34.3%, amounting to HUF 127.0 billion at year-end. The volume of retail loans increased by HUF 88.8 billion, amounting to HUF 460.1 billion at the end of the year, which represents a 23.9% growth over the previous year. Loans to the corporate sector grew by 8.6%, to stand at HUF 876.0 billion on December 31, 2005. The composition of business loans did not change significantly during the year. Within total customer placements, the share of corporate loans was 59.9%, while the same figure for retail loans and municipality loans was 31.4% and 8.7% respectively at year-end 2005.

Receivables from banks represented 10.7% of the Bank's total assets as at year-end 2005, having more than doubled in volume to reach HUF 386.6 billion over the year.

[3] Based on Hungarian Accounting Standards

The Bank's non-consolidated **loan portfolio quality** – based on Hungarian Accounting Standards – was good at the end of 2005; the problem-free portfolio accounted for 95.8% of the volume, the portfolio to be watched was 2.3%, and the problematic portfolio stood at 2.0%. The portfolio improved compared to the base period: the share of the problem-free portfolio increased by 0.6%, and the ratio of NLPs fell by 0.4%.

Total provisioning/impairment was HUF 22.0 billion as at December 31, 2005, resulting in a coverage ratio of 27.5% relative to the HUF 80.1 billion qualified portfolio. Within this, the HUF 20.7 billion reserve that had been set aside to cover the HUF 37.5 billion in NLPs represented a 55.2% coverage ratio in relation to these loans.

Compared to the previous year, the share of **government securities** within the Bank's portfolio continued to decrease (from 9.7% to 9.1%). On December 31, 2005, this portfolio amounted to HUF 327.6 billion – HUF 32.8 billion, or 11.1%, less than at the end of the previous year. No significant change occurred in the composition of the government securities portfolio. At the same time that issuance outside the Bank Group increased, the balance of mortgage bonds issued by OTP Mortgage Bank fell from 17.0% to 14.8%, reaching a volume of HUF 532.7 billion in the Bank's portfolio at year-end 2005. Among the Bank's assets, **liquid assets** fell by HUF 20.2 billion, amounting to HUF 379.3 billion at the end of December 2005, which represented 10.5% of total assets.

The major share of the Bank's **funding sources** continued to be customer deposits, which accounted for 69.0% of the Bank's total liabilities as at year-end 2005. Total customer deposits exceeded HUF 2,480.9 billion, surpassing the previous year's figure by HUF 162.3 billion, or by 7.0%. The distribution of customer deposits by customer group changed slightly. Retail deposits grew by 7.6% and accounted for 75.4% of total customer deposits (in 2004: 75.0%). Owing to a volume increase of 9.1%, the share of corporate deposits grew from 18.2% in 2004 to 18.5%. Owing to a 5.3% decrease in the portfolio, the share of municipality deposits decreased slightly, from 6.9% to 6.1%.

Increasing by 50.3 billion to HUF 254.2 billion, interbank liabilities accounted for 7.1% of the Bank's overall liabilities at year-end 2005.

In the framework of the Bank's foreign currency bond program, as a result of a bond issue in the third quarter with a face value of EUR 500 million and in the fourth quarter with a face value of EUR 300 million, the portfolio of securities issued by the Bank increased by approximately HUF 200 billion to reach 5.6% of the total liabilities by year-end, representing a considerable increase.

Within the Bank's total liabilities, the volume of provisions increased from HUF 32.6 billion at year-end 2004 to HUF 34.1 billion in 2005. In compliance with the provisions of the Credit Institutions Act, by 31 December 2005 the Bank had fully completed the accumulation of the general risk reserve of HUF 25.6 billion, which represents an increase of 18.8% over the previous year. The portfolio of provisions generated for contingent and future liabilities fell by 12.4%, to HUF 7.9 billion, as a result of the release of an approximately HUF 1.1 billion risk reserve. The total of other provisions fell by HUF 1.4 billion in the course of the year, amounting to HUF 0.6 billion at year-end 2005. Of this amount, HUF 0.7 billion was released for early retirement and severance payments.

As of December 31, 2005, the shareholders' **equity** of OTP Bank amounted to HUF 407.6 billion, representing a growth of 25.4% year on year. The HUF 82.6 billion increase is the net result of the HUF 13.8 billion growth in the general reserves, the HUF 25.1 billion increase in the profit reserve, the HUF 27.4 billion growth in committed reserves and the balance sheet profit of HUF 69.4 billion. Equity per share, with a nominal value per share of HUF 100, was HUF 1,455.6.

As of year-end 2005, the balance of repurchased own shares was HUF 40.8 billion, up by HUF 26.9 billion from the end of the previous year.

The **guarantee capital** of the Bank on December 31, 2005 was HUF 216.6 billion; its risk weighted total assets was HUF 2,050.9 billion.

As of December 31, 2005, the **solvency ratio** calculated according to Hungarian regulations was 10.56%, which is well in excess of the 8% required by the Credit Institutions Act.

Results

The 2005 **pre-tax profit** of the Bank was **HUF 161.2 billion**, 30.5% or HUF 37.7 billion higher than in the previous year. This pre-tax profit results from HUF 181.8 billion in operating profits, and from the combined amount of HUF 13.9 billion in dividend income, HUF 16.1 billion in provisioning, impairment and loan losses, as well as HUF 8.2 billion in losses from goodwill write-offs, and HUF 10.2 billion in credit institution special tax. Compared to the base period, operating profit increased by HUF 45.7 billion, or 33.6%, whereas provisioning, impairment and loan losses grew by 20.2%. The dividend income from the Bank's investments rose from HUF 8.5 billion in the previous year to HUF 13.9 billion. Goodwill write-offs (OBS, DSK) amounted to HUF -8.2 billion in 2005, compared to HUF -7.7 billion in 2004.

Calculating with an increasing (up from 15.1% in 2004 to 20.5%) actual tax rate that includes the credit institutions special tax, the Bank's **after-tax profit** was HUF 138.3 billion, representing a HUF 33.5 billion, or 32.0%, increase over the previous year. Without the credit institutions special tax the Bank's after-tax profit would have grown by 41.7% to HUF 148.5 billion.

After setting aside HUF 13.8 billion for general risk provisions and generating a dividend reserve equal to 197% of the nominal value of all shares outstanding (HUF 55.2 billion), **the balance sheet profit** of OTP Bank for the year 2005 amounted to HUF 69.4 billion. The HUF 55.2 billion dividend reserve represents a 40% dividend payout ratio compared to the after-tax profit.

Undiluted earnings per share (EPS)[4] in 2005 were HUF 512, while the diluted[5] figure was HUF 494, respectively 31.1% and 32.0% higher than in 2004.

The Bank's return on average assets **(ROAA)** in 2005 was **4.17%,** while the return on average equity (**ROAE**) was **37.8%** (in 2004: 3.61% and 35.7% respectively). The inflation-adjusted ROAE[6] amounted to 34.2%, in contrast to 29.0% in 2004. Both the ROAA and the inflation-adjusted ROAE are in line with the Bank's targets.

The Bank's **net interest income** amounted to HUF 170.3 billion in 2005, representing a rise of 15.1% over the previous year. The increase in net interest income – achieved in a year characterised by a considerable fall in interest rates – originates from an interest revenue figure of HUF 280.3 billion (a 2.7% decrease) and an interest expense figure of HUF 110.0 billion (a 21.6% decrease).

In the year 2005 the interest differential (i.e. the net interest margin) calculated on the average of total assets (HUF 3,200.9 billion) was 5.32%, 1 basis point higher than in 2004.

Interest income from interbank accounts grew by 1.4% – while the income from swap deals increased by HUF 2.1 billion – owing to a 47.2% growth in the average value of interbank placements and the decrease of the interbank interest rate level by an average of 5.6%. As a consequence, the ratio of interbank interest income within total interest income rose from 19.5% to 20.3%. Due to the 23.3% increase in the average volume of retail deposits and the increase in yields of an annual average of 88 basis points, the net interest income realised on retail accounts grew by 29.1%, to 29.2% of total interest income. As a result of a 16.5% growth in corporate lending, and a yield decrease of 203 basis points, the net interest income realised on these accounts fell by 11.9%, giving it a share of 19.1% within the total of interest income. Net interest income from municipal lending fell by HUF 3.6 billion to HUF 9.9 billion over the course of the year. Compared to 2004, the interest

[4]The method for calculating undiluted earnings per share: after-tax profit/ (ordinary shares - own shares)
[5]Calculation method: after-tax profit / ordinary shares
[6]Calculation method: ROAE minus annual average inflation in %

earned from securities fell by 15.3%, or HUF 12.5 billion, due to the 4.7% decrease in the average size of the portfolio and a 103-basis point decrease in the average yield. Interest on securities accounted for 24.8% of total interest income. In 2005, the yields on total average interest-bearing assets in forint and foreign currency reached 9.99%, which is 164 basis points lower than in 2004.

Interest expenses increased in the case of interbank accounts, own-issued securities and subordinated loan capital, and fell considerably in the case of customer accounts. Interest paid on interbank accounts increased by HUF 5.5 billion, or 27.6%, over the previous year, which was, besides a significant growth of the average portfolio, due to the higher losses recorded here owing to the increased volume of swap deals (HUF 4.7 billion). Interest paid on securities increased by HUF 1.4 billion owing to a significant growth of the average portfolio and an over 3% decrease in average interest rates; however, their share of total interest expenses amounted to only 1.5%. The greatest decrease was shown by the interest paid on municipality and retail accounts (37.2% and 31.4% respectively). Interest paid on corporate accounts decreased at a similar rate (31.0%). The share of interest paid on retail accounts within the total of interest expense was 55.3%, which is in harmony with the Bank's funding structure. In 2005, the cost of funds calculated on average interest-bearing forint and foreign currency funding amounted to 4.12%, or 184 basis points, less than the 2004 figure. The interest margin calculated on total interest-bearing assets and liabilities was 5.87% in 2005, or 20 basis points, higher than in 2004.

In 2005 the Bank's non-interest income increased by 22.6%, reaching HUF 138.7 billion, its share within total income growing from 43.3% to 44.9%. Of the various types of non-interest income, **net commission and fee income increased by 18.1%**, from HUF 103.9 billion in 2004 to HUF 122.7 billion in 2005. Compared to 2004, commissions and fees received rose by 20.0%, while commissions and fees paid increased considerably, by 40.5%, over the previous year. Within commission revenues, card fee revenues increased significantly, by 23.3%, to reach HUF 33.6 billion. The more than HUF 6 billion increase in card fee revenues primarily originated from ATM cash withdrawal transaction fees and – due to an increase in the number of purchases made using bankcards – from merchants' commission revenues. Commission revenues on retail current accounts increased by 14.6% during 2005. Commission revenue related to deposits increased considerably, by 34.4%. Commission revenues on loans stood at HUF 45.8 billion in 2005, which represents a slight decrease compared to the previous year. Commission revenue from securities trading was up by 31.9% on the previous year's figure, primarily owing to the increase in custody fees and arrangement-fee income related to securities issuing. The **net result of securities trading** showed a profit of HUF 9.3 billion, compared to HUF 3.0 billion in 2004. The net exchange rate gain from **foreign currency trading** was HUF 3.2 billion in 2005, against HUF 4.5 billion in 2004. Other non-interest revenues increased by HUF 1.7 billion, to HUF 3.5 billion.

The Bank's **total income** in 2005 amounted to HUF 309.1 billion, which represents an increase of 18.4% compared with 2004.

In 2005 the Bank's **non-interest expenses** increased by only 1.8%, well below the rate of inflation, to HUF 127.3 billion. **Personnel expenses** were 5.1% higher than in 2004. In 2005 the Bank's personnel expenses absorbed less of its total income, that is, 17.8%, compared to 20.0% in 2004. At the end of 2005, the Bank's total **headcount** was 7,899, i.e. 122, or 1.6%, more than a year previously. The average headcount for the period decreased by 303 persons, or 3.7%.

Depreciation amounted to HUF 12.7 billion, while the ratio of depreciation to total income was 4.1%, compared to 3.7% a year earlier. Other non-interest expenses were 5.5% lower than in 2004.

As a result of the 18.4% rise in total income and a 1.8% increase in non-interest expenses, the Bank's **cost/income ratio** improved by 671 basis points, from 47.9% in the previous year to 41.2%.

RESULTS AT INSTITUTIONAL AND DIVISIONAL LEVEL

MAIN DEVELOPMENTS IN 2005

In 2005 the Bank continued to implement large-scale capital projects aimed at strengthening its competitiveness, rationalising and streamlining operations, cutting costs and improving the quality of services. In the course of the year we also performed follow-up work in connection with numerous developments that were implemented in 2004.

In 2005 we continued to improve the electronic banking systems. Several convenient functions were added to the system (e.g. credit card bank statements can be downloaded retroactively, and applications were enhanced). In connection with this, the MiddleWare and Base24 systems, providing support for the sales channels and card systems, were improved, and the development of functions supporting the 24/7 cash service and CashBox were completed. In addition, the changes in compliance with the stipulations of Basel II in relation to the "*A-hitel*" overdraft facility were also integrated. In the Call Center, a new customer selection process was introduced.

Bank card systems were also enhanced: the OS/2 operational system supporting ATMs was changed to Windows in order to improve the ATM system, and the ATM cash optimisation application (Apollo) was introduced. AMEX credit cards, together with all the necessary support developments, were launched, and steps were taken in connection with the introduction of the Vodafone credit card.

Additional functions became available in the Transaction Database. Data content was expanded, and product and report definitions were improved. In 2005 the Transaction Database became a suitable decision-support tool owing to the appropriate width of its functionality and the depth of its data. The queries and analyses that can be performed on the system serve to support business processes, the preparation and adoption of Basel II, customer segmentation, as well as campaign planning and implementation.

In 2005 the Interest system that had been used for handling securities was replaced, and the CLAVIS system was introduced and launched. In the course of the year problems with access as well as other IT-related problems were solved, and employees were comprehensively trained in the use of the system. The system's functions will be further expanded in the future. Phase II of the CLAVIS Project will be launched in April.

In 2005 new developments were also introduced in the home loan management system, PRELAK. The system is now capable of handling tasks arising from the introduction of home leasing in terms of access, functions and facilities.

The handling of the corporate segment was transformed. As a result, the corporate-customer segment, which used to be treated in a uniform manner, is now divided into two large groups, micro and small businesses on the one hand, and medium-sized and large businesses on the other hand. Dividing the segment in this manner will enable us to provide an even more precise and tailored response to customer needs.

Work in the framework of the START Project, intended for promoting sales and improving branch processes, continued; models were enhanced, and, after the live launch of the program, salary disbursements that provide an incentive for sales were optimised. The Bank's experts continue to improve the system on the basis of continuous feedback.

OTP Bank's goal is to develop and improve the efficiency of its agency sales network. In order to achieve this, the Partner Project was launched. In its first, diagnostic, phase the areas to be improved were identified. The inefficient use of the agents' network can be explained by the narrow selection of products, inadequate communication, the lack of a unified system of incentives, as well as deficient training and support. After the diagnostic phase was launched and the system was restructured, in the fall of 2005 the implementation phase was started, the first campaigns were launched ("Autumn Harvest" agents' home loan campaign, and the PARTNER campaign with an expanded selection of products, in the new support and control system). In 2006, after new campaigns are launched, the system will be further refined, and a feedback system will be introduced.

The Basel II and the IFRS projects, which are intended to help the Bank prepare for international accounting and settlement requirements, were respectively continued and commenced.

In addition, smaller improvements were made to several of the Bank's IT systems. These systems and the connections they provide enable the Bank to be prepared to respond to market challenges both in terms of information and infrastructure. In the last year a new process was launched to unite the various IT systems and to bring them up to the same level within the Group. Its ultimate goal is to ensure that each member of the OTP Group is able to serve its customers at the same high level, with the help of similar infrastructure.

RETAIL DIVISION

OTP Bank continues to be the largest participant in Hungary's retail banking market. Based on the combined balance sheet total of financial institutions, at year-end 2005 the Bank had a market share of 32.3% in household forint deposits (in 2004: 33.3%), 36.0% in foreign-currency deposits (in 2004: 36.0%), and 12.7% in household loans (in 2004: 13.0%).

Retail deposits

By year-end 2005, the volume of retail deposits managed by the Bank had reached HUF 1,870.2 billion, representing a 7.6% increase over the previous year's figure.

Within retail deposits, forint deposits increased by 7.0%, or HUF 106.1 billion, to HUF 1,612.1 billion in 2005. The proportion of retail current account deposits – a key product line – within forint deposits was 77.5% (in 2004: 75.1%). Following a 3.8% fall over the year, the total balance of passbook deposits amounted to HUF 326.9 billion as at 31 December 2005, representing a 20.3% share within forint deposits. The volume of fixed-term deposits with a maturity of less than 1 year was HUF 205.6 billion, which represents a fall of 13.2%.

The volume of foreign currency deposits grew by 11.4%, or HUF 26.3 billion, to HUF 258.0 billion, accounting for 13.8% of retail deposits as at year-end 2005 (in 2004: 13.3%). In 2005 the previous decline in the volume of foreign currency deposits came to an end, and the volume of such deposits began to grow markedly.

Retail loans

At the end of December 2005, the volume of retail loans was HUF 460.1 billion, 23.9% higher than at year-end 2004, which can be attributed to a five-fold increase in the volume of foreign currency loans with preferable interest rates.

The decrease in demand for housing loans and a predominant demand for foreign currency-based housing loans that started in 2004 continued in 2005 both nationally and within the Bank. The volume of housing loans in the market grew by 19.5%, to HUF 2,283.3 billion, within which the ratio of foreign currency housing loans increased from 7.6% to 20.7%.

By year-end 2005, the volume of housing loans in OTP Bank's balance sheet had increased by 23.3%, to HUF 210.1 billion, giving the Bank a 9.2% market share of the housing-loan market. In addition to the majority of disbursed forint-based housing loans, starting from March 2005, foreign currency-based housing and mortgage loans were also transferred to OTP Mortgage Bank. Close to half of the approximately 34,000 loans that were transferred to OTP Mortgage Bank were foreign currency-based. In 2005 the total transferred volume was HUF 146.1 billion. The total market share held by the

OTP Bankgroup – including the loans provided by OTP Mortgage Bank and OTP Building Society – fell by 3 percentage points to 46.4%, despite the fact that the Group's market share in foreign currency-based housing loans grew by close to 16% (from 6.9% to 22.5%) in one year.

In 2005 the volume of consumer loans extended by the Bank increased by 24.4%, to HUF 249.9 billion. Together with foreign currency-based mortgage loans, the volume stood at HUF 257.0 billion as of December 31, 2005. The increase was less dynamic than in the previous year, or than the growth of the market. The household's consumer and other loans market share of the Bankgroup increased from 23.2% to 24.4%.

The portfolio of personal loans, introduced in 2003, continued to grow dynamically in 2005 by 67.2% to reach HUF 123.3 billion by the end of 2005, gradually replacing the "*B-*" and "*C-Hitel*" overdraft facilities, the volume of which fell by 51.8% to HUF 24.5 billion.

The volume of the re-launched "*A-Hitel"* overdraft facilities on retail current accounts continued to grow, and by 31 December 2005 had increased by 44.4%, to HUF 45.6 billion. Owing to high forint interest rates, the volume of forint-based mortgage-backed loans decreased by 45.2% against the previous year, to HUF 11.5 billion at year-end 2005. However, the volume of foreign currency-based mortgage loans increased five-fold in the course of the year, to reach HUF 16.1 billion by year-end.

AMEX Blue, which was launched by the Bank in 2005 and which has proved very popular among customers, was a major reason that the volume of loan placements in connection with credit cards grew more than two and a half times compared to the previous year to reach HUF 12.3 billion by 31 December 2005. The volume of durable-goods loans (consumer credit) increased by 23.3%, to HUF 8.8 billion.

INVESTMENT SERVICES

Securities trading and securities account management

In 2005 the domestic investment market was characterised by a decline in bond yields, a soaring stock-market index, and a massive increase in mutual fund investments, especially in bond and real estate funds. The trend of declining yields at the beginning of the year was reversed in the last quarter of the year, which resulted in the flow of significant investment towards non-securities savings. OTP Bank, in line with overall trend in the market – and despite the negative factors that came into play at year-end – closed a record year in securities trading.

In 2005 the Bank further expanded its uniquely wide selection of products in the market. In addition to mortgage bonds with maturities of 1 and 3 years, the Bank launched a balloon payment bond with a 10 year maturity, and launched 3 new domestic (OTP) and 5 new foreign (UBS) investment funds for Private Banking customers.

The market value of the investment portfolio managed by the Bank exceeded HUF 1,846 billion as at year-end 2005, which represents an increase of more than 21%. Despite the negative tendencies at the end of the year, the retail securities portfolio managed by the Bank grew by 19%. As a result of this outstanding performance, the Bank managed to hold on to its market leading position in this segment of the market, with a market share of over 30%. Commission revenues on securities trading were up by 34.2%, amounting to more than HUF 8.6 billion.

Private Banking

The overall value proposition, which had been radically revised and enhanced in 2003, was supplemented further in terms of its content in 2005.
In addition to the wide variety of domestic investment products available, the number of investment opportunities abroad also increased considerably, partly through the start of distribution in Hungary of 5 foreign investment funds offered by Switzerland-based UBS Asset Management, and through the offering of foreign equities and index-tracking funds (ETF) available via the Xetra stock exchange

system. Since the middle of last year, OTP Private Banking customers – as an opportunity available to them alone – have also been able to apply for an American Express exclusive Gold debit card.

In 2005 the division continued to increase its already dominant market share. The number of private banking contracts was close to 11,000 by year-end 2005, and the managed assets grew even more dynamically, by HUF 84.5 billion to reach HUF 326.3 billion on December 31, 2005, which represents a 35% gain in a year. Within the Private Banking portfolio, the portfolio managed in the context of the 'VIP' private banking service increased by 63% to reach HUF 46.4 billion in 2005. As a result, the VIP Private Bank, in the second full year of its operation, became a market leader in the domestic segment of affluent customers.

Net interest and non-interest revenue realised in the private banking and VIP private-banking segment grew by some 30% in 2004, to exceed HUF 4.4 billion.

CARD BUSINESS

At year-end 2005, the number of cards issued by the Bank was 3,820,000, a 4.9% increase over the previous year's figure (3,641,000).

At year-end 2005, the number of forint-based deposit and credit cards issued in the retail division was close to 3,700,000, representing a rise of 4.7% compared to the 3,500,000 cards at year-end 2004. Within this, the number of conventional debit cards issued to current-account holders was 2,784,000, and the number of Multipont charge cards was 500,000, while the number of cards associated with "B-Hitel" and "C-Hitel" overdraft facilities, currently in the process of being phased out, was already down to just 105,000 at year-end 2005. The number of conventional credit cards, launched in the final months of 2003, was close to 134,000 at year-end 2005. In 2005 the Bank further expanded its credit-card portfolio, and within this, 52,000 AMEX credit cards had been sold by the end of the year. In 2005 the Bank further enhanced the quality of customer service by expanding the range of services associated with credit cards.

At year-end 2005, the number of business cards was close to 115,000, representing an increase of 11.9% (or 12,000). The great majority of these (nearly 87,000) were domestic corporate and business cards. The number of Széchenyi Cards exceeded 8,000 by year-end 2005. The number of foreign-currency-based cards issued by the Bank increased by 16.3% over the year, to more than 10,000.

By year-end 2005, the number of OTP-operated ATMs had increased to 1,500, from 1,400 in the previous year. In 2005 the number of transactions carried out using ATMs owned by OTP was 76.1 million, and the total volume of these transactions was HUF 2,188 billion. The number of ATM transactions carried out using cards issued by the Bank was 70.5 million, with a total volume of HUF 1,978 billion. Compared to the previous year, the average value of transactions on the acceptor side increased from HUF 27,000 to 28,700 and income grew by 30.6%.

As at December 31, 2005, the number of POS terminals was 25,545, representing an increase of 3,801 compared to the previous year. The Bank operated 3,439 of these terminals at its own branches, 17,171 at commercial outlets and 4,935 at post offices. The number of POS terminals at commercial outlets grew by 24.3%. In 2005, the number of transactions made using OTP Bank's own POS network was 63 million, with a volume of HUF 527 billion, which represents a 21% rise in the number of transactions and in turnover. On the issuer side, the number of transactions and turnover increased by 17.2% and 18.3% respectively compared to 2004. Thus, the 50 million transactions carried out by OTP Bank's customers resulted in a turnover of HUF 375 billion.

ELECTRONIC SERVICES

The Bank has a considerable market share in relation to all the electronic banking channels. The Bank has a 50% market share in internet banking services, a 46% share in mobile phone-based services, and 33% in telephone banking services.

The number of customers with a contract for the use of the Bank's electronic channels increased considerably in 2005. Some 758,000 customers made phone calls to the telephone help desk, over 561,000 customers used the mobile phone-based services, while 418,000 customers used internet banking services.
This represents a 24% and 31% increase in the number of telephone banking and internet banking customers respectively, while the number of mobile banking service users grew by an outstanding 108%. The number of OTP Direct customers is close to 1 million.

In 2005 the functions available on the electronic channels continued to increase: applications within OTP HomeBank expanded, download options were improved, and an increasing number of functions were made available in connection with the management of securities. The improvements increased practicality and convenience; for example, customers received help in storing certain frequently occurring data and issuing multiple direct debit orders. The Bank was the first in the market to introduce many of these functions. The Bank's financial strength and professional expertise provides a suitable basis for adapting quickly to future needs as well.

COMMERCIAL BANKING DIVISION

Corporate Division

The Bank's corporate division was again among the market leaders in 2005. The volume of deposits from corporate clients and the corporate loan portfolio each accounted for 11.3% of the national total as of December 31, 2005.
As of December 31, 2005, the **corporate deposit** portfolio stood at HUF 459.5 billion, a 9.1% increase over the previous year. Of the deposit total, 60% was made up of the deposits of incorporated business entities, which represented an increase of 10.4% over the course of one year. The forint deposits of incorporated business entities grew by 9.8% to reach HUF 246.9 billion, while their foreign-currency deposits in 2005 grew by 15.6% to HUF 29.5 billion. The volume of deposits held by small enterprises and sole traders grew by 5.3% to HUF 64.7 billion, of which the share of forint deposits was 97%.

The **corporate loan portfolio** grew by HUF 69.7 billion to HUF 876.0 billion.

The loan portfolio of incorporated business entities grew by 12.4%, to HUF 678.0 billion, while the foreign-currency loans of this customer group rose by 22.5%, to HUF 328.0 billion. The portfolio of small-enterprise loans increased by 11.2%, to HUF 27.2 billion. Loans held by sole traders grew by 6.0%, to HUF 14.8 billion.

At the end of 2005 the largest single portion of the loan portfolio, 26.0%, consisted of loans extended to the real estate and business services sector, 15% went to electricity, gas, heat and water supply companies, 15% to enterprises engaged in trade, 13% to manufacturing entities, and 11% to transport, warehousing, postal and telecommunications companies. The agricultural sector accounted for 4% of the total loan portfolio.

Over the year, it was loans to enterprises in the real estate and business services sector that grew by the greatest extent, by HUF 68.9 billion, although there was also a substantial, HUF 14.1 billion, growth in the volume of loans to the trading sector, and a HUF 13.4 billion increase in loans to the transport, warehousing, postal and telecommunications sector.

In 2005 the Bank continued to steadily develop and enhance its commercial banking services: the Bank made the pre-financing conditions of EU tenders more flexible, and made available cash-pool services to multinational companies internationally. In the course of the year the Bank introduced several loan products to aid in business development and to assist agricultural businesses.

Starting from September 2005, OTP Bank renewed the services extended to micro and small businesses and increased their availability. As a part of this, the Bank created an MSE (micro and small enterprises) department within the retail division of the Bank, which is responsible for coordinating the changes. The loan portfolio of MSE customers was close to HUF 33 billion as of December 31, 2005, the deposit portfolio of this customer group was HUF 216.8 billion, and the total number of MSE customers was close to 200,000.

Municipality Division

The Bank again succeeded in retaining its leading role in municipality banking in 2005. By the end of 2005 more than 74% of the client base, 2,359 municipalities and their institutions, had OTP Bank manage their cash-flow accounts, which represents a 4% decrease compared to year-end 2004. This is due to the fact that, as a result of recent changes in statutory regulations, municipalities may change their account managing bank in any month of the year, and, if they wish to do so – once a specified value threshold is reached – they must issue a competitive tender among the financial institutions in the context of a public procurement process.

At the end of 2005, the volume of deposits held by municipalities was HUF 151.5 billion, which was 5.3% lower than at the end of 2004. With regard to the deposit total, as a result of strenuous efforts on the part of competitors to acquire market share, the Bank's share of the market dropped slightly, from 66.2% to 63.4%. At the same time, the Bank's portfolio of municipality loans grew in the course of the year, except for the first quarter of 2005, by 34.3% to HUF 127 billion, bringing its share of this segment of the loans market to 52.7%.

The number of those among the municipalities and their institutions using the Bank's customer terminals rose continuously over the year (from 4,581 in 2004 to 5,700 at the end of 2005), while the number of municipality customers using the Mini Treasury system also grew.

Treasury and Structured Finance

The role of the Treasury within the Bank is twofold: firstly to ensure operative and long-term liquidity and manage exchange rate and interest risks, and secondly, to operate as an independent profit centre in its own right.

With regard to liquidity management, in 2005 the tendency of previous years continued. Similarly to previous years, the Bank had surplus forint liquidity and a lack of foreign currency sources. The Treasury supplied approximately 51% (in 2004 only 39%) of foreign currency sources available to the Bank by raising foreign funds (syndicated and bilateral loans, foreign currency bond issues, forint/foreign currency swap transactions).

In February 2005 a subordinated debenture bond of EUR 125 million was issued. This was a groundbreaking transaction, since it was the first Hungarian subordinated bond issue on the international capital markets, and in June an EMTN bond program with a total mandate of EUR 1 billion was set up, which provides flexible conditions for the Bank with respect to the rapid international issuance of a wide variety of bond structures. In 2005, out of the total mandate of 1 billion EUR bonds in an amount of EUR 800 million were issued under favourable conditions, in the context of two transactions.

In order to ensure an optimal supply of short and long-term foreign currency sources, in 2005 a set of unified regulations on group-level foreign currency funding management and group-member financing was introduced. The new regulations are of key importance in terms of the liquidity management of the Bank and the Bank Group. The Bank, as a central body that acquires funds, serves and finances the group members under uniform conditions, which means savings for the group as a whole.

Treasury trading activities were outstandingly successful in 2005. Among primary traders, OTP Bank, according to the State Debt Management Agency's assessment based on trading figures, came in second after ING Bank in the overall evaluation. The Bank came first in the most important category (government bond sales), which is even more impressive considering the fact that the Bank came tops even without the turnover of OTP Fund Management being included. In 2005 the Bank's foreign currency trading was sufficient for it to take over the no. 1 spot on the turnover list among Hungarian banks according to statistics provided by the National Bank of Hungary (MNB), an achievement that is without precedent in the Bank's history.

In 2005 the average value of the Bank's portfolio of securities held for investment was HUF 267 billion. The portfolio of securities held for trading amounted to an average of HUF 30 billion. The average portfolio of two-week forint deposits placed with the MNB was HUF 265 billion.

In 2005 the Bank maintained its market leading position in the area of structured financing in Hungary, and strengthened its financing position in the central and eastern European region. As a result, cooperation with the Group's international members has expanded. 2005 was an outstandingly successful year in this area of business. The 25 new transactions executed in the course of the year represented a total volume of HUF 175 billion. A significant source of income for the business line is the revenue from fees, which reached HUF 1.2 billion in 2005. The total placements of the division (including both portfolio and commission transactions) were problem-free.

In 2005 the Treasury installed a new internet-based price quoting and transaction system. Through the system customers have direct access to prices quoted by foreign currency traders, and can also conclude transactions.

Project Finance

The division's total portfolio stood at HUF 193.8 billion on December 31, 2005, which represents a 10% increase compared to 2004. The volume of net interest income stood at HUF 2.2 billion (a 19% increase), while the volume of non-interest income in 2005 was HUF 1.0 billion (a 22% increase).
A major portion of the loans went to finance real estate projects (22.5%), the power generation sector (22.5%), and company acquisitions (19.4%).

The Bank concluded several transactions of outstanding significance in the course of 2005, such as the Palace of Arts (a PPP project), Kerepesi Plaza, and the Graboplast (company acquisition) project.
In addition to domestic transactions, the Bank also participated in financing foreign projects, especially in Bulgaria (e.g. Sunny Beach – a hotel) and in Slovakia (e.g. Enviral – a bio-ethanol plant).

EQUITY INVESTMENTS

The gross book value of OTP Bank's share in various companies, based on IFRS, stood at HUF 227.4 billion in 2005. The value of investments in financial institutions, which account for the largest share of the Bank's equity investments, stood at HUF 192.4 billion on 31 December 2005.

International expansion has been afforded considerable emphasis in OTP Bank's medium-term strategy, in the interests of increasing shareholder value, retaining the Bank's profitability over the medium term, and improving its regional position. In 2005 the Bank purchased the Croatian Nova banka which currently continues its operations under the name OTP banka Hrvatska (OBH), and the acquisition of the Serbian Niska banka also began, with the transaction having been successfully concluded in March 2006.

RESULTS OF THE MAIN SUBSIDIARIES[7]

The operations of the subsidiaries in 2005 were essentially in line with the Bank's requirements and with the owners' expectations. The combined, fully consolidated balance sheet of the subsidiaries rose from HUF 2,005 billion to HUF 2,765 billion, or by 37.9% (of which the balance sheet of the OBH Group, acquired in 2005, was HUF 298.2 billion).

In 2005 the fully consolidated pre-tax profit of the subsidiaries was HUF 55.2 billion, which is HUF 12.7 billion, or 29.9%, higher than that of 2004.

OTP Mortgage Bank Ltd.

The decline in the pace of growth in housing loans continued in 2005. It was primarily demand for subsidised forint loans extended for new-home construction and purchase that fell, which was partly due to a slowdown in new-home construction and partly to the erosion of the earlier price advantage of these loans. In 2005 foreign currency-based loans were more prevalent, accounting for more than 60% of all housing loans disbursed.

In line with this, disbursement of foreign currency-based loans grew dynamically within the OTP Bank network (increasing almost tenfold compared to the disbursements of a year earlier), while the volume of subsidised housing loan placements declined compared to the previous years. In 2005 a total of HUF 146.1 billion in loans were granted, which was not as high as in the year before. Within this total, foreign currency-based housing loans or mortgage-backed loans, which OTP Mortgage Bank purchased in March, accounted for some 40%. As a result, OTP Mortgage Bank's loan portfolio by the end of 2005 exceeded HUF 849 billion (compared to HUF 770 billion in 2004). The liability outstanding due to issued mortgage bonds had grown by HUF 21.7 billion by the end of 2005, to HUF 812.7 billion. In terms of loans and mortgage bonds, the Company continued to occupy the leading position among the three Hungarian mortgage-lending institutions (OTP, FHB, HVB), with a market share of over 60%.

The Company's balance sheet total as at 31 December 2005 was HUF 956.1 billion, 8.8% higher than a year earlier. The Mortgage Bank's registered capital was HUF 20 billion by the end of 2005, and its equity was HUF 36.9 billion.

The pre-tax profit of OTP Mortgage Bank decreased by 48.3%, to HUF 6.8 billion, but this still exceeded the target for the year. The primary reason for the decrease was a growth in commissions and fees paid to OTP Bank. The guarantee fee for the repurchase commitment related to not problem-free, terminated receivables, the fee for soft collection paid since 2005 with respect to the collection, within 90 days, of problem loans, and the fee for services related to the account management of loans increased by a total of 42%. In 2005 the Company paid HUF 53 billion in commission to OTP Bank, which is HUF 14 billion more than in 2004.

In 2005 the after-tax profit was HUF 5.2 billion. Return on average assets (ROAA) was 0.57%, while return on average equity (ROAE) was 15.6% in 2005.

Merkantil Group

On 31 December 2005 the balance sheet total of the **Merkantil Group** exceeded HUF 253.0 billion. The aggregate after-tax profit of the Group in 2005 reached HUF 6.3 billion representing a 67.1% increase compared to the same period in 2004.

At Merkantil Group in 2005, more than 63,000 vehicle-financing contracts were concluded, which is 3.9%, or more than 2,000 contracts, more than in 2004. Based on aggregate numbers, the ratio of

[7] According to IFRS

foreign currency loans was 91%, the ratio of forint loans was 6.2%, the ratio of cars sold in the framework of financial leasing was 2.5%, and the ratio of long-term leases was 0.3%.

The aggregate gross loan portfolio of the Merkantil Group reached HUF 229.7 billion at the end of 2005 which is HUF 57 billion or 33.1% more than at year-end 2004.

In 2005 the net interest revenue of the Merkantil Group reached HUF 19.0 billion, a 12.9% increase over last year's figure. Non-interest income increased by 9.3%, while non-interest expenses were over 20.9% lower than in 2004. Gross interest margin in 2005 stood at 8.43%, 96 basis points lower than in 2004. The Group's aggregate cost/income ratio in 2005 was 36.4% (2004: 44.0%).

Merkantil Bank Ltd.

Merkantil Bank closed the year 2005 with a pre-tax profit of HUF 2.8 billion, which was 3.9% lower than that of the previous year. In 2005 the Company's balance sheet total grew to HUF 136.7 billion, an increase of close to 132%. The loan portfolio increased by HUF 75.6 billion to HUF 126 billion by the end of 2005, while total deposits fell to HUF 4.6 billion.

Merkantil Bank's shareholders' equity was HUF 14.8 billion as at 31 December 2005, which was 21.5% higher than it had been at the close of the previous year. The bank's capital adequacy ratio was 8.96% at the end of the year.

In 2005 Merkantil Bank's return on average assets (ROAA) was 2.68%, and its return on average equity (ROAE) was 19.4%.

Merkantil Car Ltd.

Merkantil Car's balance sheet total was HUF 113.1 billion at the end of 2005, which was lower than that of the previous year by 16.5%. The portfolio of gross loans reached HUF 103.6 billion at year-end, HUF 18.5 billion less than in the previous year. The reason for the decrease is that in the course of 2005 foreign-currency vehicle financing loans were transferred to Merkantil Bank within the Merkantil Group. Merkantil Car's equity was HUF 5.6 billion.

The Company's after-tax profit grew by 297%, to HUF 3.6 billion, by the end of 2005. Its ROAA was 2.93%, and its ROAE was 96.5%.

OTP Building Society Ltd.

OTP Building Society Ltd. closed 2005 with a balance sheet total of HUF 86.7 billion and a pre-tax profit of HUF 1.8 billion. Its ROAA was 1.81%, and its ROAE was 24.5%.

The Company exceeded its target in 2005, concluding 106,000 contracts, in a combined value of HUF 115.6 billion. As the net result of contractual deposit taking and disbursements, the Society's deposit portfolio increased by 32.5%, to HUF 78.8 billion, while – due to a lower-than-expected demand for credit resulting from the more attractive terms offered on state-subsidised loans – its loan portfolio fell by HUF 1.7 billion, to HUF 6.2 billion. During the course of the year, the proportion of contracts concluded within the OTP Bank network increased (to 52% in terms of contractual volume, and to 44.8% in terms of contract numbers). OTP Bank received HUF 736 million from the fees paid for cross sales.

OTP Building Society Ltd. achieved an estimated market share of the building-society savings market, which has come to be dominated by two main players, of 54.7% in terms of contract numbers, 48.7% in terms of contract volume, and 49.3% with respect to deposits.

The Company intends to pay a dividend of HUF 1,348 million from its 2005 profit to its owner, OTP Bank.

DSK Group

The DSK Group achieved major successes in the 2005 business year. The group's after-tax profit in 2005 was HUF 16.6 billion, which represents an increase of 38.2% compared to its result in 2004. Its ROAA as of the end of the year was 3.33% and its ROAE was 26.3%.

The DSK Group's balance sheet total on 31 December 2005 stood at more than HUF 583.4 billion, or 42.1% higher than the year-end 2004 figure, and its shareholders' equity at the end of 2005 was HUF 71.2 billion (a growth of 30.6%). The bank's loans and deposits grew by 40.6% and 30.5% respectively in 2005, with the loan portfolio totalling HUF 384.4 by the end of the year, and deposits HUF 432.4 billion.

In 2005 DSK Bank further increased its share of the loan market (16.2%), and retained its market-leading position in the deposit market (14.8%). Based on its balance sheet total, DSK Bank's market share was 13.6%, which makes it the largest bank in the Bulgarian banking market before UniCredit-owned Bulbank.

The bank significantly broadened its range of retail banking products. In 2005 these included housing loans for non-residents, housing loans on semi-completed homes, and freely usable mortgage loans. "DSK-Direkt," which was developed for retail customers, was further improved, and, as a result, services based on the call-center, the internet, and text messages improved. A service package was developed for MSE customers, and, in addition, the electronic banking services offered to corporate customers and call-center services were expanded.

In 2005 DSK Bank started to offer additional financial services through its subsidiaries. In addition to its already existing subsidiaries – POK DSK-Rodina: managing two mandatory and one voluntary supplementary pension funds, DSK Tours: offering recreational and tourism services, DSK Trans Security: offering security services and the transportation of valuables, and DSK Garancia Life Insurance: offering life insurance – additional subsidiaries such as DSK Asset Management, DSK Garancia General, a general insurance services company, and DSK Leasing began their operations.

DSK Asset Management received authorisation in August 2005 to establish investment funds, and in December it began offering the first two of its funds (DSK Standard Bond Fund, DSK Balance Investment Fund) through its branch network.

DSK Garancia Life Insurance has operated since its incorporation in July 2004, and in May 2005 DSK Garancia General, a general services company, was established and began operating in the third quarter.

In the summer of 2005, the DSK Group entered the vehicle financing arena as well with the establishment of DSK Leasing.

In the course of 2005, the number of DSK Bank branches increased from 327 to 357. The number of retail bankcards issued by the bank exceeded 915,000 at the end of the year, which equates to an increase of 32.4% compared to the end of 2004. The number of ATMs grew by 49%, to 523, and the number of POS terminals by more than two and a half times to 1,208.
The headcount at the DSK Group at the end of 2005 was 4,048, 480 fewer than at year-end 2004.

OTP Banka Slovensko, a. s.

The Slovak bank's balance sheet total stood at HUF 262.9 billion at the end of 2005, which represents an increase of 22.3% compared to the end of 2004, and this growth gave the bank a share of 2.8% of the Slovak banking market. The bank's shareholders' equity rose over the same period by 14.5%, to HUF 17.1 billion. OBS's after-tax result for 2005, based on IFRS, was HUF 1.4 billion, compared to the previous year's profit of HUF 365 million. The bank's ROAA at the end of 2005 was 0.57%, and its ROAE was 8.6%.

In 2005 OBS's loan portfolio grew by 41.1% to HUF 189.9 billion, which equated to a market share of 5.3% at the end of the year. The bank's deposit portfolio increased by 8.5% to HUF 151.9 billion in 2005, and accounted for 3.2% of the deposit market as at 31 December 2004.

During the course of 2005 the number of the bank's customers increased by over 2,500, to close to 159,000, with retail customers accounting for more than 140,000 of this total.

The number of bankcards issued by OBS was close to 105,000 at the end of 2005, which represents a growth of 4.2% compared to the end of 2004. This total was made up of more than 93,000 retail and 11,500 corporate bankcards. The bank's ATMs numbered 110 at the end of the year, with the number of transactions effected via these ATMs totalling some 1.8 million – 15% more than in 2004. The number of proprietary POS terminals at the end of 2005 was 487, and the volume of POS transactions increased by 23% over the course of the year.

The Slovak bank opened 5 new branches during the year, bringing the total number of branches in its network to 78 at the end of 2005.

OBS intends to pay a dividend of HUF 1,116 million of its after-tax profits for 2005 to OTP Bank.

OTP Bank Romania S.A.

OTP Bank Romania's balance sheet total was more than HUF 55.2 billion at the end of 2005, 23.9% more than the figure at year-end 2004. At the end of 2005 the bank's market share based on its balance sheet total was 0.64%, while its shareholders' equity – owing mainly to a capital increase of EUR 30 million in September – was HUF 13.7 billion as at 31 December 2005 (a growth of 78.5%).

In 2005 the bank's loan portfolio grew by 50.3% and its deposit total decreased by 11.8%, amounting to HUF 24.6 billion and HUF 25.3 billion respectively by year-end. The bank increased its market share in retail loans from 0.04% at the end of 2004 to 0.17%, while in the area of corporate loans its market share stood at 0.54% at the end of 2005 (2004: 0.64%). With respect to retail deposits, the bank's market share of 0.5% represented a decrease of 30 base points. The bank's market share in corporate deposits also stood at 0.5% at the end of 2005.

OTP Bank Romania closed the 2005 business year with a loss of HUF 2.1 billion.

The number of retail current accounts managed by the bank in 2005 grew from 36,500 to some 44,000; the number of corporate accounts grew from 7,000 to close to 8,000. In the fourth quarter of 2005 the bank opened 13 new branches and was operating a total of 27 branches at year-end. The headcount at the end of 2005 was 475, which is 175 more than a year earlier.

OTP banka Hrvatska d.d.

On March 10, 2005, the OTP Group acquired the Croatian Nova banka, which was renamed OTP banka Hrvatska (OBH) in September 2005.

On 31 December 2005 the consolidated balance sheet total of OBH was HUF 298.2 billion, representing a share of 3.4% of the Croatian market. By year-end 2005 the gross loan portfolio had increased to HUF 150.5 billion, representing a market share of 3.1%. The volume of customer deposits at year-end was HUF 232.5 billion, corresponding to a market share of 4.1%.

By year-end 2005 OTP banka Hrvatska had more than 503,000 customers, and was managing 331,000 retail accounts and close to 22,000 corporate accounts on their behalf. The number of bankcards issued in 2005 grew by 10.7% to 339,000. Within this, the number of credit cards grew by close to 60% during the year to some 22,000.

In 2005 the bank expanded its sales network as well. By year-end the Bank had 89 branches, 88 ATMs and 748 POS terminals.

In 2005 the bank launched several new products in the Croatian market, such as internet banking services for retail customers and the VISA classic credit card.

The headcount of the group as of year-end 2005 was 1,005.

OBH's contribution to the consolidated profit of the OTP Group in 2005 was HUF 2.1 billion (with the after-tax profit that it achieved in quarters 2-4 of 2005 following the completion of the acquisition, while its total group-level profit for 2005 was HUF 2.8 billion), its pro-rata ROAA was 1.0%, and its ROAE was 10.6%.

OBH intends to pay a dividend of HUF 3,563 million of its own 2005 after-tax profit to OTP Bank which is significantly different from the OBH Group's profits in 2005 as a whole, due to the unique result of real estate sales within the group (the Bank's total profit in 2005 was HUF 4.3 billion).

OTP Garancia Insurance Ltd.

OTP Garancia Insurance Ltd. achieved premium revenue of HUF 75.8 billion in 2005, which was 36.3%, or HUF 20 billion, more than in the previous year. Its market share of total insurance-premium revenue increased from 9.3% in the previous year to 11%, which made it the fourth largest player on the market. Premium revenues from the life and bank insurance business were HUF 44.6 billion, an outstanding increase of 67.1%, which gave the Company a 14.8% share of the life-insurance market (compared to 11% in 2004) and made it the number two player on this market. Of life-insurance revenues, premium revenue from one-off premium-payment life-insurance policies grew dynamically, by 124.3% or HUF 15.8 billion, while revenues from regular-premium life-insurance policies grew by 14.9%. Revenues of the non-life division were HUF 31.2 billion in 2005, which represents an increase of HUF 2.3 billion, or 7.8%. The Company maintained its market share in 2005 at the same level of 8.1% in the non-life insurance division, which made the Company the fourth largest player in the market.

The proportion of OTP Garancia Insurance's premium revenue that comes from insurance policies sold within the Bank's network remained high, at above 40%.

The Company's gross insurance expenses grew from HUF 40.4 billion to HUF 59.7 billion in 2005. Within insurance expenses, the value of gross damages paid out amounted to HUF 27.3 billion. The amount of net reserves were HUF 32.4 billion, which is more than twice as much as the value at the end of the previous year, and thus total insurance technical reserves stood at HUF 131.1 billion, a close to 33% increase, as at December 31, 2005.

The Company's balance sheet total grew by 32.7% compared to the previous year, to HUF 157.2 billion, and its shareholders' equity increased from the previous year's HUF 14.3 billion to HUF 21.3 billion. The Company's after-tax profit was close to twice that of the previous year, rising to HUF 6,704 million, while its return on average assets (ROAA) increased from 3.16% to 4.86%, and its return on average equity (ROAE) rose from 29.7% to 37.7%.

The Company intends to pay a dividend of HUF 4,526 million from its 2005 profits to OTP Bank.

OTP Fund Management Ltd.

In 2005 OTP Fund Management launched two new funds: the Capital-Guaranteed Money Market Fund in the first quarter of the year, and the OTP Central-European Share Fund in the fourth quarter.

The net asset value of the funds managed by the Fund Manager amounted to HUF 580.4 billion at the end of 2005, which is close to one-and-a-half times higher than the year-end 2004 figure. Within this total, the net asset value of the Optima Fund stood at HUF 411.9 billion at year-end, which represents a growth of 29.5%. The assets of the Maxima, Paletta, Fantázia, the Quality Equity Fund and the UBS Fund of Funds grew over the course of 2005, but the assets of Euró and Dollár Funds decreased. At the end of the year, the Fund Manager's market share of the securities fund market was 38.3% (compared to 40.5% at the end of 2004).

With respect to the pension fund market, no major change occurred: the Fund Manager increased its share of total assets under management to more than 20% in 2005, with OTP and other fund assets of HUF 405.8 billion under its management, which was 37.6% higher than the year-end 2004 total. As a part of other portfolio-management activities it managed HUF 110.7 billion in assets, which was 47.6% more than in the previous year.

The Fund Manager achieved an after-tax profit of HUF 3,853 million in 2005, based on IFRS, which resulted in return on average assets (ROAA) of 38.3% and a 46.4% return on average equity (ROAE). The Company's cost/income ratio was 21.2% in 2005. The Fund Manager intends to pay HUF 3,853 million in dividends to its owners on its profits of 2005 (the ratio due to OTP Bank is 95%).

OTP Factoring Ltd.

OTP Factoring Ltd. is the largest company of its kind in the country, engaged in the purchase and collection of overdue claims. Its activities are primarily determined by the loans it assumes from OTP Bank, although it also purchases overdue bank and other claims from outside sources.

In 2005 the Company purchased a total of 74,400 overdue receivables, partly from the Bank, in a gross value of HUF 23.0 billion, and partly from other sources, in a gross value of HUF 11.9 billion.

The Company's balance sheet total in 2005 grew by one-and-a-half times in a year and exceeded HUF 11.7 billion; its after-tax profit was HUF 564 million. OTP Factoring's return on assets (ROAA) was 5.78%, and its return on average equity (ROAE) was 19.7% as at the end of 2005.

The Company will be paying a dividend of HUF 564 million to its owners on its 2005 profits (the share that is due to OTP Bank is 50%).

Key 2005 financial data of OTP Bank Ltd. based on IFRS

HUF mn	OTP Bank 2005 Audited	OTP Bank 2004 Audited	OTP Bank change	Consolidated 2005 Audited	Consolidated 2004 Audited	Consolidated change
Loans	147,368	136,968	7.6%	340,793	304,935	11.8%
interest income without swap	*146,423*	*136,968*	*6.9%*	*339,848*	*304,935*	*11.4%*
results of swaps	*945*	*0*	-	*945*	*0*	-
Placements with other banks	*36,961*	*40,634*	-9.0%	*43,734*	*42,431*	3.1%
interest income without swap	*8,175*	*9,555*	*-14.4%*	*11,907*	*11,331*	*5.1%*
results of swaps	*28,786*	*31,079*	*-7.4%*	*31,827*	*31,100*	*2.3%*
Due from banks and balances with the National Bank of Hungary	27,957	30,872	-9.4%	29,174	33,818	-13.7%
Securities held-for-trading	2,108	2,581	-18.3%	2,708	6,648	-59.3%
Securities available-for-sale	27,742	26,677	4.0%	25,235	18,851	33.9%
Securities held-to-maturity	39,266	53,203	-26.2%	17,380	26,995	-35.6%
Total Interest Income	*281,402*	*290,935*	-3.3%	*459,024*	*433,678*	5.8%
Due to banks and deposits from the National Bank of Hungary and other banks	*27,989*	*19,699*	42.1%	*34,501*	*20,640*	67.2%
interest expenses without swap	*5,641*	*4,401*	*28.2%*	*8,436*	*5,471*	*54.2%*
losses of swaps	*22,348*	*15,298*	*46.1%*	*26,065*	*15,169*	*71.8%*
Deposits from customers	81,504	119,116	-31.6%	99,526	131,794	-24.5%
interest expenses without swap	*81,381*	*119,116*	*-31.7%*	*99,403*	*131,794*	*-24.6%*
losses of swaps	*123*	*0*	-	*123*	*0*	-
Liabilities from issued securities	1,677	167	904.2%	25,959	19,382	33.9%
Subordinated bonds and loans	1,593	870	83.1%	1,636	943	73.5%
Other entrepreneurs	0	0	-	177	30	491.3%
Total Interest Expense	112,763	139,852	-19.4%	161,799	172,789	-6.4%
NET INTEREST INCOME	**168,639**	**151,083**	**11.6%**	**297,225**	**260,889**	**13.9%**
Provision for possible loan losses	16,436	8,809	86.6%	28,043	16,229	72.8%
Provision for possible placement losses	-1	-181	-99.4%	-1	-181	-99.4%
Provision for possible loan and placement losses	16,435	8,628	90.5%	28,042	16,048	74.7%
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	**152,204**	**142,455**	**6.8%**	**269,183**	**244,841**	**9.9%**
Fees and commissions	136,264	113,299	20.3%	118,884	91,625	29.8%
Foreign exchange gains and losses, net	1,603	914	75.4%	3,879	1,250	210.3%
Gains and losses on securities, net	3,103	1,081	187.0%	9,708	6,466	50.1%
Gains and losses on real estate transactions, net	-28	-103	-72.8%	96	1,818	-94.7%
Dividend income and gains and losses of associated companies	13,937	8,500	64.0%	672	593	13.4%
Insurance premiums	0	0	-	69,793	49,337	41.5%
Other	3,541	2,654	33.4%	13,465	10,680	26.1%
Total Non-Interest Income	**158,420**	**126,345**	**25.4%**	**216,497**	**161,769**	**33.8%**
Fees and commissions	13,840	9,692	42.8%	19,930	20,588	-3.2%
Personnel expenses	62,437	54,342	14.9%	95,235	79,538	19.7%
Depreciation and amortization	15,244	13,401	13.8%	21,897	29,150	-24.9%
Insurance expenses	0	0	-	58,468	40,264	45.2%
Other	63,301	59,006	7.3%	98,073	81,046	21.0%
Total Non-Interest Expense	**154,822**	**136,441**	**13.5%**	**293,603**	**250,586**	**17.2%**
INCOME BEFORE INCOME TAXES	**155,801**	**132,359**	**17.7%**	**192,077**	**156,024**	**23.1%**
Income taxes	22,954	18,882	21.6%	33,803	24,506	37.9%
INCOME AFTER INCOME TAXES	**132,848**	**113,477**	**17.1%**	**158,274**	**131,518**	**20.3%**
Minority interest	0	0	-	-39	-12	223.4%
NET INCOME	**132,848**	**113,477**	**17.1%**	**158,235**	**131,506**	**20.3%**

Key 2005 financial data of OTP Bank Ltd. based on Hungarian Accounting Standards[8]

HUF mn	OTP Bank 2004 Audited	OTP Bank 2005 Audited	OTP Bank change	Consolidated 2004 Audited	Consolidated 2005 Audited	Consolidated change
Interest from interbank accounts	56,261	57,035	1.4%	59,986	63,256	5.5%
Interest from retail accounts	63,369	81,785	29.1%	213,475	241,653	13.2%
Interest from corporate accounts	60,900	53,628	-11.9%	78,651	85,504	8.7%
Interest from municipal accounts	13 529	9,916	-26.7%	13,591	10,200	-25.0%
Interest from bonds	82,057	69,537	-15.3%	45,444	38,516	-15.2%
Interest from mandatory reserves	12,069	8,387	-30.5%	12,973	9,107	-29.8%
Total interest income	288,185	280,288	-2.7%	424,120	448,236	5.7%
Interest to interbank accounts	19,939	25,449	27.6%	21,014	31,411	49.5%
Interest on retail accounts	88,567	60,756	-31.4%	98,559	75,143	-23.8%
Interest on corporate accounts	20,564	14,194	-31.0%	22,531	17,237	-23.5%
Interest on municipal accounts	10,021	6,292	-37.2%	10,705	7,034	-34.3%
Interest on bonds	238	1,670	601.7%	19,453	26,031	33.8%
Interest on subordinated loan	870	1,592	83.0%	943	1,636	73.5%
Total interest expense	140,199	109,953	-21.6%	173,205	158,492	-8.5%
Net interest income	**147,986**	**170,335**	**15.1%**	**250,915**	**289,744**	**15.5%**
Fees & commissions income	113,596	136,290	20.0%	91,826	120,957	31.7%
Fees & commissions paid	9,656	13,571	40.5%	20,514	19,573	-4.6%
Net fees & commissions	103,940	122,719	18.1%	71,312	101,384	42.2%
Securities trading	2 976	9,333	213.6%	7,528	15,717	108.8%
Forex trading	4 540	3,180	-30.0%	4,885	5,984	22.5%
Losses/Gains on property transactions	-115	6	-105.2%	1,688	1,023	-39.4%
Insurance fee income	0	0	-	54,547	73,897	35.5%
Other non-interest income	1,796	3,503	95.0%	9,570	14,720	53.8%
Non-interest income	**113,137**	**138,741**	**22.6%**	**149,530**	**212,725**	**42.3%**
Ratio of non-interest income	*43.3%*	*44.9%*	*1.6%*	*37.3%*	*42.3%*	*5.0%*
Total income	**261,123**	**309,076**	**18.4%**	**400,445**	**502,469**	**25.5%**
Personnel costs	52,280	54,929	5.1%	77,454	87,732	13.3%
Depreciation	9,646	12,712	31.8%	18,075	19,878	10.0%
Insurance costs				41,390	59,117	42.8%
Other costs	63,150	59,671	-5.5%	86,140	92,828	7.8%
Operating costs	**125,076**	**127,312**	**1.8%**	**223,059**	**259,555**	**16.4%**
Cost/income ratio	*47.9%*	*41.2%*	*-6.7%*	*55.7%*	*51.7%*	*-4.0%*
Operating income	**136,047**	**181,764**	33.6%	**177,386**	**242,914**	**36.9%**
Dividend received	8,500	13,937	64.0%	572	672	17.5%
Diminution in value, provisions and loan losses	13,363	16,064	20.2%	17,975	26,254	46.1%
Accounting for acquisition goodwill	-7,663	-8,237	7.5%	-8,618	-14,860	72.4%
Special financial institution tax for the year 2005	0	-10,151	-	0	-10,151	-
Pre-tax profit	**123,521**	**161,249**	**30.5%**	**151,365**	**192,321**	**27.1%**
Taxes	18,703	22,903	22.5%	25,756	32,565	26.4%
Special financial institution tax for the year 2005	0	0	-	0	1,292	-
Taxes due to consolidation	0	0	-	-266	-94	-64.7%
Tax rate	*15.1%*	*14.2%*	-0.9%	*16.8%*	*17.6%*	*0.8%*
After tax profits	**104,818**	**138,346**	**32.0%**	**125,875**	**158,558**	**26.0%**

8 Data taken from the Bank's consolidated and non-consolidated, audited financial statements for 2004 and 2005 prepared in accordance with Hungarian Accounting Standards, grouped pursuant to international standards

PROPOSAL FOR THE DISTRIBUTION OF THE 2005 PROFITS OF OTP BANK LTD.

PROPOSAL FOR THE DISTRIBUTION OF THE 2005 HAR PROFIT AFTER TAX OF OTP BANK LTD. AND FOR DIVIDEND PAYMENT

	HUF million
PROFIT BEFORE TAX	161,249
TAX PAYMENT LIABILITY	22,903
PROFIT AFTER TAX	138,346
GENERAL RESERVES	13,835
USE OF ACCUMULATED RETAINED EARNINGS FOR DIVIDENDS OR PARTICIPATION	0
DIVIDEND	55,160
BALANCE SHEET PROFIT FOR THE FINANCIAL YEAR	69,351

The AGM accepts the balance sheet of the Bank with total assets of HUF 3,597,013 million and the after tax profit of HUF 138,346 million and states the distribution of the profit as follows: HUF 13,835 for general reserves, HUF 55,160 for dividend payment and HUF 69,351 million for the balance sheet profit.

The Board of Directors proposes to pay dividends for the ordinary shares HUF 197 each and HUF 1,970 for the voting preference share, i.e. 197% of the face value of the shares. The exact amount of dividend payable to the shareholders has to be calculated and paid in pursuance of the Bylaws of the Bank. Dividend payment will start on June 12, 2006 in pursuance of the procedure defined in the Company's Bylaws.

BALANCE SHEETS, INCOME STATEMENTS AND CASH FLOW STATEMENT OF OTP BANK LTD.

HAR NON-CONSOLIDATED

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6 5 1 2

NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)

EQUITY AND LIABILITIES

in HUF million

non-consolidated	December 31, 2004	Self revision	December 31, 2005
1. Liabilities to credit instiutions	**203,864**		**254,209**
a) repayable on demand	2,596		7,004
b) liabilities from financial services with maturity dates or periods of notice	201,181		247,205
ba) not more than one year	106,094		89,330
From this: – by affiliated undertaking	4,475		29,495
– by undertaking with which the credit institution is linked by virtue of participating			
– by Hungarian National Bank	128		
– by clearing house			
bb) more than one year	95,087		157,875
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
– by Hungarian National Bank	1,066		
– by clearing house			
c) liabilities from investment services	87		
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
– by clearing house			
1/A. Difference due to valuation of liabilities to credit institutions			
2. Liabilities to customers	**2,314,092**	**5**	**2,483,165**
a) saving deposits	318,628	1	311,234
aa) repayable on demand	45,818	1	71,747
ab) maturity not more than one year	272,810		239,487
ac) maturity more than one year			
b) other liabilities from financial services	1,994,846	4	2,168,825
ba) repayable on demand	835,206	4	940,111
From this: – by affiliated undertaking	6,791		5,998
– by undertaking with which the credit institution is linked by virtue of participating	1,125		104
bb) maturity not more than one year	1,159,562		1,228,681
From this: – by affiliated undertaking	3,050		3,236
– by undertaking with which the credit institution is linked by virtue of participating	1,518		562
bc) maturity more than one year	78		33
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
c) liabilities from investment services	618		3,106
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
ca) liabilities from investment service activities on the on the stock exchange			
cb) liabilities from over-the-counter investment service activities			
cc) liabilities from clients for investment service activities	618		3,106
cd) liabilities from clearing houses			
ce) other liabilities from investment service			
2/A. Difference due to valuation of liabilities to customers			
3. Liabilities from issued debt securities	**49,756**	**119**	**242,424**
a) issued bond	2,101		202,185
aa) maturity not more than one year	2,101		1
From this: – by affiliated undertaking	1,000		
– by undertaking with which the credit institution is linked by virtue of participating			
ab) maturity more than one year			202,184
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
b) issued other debt securities	196	119	355
ba) maturity not more than one year	196	119	355
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
bb) maturity more than one year			
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			

	December 31, 2004	Self revision	December 31, 2005
7. Sares and participating interest as financial fixed assets	**999**		**742**
a) shares and participating interest as financial fixed assets	999		742
From this: – shares and participating interest in credit institutions	1		1
b) revaluation surplus on shares and participating interests			
From this: – revaluation surplus on shares and on participating interests in credit institutions			
7/A. Difference due to valuation of shares and participating interest as financial fixed assets			
8. Shares and participating interest in affiliated undertakings	**108,749**		**149,199**
a) shares and participating interest in affiliated undertakings	108,749		149,199
From this: – shares and participating interest in credit institutions	81,112		119,556
b) revaluation surplus on shares and participating interests			
From this: – revaluation surplus on shares and on participating interests in credit institutions			
9. Intangible assets	**52,231**	**2**	**79,416**
a) intangible assets	52,231	2	79,416
b) revaluation surplus on intangible assets			
10. Tangible assets	**69,592**	**-18**	**74,579**
a) tangible assets for financial and investment services	66,682	-18	71,159
aa) land and buildings	42,966	2	46,207
ab) technical equipment, fittings and vehicles	18,748	-20	19,878
ac) investment	4,952		5,056
ad) advance payments on investment	16		18
b) tangible assets not for directly financial and investment services	2,910		3,420
ba) land and buildings	2,312		2,912
bb) technical equipment, fittings and vehicles	214		236
bc) investment	384		272
bd) advance payments on investment			
c) revaluation surplus on tangible assets			
11. Own shares	**13,808**		**40,752**
12. Other assets	**49,906**	**34**	**44,177**
a) stocks (inventories)	973	-5	486
b) other receivables (not from financial and investment securities)	48,933	39	43,691
From this: – by affiliated undertaking	17,791	-3	28,913
– by undertaking with which the credit institution is linked by virtue of participating			
12/A. Difference due to valuation of other assets			
12/B. Difference due to positive valuation of derivative deals			
13. Prepayments and accrued income	**54,948**	**-161**	**54,537**
a) accrued income	52,152	-160	51,877
b) prepayments	2,796	-1	2,660
c) deffered charges			
TOTAL ASSETS	**3,044,772**	**-602**	**3,597,013**
From this:			
- CURRENT ASSETS (1+2/a+3/c+3/a+3/ba+4/aa+4/b+5/aa+5/ba+6/a+6/ba+11+12+ 2/A, 3/A, 4/A, 5/A, 6/A, 12/A, 12/B)	*1,191,878*	*-284*	*1,520,400*
- FIXED ASSETS 2/b+3/bb+4/ab+5/ab+5/bb+6/bb+7+8+9+10+ 2/A, 3/A, 4/A, 5/A, 6/A, 7/A,12/A és 12/B)	*1,797,946*	*-157*	*2,022,076*

Budapest, March 10, 2006

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6 5 1 2

NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)

EQUITY AND LIABILITIES

in HUF million

non-consolidated	December 31, 2004	Self revision	December 31, 2005
1. Liabilities to credit instiutions	**203,864**		**254,209**
a) repayable on demand	2,596		7,004
b) liabilities from financial services with maturity dates or periods of notice	201,181		247,205
ba) not more than one year	106,094		89,330
From this: – by affiliated undertaking	4,475		29,495
– by undertaking with which the credit institution is linked by virtue of participating			
– by Hungarian National Bank	128		
– by clearing house			
bb) more than one year	95,087		157,875
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
– by Hungarian National Bank	1,066		
– by clearing house			
c) liabilities from investment services	87		
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
– by clearing house			
1/A. Difference due to valuation of liabilities to credit institutions			
2. Liabilities to customers	**2,314,092**	**5**	**2,483,165**
a) saving deposits	318,628	1	311,234
aa) repayable on demand	45,818	1	71,747
ab) maturity not more than one year	272,810		239,487
ac) maturity more than one year			
b) other liabilities from financial services	1,994,846	4	2,168,825
ba) repayable on demand	835,206	4	940,111
From this: – by affiliated undertaking	6,791		5,998
– by undertaking with which the credit institution is linked by virtue of participating	1,125		104
bb) maturity not more than one year	1,159,562		1,228,681
From this: – by affiliated undertaking	3,050		3,236
– by undertaking with which the credit institution is linked by virtue of participating	1,518		562
bc) maturity more than one year	78		33
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
c) liabilities from investment services	618		3,106
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
ca) liabilities from investment service activities on the on the stock exchange			
cb) liabilities from over-the-counter investment service activities			
cc) liabilities from clients for investment service activities	618		3,106
cd) liabilities from clearing houses			
ce) other liabilities from investment service			
2/A. Difference due to valuation of liabilities to customers			
3. Liabilities from issued debt securities	**49,756**	**119**	**242,424**
a) issued bond	2,101		202,185
aa) maturity not more than one year	2,101		1
From this: – by affiliated undertaking	1,000		
– by undertaking with which the credit institution is linked by virtue of participating			
ab) maturity more than one year			202,184
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
b) issued other debt securities	196	119	355
ba) maturity not more than one year	196	119	355
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
bb) maturity more than one year			
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			

	December 31, 2004	Self revision	December 31, 2005
c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities	47,459		39,884
ca) maturity not more than one year	26,561		22,322
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
cb) maturity more than one year	20,898		17,562
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participating			
4. Other liabilities	**74,393**	**-80**	**104,640**
a) maturity not more than one year	74,393	-80	104,640
From this: – by affiliated undertaking	3,419	188	3,689
– by undertaking with which the credit institution is linked by virtue of participating	83		103
b) maturity more than one year			
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participatin			
4/A. Difference due to negative valuation of derivative deals			
5. Accruals and deferred income	**30,781**	**-48**	**23,899**
a) accrued liabilities	241		318
b) accrued costs and expenses	28,823	-48	22,627
c) deferred income	1,717		954
6. Provisions	**32,584**		**34,087**
a) provisions for pensions and similar obligtions	740		
b) risk provision for off-balance sheet items (for pending and future labilities)	9,002		7,882
c) general risk provision	21,571		25,636
d) other provision	1,271		569
7. Subordinated liabilities	**14,324**		**47,023**
a) subordinated loan capital	14,324		47,023
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participation			
b) pencuniary contribution of members at credit institutions operating as credit cooperatives			
c) other subordinated liabilities			
From this: – by affiliated undertaking			
– by undertaking with which the credit institution is linked by virtue of participation			
8. Subcribed capital	**28,000**		**28,000**
From this: repurchased own shares at face value	1,010		1,005
9. Subcribed but unpaid capital (-)			
10. Capital reserves	**52**		**52**
a) premium (from share issue)			
b) other	52		52
11. General reserves	**51,807**		**65,642**
12. Retained earnings (accumulated profit reserve) (±)	**177,401**		**202,544**
13. Legal reserves	**14,588**		**41,977**
14. Revaluation reserve			
a) valuation reserve for correction			
b) valuation reserve for fair value adjustment			
15. Profit or loss for the financial year according to the balance sheet (+ / -)	**53,130**	**-598**	**69,351**
TOTAL LIABILITIES	**3,044,772**	**-602**	**3,597,013**
From this:			
- SHORT-TERM LIABILITIES	2,526,042	44	2,706,784
(1/a+1/ba+1/c+2/aa+2/ab+2/ba+2/bb+2/c+3/aa+3/ba+3/ca +4/a)			
- LONG-TERM LIABILITIES	130,387		424,677
(1/bb+2/ac+2/bc+3/ab+3/bb+3/cb+4/b+7)			
- EQUITY (CAPITAL AND RESERVES) (8-9+10+11±12+13+14±15)	324,978	-598	407,566

OFF-BALANCE SHEET COMMITMENTS	**938,850**		**1,534,697**
1. Contingent liabilities	684,995		848,092
2. Future liabilities	253,855		686,605

OFF-BALANCE SHEET ASSETS	**2,430,856**		**2,947,706**
1. Contingent assets	2,163,165		2,254,390
2. Future assets	267,691		693,316

Budapest, March 10, 2006

Non-Consolidated Profit and Loss Account

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statistical register number

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NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)

PROFIT AND LOSS ACCOUNT

non-consolidated in HUF million

		2004	Self revision	2005
1.	Interest received and interest-type income	288,185	-66	280,288
	a) interest received on securities with fixed-interest signifying a creditor	82,057		69,537
	Including: - from related companies	47,866		45,311
	- from other participation companies			
	b) other interest received and interest-type income	206,128	-66	210,751
	Including: - from related companies	4,236		7,171
	- from other participation companies	2,116		1,288
2.	Interest paid and interest-type expenses	140,199	247	109,953
	Including: - to related companies	1,722		1,736
	- to other participation companies	286		459
	INTEREST DIFFERENCE (1-2)	**147,986**	**-313**	**170,335**
3.	Incomes from securities	8,500	39	13,937
	a) from trading securities and participations (dividend, profit participation)	2	39	
	b) from related companies (dividend, profit participation)	8,232		13,670
	c) from other participation companies (dividend, profit participation)	266		267
4.	Fees and Commission received	112,507	-28	135,452
	a) revenues from other financial services	105,411	-28	126,233
	Including: - from related companies	39,666		54,806
	- from other participation companies	2		9
	b) revenues from investment services (except incomes from trading activities)	7,096		9,219
	Including: - from related companies	3,648		6,165
	- from other participation companies			
5.	Fees and Commission paid	9,656	214	13,571
	a) expenses on other financial services	9,335	214	13,328
	Including: - to related companies	655	176	1,860
	- to other participation companies	954		1,189
	b) expenses on investment services (except expenses from trading activities)	321		243
	Including: - to related companies			
	- to other participation companies			3
6.	Profit or loss from financial transactions (6/a-6/b+6/c-6/d)	4,868		8,594
	a) revenues from other financial services	12,466		11,067
	Including: - from related companies	-9,044		1,492
	- from other participation companies	-349		105
	- difference due to valuation			
	b) expenses on other financial services	8,833		10,051
	Including: - from related companies	735		-9,576
	- from other participation companies	75		100
	- difference due to valuation			
	c) revenues from investment services (revenues from trading activities)	7,702		13,232
	Including: - from related companies	16		-779
	- from other participation companies	199		
	- reversal of write-off of trading securities			
	- difference due to valuation			
	d) expenses on investment services (expenses from trading activities)	6,467		5,654
	Including: - to related companies	1		9
	- to other participation companies	115		37
	- write-off of trading securities			
	- difference due to valuation			

in HUF million

		2004	Self revision	2005
7.	Other incomes from business	229,636	43	194,061
	a) incomes from non financial and investment services	7,841	2	8,543
	Including: - from related companies	2,521		2,682
	- from other participation companies			8
	b) other revenues	221,795	41	185,518
	Including: - from related companies	217,906	-3	173,533
	- from other participation companies			
	- reversal of write-off of inventory	32		17
8.	General administration expenses	92,489	-56	94,942
	a) personnel expenses	52,280	11	54,929
	aa) wage costs	27,850	-9	31,795
	ab) other payments to personnel	9,716	15	7,180
	Including: - social security expenses	2,908		3,153
	- pension related expenses	2,077		2,340
	ac) contributions on wages and salaries	14,714	5	15,954
	Including: - social security expenses	13,046	4	14,085
	- pension related expenses	7,399	2	8,365
	b) other administration expenses	40,209	-67	40,013
9.	Depreciation and amortization	18,072	3	21,712
10.	Other expenses from business	254,757	-98	229,594
	a) expenses from non-financial and investment services	6,609	5	7,461
	Including: - to related companies	1,542		1,721
	- to other participation companies	21		108
	b) other expenses	248,148	-103	222,133
	Including: - to related companies	59	1	61
	- to other participation companies			
	- write-off of inventory			
11.	Write-off of loans and provision for contingent and future liabilities	16,517	375	13,863
	a) write-off of loans	11,520	375	10,942
	b) provision for contingent and future liabilities	4,997		2,921
12.	Reversal of write-off of loans and credit for contingent and future liabilities	15,481		15,827
	a) reversal of write-off of loans	12,248		11,745
	b) credit for contingent and future liabilities	3,233		4,082
12/A.	Difference between the creation and write-off of general risk provision	-4,514		-4,065
13.	Write-off of securities for investing purposes, signifying a creditor relationship,	2		2,158
14.	Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity investments in associated or other company	257		2,153

Budapest, March 10, 2006

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NATIONAL SAVINGS AND COMMERCIAL BANK LTD (OTP BANK)

PROFIT AND LOSS ACCOUNT

non-consolidated

in HUF million

		2004	Self revision	2005
15.	**Result of ordinary business activities**	**123,228**	**-697**	**160,454**
	Icluding: -RESULT OF FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-	121,996	-694	159,372
	- RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES (7/a-10/a)	1,232	-3	1,082
16.	Extraordinary revenues	2,220		1,864
17.	Extraordinary expenses	1,927		1,069
18.	Extraordinary profit or loss (16-17)	293	0	795
19.	**Profit or loss before tax (±15±18)**	**123,521**	**-697**	**161,249**
20.	Tax liabilities	18,703	-99	22,903
21.	**After-tax profit or loss (±19-20)**	**104,818**	**-598**	**138,346**
22.	Formation and utilization of general reserves (±)	-10,482		-13,835
23.	Use of accumulated profit reserve for dividends and profit-sharings			
24.	Dividends and profit-sharings paid (approved)	41,206		55,160
	Including: - to related companies			
	- to other participation companies			
25.	**Balance-sheet profit or loss figure (±21±22+23-24)**	**53,130**	**-598**	**69,351**

Budapest, March 10, 2006

Non-Consolidated Cash Flow Statement

in HUF million

	DESCRIPTION	2004	2005
1.	Interest income	288,185	280,288
2.	+ Revenues from other financial services (except for write back of diminuition of value on securities)	117,821	137,300
3.	+ Other revenues (except for utilization of provisions and re-entry of surplus provisions; losses on inventory; and write back of above planned provisions)	218,702	180,808
4.	+ Revenues from investment services (except for write back of diminuition of value on securities)	14,798	22,451
5.	+ Revenues from non-financial and investment services	7,841	8,543
6.	+ Dividend income	8,500	13,937
7.	+ Extraordinary Revenues	551	679
8.	- Interest expenses	-140,199	-109,953
9.	- Expenses on other financial services (except for write back of diminuition of value on securities)	-18,563	-23,004
10.	- Other expenses (except for the formation of provisions ; losses on inventory; and write back of above planned provisions)	-238,315	-217,291
11.	- Expenses on investment services (except for write back of diminuition of value on securities)	-6,788	-5,897
12.	- Expenses on non-financial and investment services	-6,609	-7,461
13.	- General administration expenses	-92,489	-94,942
14.	- Extraordinary expenses (not including the Amount of corporate tax liabilities in the subject year)	-218	-418
15.	- Corporate tax liabilities in the subject year	-18,703	-22,903
16.	- Dividends paid	-16,823	-41,242
17.	**OPERATING CASH FLOW**	**117,691**	**120,895**
18.	± Change in stock of liabilities (if increase +, if decrease -)	189,462	461,446
19.	± Change in stock of receivables (if increase -, if decrease +)	-204,018	-416,023
20.	± Change in stock of inventories (if increase -, if decrease +)	29	504
21.	± Change in stock of securities reported under current assets (if increase -, if decrease +)	108,659	-62,630
22.	± Change in stock of securities reported as investment assets (if increase -, if decrease +)	-16,042	-63,886
23.	± Change in stock of investments (including advances) (if increase -, if decrease +)	-1,002	6
24.	± Change in stock of intangible assets (if increase -, if decrease +)	-19,378	-41,264
25.	± Change in the value of tangible assets (except for investments and advances on investments) (if increase -, if decrease +)	-17,562	-12,614
26.	± Change in stock of deferred expenses and accrued income (if increase -, if decrease +)	-14,960	249
27.	± Change in stock of accrued expenses and deferred income (if increase +, if decrease -)	3,547	-6,834
28.	+ Issue of shares at Sales price	-	-
29.	+ Liquid assets received definitively on the basis of legal regulation	-	-
30.	- Liquid assets transferred definitively on the basis of legal regulation	-	-
31.	- Nominal value of shares or share notes withdrawn	-	-
32.	**NET CASH FLOW**	**146,426**	**-20,151**
	of which:		
33.	- change in stock of cash on hand (cash in forints and foreign currency, checks)	-2,160	-6,082
34.	- change in stock of account cash (NBH forint and foreign exchange clearing and deposit accounts with a maturity of less than one year, as well as current deposit accounts kept in forints with another financial institution on the basis of a separate legal	148,586	-14,069

BALANCE SHEETS, INCOME STATEMENTS AND CASH FLOW STATEMENT OF OTP BANK LTD.

IFRS CONSOLIDATED

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2005
(in HUF mn)

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

Budapest, March 24, 2006

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2005 (in HUF mn)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR DECEMBER 31, 2005
(in HUF mn)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR DECEMBER 31, 2005
(in HUF mn)
[continued]

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

Analysis of cash and cash equivalents opening and closing balance

	2005	Restated 2004
Cash, due from banks and balances with the National Bank of Hungary	465,887	276,501
Compulsory reserve established by the National Bank of Hungary	(110,214)	(111,841)
Cash and cash equivalents as at January 1	**355,673**	**164,660**
Cash, due from banks and balances with the National Bank of Hungary	483,191	465,887
Compulsory reserve established by the National Bank of Hungary	(121,195)	(110,214)
Cash and cash equivalents as at end of period	**361,996**	**355,673**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR DECEMBER 31, 2005 (in HUF mn)

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

REPORT OF THE SUPERVISORY BOARD ABOUT THE 2005 BUSINESS AND FINANCIAL REPORTS AND THE PROFIT DISTRIBUTION PROPOSAL

REPORT OF THE SUPERVISORY BOARD CONCERNING ITS ACTIVITY IN 2005 AND THE 2005 FINANCIAL REPORTS (NON CONSOLIDATED AND CONSOLIDATED) AND ON THE PROPOSAL REGARDING THE DISTRIBUTION OF AFTER TAX PROFITS.

The Supervisory Board conducted its activities and performed its tasks in 2005 in accordance with the provisions of the amended Act CXII of 1996 on Credit Institutions and Financial Enterprises and Act CXLIV of 1997 on Companies.

The Supervisory Board continued to perform its controlling function in 2005, protecting the assets of the credit institution and of its clients, as well as its shareholders' interests.

The Supervisory Board met on nine occasions in 2005. The Chairman of the Supervisory Board attended the meetings of the bank's Board of Directors on a regular basis and briefed the other members on the contents of those meetings.

The Supervisory Board revised the Procedural Rules that stipulate the conditions for the functioning of the Board and submitted the revised Procedural Rules to the General Meeting for approval. In addition, the Supervisory Board prepared the semi-annual work schedule for the SB meetings.

The Supervisory Board asked for reports and requested information based on its approved work schedule. Accordingly, during its meetings the Supervisory Board regularly

- monitored the business operations of OTP Bank Ltd.,
- called upon management to submit reports, and
- requested information regarding current issues related to the Bank's operation.

Based on the reports, it monitored

- the development of results based on the interim reports prepared for the stock exchange
- compliance with the provisions of the Act on Credit Institutions and Financial Enterprises
- the volume and composition of the qualified receivables portfolio, and fulfilment of the requirements in respect of accounting for impairment and the setting aside of risk provisions.

The Supervisory Board was briefed regarding

- the results of the Bank's business operations in 2004, and
- the business-policy plans with respect to the year 2005,
- the tasks defined in the Resolution closing the comprehensive on-site audit conducted by the Hungarian Financial Supervisory Authority in 2004, and the pro-rata implementation of the action plan prepared on the basis of the findings of the audit,
- the program related to the internal audit of credit institutions subject to consolidated supervision, the implementation of this program, and the findings of the on-site audits,
- the introduction of the new remuneration system to the Bank's branch network,
- the results of the Investment Services System Project,
- the handling of customer complaints regarding the Bank's services,
- the expected results of the business operations of 2005, and
- the business policy plans of the OTP Bank and the Bank Group for 2006.

Prior to the General Meeting, the Supervisory Board reviewed all key business policy reports, as well as all proposals on the agenda of the General Meeting that relate to matters falling within the exclusive competence of the company's supreme body. The Supervisory Board studied the audited annual report and consolidated annual report, and was briefed by the auditor.

The Supervisory Board performed its **corporate governance role** in accordance with the provisions of the Act on Credit Institutions, by giving its opinion on and then approving the regulations on the Procedure of Internal Auditing, which defines the operating conditions of the internal audit organisation that falls under the Board's direct professional supervision, as well as the briefing document entitled "Personnel and remuneration at the Internal Audit Department and changes in the Department's scope of responsibilities", and ensured that these regulations and conditions were enforced through the audits performed by the internal audit organisation.

After having given its opinion on the annual audit plan of the Internal Audit Department, the Supervisory Board approved the plan.

Based on its annual audit schedule for the year 2005 and other extraordinary assignments, the Internal Audit Department carried out **222 audits**, was involved in the work of **8 projects,** and reviewed the **draft versions of 361 internal regulations**.

In terms of **network** banking operations, the completed audits covered the following activities:

- compliance, with regard to
  corporate and municipality account management and lending;
  retail current account management and the related lending;
  activities related to foreign currency/foreign exchange and to securities;
  administration of personal loans;
- management and integrated process controls,
- compliance with the regulations on the prevention of money laundering;
- implementation of regulations related to bank security and
- the handling of cash and valuables;

Area-specific audits covered the following areas:

- value appraisals relating to corporate lending
- review of the loan files related to the year-end audit of 2004 and the interim audit of 2005
- changes in customer waiting times and the reliability of the related reports
- implementation of follow-up actions based on the findings of audits conducted by the County Branches of the National Labour Safety and Employment Supervisory Authority
- the processes implemented by the Retail Banking Division in 2004 (central mailing of bank account statements and printing of the copies of statements to be kept by the Bank)
- compliance of private banking administration with the relevant regulations, and
- the reliability of customer service, sales and transaction-handling performance measured by using the START performance measurement system, and the operation and controlling of the START system.

An "Integrated Security" test (covering bank security, general security and protection of assets, fire safety, and the handling of cash and valuables) was performed at 140 branches.

Target audits included an inspection of:

- compliance of the approval of applications for corporate investment loans with the relevant regulations and procedures
- activities related to the approval and monitoring of state-subsidised loans for the construction of residential properties for the purpose of sale
- regional personnel and social security activities
- reconciliation of mismatch and bridging accounts of loans managed in the PreLak system at branches, and
- housing loans for public servants.

One case was reviewed at random from each of these areas.

Follow-up audits were held at selected branches to verify the implementation of measures taken to eliminate deficiencies revealed by the comprehensive audits of previous years.

Of the audits conducted at the bank's **central units**, the following are particularly worth mentioning:

Inspection, in the framework of a **comprehensive** audit, of syndication and structured financing activities at the Syndication and Customised Products Department.

Theme audits included an inspection of:

- the system of record keeping with regard to inventoried software products, and the conformity of the scrapping of such products with the relevant regulations
- foreign currency-based lending with respect to home loans
- compliance with the regulations with regard to items booked on miscellaneous accounts payable and receivable, and whether the account balances are supported by the related inventory figures
- the accounting treatment/recognition of lending losses
- issue and distribution of securities by OTP Bank Ltd., and
- the implementation of the action plan prepared on the basis of the findings of the on-site audit conducted by the Hungarian Financial Supervisory Authority in 2004.

The Compliance Officer examined the procedure for forwarding information classified as bank secrets and securities secrets in the Capital Market Transactions Department of the Structured Finance Division.

The Bank's Central Document Archive and the Electronic Banking Directorate were audited in terms of their compliance with the "Integrated Security" regulations.

Target audits included the review of:

- the fulfilment of measures related to payments and cash transfers, based on reports of the National Bank of Hungary,
- the degree of documentation available in respect of transports made for OTP Bank Ltd. by a service provider company,
- the sharing across the various units of OTP Bank Ltd. of the transportation costs paid to the above company.

Follow-up audits included a review of:

- changes in the regulations pertaining to personal loans and the rating of the personal loan portfolio, as well as
- the operation and degree of oversight of the Arbitrage Department.

*The following audit activities were performed at **members of the bank group** in 2005:*

Comprehensive audit of the activities of

- OTP Real Estate Fund Management, and
- OTP Fund Management.

Theme audits included an inspection of:

- the internal audit system of OTP group members affected by § 90 of Act CXII of 1996 (on Credit Institutions and Financial Enterprises)
- the process of repurchasing receivables from OTP Mortgage Bank, the management of receivables, and the compliance of the transfer of such receivables to OTP Factoring with the relevant regulations
- the controls over surveillance data provided by OTP Garancia Insurance Ltd.
- the management of receivables taken over and/or purchased by OTP Factoring Ltd. and OTP Asset Management in terms of their conformity with the relevant rules
- the enforcement of loan collateral at Merkantil Car Ltd.
- integrated security at Merkantil Bank Ltd.
- the issue and placement of foreign currency-based mortgage bonds at OTP Mortgage Bank in terms of its conformity with the relevant regulations
- complex bank security at selected branches of OTP Banka Slovensko.

Target audits included the inspection of:

contracts related to public water works projects and the settlement of commissions at

- *OTP Building Society Ltd.*

personnel and social security activities at

- *Merkantil Bank Ltd. and OTP Fund Services Ltd., and*

personnel activities at

- *OTP Travel.*

The process of repurchasing receivables from OTP Mortgage Bank, the management of receivables and the appropriateness of the transfer of receivables to OTP Factoring Ltd. were also reviewed in the framework of a **follow-up audit**.

Similarly to previous years, the internal audit organisation performed several **IT audits** and was involved in the preparatory and testing activities of various IT development projects during the year. The scope of these activities also included the audit of the IT systems of individual members of the group.

With respect to banking IT developments, the following items were audited:

- compliance with data and information security requirements,
- sophistication of the authorisation system,
- documentation of systems developed
- ability to retrospectively check operations performed in the system, and
- certain elements of the functional operation.

In respect of systems already operating, the following aspects were audited:

- degree of regulation
- operational safety
- data and information security
- degree of documentation of operation, and
- degree of definition and segregation of the system administrator's, bank administrator's and controller's tasks.

The requirements regarding information security and controllability were incorporated – to ensure effective prevention – into the development process of new systems. Internal audit made recommendations for the establishment of the required number of check points at the right locations and the subsequent controllability of the systems developed.

Among other things, the scope of the IT audits included a review of

- the operation of the Mandatory Report Preparation System (KJKR)
- the operation of ATM and POS equipment
- the introduction of the foreign currency-based personal loan
- the development and operation of systems supporting the Customs Division
- the development and operation of the Card System
- the means and regulation of protection against threats and intrusion from the external network (Internet)
- the loading process of the Transaction Database
- the Notification Management System of the Electronic Banking Department
- the appropriate handling of activities outsourced to Monopost
- the operation of the TeleBank system
- the classification of data and IT systems, and
- the degree of regulation and documentation of IT developments.

The following items were audited in respect of **subsidiaries**:

- the Mortgage Bank Data Management System (JAR)
- the IT systems of OTP Travel
- the regulation of certain IT services provided by OTP Bank to members of the OTP Group
- the operating system of OTP Real Estate Ltd.
- the information security of the activities of OTP Card Manufacturing and Servicing, and
- the ab-Solut system used by OTP Bank Romania.

PROJECT WORK

During the implementation of the **Investment Services System Project** the auditors of the Internal Audit Department

- continuously checked compliance with control and information security requirements, and
- provided regular assistance to associated work teams in their work.

By giving expert advice on a regular basis, the internal audit organisation contributed to

- the development of the **START** measurement system and
- the preparations for the implementation of the **new card accounting** system.

The development and implementation of the IT system aimed at the **prevention of money laundering**, and the preventive audit activities with respect of **IT security risk analysis** continued in 2006.

The Supervisory Board requested quarterly reports **on the audits conducted by the Internal Audit Department. In these reports, the Department described**

- the findings and recommendations made during its audits
- personal accountability, as well as
- the implementation of tasks undertaken in action plans prepared by the various audited areas.

The audited units accepted 99.4% of Internal Audit's findings and proposals, and took the necessary measures to correct errors and eliminate deficiencies, and just 2.3% of those measures were still in the process of being implemented as of the last day of the year.

The Supervisory Board supplemented the annual internal audit program with **additional responsibilities**, identifying areas that present increased risk due to their activities, specific characteristics, or influences from their respective environments.

Priority theme 1

The purpose of the audit of the activities of the **Syndication and Customised Products Department** was to establish whether the required controls were in place, the relevant regulations were being complied with and the required level of efficiency was being achieved in terms of co-operation in bilateral and syndicated lending within the Department's scope of activities, and in terms of the building of a bond portfolio, the arrangement of the Bank's general-purpose, longer-term funding, and, in relation to this, the implementation and co-ordination of group-member borrowings.
Internal Audit found that the preparations made by the Department for decision-making were well-grounded from a professional point of view and were in line with the prescribed decision-making procedures, similarly to organisational and execution tasks performed in respect of transactions.

Priority theme 2

The scope of another priority audit included the **review of the process of the repurchase of receivables from the Mortgage Bank and the conformity of the transfer of these receivables to OTP Factoring Ltd. with the relevant regulations.** In brief, it was found that the general agreement entered into between OTP Bank Ltd. and OTP Mortgage Bank Ltd. included the correct segregation of tasks, while the activities of the individual departments involved were only included in the regulations of the bank concerned.

Priority theme 3

The ever increasing pace of development in the field of information technology is accompanied by a similar increase in the level of information security risk, calling for the auditing of **the means, and the degree of regulation, of protection against threats represented by the external network (Internet).**
The audit did not reveal any facts that may have cast doubt on the Bank's current ability to protect its information against such threats. Consequently, no immediate revision of the security processes and controls was needed.

The **Supervisory Board discussed in detail, assessed and approved the reports** containing the findings and proposals of the priority audits. It continued to monitor the implementation of proposals accepted in the report.

Pursuant to the amendments to the Act on Credit Institutions and Financial Enterprises that came into effect on 1 January 2006, the Bank's Supervisory Board **is obliged to ensure** the appropriate functioning of the internal audit organisation in credit institutions, financial enterprises and investment companies coming under the credit institution's **consolidated supervision.**
To that end the Supervisory Board **gives its opinion on and evaluates the annual reports with respect to the activities and operating conditions** of the subsidiaries' internal audit organisations and their **annual plans** on a yearly basis.

In the interest of fulfilling the principle of "**compulsory governance**", the 12 subsidiaries concerned have been provided with the Standard System of Internal Audit Requirements that summarizes the best practices and methodology of the Internal Audit Department of OTP Bank Ltd., and which they are expected to adapt on the basis of their respective processes.

The internal audit organisations of the subsidiaries reported on the modifications and additions made to their respective regulations and methodologies, the compliance of which was checked at **5 subsidiaries on site. The Supervisory Board discussed the proposal prepared on the theme audit.**

The internal audit organisations of the subsidiaries submitted their

- preliminary annual reports on their activities and conditions of operation for the year 2005, and
- their audit plans for the year 2006

to the Supervisory Board for evaluation.

The Supervisory Board studied and **discussed the above preliminary reports and plans** and provided their **evaluation** and recommendations in respect of the reports and plans for the **committee supervising the internal audit organisations of the subsidiaries** concerned.

On the basis of the summary reports of the Internal Audit Department and by requesting reports from the management, the Supervisory Board monitored

- the implementation of tasks defined in the action plans based on the **audits conducted** and resolutions and findings made **by external organisations**, and
- the fulfilment of the **SB Resolutions.**

The Internal Audit Department continued to investigate and respond to **customer complaints** received by the management and supervisory agencies, and forwarded to the Bank in 2005.

Compared to the previous year, the number of customer complaints received by the Bank increased due to the number of comments made regarding the Bank's services, which was 32% higher in 2005 than in 2004. The number of complaints that were found to be justified rose to 71% during the reporting period, compared with 58% in 2004.

In the Supervisory Board’s judgement, the high quality and effectiveness of internal auditing activities contributed substantially to the legally compliant operation of the Bank, the achievement of outstanding business results and the success of its development projects.

Based on the documentation made available to it, the Supervisory Board has concluded that OTP Bank Ltd. prepared its **annual report** in accordance with the provisions of Act CXII of 1996 on Credit Institutions and Financial Enterprises, Act C of 2000 on Accounting, and Government Decree 250/2000. (XII. 24.) on the bookkeeping procedures and annual financial statements of credit institutions and financial enterprises.

The Bank accounted for impairment and set aside risk provisions in accordance with the provisions of Ministry of Finance Decree 14/2001. (III. 9.), as well as with its regulations on rating and valuation, impairment and provisioning, and in full consultation with its auditor. The Bank also set aside general risk provisions in line with the provisions of the Act on Credit Institutions and Financial Enterprises.

On the basis of the documentation made available to the Supervisory Board in respect of the consolidated annual report of OTP Bank Ltd., the Supervisory Board has ascertained that the consolidated annual report prepared by the Bank is in accordance with the provisions of Act C of 2000 on Accounting and the international financial reporting standards approved by the European Union.

The Supervisory Board of OTP Bank Ltd. judges that the operations of OTP Bank were legally compliant and reflected shareholders' interests, and that the business results were favourable.

1. In accordance with the auditor's report, the Supervisory Board of OTP Bank Ltd. has accepted the 2005 financial statements with

HUF 3,597 billion 013 million total assets and

the consolidated annual financial statements with

HUF 5,215 billion 902 million total assets, and

the proposal for the distribution of

HUF 138 billion 346 million profit after tax,

as well as the business report of the Board of Directors, and recommends the above to the General Meeting of the Company for approval.

2. The Supervisory Board agrees with the Board of Directors' proposal to pay HUF 197 on each ordinary share and HUF 1,970, that is, on voting preference share, 197% of the nominal value of shares, in the form of a dividend. The actual amount of dividend payable to the individual shareholders shall be paid out in accordance with the Company's Bylaws.

REPORT OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE 2005 FINANCIAL REPORTS

NON-CONSOLIDATED

FREE TRANSLATION OF THE HUNGARIAN ORIGINAL

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Free translation of the Hungarian original

INDEPENDENT AUDITORS' OPINION

To the Shareholders of National Savings and Commercial Bank Ltd.

We have audited the accompanying balance sheet of National Savings and Commercial Bank Ltd. (the "Bank") as at December 31, 2005, which shows total assets of HUF 3,597,013 million and a retained profit for the year of HUF 69,351 million, the related profit and loss account for the year then ended and the supplement (hereinafter the balance sheet, the profit and loss account and the supplement, collectively "the financial statements") included in the Bank's 2005 Annual Report. The Annual Report and the Business Report is the responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statements based on our audit. In addition, it is our responsibility to assess whether the accounting information in the Business Report is consistent with that contained in the financial statements.

With reference to our auditors' report relating to the 2004 financial statements issued on March 11, 2005, we issued an unqualified auditors' report based on our audit of the previous year.

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. Our work with respect to the Business Report was limited to checking it within the aforementioned scope, and did not include a review of any information other than that drawn from the audited accounting records of the Bank. We believe that our audit provides a reasonable basis for our opinion.

These financial statements have been prepared for the consideration of shareholders at the forthcoming General Meeting and do not reflect the effects, if any, of resolutions that might be adopted at that meeting. The Bank shows a dividend of HUF 55,160 million in its financial statements, but the final amount of the dividend will be approved by the forthcoming General Meeting.

Clause
We have audited National Savings and Commercial Bank Ltd.'s financial statements, including its sections and items and the supporting accounting records and certificates thereof in accordance with the applicable Hungarian National Standards on Auditing and have obtained reasonable assurance that - except for the effects on the financial statements of the resolutions to be adopted at the forthcoming General Meeting, if any - the financial statements have been prepared pursuant to the Accounting Act and generally accepted accounting principles.

In our opinion, the financial statements give a true and fair view of the financial position of National Savings and Commercial Bank Ltd. as at December 31, 2005 and of the results of its operations for the year then ended. The Business Report corresponds to the figures included in the financial statements.

Budapest, March 10, 2006

Hungarian version has been signed

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

REPORT OF THE AUDITOR ON THE RESULTS OF THE AUDIT OF THE 2005 FINANCIAL REPORTS

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INDEPENDENT AUDITORS' OPINION

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

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

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

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

Budapest, March 24, 2006

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

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A member of
Deloitte Touche Tohmatsu

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

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

REPORT OF THE BOARD OF DIRECTORS CONCERNING THE BANK'S BUSINESS POLICY FOR 2006

REPORT OF THE BOARD OF DIRECTORS CONCERNING THE BANK'S BUSINESS POLICY PLAN FOR 2006[9]

SUMMARY

FORECASTS RELATED TO THE MACROECONOMIC ENVIRONMENT IN 2006

Economic growth is expected to increase somewhat in 2006, while the real GDP is likely to rise by more than 4%. Increased central budget spending of the sort typically experienced during election years may have a significant impact both on revenues and on the expectations of various sectors of the domestic economy. As the public finance deficit is still high, there is a strong, persistent demand for financing on the part of the state in general, which is estimated to come to 10% of GDP. Consumption is expected to increase by approximately 4%, surpassing the figure for 2005, while we forecast a rise in investments of around 8%.

As a result of increased central budget spending, the external funding needs of the Hungarian economy are high, in the region of 9%, despite an increase in EU transfers.

Inflation will continue to fall, partly as a result of the decrease in VAT rates instituted in early 2006, while annual average inflation will drop from 3.6% in 2005 to around 2%. However, due to both the economy's persistently high external financing needs and rising foreign interest rates, there will be less room for further reduction of the MNB base rate in 2006.

The most significant macroeconomic risk remains the current account balance. As a result of a decrease in fiscal policy credibility, we must also consider the possibility that the planned introduction date for the Euro will again be postponed when the convergence program is updated in September this year. In addition to the government's tendency to increase spending in advance of the general elections in April, the expectation of an increase in interest rates on the part of developed markets may have a negative effect on risk tolerance globally, which may trigger capital withdrawal from developing markets. As a result of the imbalance in the macro economy, forint instruments may become more vulnerable, especially during the period preceding the finalization of expected economic policies.

The countries where the Bank's subsidiaries are located offer higher growth rates and more stable conditions. There will only be minor changes in inflation and interest rates in Croatia, Slovakia and Romania. Due to the currency council system and tax harmonisation, we expect to see a temporary increase of 1% in the inflation rate in Bulgaria.

OUTLOOK FOR GROWTH IN THE BANK'S INDIVIDUAL MARKETS AND THE BANK SECTOR

In the midst of economic growth fuelled by the elections, the borrowing requirement of various participants in the economy continues to be high, while the saving positions of the individual sectors will be characterised by contradictory trends. As we expect to see both a significant rise in real wages as a result of the government's measures and a drop in the inflation rate, the net savings position of households will be likely to increase in 2006. More specifically, in contrast to the situation in 2005, most liquid savings will be channelled into the deposit market rather than into investment bonds, as no further decline in yield is expected. Moreover, the ex-post yield on funds, an indicator which seems to have particular relevance to public investment decisions, will be only slightly greater than earnings on fixed-term deposits. In the absence of significant external shocks, lending to households is expected to maintain momentum, while new loans will continue to exceed 3% of GDP, coupled with a 23% increase in household debts.

Although the earning position of the corporate sector will improve as a result of governmental measures, increased consumption, and a rise in export demand, soaring investments will prompt companies to use even more of these earnings, causing further deterioration in the net savings position of the sector in 2006. Though companies will continue to cover an increased borrowing requirement through foreign sources, we anticipate a 12% increase in corporate loans from domestic banks to be used to complement foreign funding.

[9] Financial data are prepared according to IFRS apart from the solvency ratio and the market shares which are prepared according to HAR.

As a result of the election year and dwindling funding from the central government, municipal funding needs are likely to increase significantly in the coming period, coupled with an expected increase in the need for investments.
In the banking sector, the above trends are most evident in a sharp increase in lending financed partly from foreign sources. We also expect to see a slight increase in the banking sector's total assets as a percentage of GDP.

OBJECTIVES RELATED TO MARKET POSITION

The objective of the OTP Bank Group is to maintain its position in markets where it is the dominant player, and to strengthen its presence in rapidly expanding segments where its market share is currently low compared to the other sub-markets. However, when pursuing market-share objectives, it is important to keep margins from falling too fast and to keep profitability at the expected levels.

In the retail savings market, the Bank Group's key objective is to keep the market-share of 34.7% it had at the end of 2005. With regard to the household loans market, the goal is to retain the Group's market share of 46.4% in the housing loans market, while further increasing its existing share of 24.4% in the market in consumer loans. The Group plans to achieve the former objective by selling more foreign currency based housing loans, and the latter by selling more foreign currency based home equity loans.

OTP Group is looking to increase its market share in corporate deposit collection to over 13%, and in corporate lending to over 12%. As concerns the municipality market, the Group aims to retain municipalities that are considering leaving the Bank and to increase its market shares in both deposits and lending.
Based on the market shares achieved in various customer markets, the market share of the Hungarian banking group within the banking sector, calculated on the basis of its balance sheet total, is expected to rise from 25.8% at the end of 2005 to 25.9% in 2006.
In the rapidly improving Bulgarian banking market, DSK is looking to increase its market share in its main product categories and to attain market shares of nearly 26% in the retail deposits market, nearly 11% in the corporate deposits market, and over 9% in the corporate lending market. DSK also plans to increase its market share based on balance sheet total to 16%. Similarly, OBS, OBR, and OBH also aim to achieve higher market shares based on their respective balance sheet totals and customer portfolios.

MAIN FINANCIAL OBJECTIVES IN 2006

OTP Bank Group's consolidated after-tax profit target for 2006 is HUF 184.7 billion, representing an increase of HUF 26.4 billion, or 16.7%, compared to 2005. OTP Bank's after-tax profit target will contribute HUF 144.7 billion to the Group's profits, equating to an increase of HUF 11.9 billion, or 8.9%, over 2005. Although the Bank's share in the Group's total profit is still dominant, there has been an increase in its subsidiaries' share in the profit portfolio.
As a result of increasing competition, the Bank's interest margin will decrease to 4.77%, a loss of 30 base points as compared to 2005, while the interest margin of the Bank Group will drop to 5.79%, an even more significant drop of 55 base points.
In 2006, the Bank's net revenues from interest will increase by 8.8%, slightly less than the increase in the overall Group's revenues from interest (9.3%).
Both the Bank and the Group aim to further increase cost efficiency and to achieve a high return on equity:

- The cost/income ratio, following a significant improvement in 2005, is expected to level off at 45.4% for OTP Bank, and at 55.6% for the overall Group by the end of 2006.
- While OTP Bank's average real return on equity was 27.2% in 2005, this figure will shrink to 25.2% by the end of 2006, while the consolidated average real return on equity will decrease from 28.7% to 28.3%.
- In 2006, earnings per share for OTP Bank and the Bank Group will be HUF 536 and HUF 705, respectively.

The Bank plans to distribute approximately 30% of its after-tax profits in 2006 among its shareholders. The Bank's capital adequacy ratio will be about 14% at the end of 2006, safely above the 8% requirement.

OBJECTIVES RELATED TO CUSTOMERS

The Bank will continue to focus on increasing cross selling and the intensity of product use.
Segmentation-based targeting is indispensable to the success of marketing campaigns. The Bank is continuously developing tools for use in direct marketing campaigns; the process of selecting and contacting customers who fulfil pre-defined sets of criteria is becoming increasingly automatic; and the Bank is also placing focus on the development of direct marketing channels.
As competition within the retail banking sector in 2006 becomes fiercer, it will become increasingly important that the Bank retain existing customers, monitor those that are most likely to leave the Bank, and cross-sell them products that help keep them coming.
As part of its strategy, the Bank continues to give priority to improving both the quality of services to micro and small businesses and the effectiveness of its customer management practices. In 2006, the Bank will continue to enhance its value proposals to micro and small business customers.

OBJECTIVES RELATED TO OPERATIONAL PROCESSES

As a result of the comprehensive and coordinated improvement of sales processes at OTP Bank, not only have customers spent less time waiting in line and received a higher level of service at branch offices, but also the Bank has made progress in exploiting the business potential offered by cross selling. Based on its experience with sales in 2005, the Bank will continue to improve the sales incentive system used in its branch offices.
With a view to retaining its uniquely high branch coverage, preventing customer churn, and facilitating employee retention, in 2006 the Bank will take steps toward countering the aggressive branch-network expansion measures of its competitors. Under its accelerated branch office reconstruction strategy, some 40 small and medium-sized branches will be refitted and upgraded in 2006.
In 2005, the Bank extended another important sales channel by establishing sales partnerships with a number of agencies, and as a result of the agent network-development project, the agency channel should be able to contribute to OTP Bank's profit objectives to a degree proportionate with the latter's significance on the market. From 2006, apart from carrying out the transactions referred to it by its partners, the Bank will also place considerable emphasis on sales techniques that leverage the opportunities inherent in multi-channel cooperation.
In order to retain the market-shaping role that it has secured in the area of electronic channels, OTP is actively seeking opportunities for application of new technologies and business solutions, while continuing to focus on the development and enhancement of already existing technologies.
OTP Bank is not planning any large-scale headcount reductions in 2006, though one of its group members, Garancia Insurance Ltd., is implementing significant headcount-rationalisation measures involving the centralisation of claims adjustment and the reduction of administration staff.
Providing a service that meets the needs of micro and small businesses is a task of high priority for OTP Bank, and therefore, in order to ensure appropriate borrowing opportunities for this customer group, it will make micro and small business credit products available in almost one third of its branch offices.
In 2006, the Bank will be carrying out the tasks related to the Basel II implementation project, in preparation for parallel operation and the obtaining of authority-issued licences. Accordingly, the modified lending procedures, risk analysis system, and the new capital requirement calculation method will all be launched. Once implementation within OTP Bank has been completed, work will continue as other group members complete their own ongoing sub-projects.

OBJECTIVES RELATED TO TRAINING AND DEVELOPMENT

The development of the Bank's training system in 2006 will include the completion and application of ongoing methodological development projects (such as e-learning), as well as the launching, in accordance with accepted guidelines, of comprehensive, competency-based training programmes involving all branch office positions.

If the Bank is to achieve its business objectives, further improvement in sales performance is essential. One of the keys to success in this regard is an appropriate level of training and sales skills on the part of bank customer service staff. To ensure this, the Bank is committed to continuing its "Conscious Selling" training courses launched in 2005 which, apart from helping participants master a standardised selling procedure, are designed to mould the attitudes of customer service staff and managers, help participants understand and accept the differences between a purely reactive-based serving of customers and a more proactive, consultative-based selling approach, and to teach coaching skills as a supportive, staff-development tool for managers. The creation and training of a team of in-house trainers will ensure that the training is both flexible and cost effective.

EXPECTED TRENDS IN THE MACROECONOMIC ENVIRONMENT

In 2006, we can expect economic growth that is in excess of the EU average and a fall in inflation, which will probably be accompanied by a slight decline in nominal interest rates and rising real rates of interest.

EXPECTED MACROECONOMIC TRENDS IN 2006

EXPECTED TRENDS IN THE MACROECONOMIC ENVIRONMENT IN 2006

We expect a slight increase in economic growth in 2006: the real value of GDP is expected to increase by more than 4% as a result of increases in exports and consumption. As the rate of inflation continues to decrease, nominal GDP is likely to rise by 8% in 2006. The increased central budget spending customary in election years may have a significant impact on the revenues and expectations of domestic economic sectors. As the public finance deficit is still high, a strong general public-sector demand for financing persists, at an estimated 10% of GDP.

In 2006, the rate of growth of nominal wages is expected to be below the 2005 rate of 8%; however, we are likely to see an approximately 4% increase in the growth of real wages, similar to that experienced in 2005. In turn, household consumption is likely to increase by an estimated 4%—outstripping growth in 2005—as a result of increasing real wages and consumer confidence, and the appearance of new loan products.

We also predict an 8% increase in investments, largely as a result of public motorway construction projects in the first half of 2006, as similar projects had the same effect in 2005. Nevertheless, machinery investments will also rise due to an expansion in export demand-driven industrial production. All indications suggest that home investments on the part of households have peaked, and therefore we expect to see a decline of a few percentage points in this sector, with less than 40,000 new units likely to be constructed in 2006.

As a result of increased central budget spending, the Hungarian economy currently requires a high degree of external funding—in the region of 9%—despite an increase in EU transfers.

Inflation will continue to fall, partly as the result of a decrease in VAT rates in early 2006, while annual average inflation will drop from the level of 3.6% experienced in 2005 to around 2%.

The countries of the Bank's foreign subsidiaries offer higher growth and more stable conditions. Inflation and interest rates will change only slightly in Croatia, Slovakia and Romania. Due to the currency council system and to tax harmonisation, we expect to see a temporary increase of 1% in the inflation rate in Bulgaria.

MONETARY ENVIRONMENT IN 2006

Due to the economy's persistently high external financing requirement and the expected rise in foreign interest rates, there will be less room for a reduction in the central bank base rate in 2006. With a slight decline in nominal interest rates, the fall in inflation will result in an increase in real interest rates.

For the National Bank of Hungary (MNB), exchange-rate policy remains central to the fulfilment of its inflationary objectives. According to projections, inflation targets appear compatible with the slightly weaker forint seen at the end of 2005; however, the government's inclination to increase spending, which is customary in election years, may increase both the vulnerability of the forint, and the state deficit.

A twin deficit continues to pose the greatest risk to the macroeconomic environment. As a result of a decrease in fiscal policy credibility, we must also consider the possibility that the convergence program, which will be submitted this September, will not contain any specific cost-cutting measures, which in turn will cause further delay in the introduction of the Euro. In addition to the government's tendency to increase spending in advance of the general elections in April, the expectation of an increase in interest rates on the part of developed markets may have a negative effect on risk tolerance globally, which may trigger a capital flight from developing markets. As a result of the imbalance in the macro economy, forint instruments may become more vulnerable, especially during the period preceding the finalization of expected economic policies. This vulnerability is also reflected in the relatively large degree of uncertainty embodied by differences among analysts' estimations of the situation. Given the high level of uncertainty, we have not only outlined a basic macroeconomic trend, but have also prepared a study regarding a possible alternative trend.

The fact that approximately half the current account deficit is being financed by household borrowings in foreign currency is helping to support the exchange rate. While households are taking on debt in foreign currencies, they are depositing their forint savings with financial institutions (investment funds, pension funds, and insurance companies) that purchase the net government bond issuance of the Government Debt Management Agency (ÁKK). Thus, foreign currency-based household borrowing is of crucial importance in the medium-term financing of the budget and of the current account deficit. The demand for forint and government securities stemming from household foreign currency indebtedness is significant and steady. The equilibrium in the foreign exchange market that is based on this is, however, fragile, as a sudden panic sell-off of government securities by foreigners would create excessive supply and lead to a weakening of the exchange rate. This in turn would influence the retrospective expectations of households, and cause a severe decline in the demand for foreign currency loans and the volume of gross forint savings. In such an environment, there could only be a sustainable equilibrium in the foreign exchange market if the exchange rate were weaker, and this would force the national bank to raise interest rates. In this scenario, therefore, exchange rates would be lower than current levels, and government securities would be higher.
In our alternative scenario, we would expect to see a higher degree of turbulence in the forint market in the second half of 2006, resulting in a devaluation of the forint to HUF 280 to the euro, while the central bank would increase the two-week benchmark deposit rate to 8.5%.

MAIN TRENDS EXPECTED IN THE FINANCIAL MARKETS IN 2006

In the midst of economic growth fuelled by the elections, the borrowing requirement of various participants in the economy continues to be high, while the saving positions of the individual sectors will be characterised by contradictory trends. As we expect to see both a significant rise in real wages as a result of the government's measures and a drop in the inflation rate, the net savings position of households will probably increase in 2006. According to our calculations, net available nominal income will increase by a total of HUF 1,300 billion as compared to the figures for 2005, while consumption will rise by an estimated HUF 990 billion. As a result, if investments are realised at current prices, net savings are likely to increase by approximately HUF 300 billion in this sector.

Household loans in 2006 may increase by 23%, deposits by 14%, and gross savings by 14% as compared to 2005. More specifically, most liquid savings will be channelled into the deposit market rather than into investment bonds, as no further decline in yield is expected and the ex-post yield on funds will be only slightly greater than the interest on fixed-term deposits.

Government measures, increasing consumption, and a rising export demand are likely to lead to an improvement in the income position of the corporate sector, with companies operating in industry profiting the most. However, because of the expected dramatic increase in capital investments, more will be used from these additional earnings, and therefore, the net savings position of the sector will probably deteriorate further in 2006. The aggregate financing requirement of the corporate sector will continue to increase and is expected to be as much as HUF 1,000 billion, or approximately 4% of GDP.

Companies will continue to cover their increasing funding requirement from direct foreign fund raising (shareholders' loans, FDI, foreign bank loans); however, we anticipate that a 12% increase in corporate loans from domestic banks will be used to supplement foreign funding.

As a result of the election year and dwindling funding from the central government, municipal funding needs are likely to increase significantly in the coming period—by 0.6-0.8% of GDP in 2006—coupled with an expected increase in the capital expenditure requirement. Based on our calculations, loans in this sector are likely to increase by HUF 70 billion, or 30%.
In the banking sector, the above trends will be most evident in a sharp increase in lending. We estimate that domestic lending may grow by HUF 1,700 billion, or 16%, in 2006. According to our calculations, the total value of deposits collected from domestic customers will increase by HUF 1,000 billion, or 11%. Since besides loans, the two-week deposit balance placed with the central bank by the bank sector will also increase in 2006, in order to finance the difference of placements in excess of deposits, the bank sector will, besides drawing on the increase in its shareholders' equity, probably

seek foreign funding of some HUF 1,000-1,200 billion. In 2006, we expect to see a slight increase in the bank sector's balance sheet total as a percentage of GDP.

THE BUSINESS POLICY OBJECTIVES AND TASKS OF OTP BANK FOR 2006

MARKET POSITION

The objective of the OTP Bank Group is to maintain its position in markets in which it is the dominant player, and to strengthen its presence in rapidly expanding segments where its market share is currently low compared to the average of the other sub-markets. However, when setting market-share objectives, it is important to limit any concomitant fall in revenue margins and to ensure that profitability can be maintained at the expected levels.

The Bank Group plans to increase its market share within the banking sector based on balance sheet total, from 25.8% at the end of 2005 to 25.9% in 2006. Increasing lending to customers will continue to drive the increase in the Group's balance sheet total.

In 2006, the deposit and lending portfolios of OTP Bank's subsidiaries are likely to expand significantly, while OTP Bank itself is expected to experience a more modest increase in this area. Subsidiaries will offer a more substantial contribution to the consolidated lending portfolio in 2006: around two thirds of the total increase in the Group's aggregate lending portfolio will come from the operations of the subsidiaries. Foreign subsidiaries will also be responsible in 2006 for more than half of the increase in the consolidated deposit portfolio.

RETAIL DIVISION

The key objective of the Bank Group in the household bank deposits market is to retain the share of approximately 34.7% recorded at the end of 2005 in a market characterised by fierce competition.

As a result of the efforts of banks to collect funds to cover an increase in lending and the fact that competing banks have increased their focus on the retail market, the competition for retail deposits has become more intense. Over the last few years, the market has been characterised by continuous campaigns and price-based promotions, and this is expected to be the case in 2006 as well. A new element is that competitors are targeting large employers with ever greater intensity and with increasingly favourable offers in the competition for salary transfers. OTP Bank will respond to these challenges in 2006 by developing segment-specific offerings.

The Bank aims to retain its market share in the terms of current account volume, and to minimise its loss of market share in fixed-term current-account deposits. Another key objective is to increase the number of wage transfers to current accounts.

In order to achieve the objectives set, the Bank will institute a number of measures, including deposit related promotions timed to correspond with macroeconomic trends, a mass customer acquisition program designed to win over a number of large employers and, through them, to acquire orders for transferring employee salaries, further improvement in the level of customer service and in transaction times, and a continuation of its DM campaigns.

With regard to the household loans market, the goal is to retain the Bank Group's market share of 46.4% in the housing loans market, while further increasing its current 24.4% share in the market for consumer loans.

We expect foreign currency-based lending for housing purposes to continue to gain ground in 2006. Within the total estimated loan disbursements in 2005, foreign currency loans – which accounted for approximately three-quarters of the total – exceeded forint lending, and this trend is expected to continue in 2006. Foreign currency loans are popular because of the favourable conditions they offer in terms of interest and capital repayment, with banks reinforcing this perception through intensive marketing communication and customer acquisition promotions. In 2006 we expect to see our competitors launch a new battery of intensive campaigns. With the regard to the purpose of the credit, there has been an increase in loans used for the purchasing of used homes.

To retain its share of the housing loans market, it will be necessary for the Bank to increase its share of the foreign currency-based housing loans market to 45% and to acquire at least half of the subsidised forint-based housing loans segment.

The multi-product and multi-player consumer loan market continues to be characterised by intense competition. 2005 saw our competitors offering an increased number of products in the credit card market. Of various types of consumer loan, foreign exchange and collateralised products have grown in prominence. The sale of loans for goods is characterised by extensive co-operation with merchants, aggressive advertising, and promotional campaigns organised jointly with merchants and/or offering price discounts.

OTP Group will attempt to increase its share in the consumer loans market by stepping up its sale of mortgage-type foreign currency-based loans, increasing foreign currency-based consumer loans from 8% at the end of 2005 to 14% in 2006, boosting the cross-selling of *A-hitel* overdraft facilities and credit cards, and retaining its position in the vehicle financing market.

CORPORATE DIVISION

With respect to corporate deposits, the Group's aim is to attain a market share in excess of 13%, while with regard to corporate loans, the objective is to increase the Group's share to above 12% in a market characterised by intense competition in all segments.

In order to retain its share of the deposit market, the Bank plans to step up the sale and use of existing products, raise the number of its customers, increase the intensity of product use, and increase both the actual number of active micro and small-enterprise (MSE) customers and the proportion of MSEs within its customer base.

One of the Bank's key objectives is to improve its position within the MSE segment, and to this end, it has separated the medium-sized and large corporate clientele from the micro and small-enterprise clientele. This arrangement enables the Bank to provide both customer segments with services that are better tailored to their particular needs, and to engage in more focused product development.

In order to better meet the needs of MSE customers, the Bank will provide comprehensive loan services to MSEs in approximately one-third of its branch offices, develop and launch new MSE loan products, and apply the data-warehousing methods customary in retail banking to MSE lending.

To better meet the needs of its large corporate customers, the Bank plans to introduce an interest pooling service. The Bank's plans have also targeted a share of EU tender-related lending that is commensurate with its weight in the market, while with regard to project financing, the plan is to strengthen its dominant market position and to further increase its contractual loan portfolio in both domestic and international transactions.

MUNICIPALITY DIVISION

With regard to the municipality market, the aim is to retain municipality customers that have been using the Bank's services for years, improve customer satisfaction, and increase the Bank's market share of total deposits and lending by retaining account-holding municipalities that are considering leaving the Bank. An estimated increase of more than 30% in the municipality lending market will enable OTP Bank to improve its market share to beyond the 53% recorded at the end of 2005.

INVESTMENT FUNDS

In the investment fund market, the aim is to maintain market share in respect of investment fund management and household-owned investment funds. The main reason for the decrease in the OTP Group's market share last year was the decline in the OTP Optima portfolio, though the decline was less pronounced than in 2004, and the Group retained its dominance in the market. In the low-risk funds market, money-market and capital-guaranteed structured funds have recently gained ground.

In order to maintain its market share, OTP Bank will continue product development. In 2006, OTP Fund Management Ltd. plans to launch two more closed-end guaranteed funds and step up its marketing efforts to support investments funds. In addition, OTP Fund Management will start selling its own managed funds abroad.

INSURANCE BUSINESS

The Bank's objective regarding insurance-premium revenues and household insurance savings is to increase its market share. An improvement in market position may be attained by increasing the Bank's share among dynamically expanding segments that generate stable premiums, and by forging long-term customer relations. In 2006 the expectation is to attain a market share in insurance premiums of around 12% and a more than 10% share in insurance premium reserves. The Bank has again accorded its branch network an important role in the sale of insurance policies in 2006.

INVESTMENT FUND ASSETS (PENSION AND HEALTH FUNDS)

In 2006 the OTP Group's share of the fund management market must be increased both in terms of membership numbers and assets under management. The objectives are to acquire customers from higher income brackets, and to retain fund members whose investments have matured, together with their investment portfolios.

FOREIGN MARKETS

Bulgaria

By the end of 2006, the DSK Group aims to attain a balance sheet total of HUF 736.7 billion, HUF 153.3 billion more than at the end of 2005. In addition, DSK plans to increase its lending portfolio to HUF 432.3 billion, as compared to HUF 384.4 billion the previous year, while expecting its deposit portfolio to rise to HUF 556.8 billion, nearly 29% more than the amount recorded at the end of 2005.
The DSK Group also plans to increase its after-tax profit by HUF 3.1 billion to a total of HUF 19.6 billion at the end of 2006.
In the rapidly expanding Bulgarian bank market, the DSK Group aims to increase its market share in key product segments, including increases in its share in retail deposits to nearly 26%, its share in corporate deposits to nearly 11%, and its share in the corporate loans market to over 9%, accompanied by an increase in its market share based on balance sheet total to 16% in 2006:

- DSK will be aided in increasing its market share in the housing loans market not only by the sales efforts of the branch network, but also by the contacts it has established with real estate agencies.
- In the consumer loans segment, planned portfolio growth may be achieved, despite increased competition, by leveraging the extensive sales network, increasing product take-up and usage, and by adjusting prices to product and customer type.
- In the corporate loans segment, the aim is to significantly increase the number of current accounts used by micro and small enterprises and the number of loans provided through them.
- In order to achieve its market share objectives, DSK plans to develop its branch office network (reconstruction, relocation, new branches) and further improve other sales channels (ATM, online banking).

Slovakia

OTP Banka Slovensko plans to increase its balance sheet total by nearly 23%, to HUF 322.9 billion, by the end of 2006. In addition, OBS plans to increase its lending portfolio to HUF 242.8 billion, and its deposit portfolio to HUF 168.1 billion by the end of the year, which represents an expansion of 28% and 11% respectively.
The Bank's after-tax profit target is close to HUF 2 billion, nearly HUF 0.6 billion more than it was in 2005.
In the case of OBS, the owners' primary expectation in 2006 is improved profitability, coupled with a proposed 1% increase in the Bank's share of the retail loan market:

- In addition to retail customers, OBS will focus on small and medium-sized enterprises, as well as medium-sized and small municipalities. In the loan product segment, the aim of the Bank is to support the sale of existing products, while in the case of savings products the objective is to develop and sell structured and guaranteed-yield securities.

- In the retail segment, the Bank expects to add 16,000 new customers in 2006. With regard to mortgage loans, the Bank should strive for cooperation with real estate developers, which may help the Bank significantly in preserving and reinforcing its position as one of the market leaders in this segment. In the consumer loans segment, the Bank will start selling credit cards in 2006.
- In the corporate segment, the Bank will have to improve the quality and effectiveness of its loan sales activities, step up cross selling, and increase its income from commissions, rather than its interest earnings. With regard to the micro and small enterprises segment, the aim is to attract more than 1,000 new customers.
- In the municipalities segment, the objective is to increase the Bank's customer base and to step up cooperation with existing customers.
- In 2006 OBS has no plans to expand its branch network; instead it will focus on improving the performance of its existing offices.

Romania

In 2006 OTP Bank Romania plans a nearly threefold increase in its balance sheet total, which we expect to reach nearly HUF 161.5 billion by the end of 2006. OBR's plans include nearly tripling its deposit portfolio to around HUF 74.2 billion, coupled with a fivefold increase in lending, resulting in a planned lending portfolio of HUF 118.1 billion.

OBR's most important task in 2006 is to expand its retail services, which will help it achieve a 1.5% market share based on balance sheet total and acquire 2% of the retail loans market:

- As we expect to face strong competition in Romania's banking market, the Bank will have to continue the dynamic expansion of its branch network and development of its IT systems.
- In the retail segment launched at the end of 2005, the Bank plans to introduce mortgage loans for the purposes of construction, car purchasing loans, and fast money transfer products.
- In the corporate banking division the objective is to expand the range of products on offer, grow the customer base, and increase the proportion of SME customers in targeted sectors of industry. A restructuring of the existing product range and the launch of new products will make it possible to achieve a structured business approach to dealing with companies of varying size and differing requirements. The task in the case of the SME segment is to offer standardised products in order to increase lending efficiency and volume, whereas in the large corporate segment, the Bank will primarily target companies represented in countries where the OTP Group operates, and companies that are already OTP customers in these countries. The bank's municipality loan program is currently under development.

Croatia

OTP Banka Hrvatska plans to increase its balance sheet total from the HUF 298.2 recorded at the end of 2005 to HUF 336.5 billion by the end of 2006, while its deposit portfolio is expected to increase from HUF 232.5 billion to HUF 265.6 billion and its lending portfolio to climb from HUF 150.5 billion to HUF 188.1 billion.

OBH's after-tax profit target for 2006 is HUF 3.7 billion, which outstrips its 2005 after-tax profit by nearly HUF 1.6 billion.

In 2006 OBH's objectives are to obtain a 3.5% market share based on balance sheet total, increase its market share in all segments, and improve profitability:

- In the retail division, OBH aims to strengthen its existing customer base and increase the number of customers receiving wage transfers. In 2006, the bank will have to make further efforts to improve its availability through alternative channels, an endeavour that calls for the development of online banking services and the expansion of the ATM and POS networks.

- In 2006 the bank plans to issue 12,500 bank cards (debit and credit cards combined), conclude 1,000 new insurance agreements and 1,300 new home-savings fund contracts, and acquire 25,000 new customers through Call Centre and online banking services.
- The bank will have to commence the sale of investment fund units within its network in 2006.
- In the corporate and municipality divisions, the bank aims to increase its customer portfolios, as well as to acquire new customers.
- OBH will make efforts to increase the number of services it offers in the interest of increasing non-interest type income in both the retail and corporate segments (primarily through domestic payment transactions).

FINANCIAL OBJECTIVES

OTP Bank Group's consolidated after-tax profit target for 2006 is HUF 184.7 billion, which represents an increase of HUF 26.4 billion, or 16.7%, compared to 2005. OTP Bank's after-tax profit target will contribute HUF 144.7 billion to the Group's profits, equating to an increase of HUF 11.9 billion, or 8.9%, over 2005. Although the Bank's share in the Group's total profit is still dominant, there has been an increase in its subsidiaries' share in the profit portfolio. The expected aggregate after-tax profit of Hungarian members of the group is HUF 30.1 billion, compared to HUF 26.1 billion recorded a year earlier, while foreign subsidiaries are likely to make a contribution of HUF 23.1 billion to the consolidated after-tax profit, a figure that exceeds their contribution in 2005 by HUF 5 billion.

Approximately one third of the increase in the pre-tax profit of subsidiaries will come from the DSK Group in 2006. Of Hungarian subsidiaries, Merkantil Group will offer the most substantial contribution to profit. Of all subsidiaries, the pre-tax profits of OBR will decrease most significantly: the company will show losses due to the dynamic improvement of its infrastructure.

The Bank's interest margin will decrease by 30 base points, to 4.77%, as compared to 2005, while the interest margin of the Bank Group will drop even more significantly, by 55 base points, to 5.79%.

In 2006, the Bank's net revenue from interest will increase by 8.8%, slightly less than the increase in this figure for the Group as a whole (9.3%). The Bank's non-interest type income will increase to HUF 172.2 billion, whereas that of the Group will be HUF 262.5 billion by the end of 2006.The Bank's non-interest type expenses will grow by 8.3%, to HUF 167.7 billion, while those of the Group will increase by 14.8%, to HUF 336.9 billion.

The aims of the Bank and the Bank Group alike include both further increases in cost efficiency and high returns on equity:

- Following a significant improvement in 2005, the cost/income ratio is expected to level off at 45.4% for OTP Bank, and at 55.6% for the Bank Group as a whole by the end of 2006.
- The Bank's average return on assets will decline from 4.0% in 2005 to 3.76% by the end of 2006, while the ROAA of the Bank Group is expected to drop to 3.29% from the previous year's 3.38%.
- While OTP Bank's average real return on equity was 27.2% in 2005, it will shrink to 25.2% by the end of 2006, while the consolidated average real return on equity will decrease from 28.7% to 28.3%. (The Bank's ROE was 30.8% in 2005 and will be 27.0% in 2006, while the consolidated ROE was 32.3% in 2005 and it will be 30.1% in 2006.)
- The Bank plans to distribute approximately 30% of its after-tax profits in 2006 among its shareholders. The Bank's capital adequacy ratio will be about 14% at the end of 2006, safely above the 8% requirement.
- Improvement of profitability and efficiency is a common goal of all group members, which to achieve the OTP Group has launched a comprehensive project with a view to improving its operational management processes, network operations, and utilisation of the synergies of OTP Garancia Insurance, the Merkantil Group, OTP Mortgage Bank, and OTP Building Society. In addition to improving the efficiency of its operations and reducing costs on the part of the companies involved, a key objective of this project is to improve both service levels and the processes employed for collecting cancelled loans.

The Bank plans to increase the consolidated balance sheet total by 15.3%, and its own balance sheet total by 14.1% by the end of 2006. The growth rate of subsidiaries will continue to considerably outstrip that of the Bank. The consolidated to non-consolidated ratio of the balance sheet total will rise to 146.8% in 2006.

In 2006 OTP Bank is expected to see a moderate increase in its deposit and lending portfolios, while its subsidiaries are likely to expand their portfolios at a higher rate:

- By the end of 2006, OTP Bank plans to increase its lending portfolio by 12.2%, to HUF 1,680 billion, while the consolidated lending portfolio of the Bank Group is expected to rise by 24.1%, to HUF 4,090 billion. The lending portfolio of Hungarian subsidiaries will increase from HUF 1,100 billion to HUF 1,404 billion, while that of the foreign subsidiaries is expected to rise from HUF 786 billion to HUF 1,036 billion by the end of 2006.
- By the end of 2006 OTP Bank's aim is to increase its deposit portfolio by 4.9%, to HUF 2,629 billion, whereas the Bank Group plans a 12% rise in its deposit portfolio, to HUF 3,840 billion. The deposit portfolio of Hungarian subsidiaries will increase from HUF 84 billion to HUF 102 billion, while that of foreign subsidiaries is expected to rise from HUF 843 billion to HUF 1,065 billion.

CUSTOMER-RELATED OBJECTIVES

In Hungary's present banking market environment – with only a limited number of new customers to be acquired at high cost – OTP Bank is able to meet its target market position primarily by increasing sales to existing customers and retaining its valued clientele. Consequently, cross selling and increasingly intensive product use remain crucial elements in the Bank's strategy.

To guarantee the success of cross selling, a CRM system is used to assist sales representatives in preparing product offerings. Detailed feedback on the effectiveness of cross selling efforts is provided in automatic reports generated at regular intervals. The sales improvement system relies heavily on individual and team performance incentives.

In order to further improve the efficiency of selling products and acquiring new customers through the Bank's network, courses will be organised to train network sales consultants. Network sales consultants will play a key role in spreading local best practices nationwide.

Segmentation-based targeting is indispensable to the success of marketing campaigns. The Bank is continuously developing tools for use in direct marketing campaigns; the process of selecting and contacting customers who fulfil pre-defined sets of criteria is becoming increasingly automatic; and the Bank is also placing focus on the development of direct marketing channels: in addition to conventional mailings, an increasing number of customers will be contacted via electronic channels (e-mail, text messages) starting in 2006.

In another effort to increase sales volume and improve quality, the Bank has introduced a system of automatic support for sales representatives.

As in previous years, important tasks for 2006 will include retention of the Bank's existing customer base, the monitoring of customers who are likely to leave the Bank, and the offering of products that aid retention through cross selling.

As part of its strategy, the Bank continues to give priority to improving both the quality of services to micro and small businesses and the effectiveness of its customer management practices. In 2006, the Bank will continue to enhance its value proposals to micro and small business customers. To provide high quality services in this segment, the Bank Group plans to launch products tailored to the needs of micro and small enterprise customers, and to revise its sales system from the perspective of the MSE segment.

OPERATIONAL PROCESSES

DEVELOPMENT OF THE SALES SYSTEM AND NETWORK

As a result of the comprehensive and coordinated improvement of sales processes at OTP, not only have customers spent less time waiting in line and received a higher level of service at branch offices, but the Bank has also made progress in exploiting the business potential offered by cross selling. Nevertheless, with a view to preserving competitiveness and profitability and ensuring responsiveness to market challenges, continuous development and optimization of the Bank's sales activities and the associated divisional, organizational, and infrastructural environment is required. Based on its experience with sales in 2005, the Bank will continue to improve the sales incentive system used in its branch offices.

- The Bank will review the weights used in the score-based system it applies to performance appraisal and incentive schemes;
- The Bank will revise the incentive scheme used for employees working in the housing loan division;
- For savings products that involve a long-term relationship with the customer (e.g. pension fund savings, life insurance), customer retention will be facilitated through the addition of new incentives to the point system;
- 2006 will see the introduction of additional products in the branch employee incentive scheme, the integrated monitoring of branch target fulfilment, and the development of a condition-based measuring system for fixed-term deposits.

With a view to retaining its uniquely high branch coverage, preventing customer churn, and facilitating employee retention, in 2006 the Bank will take steps toward countering the aggressive branch-network expansion measures of its competitors. Under its accelerated branch office reconstruction strategy, some 40 small and medium-sized branches will be refitted and upgraded in 2006. Also in 2006, the Bank will open a branch office specialising in securities transactions.

Because OTP Bank places particular emphasis on services tailored to micro and small businesses, credit products that cater to the borrowing requirement of such customers will be made available in almost one third of branch offices.

With regard to the Private Bank, practical experience will be incorporated into the current customer service model in a manner that takes the characteristics of the segment into consideration. The Bank considers it an important objective to provide professional support to its subsidiaries with regard to both private banking and investment services.

In 2005, the Bank broadened another significant sales channel by establishing sales partnerships with a number of agencies, an endeavour that proved useful both in stepping up sales outside the branches among customers who rarely or never visit the Bank's branch offices, and in making the Bank's services available to individuals who have had no contact with OTP Bank in the past. As a result of the agent network development project, agents will be able to contribute to OTP Bank's profit objectives in proportion to its significance on the market.

From 2006 on, apart from carrying out the transactions referred to it by its partners, the Bank will emphasise sales techniques that involve cooperation among channels, such as combining call centre calls and agent sales efforts by having agents visit customers who have demonstrated an interest in a product in the course of a telephone call.

With a view to preserving its market-shaping role in electronic channels, OTP is actively seeking areas where it may apply new technologies and business solutions, while continuing to focus on the development and improvement of existing technologies. With the current dynamic increase in the number of customers using electronic channels, the Bank considers it important to increase its sales focus in these areas. Accordingly, the Bank will concentrate on the following major tasks in 2006:

- Adding new sales functions to the OTP portal by introducing new options for online application, creating a link to the data warehouse, and sending personalised messages;
- Adding new functions with respect to securities through e-channels;
- Expanding telephone sales activities by offering new products, and implementing the information call centre on a nation-wide basis.

OTP Bank is not planning any large-scale headcount reductions in 2006, though one of its group members, Garancia Insurance Ltd., is implementing significant headcount-rationalisation measures involving the centralisation of claims adjustment and the reduction of administration staff. A review of the headcount model has been necessitated by both developments to the sales infrastructure and the restructuring of branch-based sales activities. This will involve the revision of standard time requirements and consequently may result in a change in the number of employees needed.

RISK MANAGEMENT

OTP Group is now ready to manage lending, market, and operational risks at the group level:

In 2006, the Bank will have to prepare for parallel operation and for the obtaining of authority-issued licences by carrying out the tasks of the Basel II implementation project. Accordingly, the modified lending procedures, risk analysis system, and the new capital requirement calculation method will all be launched. Once implementation within OTP Bank has been completed, work will continue as other group members complete their own ongoing sub-projects.

In 2005, in accordance with the new Basel Capital Accord, the Bank redesigned both its methodology for country risk management and the manner in which partners qualifying as corporate customers are classified. The assessment and limit management system used by new members of the credit institution group (OBR and OBH) was also modified. In 2006, OTP Group will place an emphasis on the development of its partner rating methodology, especially with regard to non-credit institution partners. In the case of such partners, data available in the countries where the Bank's subsidiaries operate must also be considered.

2006 will see the implementation of a group-level risk management policy based on unified principles developed the previous year, and the launch of a centralised treasury and associated information technology.

As regards its latest members, the OTP Group places strong emphasis on integration into the Group's market risk management system:

In 2005, installation of the Kondor+ position-keeping and Quant computerised risk management systems using remote solutions continued at the Bank's subsidiaries. In 2006, rather than using the standard (BIS) model, OTP Bank will use an internal FX-risk capital requirement model to meet its daily, monthly, and one-off Trading Book reporting obligations to supervisory authorities.

With regard to liquidity and interest risk management, the main task for 2006 is to implement a group-level policy prepared and approved in accordance with the methodology guidelines set by the Financial Supervisory Authority, and to create the necessary IT support.

In 2006, credit risk management related developments will include:

- The reorganization of corporate division work-out activities and introduction of preventive risk management;
- Development of an acquisition rating methodology for use in lending to large corporate customers;
- Harmonization of the requirements applied to the rating of retail and MSE customers, and the modernisation of MSE segment monitoring by introducing customer behaviour scoring;
- Extension of the Credit Monitoring System to retail foreign currency accounts.

TRAINING AND DEVELOPMENT

Development of the Bank's training system in 2006 will include the completion and practical application of ongoing methodological development projects (such as e-learning), as well as the launch of competency-based comprehensive training programs involving all branch office positions, in accordance with accepted guidelines.

If the Bank is to achieve its business objectives, further improvement in sales performance is essential. One of the keys to success in this regard is an appropriate level of training and sales skills on the part of bank customer service staff. To ensure this, the Bank is committed to continuing its "Conscious Selling" training courses launched in 2005 which, apart from helping participants master a standardised selling procedure, are designed to mould the attitudes of customer service staff and managers, help participants understand and accept the differences between a purely reactive-based serving of customers and a more proactive, consultative-based selling approach, and to teach coaching skills as a supportive, staff-development tool for managers. The creation and training of a team of in-house trainers will ensure that the training is both flexible and cost effective.

In response to changes in customer segmentation, the Bank will be placing an emphasis on training courses that deal with the professional and competency-development requirements associated with new jobs (e.g. those related to MSEs).

BALANCE SHEET, INCOME STATEMENT AND KEY RATIOS OF OTP BANK AND THE BANK GROUP, 2005-2006

according to IFRS

HUF bn	OTP Bank non consolidated				OTP Bank consolidated			
	31/12/2005 actual	31/12/2006 plan	Change HUF bn	Change %	31/12/2005 actual	31/12/2006 plan	Change HUF bn	Change %
Total assets	3,592.9	4,097.9	505.0	14.1%	5,215.9	6,014.4	798.5	15.3%
Loans	1,497.7	1,680.5	182.8	12.2%	3,297.2	4,090.3	793.1	24.1%
Deposits	2,506.5	2,629.3	122.8	4.9%	3,428.2	3,840.0	411.8	12.0%
Shareholders' equity	473.3	600.2	126.9	26.8%	547.5	681.0	133.5	24.4%
Loans/total assets	41.7%	41.0%			63.2%	68.0%		
Deposits/total liabilities	69.8%	64.2%			65.7%	63.8%		
Loans/deposits	59.8%	63.9%			96.2%	106.5%		
Equity/total assets	13.2%	14.6%			10.5%	11.3%		

HUF bn	2005 actual	2006 plan	Change HUF bn	Change %	2005 actual	2006 plan	Change HUF bn	Change %
Net interest income	168.6	183.4	14.8	8.8%	297.2	325.0	27.7	9.3%
Provision for loan and placement losses	16.4	21.0	4.6	28.0%	28.0	29.3	1.3	4.5%
Net interest income after provision for loan and placement losses	152.2	162.4	10.2	6.7%	269.2	295.6	26.5	9.8%
Fee and commission income	136.3	144.4	8.1	6.0%	118.9	138.9	20.1	16.9%
Dividend income	13.9	16.2	2.3	16.4%	0.7	0.4	-0.3	-45.5%
Insurance premiums					69.8	87.2	17.4	24.9%
Other income	8.2	11.6	3.4	41.2%	27.1	36.0	8.9	32.7%
Non-interest income	158.4	172.2	13.8	8.7%	216.5	262.5	46.0	21.3%
Fee and commission expenses	13.8	11.8	-2.0	-14.7%	19.9	23.0	3.1	15.3%
Personnel expenses	62.4	65.6	3.2	5.1%	95.2	103.6	8.4	8.8%
Depreciation	15.2	17.0	1.8	11.6%	21.9	27.4	5.5	25.1%
Insurance expenses					58.5	68.2	9.8	16.7%
Other expenses	63.3	73.3	10.0	15.8%	98.1	114.7	16.6	16.9%
Non-interest expenses	154.8	167.7	12.9	8.3%	293.6	336.9	43.3	14.8%
Income before income taxes	155.8	166.9	11.1	7.1%	192.1	221.3	29.2	15.2%
Income taxes	23.0	22.1	-0.8	-3.5%	33.8	36.6	2.8	8.3%
Income after income taxes	132.8	144.7	11.9	8.9%	158.3	184.7	26.4	16.7%
Inflation	3.6%	1.8%			3.6%	1.8%		
Net interest margin	5.07%	4.77%			6.34%	5.79%		
Non-interest income/total income	50.58%	50.09%			43.84%	46.51%		
Provisions/average loans	1.18%	1.32%			0.95%	0.79%		
ROAA	4.00%	3.76%			3.38%	3.29%		
ROAE	30.8%	27.0%			32.3%	30.1%		
Real ROAE	27.2%	25.2%			28.7%	28.3%		
Cost/income ratio	45.0%	45.4%			55.4%	55.6%		

STRATEGIC PLAN OF OTP BANK AND THE BANK GROUP FOR THE 2006-2010 PERIOD

OTP Bank has updated its strategic plan, including medium-term conceptual plans pertaining to the organic growth of the current bank group.

The Bank's key strategic objectives remain the creation of shareholder value and maximization of the Bank's market value. OTP Bank – as is the case with listed financial groups of the developed economies – is assessed and rated by investors on the basis of its consolidated performance, with the performance of its subsidiaries having an increasingly significant role to play in this assessment. At the same time, the Bank Group is present in a growing number of geographic and product segments which are subject to significantly different business dynamics. Due to differences in growth trajectories and the varied volume-weights within the group, the financial plans for 2006-2010 have been prepared by OTP Bank and the most important subsidiaries individually, with the projected results then being consolidated.

This strategic plan is aimed at providing a summary of anticipated changes in the economic environment of group members, offering forecasts regarding expansion in group member markets, setting targets for market share, revenues, expenses, and profits, and establishing an agenda for the realising of objectives. In updating the medium-term strategy of the OTP Bank Group for 2006, relevant expectations and objectives for the 2006-2010 period were defined in accordance with the principle of rollover planning. Based on the results of the IFRS project launched last year, consolidated financial statements in the updated medium-term plan were prepared in accordance with IFRS principles.

This strategic plan includes the expected results of organic growth of companies belonging to the group as at year-end 2005. As described in last year's report, free capital generated by the subsidiaries is pooled at OTP Bank; in contrast to last year's procedure, however, a portion of OTP Bank's free capital equal to the amount specified in the published dividend policy was removed from the balance sheet. The plan makes no assumptions regarding further acquisitions.

CHANGES IN THE MACROECONOMIC ENVIRONMENT IN THE 2006-2010 PERIOD

The macroeconomic forecast prepared in conjunction with this strategy is based on the assumption that the global economic environment will be characterised by dynamic growth, accompanied by relatively low inflation and interest rates. In Europe, we expect to see an average real growth of 1.7% coupled with a 2% inflation rate.

The medium-term development of Hungary's economy is determined not only by global trends but also by a necessity to comply with the criteria surrounding the introduction of the euro. In the basic forecast, the state deficit will decrease slightly during the period—by an annual average of 0.8%—dropping to 3-4% by the period's end. In this scenario, GDP will increase by an average of 4% as a result of a 3% average increase in consumption, a 7% average rise in investments, and export growth rates that exceed those of imports.

As a result of a decrease in fiscal policy credibility, we must also consider the possibility that the planned introduction date for the Euro will again be postponed when the convergence program is updated in September this year. In preparation for a scenario in which financial markets run out of patience, we have also examined the economic effects of a simulated alternative growth pattern involving greater sacrifice for growth, higher inflation rates, a weaker forint, and higher interest margins.

Growth figures higher than those for Hungary are anticipated in the countries of the Bank's subsidiaries. By the end of the decade, in the four countries concerned, the euro value of nominal GDP will have increased by 50%.

With the exception of Croatia, economic growth in the countries of the subsidiaries will exceed growth rates in Hungary, with the highest degree of expansion expected in Slovakia. Bulgaria and Slovakia are both likely to introduce the euro by 2010. However, high inflation rates in Bulgaria represent a substantial risk, and the case is similar in Romania. It would seem that the major challenge in Croatia will be to keep the budget deficit down so as to meet the Maastricht criteria.

EXPECTED GROWTH IN THE MARKETS OF THE FINANCIAL INTERMEDIATION SYSTEM

The growth of the financial intermediation sector is driven primarily by the expectation of continued expansion in retail lending. This expansion will arise from a levelling off of household savings at 4% of GDP, as predicted by macro financial calculations, resulting from net loans equal to 4-5% and gross savings worth 8-9% of GDP. Similar trends are expected to prevail on foreign markets as well.

As a result of the above trends, the Bank's customer lending portfolio, which plays a key role in increasing the bank sector's balance sheet total, will double by the end of the decade. With the decline in interest rates, the protraction of loan terms, and the increase in average household incomes, we believe total housing loans may be increased by approximately 15% and total consumer loans by around 25% per year, such that household debt (interest and capital repayment) as a percentage of income increases only slightly. The portfolio of deposits collected from customers will increase by 50% during the period, while non-bank savings are expected to double. Drivers in this segment include savings funds, investment fund units, and life insurance.

In the alternative scenario, net household savings will increase primarily due to a decrease in consumption arising from a drop in the demand for loans, while on the asset side, deposits will become the driving force behind expanding savings. The result of this simulation puts the 2010 balance sheet total for the banking system at 10% of GDP, a point lower than that calculated for the default scenario.

According to our estimates, household demand for loans will create low net savings positions in all countries in the region. However, there are significant differences in the growth prospects associated with individual markets. In Bulgaria and Romania we expect to see an average annual increase of 25-30% in the retail loan market, while in the case of Slovakia and Croatia an annual increase of 10-15% is likely.

THE OBJECTIVES OF THE BANK GROUP IN THE 2006-2010 PERIOD

By the end of the period, OTP will be the strongest member of the group in terms of market share based on balance sheet total. With regard to the subsidiaries, the aim is to increase market share significantly by 2010. As compared to the end of 2005, DSK and OBR plan to increase their market shares by 6.8% and 2.6%, respectively.

Due to increasing competition in Hungary's markets, OTP Bank expects to see a moderate decline in its market shares in most market segments. The consumer loan market is an exception: here, the Bank plans to increase its share by 7%, not including the increase in the share of Merkantil Bank. Of the objectives set by the subsidiaries with respect to increased market share, the goals of DSK concerning the housing loan market (+10%p over a period of 10 years) and the retail deposit market (+4.6%p) are the most impressive. This means that DSK would have to acquire roughly 40% and 32% of total market expansion, respectively. OBS has set the most ambitious goal (+5%p) with respect to its increased share of the housing loan market by targeting 15% of total market growth. A similar share of flow would be sufficient for a 2%p increase in DSK's retail deposit portfolio. OBR aims to increase its retail portfolio by 5-7% over the next five years, giving it a share in the retail loans market of over 5% by 2010.

We expect to see a decline in interest rates in all countries where the Bank Group's members operate; however, decline in the net interest margin will be slowed by changes in the asset structure. In five years the interest margin at the group level is likely to drop by 172 base points. With respect to OTP Bank and DSK, we anticipate a (90-100 bp) decline in interest margins partly offset by a (5-45 bp) increase in margins on commissions.

Improving cost effectiveness will remain a major focus within the Bank Group. The cost/income ratios of companies included in the consolidated circle at end of 2005 (55.4%) will decrease in five years by 5%. However, the entry of new group members with higher expenses into the consolidated circle (life annuity and foreign leasing companies, insurance companies) will result in a less pronounced improvement in the group level total cost/income ratio.

The Bank Group's medium-term objective is to increase its pre-tax profit by an average of 14.5% a year during the 2005-2010 period and reach HUF 377 billion in 2010. After-tax profits are likely to increase by 14.9%; however, the rise will be somewhat uneven under the effect of the "bank tax". The Bank Group's consolidated after-tax profit as calculated in accordance with international accounting regulations will increase from HUF 158 billion in 2005 to HUF 317 billion by 2010.

Within the Group, OTP Bank will preserve its dominant position with a 62% contribution to the total consolidated after-tax profit. Foreign subsidiaries account for 23% of the total, 65% of which is contributed by DSK. There will be significant changes in the percentages contributed by various members to the increase in Group profit. While in 2005 OTP accounted for 78% of the profit increase, its contribution will drop to 50% by 2010. The contribution of foreign subsidiary banks to profit increase will become significant starting in 2008, the last loss-making year for OBR, and will account for 40% of the profit increase in 2010.

This strategic plan is based on the organic growth of existing members of the Group, and does not include the effects of acquisitions. Assuming the dividend payment rate remains constant at 30%, the group level ROAE will drop to 22.6%, not including acquisitions, while the Bank's capital adequacy ratio is expected to reach over 20%, a figure representing a significant increase. Assuming a more efficient capital structure (9.5% Basel I), the group ROAE may go as high as 30%, and will be 25% even with a 50% dividend payment rate.

BALANCE SHEET, INCOME STATEMENT AND KEY RATIOS OF OTP BANK AND THE BANK GROUP, 2005-2010

according to IFRS

HUF bn	OTP Bank non consolidated 31/12/2005 actual	OTP Bank non consolidated 31/12/2010 plan	OTP Bank non consolidated 5yr CAGR	OTP Bank consolidated 31/12/2005 actual	OTP Bank consolidated 31/12/2010 plan	OTP Bank consolidated 5yr CAGR
Total assets	3,592.9	5,814.2	10.1%	5,215.9	10,726.0	15.5%
Loans	1,497.7	2,341.5	9.3%	3,297.2	7,966.5	19.3%
Deposits	2,506.5	3,241.1	5.3%	3,428.2	5,880.9	11.4%
Shareholders' equity	473.3	1,149.0	19.4%	547.5	1528.6	22.8%
Loans/total assets	41.7%	40.3%		63.2%	74.3%	
Deposits/total liabilities	69.8%	55.7%		65.7%	54.8%	
Loans/deposits	59.8%	72.2%		96.2%	135.5%	
Equity/total assets	13.2%	19.8%		10.5%	14.3%	

HUF bn	2005 actual	2010 plan	5yr CAGR	2005 actual	2010 plan	5yr CAGR
Net interest income	168.6	222.8	5.7%	297.2	466.9	9.5%
Provision for loan and placement losses	16.4	41.2	20.2%	28.0	67.0	19.0%
Net interest income after provision for loan and placement losses	152.2	181.6	3.6%	269.2	399.9	8.2%
Fee and commission income	136.3	211.8	9.2%	118.9	253.3	16.3%
Dividend income	13.9	41.2	24.2%	0.7	0.7	1.6%
Insurance premiums				69.8	206.4	24.2%
Other income	8.2	14.3	11.8%	27.1	64.7	19.0%
Non-interest income	158.4	267.4	11.0%	216.5	525.2	19.4%
Fee and commission expenses	13.8	16.5	3.6%	19.9	45.4	17.9%
Personnel expenses	62.4	82.4	5.7%	95.2	142.7	8.4%
Depreciation	15.2	21.2	6.8%	21.9	35.1	9.9%
Insurance expenses				58.5	127.2	16.8%
Other expenses	63.3	68.0	1.4%	98.1	197.2	15.0%
Non-interest expenses	154.8	188.1	4.0%	293.6	547.6	13.3%
Income before income taxes	155.8	260.8	10.9%	192.1	377.5	14.5%
Income taxes	23.0	34.4	8.4%	33.8	60.0	12.2%
Income after income taxes	132.8	226.4	11.3%	158.3	317.4	14.9%
Inflation	3.6%	3.3%		3.6%	3.3%	
Net interest margin	5.07%	4.01%		6.34%	4.62%	
Non-interest income/total income	50.58%	56.46%		43.84%	55.47%	
Provisions/average loans	1.18%	1.89%		0.95%	0.91%	
ROAA	4.00%	4.07%		3.38%	3.14%	
ROAE	30.8%	21.2%		32.3%	22.6%	
Real ROAE	27.2%	17.9%		28.7%	19.3%	
Cost/income ratio	45.0%	36.2%		55.4%	53.1%	

ELECTION OF THE COMPANY'S AUDITOR, APPROVAL OF THE APPOINTED OFFICIAL RESPONSIBLE FOR AUDITING, SETTING THE REMUNERATION

ELECTION OF THE COMPANY'S AUDITOR, APPROVAL OF THE APPOINTED OFFICIAL RESPONSIBLE FOR AUDITING, SETTING THE REMUNERATION

Based on Section 3 Para 66 Act CXII of 1996 (Act on Credit Institutions and Financial Enterprises) the Supervisory Board proposes – concerning the audit of the OTP Bank Ltd.'s non-consolidated and consolidated 2006 accounts – that the General Meeting:

1. elects **Deloitte Auditing and Consulting Ltd.** (000083)
   H-1051 Budapest, Nádor u. 21.

   and approves the appointment of **Zoltán Nagy** (005027) chartered auditor, as the individual in charge of auditing.

   In the event any circumstance should arise which ultimately precludes the activities of as appointed auditor in this capacity, proposes the appointment of **Zsuzsanna Szépfalvi Nagyváradiné** (005313) chartered auditor, to be the individual in charge of auditing.

2. The General Meeting establishes the total amount of forty-nine million and five hundred thousand Hungarian Forint **(HUF 49,500,000) + VAT** as the auditor's remuneration for the audit of the annual accounts of 2006, prepared pursuant to Act C of 2000 on Accounting as applicable to credit institutions and the audit of the consolidated annual accounts, of which **HUF 39,800,000 + VAT** shall be paid in consideration of the audit of the non-consolidated annual accounts, and **HUF 9,700,000 + VAT** shall be the fee payable for the audit of the consolidated annual accounts.

ELECTION OF MEMBERS OF THE BOARD OF DIRECTORS

VERBAL PROPOSAL

ESTABLISHING THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

ESTABLISHING THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

The Board of Directors in agreement with the Supervisory Board proposes to the AGM that the monthly remuneration for the members of the Board of Directors and of the Supervisory Board to establish a honorarium increase as below, whereas the Bank plans to increase of the salary of the employees 6% as an average during the year. The proposal takes into consideration the rounding differences to five thousand forint as well.

Accordingly the monthly remuneration is proposed to establish as of May 1, 2006 as follows:

	Actual	Proposed	change
Chairman and Vice-Chairman of the Board of Directors	HUF 575,000	HUF 610,000	6.1%
Members of the Board of Directors	HUF 500,000	HUF 530,000	6.0%
Chairman and Vice-Chairman of the Supervisory Board	HUF 415,000	HUF 440,000	6.0%
Members of the Supervisory Board	HUF 335,000	HUF 355,000	6.0%

THE INCENTIVE PROGRAMME OF THE MANAGEMENT FOR THE YEARS FROM 2006 TO 2010

VERBAL PROPOSAL

PROPOSAL FOR AMENDMENTS TO BYLAWS

PROPOSAL TO AMEND OTP BANK LTD.'S BYLAWS

(Bylaws of OTP Bank Ltd. are available for downloading at www.otpbank.hu)

1. Section 1.1. of the Bylaws will be replaced by the following provision

"The trade name of the Company: Országos Takarékpénztár és Kereskedelmi Bank nyilvánosan működő részvénytársaság

Abbreviated name: OTP Bank Nyrt.

In English: OTP Bank Plc."

Explanation: Pursuant to the provisions of the Act on Economic Associations (AEA), the form of a company's operation must be indicated in the trade name and abbreviated name of companies limited by shares. In English "Plc." is the best expression to indicate that a company operates publicly. We propose deleting the company's German name from the Bylaws because, based on the experience of recent years, there is no need for this type of official designation.

2. Section 5.16. d) of the Bylaws will be replaced by the provision "Deleted"

(The current wording of section 5.16. is: "The entry into the Share Register of the shares may be requested by the transferee from the Board of Directors after the share transfer in its favour. The written application shall be accompanied with the following ……

d) as well as a statement by the representative, stating for the shareholder to undertake that, in case following the application for the entry into the Share Register there would be such a change in its ownership status by which the proportion of ownership or the voting right entitling one person to vote, comes up to or exceeds 25%, he shall inform the Board of Directors in writing before exercising any of its shareholders rights;")

Explanation: The amendment was left out of the amendment package of 2004 for technical reasons. At the same time, the obligation to provide information that this section refers to has been cancelled.

3. Section 8.32. of the Bylaws shall be replaced by the following provision

8.32. The following shall be covered by the exclusive authority of the General Meeting:

1. establishing and amending the Bylaws; (qualified majority, except an amendment to the Company's registered seat and scope of activities shall be carried out with a simple majority in accordance with section 8.25.)

2. the capital increase – except for the case covered by the authority of the Board of Directors;

3. changing of the rights attached to specific series of shares, or transformation of certain categories or classes of shares; (qualified majority)

4. the decision on applying for the listing of shares on the stock exchange or on their possible delisting; (qualified majority)
   The General Meeting may only pass a resolution resulting in the delisting of the Company's shares from the Budapest Stock Exchange if any investor(s) has (have) made a prior commitment to make a purchase offer in respect of such shares in accordance with the Budapest Stock Exchange Regulations for Listing, Continued Trading and Disclosure;

5. decision on implementing a capital decrease, unless the AEA (Gtv.) provides otherwise;
(qualified majority);

6. deciding on whether to merge or to integrate the Company with another company limited by shares, whether to demerge or to terminate the Company without a legal successor, or whether to transform the Company into another corporate form; (qualified majority)

7. the recall of the members of the Board of Directors, the Supervisory Board, and of the auditor; (qualified majority)
More than one third of the members of the Board of Directors and the non-executive members of the Supervisory Board may be recalled within a 12-month period only if a shareholder holds more than 33% of the shares issued by the Company that have been obtained by the shareholder by way of a public purchase offer;

8. the election of the members of the Board of Directors, the members of the Supervisory Board, and of the auditor, and determining their remuneration.
In the event that the minimum number, determined in the Bylaws, of members of one of the governing bodies is not elected, a decision shall be made, pursuant to section 8.19. of the Bylaws, to hold a follow-on General Meeting with regard to this point of the agenda;

9. approval of the report prepared according to the Act on Accounting, including a decision on the use of the after-tax profit;

10. decision – unless provided for otherwise by the AEA (Gtv.) – on the issuance of convertible bonds or of bonds embodying subscription rights; (qualified majority);

11. approval of the Rules of Procedure of the Supervisory Board;

12. decision on the preclusion of the exercising of pre-emptive subscription rights; (qualified majority)

13. decision on the conversion of securities previously issued by the Company and produced in a printing house into dematerialised securities;

14. assignment, transfer, lease, or transfer into permanent use by any other means, as well as the encumbrance, or blocking as collateral to the benefit of another economic association, of a right of asset value that ensures that a particular activity of the Company may be carried out;

15. election of the member of the Board of Directors and/or of the Supervisory Board who represents the owner of a preferred voting share;

16. the recall of the member of the Board of Directors and/or of the Supervisory Board who represents the owner of a preferred voting share (qualified majority);

17. with the exceptions specified in the AEA (Gtv.), decision on the acquisition of the Company's own shares as well as on the approval of a public purchase offer in respect of the purchase of own shares;

18. decision on changing the Company's form of operation (private or public) (qualified majority);

19. decision – unless these Bylaws elsewhere provide otherwise – on the payment of a partial dividend.

Explanation: - The subsections of section 8.32. were only indicated by indents, which make cross-references difficult and therefore may be a source of errors. Indicating subsections with Latin numerals simplifies the situation.

- The proposed amendment in subsection 7. serves as protection against a shareholder's acquiring a controlling stake in the Company illegally, without making a mandatory purchase offer. Obtaining a controlling stake surreptitiously through a purchase offer that is submitted late or is not submitted at all may seriously jeopardise shareholder value.

- In subsection 13. shares are referred to, in accordance with the AEA (Gt.), as securities.

- With regard to the amendments concerning subsections 12. and 14. see the explanation under the next point.

4. Section 8.32., subsection 14. of the Bylaws will be replaced by the provision "Deleted"

Explanation: In relation to the amendment of the Bylaws that took place at the General Meeting of 2004, one of the General Meeting's competences (section 8.32., subsection 14.) stating that, on the basis of statutory regulations, the approval of the owner of the preferred voting share is required in order to make the decision, was deleted. This competence would now be restored, and its deletion may go into effect if, similarly to other competences specified in the General Meeting's resolution no. 8/2204, the concept of the preferred voting share is changed. The conditional going into effect of the amendment contained in sections 3. and 4. restores compliance with statutory regulations and the intent contained in the resolution of the General Meeting no. 8/2004.

5. Section 13.7. of the Bylaws will be replaced by the following provision

"13.7. The shareholders will be informed through an announcement specified in section 13.8. of the order of payment of the dividends."

(The current wording of section 13.7. is as follows: "The shareholders will be informed through an announcement regarding the date on which payment of dividends will commence, as well as on the locations of payment and on the order of payment of the dividends, 30 days before the date of commencement of payment.")

Explanation: This section must be modified due to a stipulation of the relevant Regulations of the Budapest Stock Exchange.

6. Section 13.8. of the Bylaws shall be replaced by the following provision:

"13.8. The Company shall take into account the dividend to be paid on shares that qualify as own shares and consider it as a share to be paid to shareholders who are entitled to receive dividends in proportion to the ratio of shares held by them (i.e. the Company shall distribute it among shareholders who are entitled to receive dividends). At least 10 working days must pass between the publication of the announcement containing the dividend per share which has been adjusted by the dividend paid on the shares that qualify as own shares and which is based on the resolution concerning the amount of the dividend and the starting day of dividend payment on the one hand, and the first day of dividend payment on the other. Between the date of the announcement's publication and the first day of dividend payment the Company shall ensure that the portfolio of its own shares does not change."

(The current wording of section 13.8. is the following: "According to the dividend policy of the company as approved and made public by the Company's Board of Directors, the dividend to be set based on the results of the Company each year shall be corrected by the dividend which is related to the number of shares to be considered own shares as established based on the ownership registry on the first day of the dividend payment after the results of FY 2003 to be paid in 2004. The Board of Directors of the Company shall propose to the General Meeting payment of such increased dividend which includes the dividend on those shares to be considered own shares.")

Explanation: The currently effective wording of section 13.8. was accepted by the General Meeting in 2004. The purpose of the provision was to ensure that the dividend per share can be calculated in advance. However, in practice the system does not operate well and does not serve its intended purpose because the number of own shares can only be known prior to dividend payment, and therefore the actual amount of dividend per share cannot be determined at the General Meeting.

This section will be replaced by a new provision of the relevant Regulations of the Budapest Stock Exchange according to which shareholders must be notified, at least 10 days before payment commences, of the dividend adjusted by the dividend to be paid on shares that are considered own shares, and in the period between this notification and the starting day of payment the portfolio of own shares may not change.

7. The following shall be added to section § 16. of the Bylaws

"Starting from January 1, 2007, the Company shall publish its announcements on its own website and on the website of the Budapest Stock Exchange."

Explanation: The Capital Market Act allows the publication of issuers' announcements in the above manner starting from January 1, 2007, which permits the Bank to provide information quickly and cost-efficiently.

Motion of the General Meeting:

"The General Meeting accepts the amendment of the Company's Bylaws pursuant to the proposal and in keeping with the annex of the general meeting's minutes with the proviso that the proposed amendment no. 4. shall go into effect if the act on transforming the concept of preferred voting shares goes into effect."

AUTHORIZATION OF THE BOARD OF DIRECTORS TO THE ACQUISITION OF OWN SHARES

AUTHORIZATION OF THE BOARD OF DIRECTORS TO THE ACQUISITION OF OWN SHARES

Pursuant to the Companies Act the authorization of the Board of Directors to the acquisition of own shares pertains to the exclusive authority of the General Meeting.

The creation of supply necessary for the administration of the option and bonus share programs operating at the OTP Bank Ltd. and the prevention of price fluctuations of the shares require that the General Meeting authorize the Board of Directors to the acquisition of own shares.

Proposal for resolutions

The General Meeting authorize the Board of Directors in order to create the necessary supply for the administration of the option and bonus share programs operating at the OTP Bank Ltd. and to prevent the price fluctuations of the shares to purchase up to 28,000,000 shares issued by OTP Bank on the Budapest Stock Exchange. The purchase price of the shares at each transaction shall not be lower than the face value of the share and not be higher than 150% of the highest price registered on the BSE on the day before the transaction. The Board of Directors is entitled to the acquisition of own shares until April 30, 2007.