OTP Mortgage Bank Ltd.

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

FOR THE YEAR ENDED
DECEMBER 31, 2006

CONTENTS

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and *Board of Directors* of *OTP Mortgage Bank Ltd.*

We have audited the accompanying financial statements of OTP Mortgage Bank Ltd., which comprise the balance sheet as at December 31, 2006, and the related statement of operations, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of OTP Mortgage Bank Ltd. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Budapest, March 30, 2007

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Jack Bell
Deloitte
Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/c
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OTP MORTGAGE BANK LTD.
BALANCE SHEET AS AT DECEMBER 31, 2006
(in HUF thousands)

	Note	2006	2005
Cash, due from banks and balances with the National Bank of Hungary	3	59,130	64,553,849
Placements with other banks	4	35,945,021	2,611,206
Financial assets at fair value through statement of operations	5	30,980	-
Securities available-for-sale	6	107,805,341	26,495,141
Loans, net of allowance for loan losses	7	907,763,711	849,049,698
Accrued interest receivable		15,680,234	3,812,900
Premises, equipment and intangible assets, net	8	354,304	322,113
Other assets	9	7,207,169	9,227,088
TOTAL ASSETS		**1,074,845,890**	**956,071,995**
Related party financing and other bank financing	10	1,653,384	42,395,632
Issued securities	11	987,871,189	812,699,920
Accrued interest payable		41,365,730	34,193,743
Other liabilities	12	4,682,006	29,838,458
TOTAL LIABILITIES		**1,035,572,309**	**919,127,753**
Share capital	13	20,000,000	20,000,000
Retained earnings and reserves	14	19,273,581	16,944,242
TOTAL SHAREHOLDER'S EQUITY		**39,273,581**	**36,944,242**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**1,074,845,890**	**956,071,995**

Budapest, March 30, 2007

OTP JELZÁLOGBANK Zrt.
otp Jelzálogbank

Zsolt Oszlányi
Chief Executive Officer

vezérigazgató
1.

OTP MORTGAGE BANK LTD.
STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2006
(in HUF thousands)

	Note	2006	2005
Interest Income:			
Loans		38,624,155	36,515,803
Placements with other banks		7,667,700	1,725,596
Due from banks and balances with the National Bank of Hungary		453,384	200,311
Interest subsidy on housing loans financed by mortgage bonds		68,427,898	76,768,064
Securities available-for-sale		6,470,595	3,445,412
Total Interest Income		*121,643,732*	*118,655,186*
Interest Expense:			
Related party and other bank financing		7,512,721	406,721
Deposits from customers		35	-
Issued securities		71,128,408	70,753,765
Total Interest Expense		*78,641,164*	*71,160,486*
NET INTEREST INCOME		**43,002,568**	**47,494,700**
Release of provision/(Provision) for loan and placement losses	7	120,263	(182,064)
NET INTEREST INCOME AFTER PROVISION		**43,122,831**	**47,312,636**
Non-Interest Income:			
Government subsidy		-	1,178,438
Fees and commissions		2,687,400	-
Foreign exchange gains, net		110,637	-
Gains on securities trading, net		1,382,852	(137,111)
Other		49,273	73,587
Total Non-Interest Income		*4,230,162*	*1,114,914*
Non-Interest Expenses:			
Fees and commissions	16	34,105,806	38,390,625
Personnel expenses		954,333	682,964
Depreciation and amortization		114,862	125,339
Other	17	2,146,752	2,429,147
Total Non-Interest Expenses		*37,321,753*	*41,628,075*
INCOME BEFORE INCOME TAXES		**10,031,240**	**6,799,475**
Income taxes	19	2,022,650	1,569,156
NET INCOME AFTER INCOME TAXES		**8,008,590**	**5,230,319**
Earnings per share (in HUF)			
Basic and diluted	20	**40,043**	**26,152**

OTP MORTGAGE BANK LTD.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
DECEMBER 31, 2006
(in HUF thousands)

	Note	2006	2005
OPERATING ACTIVITIES			
Income before income taxes		10,031,240	6,799,475
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Income tax paid		(1,528,990)	(1,604,776)
Depreciation and amortization		114,862	125,339
(Release of provision)/provision for loan and placement losses		(120,263)	182,064
Unrealised gains on fair value adjustment of derivative financial instruments		(569,645)	-
Changes in operating assets and liabilities:			
Net changes in financial assets through statements of operations		(61,960)	-
Net increase in accrued interest receivable		(11,865,751)	(90,614)
Net decrease in other assets before provisions for losses		1,735,488	5,997,902
Net increase in accrued interest payable		7,171,987	879,076
Net (decrease)/increase in other liabilities		(26,826,919)	13,067,961
Net cash (used)/provided by operating activities		**(21,919,951)**	**25,356,427**
INVESTING ACTIVITIES			
Net increase in placements with other banks, before provision for placement losses		(33,333,815)	(1,111,206)
Net (increase)/decrease in securities available-for-sale		(81,023,606)	32,973,737
Net increase in loans, before provision for loan losses		(58,593,750)	(78,986,335)
Net additions to premises, equipment and intangible assets		(147,053)	(183,567)
Net cash used in investing activities		**(173,098,224)**	**(47,307,371)**

OTP MORTGAGE BANK LTD.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
DECEMBER 31, 2006
(in HUF thousands) [continued]

	Note	2006	2005
FINANCING ACTIVITIES			
Net (decrease)/increase in related party financing		(40,742,248)	42,387,030
Cash received from issuance of securities		270,843,801	129,383,454
Cash used for repurchase and redemption of issued securities		(94,578,097)	(107,597,084)
Permanent money transfer to OTP Bank		(5,000,000)	-
Dividend paid		-	(7,000,000)
Net cash provided by financing activities		**130,523,456**	**57,173,400**
Net (decrease)/ increase in cash and cash equivalents		**(64,494,719)**	**35,222,456**
Cash and cash equivalents at the beginning of the year		64,553,849	29,331,393
Cash and cash equivalents at the end of the year		**59,130**	**64,553,849**
Analysis of cash and cash equivalents opening and closing balance			
Cash, due from banks and balances with the National Bank of Hungary		64,553,849	29,331,393
Cash and cash equivalents at the beginning of the year		**64,553,849**	**29,331,393**
Cash, due from banks and balances with the National Bank of Hungary		59,130	64,553,849
Cash and cash equivalents at the end of the year		**59,130**	**64,553,849**

OTP MORTGAGE BANK LTD.
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006
(in HUF thousands)

	Share Capital	Retained Earnings and Reserves	Fair value reserve	Total
Balance as at January 1, 2005	**20,000,000**	**20,364,835**	**(2,506,043)**	**37,858,792**
Dividend paid	-	(7,000,000)	-	(7,000,000)
Net income after income taxes	-	5,230,319	-	5,230,319
Fair value adjustment of securities available-for-sale	-	-	767,058	767,058
Fair value adjustment of financial instrument designated as cash-flow hedge	-	-	88,073	88,073
Balance as at December 31, 2005	**20,000,000**	**18,595,154**	**(1,650,912)**	**36,944,242**
Net income after income taxes	-	8,008,590	-	8,008,590
Fair value adjustment of securities available-for-sale	-	-	229,275	229,275
Fair value adjustment of financial instrument designated as cash-flow hedge	-	-	(904,880)	(904,880)
Permanent money transfer to OTP Bank*	-	(5,000,000)	-	(5,000,000)
Effect of tax rate modification (see Note 19)	-	-	(3,646)	(3,646)
Balance as at December 31, 2006	**20,000,000**	**21,603,744**	**(2,330,163)**	**39,273,581**

*There were HUF 5,000,000 thousands permanent money transfer provided to OTP Bank during 2006. These payments were not dividend, but do not meet the definition of expense under IFRS, therefore the transactions were considered to be payments to the shareholder and are recorded directly through retained earnings and reserves.

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

General

OTP Bank Plc. ("OTP Bank") established OTP Mortgage Bank Ltd. ("OTP Mortgage Bank" or the "Bank") as a fully owned subsidiary on May 15, 2001.

The State Financial Supervisory Authority issued an operating license on January 10, 2002, and the Bank commenced operations on February 1, 2002.

The Bank's registered office address is 21. Nádor u., Budapest 1051.

The Bank is a specialized financial institution with its main business being governed by Act XXX of 1997 on Mortgage Lending Institutions and Mortgage Bonds.

The Bank started the operations in foreign currency in 2004 by the issuance of EUR denominated medium term mortgage bonds. In 2005 the Bank started to extend its mortgage loan portfolio by CHF denominated assets. According to the above-mentioned law the foreign currency position is hedged by derivative instruments.

The Bank employs limited staff at its head office and relies on approximately 370 branches of OTP Bank engaged in the housing loan business. Under a syndication agreement between OTP Bank and OTP Mortgage Bank, OTP Bank, through its branch network, provides services for OTP Mortgage Bank concerning the administration of the mortgage loans, for which fees are paid by OTP Mortgage Bank. Credit scoring and lending are performed at the branches of OTP Bank according to the regulations of OTP Mortgage Bank. Loans are approved by OTP Mortgage Bank and OTP Bank acts for and on behalf of OTP Mortgage Bank during the conclusion of a loan agreement. The mortgage right, along with the restraint of transfer and encumbrance on property pledged to secure loans is entered in the property register for the benefit of OTP Mortgage Bank. On the basis of the total amount of collateral entered into the Bank's coverage register, mortgage bonds are issued.

As the sole shareholder, OTP Bank provides financial and adminstrative support to the Bank. Details of related party balances and transactions are summarised in Note 22 to these financial statements.

A significant proportion of mortgage loans are extended for periods for more than ten or fifteen years whereas mortgage bonds generally have a shorter maturity (1-10 years). One reason for this mismatch was that the interest subsidy (see Note 15 for details) on mortgage bonds was only for a period of up to five years. As a result of change in 2004, the interest subsidy regime now allows mortgage bond subsidies for up to twenty years. As a result the Bank is lengthening the average maturity of its outstanding mortgage bonds to reduce the liquidity gaps.

As at December 31, 2006 the number of employees at the Bank was 37. The average number of employees as at December 31, 2006 was 83.

On March 1, 2006 the real estate appraisal and coverage assessment activity of the OTP Group was integrated into the OTP Mortgage Bank by the takeover of a staff of 67 from OTP Real Estate Ltd.

This supplementary financial service is partly carried out by subcontractors and the Bank mainly provides the service to other members of the OTP Group. The main purpose of the integration is to create a good foundation to the redesign of appraisal and coverage value assessment processes on order to increase efficiency and reduce credit risk.

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

1.2. Accounting

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

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

The accounting policies followed by the Bank in the preparation of these financial statements conform with International Financial Reporting Standards (IFRS). Some of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. Certain adjustments have been made to OTP Mortgage Bank's Hungarian statutory accounts (see Note 25), in order to present the financial position and results of operations of OTP Mortgage Bank in accordance with all standards and interpretations approved by the International Accounting Standards Board (IASB), which are referred to as International Financial Reporting Standards. These standards and interpretations were previously called International Accounting Standards (IAS).

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

1.2.1. The effect of adopting revised International Financial Reporting Standards effective from January 1, 2006 on the 2006 financial statements

Effective from January 1, 2005 the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2006, especially:

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

The adoption of the above amendments had no significant impact on the 2006 financial statements.

Revisions to a number of other IAS also took effect in the financial statements of the Bank, but those revisions concerned matters of detailed application which have no significant effect on amounts reported.

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

1.2.2. Changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2007

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

- IFRS 7 'Financial Instruments: Disclosures' (effective 1 January 2007);
- the introduction of new disclosures regarding capital in IAS 1 (effective 1 January 2007);
- new interpretations (IFRIC 7, 8, 9, and 10)

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

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

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

2.2. Foreign currency translation

Transactions denominated in foreign currencies are converted at the valid rate of exchange as determined by the National Bank of Hungary ("NBH") on the value date of the transaction.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.3. Securities and other financial assets

The Bank classifies its securities into the following categories: held for trading, held-to-maturity and available-for-sale. Securities that are acquired principally for the purpose of generating profit from short-term fluctuations in price are classified as held for trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

The Bank had no securities classified as held for trading or held to maturity as at December 31, 2006 and 2005.

2.3.1. Securities available-for-sale

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

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

2.3.2. Derivative financial instruments

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

2.4. Loans and allowance for loan losses

Loans are stated at the principal amounts outstanding, net of allowance for loan losses. Interest is accrued and credited to income based on the principal amounts outstanding. When a borrower is unable to meet payments as they come due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they come due, all unpaid interest is reversed. After approval by OTP Mortgage Bank the loans are disbursed by the parent company, OTP Bank Plc., under a syndication agreement and are subsequently acquired at principle plus interest and charges by OTP Mortgage Bank.

The Bank records minimal allowance for possible loan losses as under the syndication agreement between the Bank and OTP Bank, guarantee fees are paid and non-performing loans are sold back to OTP Bank at face value within a 90-day period. The guarantee fees are calculated on a monthly based on the amount of the loan portfolio and are recognised as an expense when due.

2.5. Issued securities

Issued mortgage bonds are measured at amortized cost. The costs related to their issuance is included in the amortized cost of the issued securities and amortized over the term of the securities. Mortgage bonds are issued based on the total amount of property pledged as collateral to the Bank and recorded in the Bank's collateral register.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Premises, equipment and intangible assets

Premises, equipment and intangible assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Buildings	6%
Machinery and equipment	14.5-33%
Vehicles	20%
Software	33%
Property rights	33%

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

At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss.

2.7. Interest Income and Interest Expense

Interest income and expense are recognised in the Statement of Operations on an accrual basis. Revenue is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.8. Income taxes

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

2.9. Government subsidies

The Bank receives subsidies from the Hungarian government designed to compensate for the difference between the amount of interest charged to the customer, such interest being capped by legislation, and the interest charge on the issued mortgage bonds. Such subsidies are calculated on a monthly basis, are applicable over the life of the loan and are recognised among interest income in the Statement of Operations in the period in which they are due.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Statement of cash flows

For the purposes of reporting cash flows, cash and cash equivalents include cash, due from banks and balances with the NBH.
Cash flows from hedging activities are classified in the same category as the item being hedged.

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

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

(a) Impairment of Loans and Advances

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

(b) Valuation of Instruments without Direct Quotations

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

2.12. Segment reporting

The Bank's main operation is mortgage lending to retail customers in Hungary, and the related value-appraisal services. The management believes that the Bank operates in a single business and geographical segment.

2.13. Comparative figures

Certain amounts in the 2005 financial statements have been reclassified to conform with the current year presentation.

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

	2006	2005
Cash on hand	-	-
Due from banks		
Within one year	59,130	64,553,849
Total	59,130	64,553,849

The above balance of cash due from banks consists of HUF 7.2 million and 2.2 million due from OTP Bank as at December 31, 2006 and 2005, respectively.

The balance also includes term deposits with maturities within 2-weeks placed with the National Bank of Hungary of HUF 64,400 million as at December 31, 2005. There are no such deposits placed with the National Bank of Hungary as at December 31, 2006.

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 1,036 million and 2,745 million as at December 31, 2006 and 2005, respectively. The Bank fulfilled the compulsory reserve requirement on an average monthly basis, which do not require to hold the compulsory reserve at each day of the period.

NOTE 4: PLACEMENTS WITH OTHER BANKS (in HUF thousands)

	2006	2005
Within one year	35,945,021	2,611,206

The balance as at December 31, 2006 mainly consists of a placement denominated in CHF (HUF 33,646,568 thousand) with OTP Bank. The remaining balance consist of placements with other foreign banks denominated in EUR (HUF 2,298,453 thousand). The data as at December 31, 2005 and the HUF 2,298,453 thousand as at December 31, 2006, reflects the balance of the margin account connected to the long term cross currency interest rate swap, denominated in EUR.

Interest rates on placements with other banks in foreign currency ranged from 1.99% to 3.60% as at December 31, 2006.

NOTE 5: FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENTS OF OPERATIONS (in HUF thousands)

	2006	2005
Derivative financial instruments designated as held for trading	30,980	-

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

	2006	2005
Hungarian Government discounted Treasury Bills	40,518,115	-
Hungarian Government bonds	67,287,226	26,495,141
Total	107,805,341	26,495,141

The whole securities portfolio was denominated in HUF as at December 31, 2006 and 2005. Interest rates on securities ranged from 6.25% to 9.5% as at December 31, 2006 and 2005.

The government securities serve as additional collateral of the issued mortgage bonds at a maximum of 20% of the total collateral.

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

	2006	2005
Within five years:		
Fixed interest	106,071,922	24,543,937
Over five years:		
Fixed interest	1,733,419	1,951,204
Total	107,805,341	26,495,141

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

The valuation of the securities available-for-sale were as follows as at December 31, 2006:

	2006	
	Cost	Fair value
Hungarian Government discounted Treasury Bills	40,556,950	40,518,115
Hungarian Government bonds	67,444,863	67,287,226
Total	108,001,813	107,805,341

The valuation of the securities available-for-sale were as follows as at December 31, 2005:

	2005	
	Cost	Fair value
Hungarian Government bonds	26,978,205	26,495,141

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

	2006	2005
Short-term loans (within one year in HUF)	55,271,263	54,297,342
Short-term loans (within one year in CHF and EUR)	-	1,363,120
Subtotal	55,271,263	55,660,462
Long-term loans (over one year in HUF)	714,063,663	737,868,628
Long-term loans (over one year in CHF and EUR)	138,510,513	55,722,745
Subtotal	852,574,176	793,591,373
Provision for HUF loan losses	(81,728)	(189,674)
Provision for CHF and EUR loan losses	-	(12,463)
Total	907,763,711	849,049,698

A significant part of the loans above are mortgage loans for housing. Such mortgage loans have collateral notified in the public property register in favour of OTP Mortgage Bank. Such loans and their collateral are included in the Bank's register and mortgage bonds can be issued up to this registered amount. The remaining part of the loans consist of loans given to individual entrepreneurs that work in the agroindustry.

Loans denominated in HUF with maturity over one year as at December 31, 2006 and 2005 bear interest rates in the range from 8.35% to 19.11% and from 9.68% to 18%, respectively, including the impact of interest subsidy by the state. The interest rate, account handling fee and interest subsidy on loans are also included in this figures.

Interest on foreign currency loans for housing purposes was 5.99% for loans denominated in CHF and 7.24% for loans denominated in EUR as at December 31, 2006. Interest on free purpose loans denominated in foreign currency was 8.5% and 8% for loans denomitnated in CHF and EUR as at December 31, 2006. As at December 31, 2005 the interest rate of foreign exchange denominated housing loans with maturity over one year was actually 5.49 %. Loans for free purpose had a higher rate of 6.50 % as at December 31, 2005.
Interest on loans denominated in foreign currency is not subsidized by the Hungarian Government.

At the beginning of 2006, the Bank started to provide mortgage loans for aquiring land with the purpose of agricultural production. Interest subsidy on the loans is given by the government directly to the borrowers if special conditions are met. Borrowers can only be individual entrepreneurs and farmers. These loans bear at a market level interest rate. The average interest rate on such loans was 15.81% as at December 31, 2006.

OTP Mortgage Bank Ltd. Only gives loans with a maturity over one year.

NOTE 8: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (in HUF thousands)

As at December 31, 2006

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2006	317,342	17,087	221,536	105	556,070
Additions	132,372	-	43,693	57,661	233,726
Disposals	(588)	-	(50,262)	(44,739)	(95,589)
Balance as at December 31, 2006	449,126	17,087	214,967	13,027	694,207
Depreciation and Amortization					
Balance as at January 1, 2006	135,448	5,774	92,735	-	233,957
Additions	89,539	3,012	47,479	-	140,030
Disposals	(865)	-	(33,219)	-	(34,084)
Balance as at December 31, 2006	224,122	8,786	106,995	-	339,903
Net book value					
Balance as at January 1, 2006	181,894	11,313	128,801	105	322,113
Balance as at December 31, 2006	225,004	8,301	107,972	13,027	354,304

As at December 31, 2005

Cost	Intangible assets	Land and buildings	Machinery and equipment	Construction in progress	Total
Balance as at January 1, 2005	180,829	17,087	171,900	3,414	373,230
Additions	136,513	-	52,076	88,097	276,686
Disposals	-	-	(2,440)	(91,406)	(93,846)
Balance as at December 31, 2005	317,342	17,087	221,536	105	556,070
Depreciation and Amortization					
Balance as at January 1, 2005	56,472	2,747	50,126	-	109,345
Additions	78,976	3,027	43,340	-	125,343
Disposals	-	-	(731)	-	(731)
Balance as at December 31, 2005	135,448	5,774	92,735	-	233,957
Net book value					
Balance as at January 1, 2005	124,357	14,340	121,774	3,414	263,885
Balance as at December 31, 2005	181,894	11,313	128,801	105	322,113

NOTE 9: OTHER ASSETS (in HUF thousands)

	2006	2005
Customer receivables, given loans	126,153	4,671
Taxes recoverable	214,784	830,401
Deferred tax assets	38,576	-
Receivables from the state	179,644	6,438,692
Prepayments	57,833	561,462
Receivables from OTP Bank	512,191	185,862
Fair value adjustment of derivatives designated as fair value hedge	6,077,988	1,206,000
Total	7,207,169	9,227,088

Receivables from the state represent receivables from government subsidies on housing mortgage loans.

NOTE 10: RELATED PARTY FINANCING (in HUF thousands)

	2006	2005
Within one year	1,653,384	42,395,632

The balance as at December 31, 2006 and 2005, consists of HUF 1,653,384 thousands and HUF 9,525 thousands payables due to OTP Bank. The balance as at December 31, 2005 mainly reflects temporary interbank deposits denominated in EUR due to OTP Bank. The amount of such deposits was HUF 42,386,106 as at December 31, 2005.

Due to banks and deposits from other banks payable in HUF within one year as at December 31, 2005 bear interest rates in the range from 6.14% to 9.79%. The interes rates on deposits denominated in foreign currency were from 2.48 % to 2.54% as at December 31, 2005.

NOTE 11: ISSUED SECURITIES (in HUF thousands)

During the year ended December 31, 2006, the Bank issued mortgage bonds with a face value of HUF 271,450 million, and re-purchased and redeemed mortgage bonds for HUF 93,005 million. During the year ended December 31, 2005, the Bank issued mortgage bonds with a face value of HUF 123,200 million, and re-purchased and redeemed mortgage bonds for HUF 107,597 million.

NOTE 11: ISSUED SECURITIES (in HUF thousands) [continued]

	2006	2005
With original maturity:		
Within one year in HUF	24,074,817	54,906,600
Within one year in EUR	1,681,088	-
Subtotal	25,755,905	54,906,600
Over one year in HUF	724,918,393	707,247,320
Over one year in EUR	237,196,891	50,546,000
Subtotal	962,115,284	757,793,320
Total	987,871,189	812,699,920

Liabilities from issued securities denominated in HUF bear interest rates in the range from 5.5% to 12% and from 8% to 12.5% as at December 31, 2006 and 2005, respectively.

Liabilities from issued securities denominated in EUR bear interest rates in the range from 3.5% to 4.25% and at 4% as at December 31, 2006 and 2005, respectively.

The Bank issued a fixed rate interest bearing mortgage bond denominated in EUR on December 15, 2004, with EUR 200 million face value. The foreign exchange risk of cash-flows to interest payment of the mortgage bond was hedged by a fixed interest rate cross-currency swap transaction, whereby the Bank swapped EUR interest payments to fixed HUF interest payments. Under the rules of interest subsidies, any subsidy can only be claimed on the basis of foreign exchange mortgage bonds swapped to domestic currency.

The Bank issued fixed rate interest bearing mortgage bonds denominated in EUR in 2006 with the face value of EUR 757 million. EUR 750 million of this amount was hedged by a fixed interest rate cross-currency swap transaction whereby the Bank swapped EUR interest payments to floating CHF interest payments, linked to 3 months CHF LIBOR.

A reconciliation of the face value and the amortized cost is as follows:

	2006	2005
Face value of the issued securities	984,604,571	806,408,433
Unamortized premiums	3,266,618	6,291,487
Amortized cost	987,871,189	812,699,920

OTP Mortgage Bank can issue mortgage bonds up to the total amount of collateral in the form of property notified in the public property register in favour of OTP Mortgage Bank. A coverage register of the mortgage property constituting the ultimate coverage for the mortgage bonds and the value of the collateral is recorded. An independent coverage supervisor is appointed for monitoring and certifying the existence and valuation of eligible collateral and the registration of such collateral in the coverage register.

NOTE 12: OTHER LIABILITIES (in HUF thousands)

	2006	2005
Current taxes payable	165,241	161,932
Deferred tax liability	-	14,586
Accounts payable due to OTP Bank	20,868	25,775,482
Trade payables	106,813	18,139
Salaries and social security payable	57,453	136,893
Accrued fees payable to OTP Bank	-	1,605,389
Accrued fees	436,534	617,517
Fair value adjustment of derivative financial instruments	3,203,054	1,508,520
Liabilities to customers	676,634	-
Other	15,409	-
Total	4,682,006	29,838,458

The Bank had HUF 169,263 thousands and HUF 27,380,871 thousands of other liabilities to OTP Bank as at December 31, 2006 and 2005, respectively, in connection with guarantee fees for repurchase of non-performing loans, soft collection fees and loan administration charges.

NOTE 13: SHARE CAPITAL (in HUF thousands)

All shares are ordinary shares with a nominal value of HUF 100 thousand and are fully paid.

	2006	2005
Share capital (in HUF thousand)	20,000,000	20,000,000

NOTE 14: RETAINED EARNINGS AND RESERVES (in HUF thousands)

	2006	2005
Balance as at January 1	16,944,242	17,858,792
Dividend paid	-	(7,000,000)
Permanent money transfer to OTP Bank	(5,000,000)	-
Net income after income taxes	8,008,590	5,230,319
Deferred tax effect of tax rate change	(3,646)	-
Fair value adjustment of securities available-for-sale	229,275	767,058
Fair value adjustment of financial instrument designated as cash-flow hedge	(904,880)	88,073
Balance as at December 31	19,273,581	16,944,242

NOTE 14: RETAINED EARNINGS AND RESERVES (in HUF thousands) [continued]

The Bank's reserves under Hungarian Accounting Standards were HUF 15,633,581 thousands and HUF 16,992,857 thousands as at December 31, 2006 and 2005, respectively. These amounts include legal reserves amounting to HUF 2,663,358 thousands and HUF 2,399,286 thousands respectively. The legal reserve is not available for distribution.

Dividend of HUF 7,000,000 thousands was paid to OTP Bank in 2005.

There were HUF 5,000,000 thousands permanent money transfer provided to OTP Bank during 2006. These payments were not dividend, but do not meet the definition of expense under IFRS, therefore the transactions were considered to be payments to the shareholder and are recorded directly through retained earnings and reserves.

NOTE 15: INTEREST SUBSIDIES RELATED TO HOUSING LOANS

There are three government subsidy regimes currently in operation, which are effective over the life of the loan; (i) for loans granted before June 16, 2003; (ii) for loans granted between June 16, 2003 and December 22, 2003; and (iii) for loans granted after December 22, 2003.

All subsidy systems have the following basic structure:

1. A maximum interest rate on loans for (i) the purchase of new property or (ii) the purchase, renovation and /or enlargement of existing properties.
2. A basic interest subsidy calculated based on a percentage of the Hungarian Government Securities Yield or a percentage of the covered mortgage bond coupon rate.
3. A supplementary interest subsidy for mortgage loans that have certain specific criteria.

In addition a one-off payment (regarding registration of collateral) of 0.5% on the outstanding capital amount of each loan acquired by OTP Mortgage Bank is received from the Hungarian State and payable to OTP Bank, once the collateral of the loan is registered at its collateral register. As this one-off payment is fully transferred to OTP Bank, it is presented net in these financial statements. The one-off payment was HUF 305,027 thousands and HUF 442,518 thousands for the years ended December 31, 2006 and 2005, respectively.

NOTE 16: FEES AND COMMISSIONS (in HUF thousands)

	2006	2005
Fees and commissions paid		
Guarantee and administrative fees paid to OTP Bank	21,209,078	27,592,950
Collection fees paid to OTP Bank	11,488,250	10,315,481
Other	1,408,478	482,194
Total expense	34,105,806	38,390,625

NOTE 16: FEES AND COMMISSIONS (in HUF thousands) [continued]

Guarantee fees are calculated on the basis of the loan portfolio held at the beginning of each month and are payable to OTP Bank in exchange for a commitment from OTP Bank related to the qualified or recalled debt repurchasing and costs-compensation in relation to the collection of the qualified loans which have been disbursed with governmental guarantee.

Collection fee is payable for the soft collection activities done by OTP Bank before the buy back procedure.

Account handling fees are charged to the customers in relation to front and back office services related to their loan accounts. These activities are carried out by the OTP Bank and are billed as intermediated service to the customers in the same amount as charged by OTP Bank, therefore revenues and expenditures related to account handling fees are presented net in these financial statements. Such account handling fees were HUF 17,491,109 thousands and HUF 13,792,400 thousands for the years ended December 31, 2006 and 2005, respectively.

The other fees mainly consist of the cost of services in connection with mortgage bond issues, which are not directly attributable to separate issuance.

NOTE 17: OTHER EXPENSES (in HUF thousands)

	2006	2005
Material type expenses	36,534	21,923
Administration expenses	43,008	34,802
Rental fees	66,008	60,635
Advertising	348	34,878
Taxes, other than income tax	1,110,996	1,156,002
Services	553,197	492,014
Professional fees	300,067	256,288
Other	36,594	372,605
Total	**2,146,752**	**2,429,147**

NOTE 18: COMPENSATION OF KEY MANAGEMENT PERSONNEL (in HUF thousands)

	2006	2005
Key executives (Managing Director and Deputies)	90,395	122,268
Members of Board of Directors and Supervisory Board	4,290	21,838
Total	**94,685**	**144,106**

The remunerations of key management personnel includes only short-term benefits.

NOTE 19: INCOME TAXES (in HUF thousands)

The Bank is presently liable for income tax at a rate of 16% of taxable income. In 2005 and 2006 an additional special banking tax was also payable by financial institutions according to a Hungarian Government decree. This special banking tax represented 8% of the taxable net income and recorded as a current income tax charge. From the year 2006 the special banking tax of 8% was abolished and from 1 September, 2006 a new type of tax was introduced and payable by affiliated companies. This tax represents 4% of the taxable net income.

A reconciliation of the total income tax charge for the years ended December 31, 2006 and 2005 is as follows:

	2006	2005
Current tax charge	1,380,325	1,069,851
Solidarity tax (4%)	123,206	-
Special banking tax (8%)	407,025	534,925
Deferred tax charge / (credit)	112,094	(35,620)
Total income tax charge	2,022,650	1,569,156

A reconciliation of the deferred tax assets/(liabilities) as at December 31, 2006 and 2005 are as follows:

	2006	2005
Balance as at January 1	(14,586)	95,735
Recognised in retained earnings and reserves	168,902	(145,941)
Effect of tax rate modification	(3,646)	-
Deferred tax (charge)/credit	(112,094)	35,620
Balance as at December 31	38,576	(14,586)

Reconciliation of deferred tax as at December 31, 2006 and 2005 are as follows:

	2006	2005
Fair value adjustment of available-for-sale financial assets	6,223	37,026
Fair value adjustment of derivative financial instruments designated as cash-flow hedge	416,431	225,648
Fair value adjustment of other derivative financial instruments	-	3,432
Deferred tax assets	422,654	266,106
Amortized cost of issued securities	(342,939)	(274,894)
Fixed assets	(23,350)	(5,798)
Fair value adjustment of other derivative financial instruments	(17,789)	-
Deferred tax liabilities	**(384,078)**	**(280,692)**
Net deferred tax assets/(liabilities)	**38,576**	**(14,586)**

NOTE 19: INCOME TAXES (in HUF thousands) [continued]

Reconciliation of the effective tax rate as at December 31, 2006 and 2005 are as follows:

	2006	2005
Net income before income taxes	10,031,240	6,799,475
Tax with statutory income tax rate (16%)	804,998	1,087,916
Solidarity tax (4%)	123,206	-
Special banking tax (8%)	407,025	534,925
Permanent differences due to local tax	(154,370)	(82,197)
Permanent differences due to permanent money transfer to OTP Bank	800,000	-
Other permanent differences	41,791	28,512
Income tax	2,022,650	1,569,156
Effective tax-rate	20.16%	23.08%

NOTE 20: EARNINGS PER SHARE (in HUF thousands)

Earnings per share attributable to ordinary shares are determined based on dividing income after income taxes for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The Bank has no preference shares and no options or other rights related to shares.

	2006	2005
Net income after taxes	8,008,590	5,230,319
Weighted average number of ordinary shares outstanding during the year for calculating basic EPS (piece)	200,000	200,000
Earnings per share (in HUF)	40,043	26,152

NOTE 21: FINANCIAL INSTRUMENTS

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

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

Credit risk

The Bank takes on exposure to credit risk, which is the risk that the counter-party will be unable to pay amounts in full when due. The risk of the mortgage lending activity is controlled and the safety is enhanced by the legal environment, which provides that loans can only be extended against specific collateral of real property and with certain legal assurances. OTP Bank has a commitment to repurchase substandard loans at book value. In the treasury activity the Bank structures the levels of credit risk it undertakes by placing limits to each counter-party. Actual exposures against limits are monitored daily.

Market risk

Market risks arise from positions taken in securities and other instruments. The Bank takes no significant exposure to market risks. Market risk generally monitored and controlled by the Asset and Liability Management function.

Liquidity risk

A significant proportion of mortgage loans are extended for periods of more than ten or fifteen years whereas mortgage bonds generally have a shorter maturity. One reason for this mismatch was that the interest subsidy on mortgage bonds was only for a period of up to five years. A change in the interest subsidy regime now allows mortgage bond subsidies for up to twenty years. As a result the Bank is lengthening the average maturity of its outstanding mortgage bonds to reduce the liquidity gaps.

The Bank purchases disbursed loans under purchase agreements from OTP Bank on a weekly basis, which is followed by the issuance of covered mortgage bonds after the approval procedure. As a result, the source of funds used to finance the purchase of mortgage loans held in the Bank's portfolio includes the income from selling covered mortgage bonds. The funds raised through the sale of mortgage bonds are complemented by borrowings from banks (currently OTP Bank) in addition to the use of the cash which represents share capital.

See Note 24. Maturity analysis of assets and liabilities and liquidity risk also.

NOTE 21: FINANCIAL INSTRUMENTS [continued]

Interest rate risk

Interest rate risk is regularly monitored so as to limit any possible impact on the Bank's results. Fixed rate mortgage loans are predominantly financed through fixed rate mortgage bonds and floating rate mortgage loans are predominantly financed through floating rate or short maturity mortgage bonds. As a result, in the overall portfolio, the structure of interest rates on liabilities almost completely matches the structure of interest rates on assets. Thus, the Bank tries to balance the diverse structure of asset and liability re-pricing periods. The use of floating rate short term funding is kept to a minimum. The Bank can be exposed to interest rate risk as a result of a mismatch in the interest rate basis that may exist between assets (deposits, securities, and loans) and liabilities (primarily mortgage bonds). In these instances, the Bank applies derivatives as hedging instruments.

See Note 23. Interest rate risk management also.

Foreign currency risk

The Bank monitors its foreign currency position for compliance with the regulatory requirements of the NBH and own limit system established in respect of limits on open positions. Foreign exchange risk arises by the difference of the mortgage lending denominated in foreign currency and the issuance of mortgage bonds denominated in foreign exchange. The foreign currency risk taken by the Bank is decreased by using foreign exchange swap transactions.

Derivative financial instruments

The Bank entered into certain swap and forward contracts, which providing effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Statement of Operations.

Designated hedge relationships:

(i) EUR 200 million bond issuance

The Bank issued a fixed rate interest bearing mortgage bond denominated in EUR on December 15, 2004, with EUR 200 million face value. The foreign exchange risk of cash-flows from interest payment of the mortgage bond was hedged by a fixed interest rate cross-currency swap transaction, whereby the Bank swapped EUR interest and notional payments to fixed HUF interest and notional payments. Accordingly the interest payment part of the hedging instrument was designated as a cash-flow hedge.

NOTE 21: FINANCIAL INSTRUMENTS [continued]

Designated hedge relationships [continued]

(i) EUR 200 million bond issuance [continued]

The liability arisen from the mortgage bond issuance denominated in EUR was revalued to the current foreign exchange rate in accordance with IAS 21 (Revised): The Effects of Changes in Foreign Exchange Rates. The part of the hedging instrument which is related to the notional of the mortgage bond was designated as a fair value hedge in respect of foreign exchange risk.
The fair value of the hedging instrument was HUF 2,717,992 thousands and HUF 763,070 thousands liabilities as at December 31, 2006 and 2005, respectively.
The fair value of the hedging instrument designated as cash-flow hedge was HUF 1,152,554 thousands and HUF 1,499,248 thousands liabilities as at December 31, 2006 and 2005, respectively, which were recognized directly in the retained earnings and reserves.

(ii) EUR 750 million bond issuance

The Bank issued fixed rate interest bearing mortgage bond denominated in EUR on July 10, 2006 with the face value of EUR 750 million. The foreign exchange risk of cash-flows of this mortgage bond and the notional of CHF denominated loans were hedged by a fixed-floating interest rate cross-currency swap transaction whereby the Bank swapped EUR interest and notional payments to floating interest and notional payments denominated in CHF.
The notional and interest payments of the EUR denominated mortgage bond considered as the hedged item in the fair value hedge relationship, and the notional of the CHF denominated loans were also considered as a hedged item in the fair value hedge relationship. The fair value adjustment of the instrument which was not attributable to the hedged risk was recognized in the Statement of Operations, which was HUF 568,589 thousands as at December 31, 2006.
The fair value adjustment of the hedging instrument was HUF 6,871,783 thousands as at December 31, 2006.

Off balance sheet items

The Bank's off-balance sheet assets and liabilities as at December 31, 2006 and 2005, with respect to financial instruments are as follows (in HUF thousands)

	2006	2005
Future liabilities from FX forward transactions	497,384	78,279
Future portion of swap transactions	304,840,123	108,977,228
Contingent and future liabilities	305,337,507	109,055,507
Future receivables from FX forward transactions	483,220	78,346
Future portion of swap transactions	310,659,908	110,987,580
Contingent and future receivables	311,143,128	111,065,926
Total off-balance sheet asset, net	**5,805,621**	**2,010,419**

NOTE 21: FINANCIAL INSTRUMENTS [continued]

Derivatives (nominal amount, unless otherwise stated, in HUF million)

	2006	2005
Foreign currency contracts designated as held for trading		
Assets	483	78
Liabilities	498	78
Net	(15)	-
Net fair value	(33)	-
Foreign exchange swaps and interest rate swaps designated as held for trading		
Assets	14,595	60,012
Liabilities	14,570	59,637
Net	25	375
Net fair value	48	536
Cross-currency interest rate swaps designated in hedge accounting relationships		
Assets	239,685	50,546
Liabilities	233,607	49,340
Net	6,078	1,206
Net fair value	2,901	763

Net foreign currency position (in HUF thousands)

As at December 31, 2006

	CHF	EUR	USD	Total
Assets	170,759,198	9,291,311	-	180,050,509
Liabilities	(1,547,147)	(246,624,557)	(2,035)	(248,173,739)
Off-balance sheet assets and liabilities, net	(169,915,677)	237,254,531	-	67,338,854
Net position	**(703,626)**	**(78,715)**	**(2,035)**	**(784,376)**

As at December 31, 2005

	CHF	EUR	USD	Total
Assets	57,197,055	3,181,966	-	60,379,021
Liabilities	(89,631)	(93,638,415)	-	(93,728,046)
Off-balance sheet assets and liabilities, net	(57,071,007)	90,397,391	-	33,326,384
Net position	**36,416**	**(59,058)**	**-**	**(22,642)**

NOTE 22: RELATED PARTY TRANSACTIONS (in HUF thousands)

The Bank under a syndication agreement with OTP Bank disbursed housing loans of HUF 157,617 million and HUF 146,272 million during the years ended December 31, 2006 and 2005, respectively.

Assets/Liabilities

The Bank had the following assets and liabilities due from, or due to the OTP Group:

Assets	**2006**	**2005**
Cash, due from banks and balances with the National Bank of Hungary	7,220	2,152
Placements with other banks	33,646,568	-

Liabilities	**2006**	**2005**
Related party financing	1,653,384	42,386,106
Liabilities due to OTP Bank	169,263	27,380,871

As at December 31, 2006 and 2005 OTP Group companies owned HUF 519,274 million and HUF 546,891 million, respectively, from the mortgage bonds issued by the Bank.

Accrued interest payable related to OTP Group as at December 31, 2006 and 2005 was HUF 24,082 million and HUF 22,574 million, respectively.

The revenue from the value appraisal activity from OTP Group entities was HUF 1,674,489 thousands for the year ended December 31, 2006. There was no such revenue in 2005, because the Bank started its operation from March 1, 2006.

In the normal course of the business the Bank enters into other transactions with the entities within the OTP Group, the amounts and volumes of which are not significant to these financial statements taken as a whole.

The management, the members of the Board of Directors and the Supervisory Board and their close relatives have loans of HUF 156,4 million as at December 31, 2006. These loans were covered by HUF 406,7 million mortgage.

NOTE 22: RELATED PARTY TRANSACTIONS (in HUF thousands) [continued]

Income/expense

During the year ended December 31, 2006 and 2005 the Bank paid HUF 47,017 million and HUF 46,689 million of interest expense to OTP Bank, respectively. Such interest relates to intercompany financing and also issued securities.

During the year ended December 31, 2006 and 2005 the Bank paid HUF 32,728 million and HUF 38,391 million net fees and commissions to OTP Bank, respectively. Such fees and commissions are based on the syndication agreement between the Bank and OTP Bank.

The amount of one-off payments (regarding registration of collateral) of 0.5% on each loan acquired by OTP Mortgage Bank, received from the Hungarian State and transferred to OTP Bank was HUF 305,027 and HUF 442,518 as at December 31, 2006 and 2005, respectively.

The account handling fees charged to customers and transferred to OTP Bank were HUF 17,491,109 and HUF 13,792,400 for the years ended December 31, 2006 and 2005, respectively.

NOTE 23: INTEREST RATE RISK MANAGEMENT

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

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

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

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

NOTE 23: INTEREST RATE RISK MANAGEMENT (in HUF million) [continued]

As at December 31, 2006

ASSETS	within 1 month	within 3 months over 1 month	within 1 year over 3 months	within 2 years over 1 year	over 2 years	Non-interest bearing	Total
Cash due from banks and balances with the National Bank of Hungary	**59**	-	-	-	-	-	**59**
fixed interest	-	-	-	-	-	-	-
variable interest	59	-	-	-	-	-	59
Placements with other banks	**35,945**	-	-	-	-	-	**35,945**
fixed interest	35,945	-	-	-	-	-	35,945
variable interest	-	-	-	-	-	-	-
Securities available-for-sale	**28,985**	**11,532**	**863**	**44,777**	**21,648**	-	**107,805**
fixed interest	28,985	11,532	863	44,777	21,648	-	107,805
variable interest	-	-	-	-	-	-	-
Loans, net of allowance for loan losses	**314,669**	**3,256**	**105,787**	**271,622**	**212,430**	-	**907,764**
fixed interest	-	-	-	-	-	-	-
variable interest	314,669	3,256	105,787	271,622	212,430	-	907,764
Derivative assets	**15,049**	-	-	-	**239,685**		**254,734**
fixed interest	15,049	-	-	-	239,685		254,734
variable interest	-	-	-	-	-		-
LIABILITIES							
Related party financing	**1,653**	-	-	-	-	-	**1,653**
fixed interest	-	-	-	-	-	-	-
variable interest	-	-	-	-	-	-	-
non-interest-bearing	1,653	-	-	-	-	-	1,653
Liabilities from issued securities	**21,282**	**6,127**	**56,104**	**154,005**	**750,353**	-	**987,871**
fixed interest	-	6,127	19,601	154,005	750,353	-	930,086
variable interest	21,282	-	36,503	-	-	-	57,785
Derivative liabilities	**199,332**	-	-	-	**49,340**	-	**248,672**
fixed interest	15,065	-	-	-	49,340	-	64,405
variable interest	184,267	-	-	-	-	-	184,267
Net position	172,440	8,661	50,546	162,394	(325,930)	-	68,111

NOTE 23: INTEREST RATE RISK MANAGEMENT (in HUF million) [continued]

As at December 31, 2005

ASSETS	within 1 month	within 3 months over 1 month	within 1 year over 3 months	within 2 years over 1 year	over 2 years	Non-interest bearing	Total
Cash due from banks and balances with the National Bank of Hungary	**64,552**	-	-	-	-	**2**	**64,554**
fixed interest	64,400	-	-	-	-	-	64,400
variable interest	152	-	-	-	-	-	152
non-interest-bearing	-	-	-	-	-	2	2
Placements with other banks	**2,611**	-	-	-	-	-	**2,611**
fixed interest	-	-	-	-	-	-	-
variable interest	2,611	-	-	-	-	-	**2,611**
Securities available-for-sale	-	-	**5,623**	**863**	**20,010**	-	**26,496**
fixed interest	-	-	5,623	863	20,010	-	26,496
variable interest	-	-	-	-	-	-	-
Loans, net of allowance for possible loan losses	**4,238**	**9,261**	**41,769**	**57,229**	**736,362**	**191**	**849,050**
fixed interest	-	-	-	-	-	-	-
variable interest	4,238	9,261	41,769	57,229	736,362	-	848,859
non-interest-bearing	-	-	-	-	-	191	**191**
Derivative assets	**31,766**	**28,246**	-	-	**50,546**	-	**110,558**
fixed interest	31,766	28,246	-	-	50,546	-	110,558
variable interest	-	-	-	-	-	-	-
LIABILITIES	-	-	-	-	-	-	-
Related party financing	**29,383**	**13,013**	-	-	-	-	**42,396**
fixed interest	29,383	13,013	-	-	-	-	42,396
variable interest	-	-	-	-	-	-	-
Liabilities from issued securities	**6,597**	**30,607**	**75,547**	**14,950**	**678,708**	**6,292**	**812,701**
fixed interest	6,597	9,607	38,847	14,950	678,708	6,292	755,001
variable interest	-	21,000	36,700	-	-	-	57,700
Derivative liabilities	**31,630**	**28,007**	-	-	**49,340**	-	**108,977**
fixed interest	31,630	28,007	-	-	49,340	-	108,977
variable interest	-	-	-	-	-	-	-
Net position	35,557	(34,120)	(28,155)	43,142	78,870	(6,099)	89,195

NOTE 24: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF million)

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

As at December 31, 2006	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	59	-	-	-	59
Placements with other banks, net of allowance for placement losses	35,945	-	-	-	35,945
Financial assets at fair value through statement of operations	31	-	-	-	31
Securities available-for-sale	40,518	863	64,691	1,733	107,805
Loans, net of allowance for loan losses	13,749	41,522	216,947	635,546	907,764
Accrued interest receivable	15,278	402	-	-	15,680
Premises, equipment and intangible assets, net	-	-	328	26	354
Other assets	306	6,863	39	-	7,208
TOTAL ASSETS	**105,886**	**49,650**	**282,005**	**637,305**	**1,074,846**
Related party financing	1,653	-	-	-	1,653
Issued securities	6,162	19,594	607,582	354,533	987,871
Accrued interest payable	23,144	18,222	-	-	41,366
Other liabilities	1,446	58	526	2,652	4,682
TOTAL LIABILITIES	**32,405**	**37,874**	**608,108**	**357,185**	**1,035,572**
Share capital	-	-	-	20,000	20,000
Retained earnings and reserves	-	-	-	19,274	19,274
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**39,274**	**39,274**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32,405**	**37,874**	**608,108**	**396,459**	**1,074,846**
LIQUIDITY EXCESS/ (DEFICIENCY)	**73,481**	**11,776**	**(326,103)**	**240,846**	**-**

NOTE 24: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF million) [continued]

As at December 31, 2005	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	64,554	-	-	-	64,554
Placements with other banks, net of allowance for placement losses	-	-	-	2,611	2,611
Financial assets at fair value through statement of operations	-	-	-	-	-
Securities available-for-sale	-	5,623	18,921	1,951	26,495
Loans, net of allowance for loan losses	13,691	41,768	228,622	564,969	849,050
Accrued interest receivable	3,000	813	-	-	3,813
Premises, equipment and intangible assets, net	-	12	280	30	322
Other assets	7,355	666	-	1,206	9,227
TOTAL ASSETS	**88,600**	**48,882**	**247,823**	**570,767**	**956,072**
Related party financing	42,396	-	-	-	42,396
Issued securities	16,186	38,649	330,528	427,337	812,700
Accrued interest payable	15,444	18,750	-	-	34,194
Other liabilities	28,016	76	324	1,422	29,838
TOTAL LIABILITIES	**102,042**	**57,475**	**330,852**	**428,759**	**919,128**
Share capital	-	-	-	20,000	20,000
Retained earnings and reserves	-	-	-	16,944	16,944
TOTAL SHAREHOLDERS' EQUITY	**-**	**-**	**-**	**36,944**	**36,944**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**102,042**	**57,475**	**330,852**	**465,703**	**956,072**
LIQUIDITY (DEFICIENCY)/ EXCESS	**(13,442)**	**(8,593)**	**(83,029)**	**105,064**	**-**

NOTE 25: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IFRS (in HUF thousands)

	Retained Earnings and Reserves January 1, 2006	Net income for the year ended December 31, 2006	FVA of securities available-for-sale and derivative financial instruments	Dividend and permanent money transfer	Retained Earnings and Reserves December 31, 2006
Hungarian financial statements	**16,992,856**	**2,640,724**	**-**	**(4,000,000)**	**15,633,580**
Adjustments to Hungarian financial statements:					
Fair value adjustment of held for trading and available-for-sale financial assets	(231,418)	(86,289)	286,594	-	(31,113)
Deferred fees on issuance of securities	1,718,091	(3,396)	-	-	1,714,695
Fair value adjustment of derivative financial instruments	(1,520,702)	569,645	(1,131,100)	-	(2,082,157)
Deferred taxation	(14,585)	(112,094)	165,255	-	38,576
Permanent money transfer to OTP Bank	-	5,000,000	-	(5,000,000)	-
Dividend recognised as a liability for the year 2006	-	-	-	4,000,000	4,000,000
International financial statements	**16,944,242**	**8,008,590**	**(679,251)**	**(5,000,000)**	**19,273,581**

NOTE 26: POST BALANCE SHEET EVENTS

Security issuance

From December 31, 2006 to March 31, 2007 the Bank issued securities with face value of HUF 2,657,886 thousands.